



Devine
GROUP

TRANSITIONAL 2013 ANNUAL REPORT

Directors

P J Dransfield (Chairman)
D B Keir (Managing Director and CEO)
J S Downes
Hon. T M Mackenroth
G E McOrist
R W Parris
V A Vella
T G Young

Chief Financial Officer and Company Secretary

P V Cochrane

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

Contents	Page
Chairman's and Managing Director's Report	4
Directors' Report	6
Corporate Governance Statement	28
Financial Statements	
Consolidated Statement of Comprehensive Income	34
Consolidated Statement of Financial Position	35
Consolidated Statement of Changes in Equity	36
Consolidated Statement of Cash Flows	37
Notes to the Consolidated Financial Statements	38
Directors' Declaration	78
Independent Auditor's Report to the Members	79
Shareholder Information	81
Five Year Financial Summary	82

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 28 May 2014

CHAIRMAN'S AND MANAGING DIRECTOR'S REPORT

For the transitional financial year ended 31 December 2013

The period under review was a difficult one for the Company and we were forced to make a number of tough decisions. Our goal as managers and Directors remains to return the Company to sustainable profitability in both the short and long term. While the financial results for the period were disappointing, the Company has taken action to deliver a positive result in the current year. By reducing its cost base, clearing challenging and non-profitable stock, and selling assets that will not realise the desired outcome in an acceptable timeframe; we are confident that the Company is well positioned to benefit from improving market conditions.

As expected, after a prolonged period of challenging conditions, the market is starting to show signs of improvement. There are clear indications that the impact of interest rate cuts are beginning to stimulate increased market activity throughout Australia. Whilst first home buyer numbers remain at historical lows, investment purchasers and second home buyers are now active in many of the areas where Devine operates. Sales results for the last quarter of the year (October 2013 to December 2013) have shown improvement.

FINANCIAL RESULTS

The Company reported an underlying loss before tax of \$15 million for the six months to December 2013, compared to \$9.2 million profit for the 12 months to June 2013. Total revenue from operations of \$139.4 million was down from \$311.1 million in the 12 month period to June 2013. The net loss before tax for the period of \$85 million included impairment charges of \$70 million following a review of the asset carrying values of the Company's portfolio.

No dividend was declared.

We have undertaken a number of significant reforms and initiatives to address the operating loss and impairments:

- › A detailed review of operations was completed and the resultant restructure will generate overhead savings in 2014 and beyond;
- › A capital recycling plan was established, which identified a number of assets to be sold. Two of those assets are under contract and are expected to settle by June 2014, and formal sales campaigns have commenced for the remaining sale assets identified; and
- › A restructure of the Company's housing business has been completed with a centralised operating model now in place.

In addition the Company advised that:

- › ANZ, the Company's major banking partner, agreed not to test certain banking covenants for the December 2013 period; and
- › Leighton Holdings, the Company's major shareholder, provided a \$50 million partial guarantee of Devine's debt facility with ANZ.

The capital recycling plan that will see an acceleration of the trading volumes on a number of the Company's projects is crucial to facilitate investment in higher margin opportunities and return the Company to profitability. Impairments taken against these assets will enable a trading exit or englobo sale of these identified projects.

STRATEGY

The Company's current long-term growth strategy focuses on expanding its apartment development business; introducing innovative housing products; securing wholesale build contracts; selling developed residential lots as "land only" to builders, investors and future home owners; and diversifying the Devine Constructions business by securing selected build contracts for external clients.

New opportunities continue to be considered and will be progressed as the outcomes from the current capital recycling program conclude. One of our key priorities over the last period has been to ensure we have access to adequate capital reserves for growth.

DEVINE COMMUNITIES

The Company reported 406 land settlements nationally; down 16% on the same period last year.

While settlements decreased, sales activity at communities in Queensland, South Australia and parts of Victoria are increasing with improved market sentiment and strong sales in the established housing markets driving the recovery.

Strong performers for the period to December 2013 were a number of Devine's key masterplanned communities. In response to the increasing demand the Company is preparing to release new sales fronts in a number of its communities, particularly Orleana Waters which recently started work on three new stages which will deliver 100 new homesites.

DEVINE HOMES

Performance of the Company's housing business was significantly impacted by fewer starts and pressure on margins as the company sought to generate greater activity through discounting and incentives. Almost 250 homes commenced construction in the 6 month period; down 22% on the same period last year.

Our strategy to refine the housing range and introduce new products is gaining momentum, with over 40% of budgeted housing starts in CY14 secured as at December 2013.

In January 2014 the Company launched a new housing product targeted at price conscious home buyers in Victoria, South Australia and Queensland. The Cottage is a Victorian-style home that offers an affordable alternative to the traditional townhouse with two bedrooms plus a flexi room. Sales volumes and enquiries for The Cottage have been strong and reflect the high demand for entry-level homes.

Devine will also be launching a new home design in March specifically aimed at the needs of people with double incomes, no kids. The Evolution comes equipped with a separate guest space or home office with its own entrance to present an adaptive living solution to the home buyer market.

DEVINE APARTMENTS

Devine continued to achieve strong sales for the remaining stock at both Hamilton Harbour and DoubleOne 3 in Brisbane.

DoubleOne 3 has now sold 85% of its 111 apartments with first settlements scheduled to occur in mid 2014. And with 97% of its apartment stock now sold, we expect that Hamilton Harbour's current stock will be sold out prior to June; with a potential fourth apartment tower in the planning.

The Company's latest apartment project, Mode at Newstead, will be launched to the market in March 2014 and will feed into growing demand from the market, particularly investors for this type of inner-city product.

The Company has completed the sale of the Camelot development site in the Brisbane CBD and a site at Turrumurra in Sydney. It has also now exchanged contracts for the purchase of the previously announced 2.25 hectare site in Parramatta, which is expected to yield over 350 apartments.

DEVINE CONSTRUCTIONS

Construction on DoubleOne 3 has now topped out at the eighth level, after work commenced in March 2013. Building works remain on schedule and construction is expected to be completed by May 2014 to enable settlements to occur shortly after.

Devine Constructions have also now commenced works on two recently secured projects for external clients, the \$100 million Pointcorp Development's Vida at West End and Chrome Properties' Alex Perry project in Fortitude Valley.

There also exists a strong pipeline of construction opportunities that we hope to convert into tangible construction contracts in the near future.

REPORTING PERIOD

The Company has moved to a calendar year financial reporting period as required by the *Corporations Act 2001* (Sec 323D (3)).

This change to reporting period will require an Annual General Meeting to be held in May 2014. Details of this meeting will be provided in the Notice of Meeting to be issued in April 2014.

COMPANY OUTLOOK AND FOCUS

The Directors re-affirm the guidance provided in October 2013, that is to return the Company to profitability in 2014.

Market fundamentals and the quality of Devine's product and place offerings support an improved level of trading over the next 12 months.



Peter Dransfield
Chairman



David Keir
Managing Director &
Chief Executive Officer

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 6 month financial period ended 31 December 2013 (the December 2013 transitional financial year).

DIRECTORS

The following persons held office as Directors of Devine Limited during the transitional 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

R W Parris

V A Vella

T G Young

Chief Financial Officer

P V Cochrane

Company Secretary

P V Cochrane
(appointed 28 November 2013)

V N Grayson
(retired 28 November 2013)

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 Macquarie Real Estate Equity Fund, 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 a Director and Chair of the Audit Committee 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

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

None

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. During his time at Leighton, Graeme was involved in and responsible for a number of areas of the 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

R W Parris – Director

Experience and expertise

Mr Rick Parris has been an independent non-executive Director since October 1993. Rick is a quantity surveyor who was formerly Queensland Regional Director for Civil & Civic and Lend Lease Property Group Queensland. He is an Honorary Ambassador for the City of Brisbane and a Director of several private property advisory companies.

Other current directorships (listed entities)

None

Former directorships in last 3 years (listed entities)

None

Special responsibilities

Member of the Audit Committee

Interests in shares and options

121,476 ordinary shares in Devine Limited

V A Vella – Director

Experience and expertise

Mr Vyril Vella has been a non-independent non-executive Director since April 2007. Vyril has over 40 years' experience in the property development and construction industry. He was the Managing Director of Leighton Properties from 1988 until his retirement in June 2007. Vyril is also a director of Macmahon Holdings Limited.

Other current directorships (listed entities)

Macmahon Holdings Limited (appointed 19 November 2007)

Former directorships in last 3 years (listed entities)

None

Special responsibilities

Member of the Remuneration and Nomination Committee

Interests in shares and options

184,750 ordinary shares in Devine Limited

T G Young – Director

Experience and expertise

Mr Travis Young has been a non-independent non-executive Director since November 2010. Travis retired from Leighton Holdings in June 2012 after a 35 year career with that company. His final role was that of Deputy Chief Financial Officer and prior to that, Executive General Manager, Finance and Administration.

Other current directorships (listed entities)

None

Former directorships in last 3 years (listed entities)

None

Special responsibilities

Member of the Remuneration and Nomination Committee

Interests in shares and options

333,750 ordinary shares in Devine Limited

INFORMATION ON MANAGEMENT

CHIEF FINANCIAL OFFICER (CFO) AND COMPANY SECRETARY

P V Cochrane

Mr Paul Cochrane joined Devine in 2009 and as Chief Financial Officer manages the Company's corporate and financial strategies. He has an extensive knowledge of property finance and commercial transactions and development operations. Paul's financial career commenced at PricewaterhouseCoopers Chartered Accountants. He has worked in a number of senior management positions with major blue chip organisations in the property sector including Lend Lease Corporation, Ariadne Australia Ltd and FKP Ltd.

Paul was also appointed to the position of Company Secretary on 28 November 2013.

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 transitional financial year are:

	Full meetings of directors		Meetings of committees			
			Audit		Remuneration and Nomination	
	A	B	A	B	A	B
P J Dransfield	6	6	**	**	1	1
D B Keir	6	6	**	**	1	1
J S Downes	6	6	2	2	**	**
Hon. T M Mackenroth	5	6	**	**	**	**
G E McOrist	6	6	2	2	**	**
R W Parris	6	6	2	2	**	**
V A Vella	6	6	**	**	1	1
T G Young	6	6	**	**	1	1

A = Number of meetings attended

B = Number of meetings held during the time the Director held office or was a member of the Committee during the year

** = Not a member of the relevant Committee

PRINCIPAL ACTIVITIES

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

- › land development and home building;
- › property development and 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 2013 transitional 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 more than \$2.5b worth of major projects planned and underway. As at 31 December 2013, Devine's residential development pipeline included the equivalent of 12,000 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	
	6 months to December 2013 \$'000	12 months to June 2013 \$'000	6 months to December 2013 \$'000	12 months to June 2013 \$'000
Segment results before tax				
Housing and land	107,135	238,754	(78,781)	3,822
Development and construction	33,156	76,682	(4,273)	(1,697)
Corporate / other	603	1,776	(1,951)	(2,923)
Total	140,894	317,212	(85,005)	(798)
(Loss) before income tax benefit			(85,005)	(798)
Income tax benefit			12,028	239
(Loss) for the year			(72,977)	(559)

3. Strategy and New Opportunities

Devine Group's growth strategy remains focused on:

- › continuing to implement the capital recycling plan from the sale of identified assets;
- › expansion of the Company's apartment business;
- › selling developed residential lots as "land only" to other builders, investors and future homebuyers;
- › innovative product offerings in the housing business;
- › securing additional "wholesale build" contracts;
- › securing selected construction contracts with external clients to maintain a diverse client base for Devine Constructions.

4. Financial Results

In accordance with the requirements of the *Corporations Act 2001* Devine has changed its financial year end in the current reporting period from 30 June to 31 December. As a result the current reporting period is a transitional financial year consisting of a 6 month reporting period, 1 July 2013 to 31 December 2013, whilst the previous reporting period is a 12 month period, 1 July 2012 to 30 June 2013.

The following is a summary of the results that were recorded for the transitional financial year ended 31 December 2013:

- › Total revenue of \$140.9m (compared to \$173.0m for the 6 months to December 2012);

- › Underlying pre-tax loss of \$15.0m (compared to \$6.1m profit for the 6 months to December 2012) prior to impairments, write-down of inventory and restructuring costs of \$70m before tax;
- › Gearing levels within target range at 31% (net debt / total assets less cash);
- › No dividend has been declared for the 6 month period to December 2013.

	6 months to December 2013 \$'000	12 months to June 2013 \$'000
Revenue from operations	139,374	311,073
Reconciliation of statutory to underlying profit / (loss) before tax		
Statutory (loss) before tax	(85,005)	(798)
Write-down of inventory, impairments and restructuring costs before tax	(70,019)	(10,000)
Underlying profit / (loss) before tax	(14,986)	9,202
Gearing	31%	25%
Net tangible assets - \$ per share	\$1.52	\$1.98
EPS - cents per share	(46.0)c	(0.4)c
Full year dividend - cents per share	-	-

Comments on operations and operating highlights

The following key trading statistics were achieved in the transitional financial year ended 31 December 2013:

- › Residential land settlements: 406 (down 16% on 6 months ended 31 December 2012)
- › Housing starts: 246 (down 22% on 6 months ended 31 December 2012)
- › Apartment settlements: 26
- › Construction revenue: \$9.9m

The results of the six month period to December 2013 are impacted by the Company engaging in price discounting to accelerate the trading exit of certain projects. The expectation of this result was communicated in October 2013, and was the catalyst for significant structural and operational changes within the business:

- › ANZ, the Company's major banking partner, agreed not to test certain banking covenants for the December 2013 period;
- › Leighton Holdings, the Company's major shareholder, provided a \$50m partial guarantee of Devine's debt facility with ANZ;
- › A detailed review of operations was completed and the resultant restructure will generate overhead savings in 2014 and beyond;
- › A capital recycling plan was established, which identified a number of assets to be sold; and
- › A restructure of the Company's housing business has been completed with a centralised operating model now in place.

The capital recycling plan that will see an acceleration of trading volumes on a number of projects is crucial to facilitate investment in higher margin opportunities. The impairments taken against these assets will enable a trading exit or engloba sale of these identified projects.

Accelerated sales across numerous projects has established a strong basis for improvement in the first half of 2014 with 25% of budgeted land settlements and 40% of budgeted home starts secured.

Key operating highlights for the period included:

- › Sale of Camelot development site in the Brisbane CBD with settlement in March 2014;
- › Conditional sale of KSD1 and associated Central Retail Building at Hamilton Harbour contracted at \$62m;
- › Contract exchanged to purchase Parramatta (NSW) development site with an expected yield of over 350 apartments;
- › Strong contribution from the Company's signature land projects in all regions;
- › Successful trade-out of a good volume of residual land stocks via the Company's 30th Birthday Campaign;
- › The development of the Company's first new market responsive housing product, The Cottage (received favourably by the market in January 2014);
- › Operational review of the housing business that has resulted in a number of back-office functions in Victoria and South Australia being centralised to Queensland;
- › 97% of completed apartments in the Hamilton Harbour project now settled;
- › 85% of sales achieved at DoubleOne 3 apartment project in Brisbane;
- › Sale of Turramurra development site in Sydney's northern suburbs;
- › Commenced construction on the 12-storey Alex Perry apartment project for Chrome Properties in October 2013;
- › Secured design and construction contract to deliver 144 apartment project for Pointcorp Developments in Brisbane with works commenced in early 2014.

5. Market Conditions

Challenging market conditions that continued throughout the period impacted the sales and settlements performance of the Company. While national dwelling commencements have improved, they continued to track below the longer term average. Consumer confidence remains fragile with uncertainty regarding job security and softening employment conditions having the greatest impact. However, other market fundamentals provide a platform for a more positive outlook with strong population growth, low interest rates, tight vacancy rates in most markets and evidence emerging of some good price growth.

Affordability remains under pressure, having a negative impact on first home buyers with that segment's share of dwelling finance approvals falling to a record low in the period.

Queensland

Market indicators point toward a recovery in the Queensland market, particularly in the State's south-east. Brisbane dwelling values are on the rise once again, however building approval numbers are lagging the uplift seen in land sales. It is expected that this pipeline of building activity will be realised in 2014.

Apartment markets in Brisbane are expected to be among the strongest in the country, with gross rental yields outperforming both Sydney and Melbourne.

Victoria

General market conditions for new housing in Victoria have improved to reflect long-term averages, but remain well below the peak.

New South Wales

New South Wales is continuing to perform strongly with sustained growth in building approvals over the last 2 years. Auction clearance rates and tight rental vacancy rates are driving strong price growth in residential markets.

DIRECTORS' REPORT

Continued

South Australia

The market for new homes in South Australia is expected to ease in 2014, following a strong pull-forward of sales activity triggered by the conclusion of the State's Build New Construction Grant.

Near term growth is expected to be constrained by the economic impacts of manufacturing industry closures.

6. 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 but 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 mitigate the potential impact of these external factors, Devine has a detailed Business plan in place with the key elements of this highlighted earlier in this Operating and Financial review.

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;
- › ensures appropriate matching of maturity profiles of its assets and liabilities;
- › manages its capital structure; and
- › may undertake the sale of identified projects or assets.

Safety and the Environment

The Company is committed to providing a healthy and safe work environment for its employees, contractors, suppliers, stakeholders and any other person who may be affected by its operational activities. This commitment extends to eliminating where possible and minimising where reasonably practicable, hazards and risks that have the potential to harm people and/or the environment. In order to achieve these objectives and minimize the risk of injury, Devine has a comprehensive Workplace Health and Safety system in place. This system together with the Company's compliance with various environmental regulations is closely monitored with monthly reports provided to management and the Devine Board.

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.

7. Outlook

While market sentiment remains positive, there is uncertainty regarding job security with softening employment conditions in general. However, other market drivers provide for a more positive outlook with strong population growth, an underlying stock deficiency in dwellings in most markets, tight vacancy rates and positive rental yields, and a continuing low interest rate environment.

EARNINGS PER SHARE

	6 months to December 2013 Cents	12 months to June 2013 Cents
Basic and diluted earnings per share		
Total basic and diluted earnings per share attributable to the ordinary equity holders of the Company	(46.0)	(0.4)

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

There have been no significant events which have occurred post 31 December 2013.

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 recognise their responsibilities under the WHS (OHS in Victoria) Legislation to ensure the Company's policies and procedures are followed and they receive monthly WHS reports outlining both lead (positive safety outcomes) and lag (incidents and injuries) indicators for the Company. In the transitional financial year ending 31 December 2013 there were no notifiable incidents (June 2013: 2).

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.

DIRECTORS' REPORT

Continued

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

Female representation	At 31 December 2013		
	Total Directors/ Employees	Females	Target representation
Employment group			
Board including MD & CEO	8	1	1 female Director
Senior executives	7	1	2 female Senior executives
Management	43	8 (19%)	25 to 30 %
Balance of workforce	132	58 (44%)	45 to 55 %

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 21 May 2013 lodged its annual public report with the Workplace Gender Equality Agency (Agency).

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 transitional financial year ended 31 December 2013 (June 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.

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

	Consolidated	
	6 months to December 2013 \$	12 months to June 2013 \$
Ernst & Young		
Audit and review of financial reports and other audit work under the <i>Corporations Act 2001</i>	172,250	283,250
Other assurance and technical accounting services	44,480	76,119
Tax compliance and advisory services	27,138	26,348
Total auditors' remuneration	243,868	385,717

REMUNERATION REPORT (AUDITED)

This remuneration report for the transitional financial year ended 31 December 2013 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 2013 transitional financial year
- (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), executive Directors 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	
P V Cochrane	Chief Financial Officer and Company Secretary*
V N Grayson	Company Secretary (retired 28 November 2013)
A S Brimblecombe	General Manager: Devine Communities
C C Mana	General Manager: Apartments
S G Norris	General Manager: Devine Homes
M Tucker	General Manager: Constructions

* P V Cochrane assumed the additional role of Company Secretary from 28 November 2013 after the retirement of V N Grayson.

DIRECTORS' REPORT

Continued

REMUNERATION REPORT (AUDITED) (CONTINUED)

2. Remuneration Governance

A key objective of the Company is to maximise shareholder returns through the attraction and retention of 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 Directors' 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.

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 transitional financial year. Fees of \$7,000 excluding GST were paid in the year ended 30 June 2013 in relation to the engagement of Owen Thomas & Associates Pty Ltd for earlier remuneration recommendations.

Remuneration report approval at the FY2013 AGM

The remuneration report for the year ended 30 June 2013 received positive shareholder support at the AGM held in November 2013 with a vote of 94% 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 they 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 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.

During the 2012 financial year, the Remuneration and Nomination Committee commissioned a complete external review of the amount, structure and form of executive remuneration.

Devine Limited's executive remuneration was compared to ASX listed entities based on the following criteria:

- › Market Capitalisation – Devine Limited's market capitalisation at the time of the review was approximately \$100 million and executive remuneration was compared to companies with a market capitalisation of \$50 to \$200 million.
- › Index – Devine Limited's executive remuneration was compared to companies in the Real Estate and Developer's Index.
- › Employees – Devine Limited's number of employees at the time of the review was 230 employees and executive remuneration was compared to companies with employees ranging from 150 to 450 employees.

The executive remuneration at Devine Limited was compared to the above data with a view to remunerate senior executives at between the 50th and 75th percentiles of comparable companies. The Remuneration and Nomination Committee believes that this 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: Devine Communities GM: Devine Homes GM: Apartments	57%	23% 40% of fixed remuneration	20% 35% of fixed remuneration
GM: Constructions	77%	23% 30% of fixed remuneration	Nil

DIRECTORS' REPORT

Continued

REMUNERATION REPORT (AUDITED) (CONTINUED)

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 increases included within the contractual arrangements with any KMP. The increase, effective in the transitional financial year and as disclosed in section 4 of the report, is the first increase since 1 July 2011.

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 undue 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.

No allocations under the retention bonus scheme have been made since 1 July 2012 with no future allocations to be made as the scheme has ceased.

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 from the calendar year 2014 is expected to 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.

The Remuneration and Nomination Committee accepted the recommendations from the external review of executive remuneration completed in the 2012 financial year that there be no increase in STI Remuneration percentages for the year ended 30 June 2013. There has also been no increase to the STI percentages for the transitional financial year to 31 December 2013.

In brief, the current 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 Devine Communities, Devine Homes and Apartments operational business units – 40% of fixed remuneration; and

- General Managers of functional business units and Constructions operational business units – 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 budget PBT.

The following table illustrates how the above components are applied for both Corporate and 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: Devine Communities GM: Devine Homes GM: Apartments	40%	18.75%	6.25%	37.5%	12.5%	25%	100%
GM: Constructions	30%	18.75%	6.25%	37.5%	12.5%	25%	100%

DIRECTORS' REPORT

Continued

REMUNERATION REPORT (AUDITED) (CONTINUED)

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.

Performance measures to determine vesting

The Company uses a combination of relative total shareholder return (TSR) and growth in earnings per share (EPS) as the performance measures for the LTI plan.

1. TSR (50% of LTI award)

TSR measures the growth in the Company's share price together with the value of dividends during the performance period of 1 July 2013 to 30 June 2016, assuming that those dividends are reinvested into new shares.

TSR is measured as a percentile ranking compared against the constituent companies within the S&P/ASX Small Ordinaries Index (XSO). This comparator group has been chosen as it represents the companies in which most of the Company's shareholders could invest as an alternative to the Company.

TSR awards vest based on the ranking against the comparator's group companies in accordance with the following schedule:

Company's total shareholder return ranking in the comparator group	% of award that will vest
Below 50th percentile	Nil
At 50th percentile	50%
At or above 75th percentile	100%
With straight line vesting between the 50th and 75th percentile.	

TSR performance is monitored by an independent external advisor at each measurement date.

2. EPS (50% of LTI award)

EPS is measured as the Company's annual compound earnings per share growth over the performance period of 1 July 2013 to 30 June 2016.

The portion of the 2013 grant that will vest is determined based on the results of testing against the earnings per share performance measure which is assessed in accordance with the schedule below:

Earnings per share growth per annum	% of award that will vest
Below 8%	Nil
Equal to 8%	50%
Equal to 12%	100%
With straight line vesting between the two points.	

The earnings per share targets were set taking into account the Group's business plan earnings forecasts, its historic earnings per share performance, analyst expectations of the Company's earnings growth and the earnings per share growth targets that have been set by other ASX 100 companies under their LTI plans. The 2013 grant was based on the Company's underlying result for the year ended 30 June 2013.

The Board has the discretion to determine the basis on 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 which case the performance rights will be automatically exercised.

Executive share option scheme

The Executive share option scheme was approved by shareholders in November 1998 whereby executive Directors and senior executives and Managers of the Group were, from time to time, issued with options over the ordinary shares in Devine Limited. The options, issued for nil consideration, 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 of the date of grant subject to the satisfaction of performance hurdles. The options cannot be transferred and are not quoted on the ASX. This scheme has been replaced by the LTI plan detailed above.

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.

The plan rules do not contain a restriction on removing the 'at risk' aspect of the instruments granted to Executives. The Board considers that the opportunity to enter into such arrangements, given the nature of the performance hurdles, is extremely limited.

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:

- (1) the growth in the S&P/ASX Small Ordinaries Index (XSO); or
- (2) GDP + 6%.

4. Executive Remuneration Outcome for the 2013 Transitional Financial Year

STI for the 2013 transitional financial year

For the December 2013 transitional financial year, 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 was \$1,155,010 (12 months to June 2013: \$2,377,660). Based on the actual results achieved against budgeted financial targets for the December 2013 transitional financial year, the aggregate of the STI payable to the Executive Director and other KMP was Nil (June 2013: Nil).

Name	STI earned-% of maximum Dec 2013	STI earned-% of maximum Jun 2013
Managing Director and CEO		
D B Keir	0%	0%
Senior executives		
P V Cochrane	0%	0%
V N Grayson	n/a	0%
N J Anderson	n/a	0%
A S Brimblecombe	0%	0%
M J Devine	n/a	0%
C C Mana	0%	0%
S G Norris	0%	n/a
M Tucker	0%	n/a

LTI for the 2013 transitional financial year

Based on the actual results achieved against budgeted financial targets for the December 2013 transitional financial year, there was 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 payments	Total
		Salary & fees \$	Bonus \$	Non- monetary benefits	Committee & other fees \$	Super- annuation \$		Long service leave* \$	Retention bonus** \$	Performance Rights fair value ^ \$	
Executive director											
D B Keir	Dec 2013	393,407	-	14,093	-	12,500	420,000	-	-	-	420,000
	Jun 2013	720,098	-	54,902	-	25,000	800,000	-	320,000	-	1,120,000
Non-executive directors											
P J Dransfield	Dec 2013	80,092	-	-	-	7,408	87,500	-	-	-	87,500
	Jun 2013	160,550	-	-	-	14,450	175,000	-	-	-	175,000
D J Ridley	Dec 2013	-	-	-	-	-	-	-	-	-	-
(retired 31 Dec 2012)	Jun 2013	48,165	-	-	25,000	4,335	77,500				77,500
J S Downes	Dec 2013	48,055	-	-	4,876	4,715	57,646	-	-	-	57,646
	Jun 2013	48,165	-	-	1,300	4,335	53,800	-	-	-	53,800
Hon. T M Mackenroth	Dec 2013	40,000	-	-	-	12,500	52,500	-	-	-	52,500
	Jun 2013	80,000	-	-	-	25,000	105,000	-	-	-	105,000
G E McOrist	Dec 2013	48,055	-	-	7,800	4,445	60,300	-	-	-	60,300
	Jun 2013	96,330	-	-	18,550	8,670	123,550	-	-	-	123,550
R W Parris	Dec 2013	48,055	-	-	4,785	4,445	57,285	-	-	-	57,285
	Jun 2013	96,330	-	-	4,225	8,670	109,225	-	-	-	109,225
V A Vella	Dec 2013	48,055	-	-	-	4,445	52,500	-	-	-	52,500
	Jun 2013	96,330	-	-	11,083	8,670	116,083	-	-	-	116,083
T G Young	Dec 2013	48,055	-	-	-	4,445	52,500	-	-	-	52,500
	Jun 2013	96,330	-	-	-	8,670	105,000	-	-	-	105,000
Other KMP											
P V Cochrane	Dec 2013	201,112	-	-	-	8,888	210,000	-	-	18,529	228,529
	Jun 2013	375,000	-	-	-	25,000	400,000	-	160,000	-	560,000
V N Grayson ⁽¹⁾	Dec 2013	101,667	-	-	-	35,000	136,667	86,307	-	-	222,974
(retired 28 Nov 2013)	Jun 2013	303,000	-	-	-	25,000	328,000	5,992	410,000	-	743,992
N J Anderson ⁽²⁾	Dec 2013	-	-	-	-	-	-	-	-	-	-
	Jun 2013	368,530	50,000	-	-	16,470	435,000	-	-	-	435,000
A S Brimblecombe	Dec 2013	187,000	-	-	-	12,500	199,500	-	95,760	17,603	312,863
	Jun 2013	355,000	-	-	-	25,000	380,000	-	-	-	380,000
M J Devine ⁽³⁾	Dec 2013	-	-	-	-	-	-	-	-	-	-
	Jun 2013	259,812	-	-	-	15,098	274,910	-	-	-	274,910
C C Mana ⁽⁴⁾	Dec 2013	176,500	-	-	-	12,500	189,000	-	-	16,676	205,676
	Jun 2013	307,083	-	-	-	22,917	330,000	-	-	-	330,000
S G Norris ⁽³⁾	Dec 2013	166,113	-	-	-	8,887	175,000	-	-	-	175,000
	Jun 2013	-	-	-	-	-	-	-	-	-	-
M Tucker ⁽⁵⁾	Dec 2013	151,732	-	-	-	8,887	160,619	-	-	-	160,619
	Jun 2013	31,357	-	-	-	2,822	34,179	-	-	-	34,179

December 2013 represents the 6 month period 1 July 2013 to 31 December 2013. June 2013 represents the 12 month period 1 July 2012 to 30 June 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 period (per AASB2 *Share Based Payments*) in relation to V N Grayson's options that had not vested at the date of his retirement. This amount has not been included in remuneration for the current period.

(2) N J Anderson ceased employment with the Company on 17 July 2013. N J Anderson held the position of General Manager: South Australia in addition to this position of General Manager: Victoria from 1 November 2011 to 31 July 2012. He received a short term incentive payment commensurate with these responsibilities in the June 2013 year.

(3) M J Devine ceased to meet the definition of KMP from 1 July 2013 whilst S G Norris met the definition from the same date.

(4) C C Mana met the definition of a key management personnel on his appointment as General Manager: Apartments on 1 August 2012.

(5) M Tucker met the definition of a key management personnel on his appointment as General Manager: Constructions on 6 May 2013.

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 2013 \$	2013 %	December 2013 \$	2013 %	December 2013 \$	2013 %
Executive director						
D B Keir	420,000	100	-	-	-	-
Other KMP						
P V Cochrane	210,000	92	-	-	18,529	8
V N Grayson (retired 28 November 2013)	222,974	100	-	-	-	-
A S Brimblecombe	199,500	64	-	-	113,363*	36
C C Mana	189,000	92	-	-	16,676	8
S G Norris	175,000	100	-	-	-	-
M Tucker	160,619	100	-	-	-	-

* A S Brimblecombe “At risk – LTI” component includes \$95,760 of retention bonus accrued in the period.

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 (issue of share options or performance rights), 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. 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 or the executive leaves the Group’s employ.

DIRECTORS' REPORT

Continued

REMUNERATION REPORT (AUDITED) (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	Appointed CEO of Devine Limited on 1 March 2010, and Managing Director on 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.
P V Cochrane	CFO & Company Secretary	Appointed CFO on 12 October 2009 and Company Secretary on 28 November 2013	12 October 2009	A retention bonus of 100% of the fixed remuneration component is payable by way of 2 installments being: 40% paid 12 October 2012 and the remaining 60% to be paid 12 October 2014 provided still employed by the Company at that date.
A S Brimblecombe	GM: Devine 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: Apartments	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: Devine Homes	20 May 2013	20 May 2013	No other key terms
M Tucker	GM: Constructions	6 May 2013	6 May 2013	No other key terms

b) Disclosures relating to KMP share based payments

The table below discloses the number of performance rights granted to KMP as remuneration, together with the number of options that vested or lapsed during the transitional financial year.

Name	Year	Performance rights granted in year (No.)	Grant date	Fair value per right at grant date (\$) [^]	Vesting date	Exercise price (\$)	Expiry date	Options lapsed during the year (No.)
31 December 2013								
Other KMP								
P V Cochrane	TY2013	211,602	16 Sept 2013	\$1.05	1 Sept 2016	-	30 Sept 2016	
A S Brimblecombe	TY2013	201,022	16 Sept 2013	\$1.05	1 Sept 2016	-	30 Sept 2016	
C C Mana	TY2013	190,442	16 Sept 2013	\$1.05	1 Sept 2016	-	30 Sept 2016	
V N Grayson	FY2007		6 Sept 2006				6 Sept 2016	40,250
	FY2008		2 Jul 2007				2 Jul 2017	33,750
	FY2009		1 Jul 2008				1 Jul 2018	56,000
	FY2011		1 Jul 2010				1 Jul 2015	200,000

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

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.

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 #
Earnings per share (cents)	7.2	12.7	(8.1)	(0.4)	(46.0)
Dividends per share (cents)	4.0	8.0	4.0	0.0	0.0
Closing share price (cents)	94.0	100.0	58.0	67.0	81.0

^ 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 in the current reporting period from 30 June to 31 December. As a result the current reporting period is a transitional financial year consisting 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.

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 transitional 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 2013	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
V N Grayson (retired 28 November 2013)	330,000	-	-	-	-	(330,000)*	153,806	-	-	-
Performance Rights										
Other KMP of the Group										
P V Cochrane	-	211,602	222,351	-	-	-	-	211,602	-	211,602
A S Brimblecombe	-	201,022	211,234	-	-	-	-	201,022	-	201,022
C C Mana	-	190,442	200,116	-	-	-	-	190,442	-	190,442

* This represents option holdings of V N Grayson which lapsed at the date of his retirement.

DIRECTORS' REPORT

Continued

REMUNERATION REPORT (AUDITED) (CONTINUED)

e) Shareholding of key management personnel

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

December 2013	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	121,476	-	-	121,476
V A Vella	184,750	-	-	184,750
T G Young	363,125	-	(29,375)	333,750
Other KMP of the Group				
V N Grayson (retired 28 November 2013)	250,000	-	(250,000)*	-
C Mana	50,000	-	-	50,000
A Brimblecombe	25,000	-	(25,000)	-

* This represents share holdings of V N Grayson at the date of his retirement which are required to be excluded.

EMPLOYEES

The Group employed 183 employees as at 31 December 2013 (June 2013: 221 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
13 March 2014

AUDITOR'S INDEPENDENCE DECLARATION



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

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

Auditor's Independence Declaration to the Directors of Devine Limited

In relation to our audit of the financial report of Devine Limited for the six month period ended 31 December 2013, 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
13 March 2014

A member firm of Ernst & Young Global Limited
Liability limited by a scheme approved under Professional Standards Legislation

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 and ASX Listing Rules Guidance Note 9 issued in February 2012. 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 transitional financial year ended 31 December 2013 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 transitional year ended 31 December 2013.

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, 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 2013.

Name	Company Title	Term	Independence Status
P J Dransfield	Non-executive Director	3 years	Independent
D B Keir	Managing Director and CEO	3 years	Not Independent *
J S Downes	Non-executive Director	1 year	Independent
Hon. T M Mackenroth	Non-executive Director	8 years	Independent
G E McOrist	Non-executive Director	6 years	Not Independent **
R W Parris	Non-executive Director	20 years	Independent
V A Vella	Non-executive Director	6 years	Not Independent **
T G Young	Non-executive Director	3 years	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 eight Directors, four of whom are independent and four are considered to be non-independent. Directors believe that as the three Directors who have been appointed to represent the Company's major shareholder and, in addition, that under the Company's Constitution the Chairman, who is an independent Director, has a casting vote, the composition of the Board is such that the interests of all shareholders are appropriately 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. 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.

The performance of the Board and key executives is reviewed against both measurable and qualitative indicators and is aligned with the financial and non-financial objectives of Devine Limited. 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.

CORPORATE GOVERNANCE STATEMENT

Continued

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, the "Devine Way", that 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 period of 42 days (trading window) following an announcement, which is deemed to be price sensitive, being made by the Company to the Australian Securities Exchange. 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
- › R W Parris.

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 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 internal auditor, the external auditors and the Chief Financial Officer (CFO) attend each meeting of the Committee. In accordance with the Committee's charter, the internal and 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.

Principles 5: Make timely and balanced disclosures

Continuous disclosure and shareholder communication

The Board of Directors aims 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 Shareholders' Bulletin;
- › The Results Presentations;
- › 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.

Principles 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 half yearly shareholders' bulletin 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.

CORPORATE GOVERNANCE STATEMENT

Continued

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 and Land, Development and 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);
- › V A Vella;
- › T G Young; 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 in 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

Contents	Page
Financial Statements	
Consolidated Statement of Comprehensive Income	34
Consolidated Statement of Financial Position	35
Consolidated Statement of Changes in Equity	36
Consolidated Statement of Cash Flows	37
Notes to the Consolidated Financial Statements	38
Directors' Declaration	78
Independent Auditor's Report to the Members	79

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the transitional financial year ended 31 December 2013

	Notes	6 months to December 2013 \$'000	12 months to June 2013 \$'000
Revenue	3	139,374	311,073
Cost of properties sold		(158,533)	(244,243)
Gross profit / (loss)		(19,159)	66,830
Other revenue	3	1,520	6,139
Expenses, excluding finance expenses	4	(61,088)	(70,846)
Finance expenses		(2,366)	(6,840)
Share of net profit / (loss) of joint ventures accounted for using the equity method		(3,912)	3,919
(Loss) before income tax		(85,005)	(798)
Income tax benefit	5	12,028	239
(Loss) for the year		(72,977)	(559)
Items that may be reclassified subsequently to profit and (loss)			
Changes in the fair value of cash flow hedges/reserves, net of tax	26(a)	140	(83)
Total comprehensive income / (loss) for the year		(72,837)	(642)
		Cents	Cents
Earnings per share for (loss) attributable to the ordinary equity holders of the Company:			
Basic and diluted earnings per share	35	(46.0)	(0.4)

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 2013

	Notes	31 December 2013 \$'000	30 June 2013 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	7	11,264	20,986
Receivables	8	59,315	41,515
Inventories	9	147,840	133,901
Current tax receivable		68	-
Prepayments		1,377	734
Total current assets		219,864	197,136
Non-current assets			
Receivables	10	22,743	32,080
Inventories	14	173,800	256,556
Investments accounted for using the equity method		36,193	53,317
Plant and equipment		2,866	1,771
Deferred tax assets	16	10,058	-
Intangible assets	15	3,316	3,316
Other non-current assets		193	191
Total non-current assets		249,169	347,231
Total assets		469,033	544,367
LIABILITIES			
Current liabilities			
Advances and other payables	17	57,453	50,093
Interest bearing loans	18	29,832	26,685
Provisions		4,201	3,232
Non-interest bearing loans	19	25,280	28,783
Total current liabilities		116,766	108,793
Non-current liabilities			
Advances and other payables	21	7,341	14,964
Interest bearing loans	22	93,676	92,551
Deferred tax liabilities	24	-	1,825
Provisions		1,347	1,785
Non-interest bearing loans	23	4,751	6,288
Derivative financial instruments	20	458	656
Total non-current liabilities		107,573	118,069
Total liabilities		224,339	226,862
Net assets		244,694	317,505
EQUITY			
Contributed equity	25	292,367	292,367
Reserves	26(a)	(181)	(347)
Retained earnings / (Accumulated losses)	26(b)	(47,492)	25,485
Total equity		244,694	317,505

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the transitional financial year ended 31 December 2013

	Notes	Contributed equity \$'000	Reserves \$'000	Retained earnings / (Accumulated losses) \$'000	Total equity \$'000
Balance at 1 July 2013		292,367	(347)	25,485	317,505
(Loss) for the year		-	-	(72,977)	(72,977)
Other comprehensive income		-	140	-	140
Total comprehensive income / (loss) for the year		-	140	(72,977)	(72,837)
Transactions with owners in their capacity as owners:					
Expense / (benefit) pursuant to employee incentive scheme	26	-	26	-	26
Balance at 31 December 2013		292,367	(181)	(47,492)	244,694
Balance at 1 July 2012		292,367	(124)	29,218	321,461
(Loss) for the year		-	-	(559)	(559)
Other comprehensive income		-	(83)	-	(83)
Total comprehensive income / (loss) for the year		-	(83)	(559)	(642)
Transactions with owners in their capacity as owners:					
Dividends provided for or paid	6	-	-	(3,174)	(3,174)
Expense / (benefit) pursuant to employee incentive scheme	26	-	(140)	-	(140)
Balance at 30 June 2013		292,367	(347)	25,485	317,505

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the transitional financial year ended 31 December 2013

	Notes	6 months to December 2013 \$'000	12 months to June 2013 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		151,986	348,617
Payments to suppliers and employees (inclusive of goods and services tax)		(149,518)	(316,289)
Profit distributions received from joint ventures		122	4,045
Interest received		655	1,292
Interest paid		(6,831)	(11,507)
Income taxes received / (paid)		-	328
Net cash (outflow) / inflow from operating activities	27	(3,586)	26,486
Cash flows from investing activities			
Payments for plant and equipment		(1,778)	(922)
Payments for investments in joint ventures		(4,286)	(9,732)
Payments for investments in land inventory		(7,537)	(17,941)
Loans to joint ventures		(7,724)	(7,903)
Repayments of loans by joint ventures		217	-
Equity distributions received from joint ventures		2,100	19,773
Proceeds from sale of plant and equipment		14	-
Loans from joint ventures		6,600	10,131
Net cash (outflow) from investing activities		(12,394)	(6,594)
Cash flows from financing activities			
Proceeds from borrowings		63,238	124,544
Repayment of borrowings		(56,980)	(140,419)
Dividends paid to company's shareholders		-	(3,174)
Net cash inflow / (outflow) from financing activities		6,258	(19,049)
Net (decrease) / increase in cash and cash equivalents		(9,722)	843
Cash and cash equivalents at the beginning of the financial year		20,986	20,143
Cash and cash equivalents at end of the financial year	7	11,264	20,986

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the transitional financial year ended 31 December 2013

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.

(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) Change in financial year end date

In accordance with the requirements of the *Corporations Act 2001* Devine Limited changed its financial year end in the current reporting period from 30 June to 31 December. As a result the current reporting period is a transitional financial year consisting of a 6 month period, 1 July 2013 to 31 December 2013, whilst the previous corresponding period is a 12 month period, 1 July 2012 to 30 June 2013.

(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 consolidated entity incurred a loss after tax for the transitional financial year of \$73.0m and has incurred losses in the previous two financial years. However at 31 December 2013 the Group had net assets of \$244.7m and cash and cash equivalent of \$11.3m. The Directors believe that the Group has the continuing support of its principal banker and majority shareholder.

In addition, based on projected sales and cash receipts, the consolidated Financial statements have been prepared on a going concern basis which contemplates the continuation of normal business operations and the realisation of assets and settlement of liabilities in the normal course of business as and when they fall due.

(b) Basis of consolidation

The consolidated Financial statements incorporate the assets and liabilities of all subsidiaries of Devine Limited ('Company') as at 31 December 2013 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 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 32(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 32(b).

(d) Revenue recognition

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

(i) Land development and resale

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

(ii) Property development

Revenue in respect of the Company's property development projects is recognised when risks and benefits of ownership transfer to a third party. Costs in relation to individual settled units are recognised in proportion to the total costs for the project and based on the percentage of revenue.

(iii) Single contract house and land package sales

Revenue is recognised on house and land package sales that have been sold under one contract when settlement of both the house and land occurs. This treatment contrasts with the recognition of revenue for houses and land sold under separate contracts. In this case, revenue on the land is recognised as per (i) above and revenue on the house component is recognised as per (iv) below.

(iv) Construction contracts

Revenue and costs on contracts entered into by Devine Constructions for external parties are recognised in accordance with the percentage of completion method unless the outcome of the contract cannot be reliably estimated. 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. Where it is probable that the cost will be recovered, revenue is recognised to the extent of the costs incurred.

Where Devine Constructions undertakes a building contract for Devine, revenue and costs are recognised in the consolidated Financial statements when the building is completed and the risk and rewards of ownership have transferred to the end buyer/s.

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 Devine Constructions 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Continued

1 Summary of significant accounting policies (continued)

(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 28). 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	3 – 5 years
Vehicles	3 – 5 years
Leasehold improvements	2 – 5 years

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

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

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

(k) Intangible assets / Brand name

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

(l) Investments and other financial assets

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Continued

1 Summary of significant accounting policies (continued)

(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 transitional 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, 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) Borrowings

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 expected to be settled wholly within 12 months of the reporting date are recognised in other payables and provisions for employee benefits 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. Liabilities 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 provision for employee benefits and 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 end of the reporting period 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 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 and recognised over the period during which the employees become unconditionally entitled to the share based payment.

The fair value at grant date is independently determined using a Monte Carlo simulation and Black Scholes option pricing model as appropriate which takes into account the exercise price, the term of performance right, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the share based payment.

The fair value of the share based payments granted excludes the impact of any non-market vesting conditions such as profitability and sales growth targets. Non-market vesting conditions are included in assumptions about the number of performance rights that are expected to become exercisable. At each reporting date, the entity revises its estimate of the number of performance rights that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

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.

(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 20. Movements in the hedging reserve in shareholder's equity are shown in Note 26. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Continued

1 Summary of significant accounting policies (continued)

(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 as deferred tax assets.

(u) Goods and Services Tax (GST)

Revenues, expenses, assets and liabilities are recognised net of the amount of associated 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) New accounting standards and interpretations

New standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2013 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 7 *Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities - Amendments to AASB 7*
- › AASB 10 *Consolidated Financial Statements*
- › AASB 11 *Joint Arrangements*
- › AASB 12 *Disclosure of Interests in Other Entities*
- › AASB 13 *Fair Value Measurement*
- › AASB 119 *Employee Benefits*
- › AASB 124 *Related Parties*
- › *Improvements to AASBs 2009-2011 Cycle*

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2013 reporting periods and have not yet been applied in the consolidated Financial statements. These are:

- › Interpretation 21 *Levies* effective 1 January 2014
- › AASB 9 *Financial Instruments* effective 1 January 2017
- › AASB 2012-3 *Amendments to Australian Accounting Standards-Offsetting Financial Assets and Financial Liabilities* effective 1 January 2014

- › AASB 2013-4 *Amendments to Australian Accounting Standards - Novation of Derivatives and Continuation of Hedge Accounting [AASB 139]* effective 1 January 2014
- › AASB 2013-5 *Amendments to Australian Accounting Standards - Investment Entities [AASB 1, AASB 3, AASB 7, AASB 10, AASB 12, AASB 107, AASB 112, AASB 124, AASB 127, AASB 132, AASB 134 & AASB 139]* effective 1 January 2014

The following new accounting standard has been published and is not mandatory for 31 December 2013 but has been applied in consolidated Financial statements. The early adoption has had no material financial impact on the current period or any prior period and is not likely to affect the future periods.

- › AASB 2013-3 *Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets* effective 1 January 2014

(z) 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 assumed 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 transitional financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Continued

1 Summary of significant accounting policies (continued)

(ii) Tax consolidation legislation (continued)

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

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

(iii) Financial guarantees

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

(aa) Comparatives

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

(ab) 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, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

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 transitional financial year are:

- › Assessment of projects on a percentage of completion basis, in particular with regard to accounting for claims and variations, the timing of profit recognition and the amount of profit recognised;

- › The Group has recognised deferred tax assets relating to carried forward tax losses to the extent that it is probable that taxable profit will be available, against which the losses can be utilised. Utilisation of the tax losses also depends on the ability of the Group to satisfy certain tests, primarily relating to continuity of certain ownership interests in the Group, at the time the losses are recouped. It is not expected changes in ownership significant enough to impact the Group's ability to satisfy these tests will occur. Failure to satisfy these tests, or other indications to suggest the Group will not realise the benefit of these losses, may require derecognition of deferred tax assets to the value of \$0.6m (June 2013: \$1.02m) (refer Note 16);
- › In assessing the carrying value of property development projects and land held for sale, assumptions of future sales prices and sales rates 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 detailed in Note 1(h);
- › 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).

3 Revenue

	6 months to December 2013 \$'000	12 months to June 2013 \$'000
Revenue		
Revenue from property development	125,111	247,955
Revenue from construction activities	319	2,616
Revenue from property development - related joint ventures	4,395	7,505
Revenue from construction activities - related joint ventures	9,549	52,997
	139,374	311,073
Other revenue		
Rent received	164	400
Interest received	1,288	3,390
Sundry income	68	2,349
	1,520	6,139
	140,894	317,212

4 Expenses

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

	6 months to December 2013 \$'000	12 months to June 2013 \$'000
Marketing	18,147	31,151
Occupancy	1,622	3,239
Administration	13,637	24,544
Other	4,478	5,145
Land holding expenses	4,187	6,767
Impairment of joint ventures and receivables	19,017	-
	61,088	70,846

(b) Inventory write-downs, impairment and other expenses:

	6 months to December 2013 \$'000	12 months to June 2013 \$'000
Write-down of inventory included in cost of properties sold	45,177	10,000
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	-
	70,019	10,000
Employee benefits	16,091	28,825

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Continued

5 Income tax expense / (benefit)

(a) Income tax expense / (benefit)

	6 months to December 2013 \$'000	12 months to June 2013 \$'000
Current tax expense / (benefit):		
Current year charge	-	(170)
Adjustments in respect of prior periods	(68)	(20)
Deferred tax expense / (benefit):		
Origination and reversal of temporary differences	(15,270)	(49)
Adjustments in respect of prior periods		
- Temporary differences on joint ventures not recognised	2,914	-
- Prior year tax losses not recognised	488	-
- Other	(92)	-
Income tax expense / (benefit) reported in the Consolidated statement of comprehensive income	(12,028)	(239)

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

	6 months to December 2013 \$'000	12 months to June 2013 \$'000
(Loss) from continuing operations before income tax expense	(85,005)	(798)
Tax at the Australian tax rate of 30.0% (2013 - 30.0%)	(25,502)	(239)
Tax effect of amounts which are not deductible / (taxable) in calculating taxable income:		
Current year tax losses not recognised	6,123	-
Prior year tax losses not recognised	488	-
Current year timing differences in joint ventures not recognised	4,081	-
Prior year timing differences in joint ventures not recognised	2,914	-
Entertainment	26	64
Options issued to employees	8	(42)
Other	(6)	22
Under / (over) provisions from prior year	(160)	(44)
Income tax expense / (benefit)	(12,028)	(239)

(c) Amounts recognised directly in equity

	6 months to December 2013 \$'000	12 months to June 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 / (credited) directly to equity	77	(5)

(d) Tax losses

The Group has tax losses of \$22,038,000 (June 2013: Nil) 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 \$6,611,000 (June 2013: Nil) have not been recognised as there is not sufficient certainty that future taxable amounts will be available in the short term to utilise these losses or that these tests will be able to be met.

(e) Unrecognised temporary differences

Deferred tax assets of \$6,995,000 (June 2013: Nil) have not been recognised in respect of temporary differences arising from the Group's investment in joint venture entities as there is not sufficient certainty that these entities will generate future taxable distributions to ensure realisation of these losses.

6 Dividends

(a) Ordinary shares

	31 December 2013 \$'000	30 June 2013 \$'000
Previous year final dividend paid in cash		
Fully franked based on tax paid @ 30.0% - 0 cents (June 2012: 2 cents) per share	-	3,174
Total dividends provided for or paid	-	3,174

(b) Franked dividends

Franking credits available for subsequent reporting periods based on a tax rate of 30.0% (June 2013 - 30.0%)	9,474	9,514
--	-------	-------

7 Current assets - Cash and cash equivalents

	31 December 2013 \$'000	30 June 2013 \$'000
Cash and cash equivalents	11,264	20,986

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Continued

8 Current assets – Receivables

	31 December 2013 \$'000	30 June 2013 \$'000
Trade receivables	12,584	13,724
Provision for impairment	(5,043)	(43)
	7,541	13,681
Other receivables	51,247	27,204
Deposits	527	630
	51,774	27,834
	59,315	41,515

(a) Impaired trade receivables

At 31 December 2013 the Group has recognised a provision of \$5.0m (June 2013: Nil) in respect of a trade receivable. Legal action is being pursued to recover this asset.

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

	31 December 2013 \$'000	30 June 2013 \$'000
Opening balance	43	46
Provision for impairment recognised during the year	5,000	-
Receivables written off / (back) during the year	-	(3)
Closing balance	5,043	43

(b) Past due but not impaired

As of 31 December 2013 trade receivables of \$7,453,000 (June 2013: \$5,937,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	31 December 2013 \$'000	30 June 2013 \$'000
Less than 30 days	4,909	5,023
30 - 60 days	1,029	379
60 - 90 days	764	263
Greater than 90 days	751	272
	7,453	5,937

The other classes within trade and other receivables do not contain impaired assets and are not past due. Based on the credit history of these other classes, it is expected that these amounts will be received in full.

(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 37 for more information on the risk management policy of the Group and the credit quality of the entity's trade and other receivables.

9 Current assets – Inventories

	31 December 2013 \$'000	30 June 2013 \$'000
Work in progress		
Work in progress	16,840	17,735
	16,840	17,735
Land held for sale		
Acquisition	54,176	38,885
Development costs capitalised	74,170	73,139
	128,346	112,024
Display homes		
Display homes	2,654	4,142
	2,654	4,142
Total current inventories – at the lower of cost and net realisable value	147,840	133,901

Capitalised borrowing costs

The amount of the borrowing costs capitalised to inventory (current and non-current) during the transitional financial year ended 31 December 2013 was \$5.8m (June 2013: \$14.0m). The rate used to determine the amount of borrowing costs eligible for capitalisation was 6.2%.

10 Non-current assets – Receivables

	31 December 2013 \$'000	30 June 2013 \$'000
Trade and other receivables	22,743	32,080

(a) Past due but not impaired

At 31 December 2013 there were no past due non-current receivables (June 2013: \$4.5m). 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 6.2%.

(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. Further information about the Group and the Parent entity's exposure to credit risk, foreign exchange and interest rate risk is provided in Note 37.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Continued

11 Subsidiaries

Interests in subsidiaries

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

Name of entity	Principal activities	Equity Interest **	
		December 2013 %	June 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

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

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

* These subsidiaries have been granted relief from the necessity to prepare financial reports in accordance with Class Order 98/1418 issued by the Australian Securities and Investments Commission, as set out in Note 12.

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

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 transitional financial year ended 31 December 2013 for the Closed Group.

	6 months to December 2013 \$'000	12 months to June 2013 \$'000
Consolidated statement of profit or loss		
Revenue from continuing operations	132,091	262,746
Other income	(12,297)	13,214
Share of net profits of joint ventures accounted for using the equity method	(3,912)	3,919
Expenses from ordinary activities, excluding finance expenses	(197,796)	(278,338)
Finance expenses	(2,356)	(6,620)
(Loss) before income tax	(84,270)	(5,079)
Income tax benefit	13,207	2,070
(Loss) for the year	(71,063)	(3,009)
Summary of movements in consolidated accumulated losses		
(Accumulated losses) at the beginning of the reporting period	(403)	5,780
(Loss) for the year	(71,063)	(3,009)
Dividends provided for or paid	-	(3,174)
(Accumulated losses) at the end of the reporting period	(71,466)	(403)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Continued

12 Deed of cross guarantee (continued)

(b) Consolidated statement of financial position

Set out below is a Consolidated statement of financial position as at 31 December 2013 for the Closed Group.

	31 December 2013 \$'000	30 June 2013 \$'000
Current assets		
Cash and cash equivalents	11,263	20,985
Receivables	58,796	43,872
Inventories	118,830	111,853
Current tax receivables	68	-
Prepayments	1,314	734
Total current assets	190,271	177,444
Non-current assets		
Receivables	42,610	32,080
Inventories	125,492	211,130
Investments accounted for using the equity method	36,137	53,317
Plant and equipment	2,564	1,335
Deferred tax assets	11,166	-
Intangible assets	3,316	3,316
Other non-current assets	250	191
Total non-current assets	221,535	301,369
Total assets	411,806	478,813
Current liabilities		
Payables	55,786	45,908
Interest bearing loans	29,832	26,685
Provisions	3,490	3,183
Non-interest bearing loans	25,280	28,783
Total current liabilities	114,388	104,559
Non-current liabilities		
Interest bearing loans	62,801	72,012
Deferred tax liabilities	-	1,896
Provisions	1,347	1,785
Non-interest bearing loans	4,751	6,288
Derivative financial instruments	458	656
Payables	7,341	-
Total non-current liabilities	76,698	82,637
Total liabilities	191,086	187,196
Net assets	220,720	291,617
Equity		
Contributed equity	292,367	292,367
Reserves	(181)	(347)
Accumulated losses	(71,466)	(403)
Total equity	220,720	291,617

13 Parent entity financial information

(a) Summary financial information

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

	31 December 2013 \$'000	30 June 2013 \$'000
STATEMENT OF FINANCIAL POSITION		
Assets		
Current assets	259,325	251,102
Non-current assets	118,271	164,954
Total assets	377,596	416,056
Liabilities		
Current liabilities	71,913	63,757
Non-current liabilities	32,272	39,968
Total liabilities	104,185	103,725
Net assets	273,411	312,331
Equity		
Contributed equity	292,367	292,367
Reserves	(174)	(347)
Retained earnings / (Accumulated losses)	(18,782)	20,311
Total equity	273,411	312,331
Profit / (loss) for the year	(39,093)	7,739
Total comprehensive income / (loss) for the year	(38,946)	7,760

(b) Guarantees entered into by the Parent entity

Devine Limited and controlled entities have provided bank guarantees and surety bonds totaling \$30.2m at 31 December 2013 (June 2013: \$36.0m) 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 \$62.1m at 31 December 2013 (June 2013: \$40.1m). The debt is secured against assets of the joint ventures with a recorded value of \$118.4m (June 2013: \$105.9m) 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 33.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Continued

14 Non-current assets - Inventories

	31 December 2013 \$'000	30 June 2013 \$'000
Land held for sale		
Acquisition	93,789	157,036
Development costs capitalised	80,011	99,520
	173,800	256,556
Total non-current inventories - at the lower of cost and net realisable value	173,800	256,556

15 Non-current assets - Intangible assets / Brand name

	Brand name \$'000	Total \$'000
At 31 December 2013		
Cost	3,316	3,316
Net book amount	3,316	3,316
	Brand name \$'000	Total \$'000
At 30 June 2013		
Cost	3,316	3,316
Net book amount	3,316	3,316

Impairment tests for intangibles with indefinite useful lives

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 an 18 month period (June 2013: 24 months). Cash flows beyond this period are extrapolated using estimated growth rates of 3% for the 6 months beyond the financial budget period and 2% thereafter.

A pre-tax discount rate of 12.3% has been applied to the calculation which reflects management's estimate of the time value of money and the risks specific to each unit.

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.

16 Non-current assets - Deferred tax assets

	31 December 2013 \$'000	30 June 2013 \$'000
The balance comprises temporary differences attributable to:		
Accrued expenses	625	437
Doubtful debts	1,513	13
Employee benefits	1,477	1,485
Establishment fees	127	251
Fair value adjustment on debtors	-	49
Inventories	3,784	-
Investment in associates	1,295	2,959
Mark-to-market adjustments on derivative financial instruments	137	197
Provisions	451	112
Tax losses	627	1,023
Unearned income	60	-
Other	11	4
	10,107	6,530
Set-off of deferred tax liabilities pursuant to set-off provisions	(49)	(6,530)
Net deferred tax assets	10,058	-
Movements:		
Opening balance	6,530	21,128
Credited / (charged) to the statement of comprehensive income	3,722	(14,625)
Charges directly to equity	(77)	5
Prior year adjustments	(68)	22
Set-off	(49)	(6,530)
Closing balance	10,058	-

17 Current liabilities - Trade and other payables

	31 December 2013 \$'000	30 June 2013 \$'000
Trade payables	35,701	43,746
Advances and other payables	21,752	6,347
	57,453	50,093

18 Current liabilities - Interest bearing liabilities

	31 December 2013 \$'000	30 June 2013 \$'000
Secured		
Bank loans	29,832	26,685

Information relating to assets pledged as security is set out in Note 22(b).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Continued

19 Current liabilities - Non-interest bearing liabilities

	31 December 2013 \$'000	30 June 2013 \$'000
Secured		
Vendor funding	25,280	28,783

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

20 Derivative financial instruments

	31 December 2013 \$'000	30 June 2013 \$'000
Non-current liabilities		
Interest rate - cash flow hedges	458	656

21 Non-current liabilities - Advances and other payables

	31 December 2013 \$'000	30 June 2013 \$'000
Advances and other payables	7,341	14,964

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.

22 Non-current liabilities - Interest bearing liabilities

	31 December 2013 \$'000	30 June 2013 \$'000
Secured		
Bank loans	93,676	92,551

(a) Total secured liabilities

Total secured liabilities are:

Bank loans (current and non-current)	123,508	119,236
--------------------------------------	---------	---------

22 Non-current liabilities – Interest bearing liabilities (continued)

(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 2013 \$'000	30 June 2013 \$'000
Current		
Cash and cash equivalents	11,264	20,986
Receivables	59,315	41,515
Inventories	147,840	133,901
Current tax receivables	68	-
Prepayments	1,377	734
Total current assets pledged as security	219,864	197,136
Non-current		
Receivables	22,743	32,080
Inventories	173,800	256,556
Investments accounted for using the equity method	36,193	53,317
Plant and equipment	2,866	1,771
Intangible assets	3,316	3,316
Deferred tax assets	10,058	-
Other non-current assets	193	191
Total non-current assets pledged as security	249,169	347,231
Total assets pledged as security	469,033	544,367

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

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

	31 December 2013 \$'000	30 June 2013 \$'000
Bank loans		
Total facilities limits*	160,346	182,048
Total facilities available	131,547	151,384
Used at balance date	125,262	120,209
Available at balance date	6,285	31,175

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Continued

23 Non-current liabilities - Non-interest bearing liabilities

	31 December 2013 \$'000	30 June 2013 \$'000
Secured		
Vendor funding	4,751	6,288

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

24 Non-current liabilities - Deferred tax liabilities

	31 December 2013 \$'000	30 June 2013 \$'000
The balance comprises temporary differences attributable to:		
Income received in advance	49	386
Inventories	-	7,969
	49	8,355
Set-off of deferred tax liabilities pursuant to set-off provisions (Note 16)	(49)	(6,530)
Net deferred tax liabilities	-	1,825
Movements:		
Opening balance	8,355	23,175
Charged / (credited) to statement of comprehensive income	(8,306)	(14,820)
Set off	(49)	(6,530)
Closing balance	-	1,825

25 Contributed equity

(a) Share capital

	31 December 2013 Shares	30 June 2013 Shares	31 December 2013 \$'000	30 June 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 July 2013	Opening balance	158,730,556	292,367
31 December 2013	Closing balance	158,730,556	292,367

25 Contributed equity (continued)

(c) Capital risk management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to provide 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.

The gearing ratios at 31 December 2013 and 30 June 2013 were as follows:

	31 December 2013 \$'000	30 June 2013 \$'000
Interest and non-interest bearing loans and borrowings	153,539	154,307
Less: cash and cash equivalents	(11,264)	(20,986)
Net debt	142,275	133,321
Total assets	469,033	544,367
Less: cash and cash equivalents	(11,264)	(20,986)
Assets	457,769	523,381
Gearing ratio	31%	25%

26 Reserves and retained earnings / (accumulated losses)

(a) Reserves

	31 December 2013 \$'000	30 June 2013 \$'000
Hedging reserve - cash flow hedges	(379)	(519)
Share based payment reserve	198	172
	(181)	(347)
Movements:		
Hedging reserve - cash flow hedges		
Opening balance	(519)	(436)
Revaluation - gross	217	(88)
Deferred tax	(77)	5
Closing balance	(379)	(519)
Share-based payments reserve		
Opening balance	172	312
Option expense / (benefit)	26	(140)
Closing balance	198	172

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Continued

26 Reserves and retained earnings / (accumulated losses) (continued)

(b) Retained earnings / (accumulated losses)

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

	31 December 2013 \$'000	30 June 2013 \$'000
Opening balance	25,485	29,218
Net (loss) for the year	(72,977)	(559)
Dividends	-	(3,174)
Closing balance	(47,492)	25,485

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

	6 months to December 2013 \$'000	12 months to June 2013 \$'000
(Loss) for the year	(72,977)	(559)
Non-cash items		
Interest capitalised	(4,466)	(4,665)
(Profits) / losses from joint ventures & sale of subsidiaries not received as cash	5,293	(3,054)
Depreciation and amortisation	838	937
Non-cash employee benefits expense - share-based payments	27	(140)
Fair value (gains) / losses on financial assets at fair value through profit or loss	26	(83)
Impairment of joint ventures	14,017	-
Change in operating assets and liabilities:		
(Increase) / decrease in trade and sundry debtors	(8,462)	10,883
(Increase) / decrease in inventories	79,483	26,565
(Increase) / decrease in prepayments	(643)	1,300
(Decrease) / increase in provision for income taxes payable (receivable)	(68)	307
(Decrease) / increase in trade creditors and accruals	(5,302)	(5,399)
(Decrease) / increase in deferred income tax	(11,883)	(221)
(Decrease) / increase in other provisions	531	615
Net cash inflow / (outflow) from operating activities	(3,586)	26,486

28 Commitments

Non-cancellable operating leases

	31 December 2013 \$'000	30 June 2013 \$'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	3,641	3,563
Later than one year but not later than five years	10,293	9,693
Later than five years	4,232	4,491
	18,166	17,747

Operating leases have an average remaining term of 6.2 years (June 2013: 6.5 years). Assets that are the subject of operating leases include motor vehicles, equipment and office premises.

29 Share-based payments

(a) Long Term Incentive (LTI) Plan

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

Under the plan participants are granted performance rights for nil consideration. Participation in the plan is at the Board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits. The performance rights were issued for a term of 3 years and vest automatically on the satisfaction of both the service condition and performance hurdles. Details on these vesting conditions are detailed in the Remuneration report.

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

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							
16/09/2013	30/09/2016	-	971,980	-	-	971,980	-
		-	971,980	-	-	971,980	-
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 takes 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 hurdles for the performance rights granted under the LTI plan are detailed in the Remuneration report.

(b) Executive share option scheme

The last grant of options under this scheme occurred on 28 November 2011 and this scheme has now been replaced by the LTI plan effective 1 July 2013.

The options, issued for nil consideration, were issued in accordance with guidelines established by the Directors of Devine Limited. The options were issued for a term of between 5 and 10 years and are exercisable beginning on the second anniversary of the date of grant, subject to meeting performance hurdles which can be tested at any time after the relevant anniversary. The options cannot be transferred and are not quoted on the ASX. At 31 December 2013 there were 4 senior executives and managers 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Continued

29 Share-based payments (continued)

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

Grant date	Expiry date	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	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	109,750	-	-	56,000	53,750	53,750
01/07/2010	01/07/2015	830,000	-	-	200,000	630,000	-
28/10/2011	28/10/2016	437,750	-	-	-	437,750	-
		1,476,000	-	-	330,000	1,146,000	78,250
Weighted average exercise price		\$1.35	-	-	\$2.11	\$1.13	\$3.80

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
June 2013							
06/09/2006	06/09/2016	40,250	-	-	-	40,250	40,250
02/07/2007	02/07/2017	58,250	-	-	-	58,250	58,250
01/07/2008	01/07/2018	109,750	-	-	-	109,750	109,750
01/07/2010	01/07/2015	830,000	-	-	-	830,000	-
28/10/2011	28/10/2016	437,750	-	-	-	437,750	-
		1,476,000	-	-	-	1,476,000	208,250
Weighted average exercise price		\$1.35	-	-	-	\$1.35	\$3.87

Performance hurdles

The performance hurdles for the Executive share option scheme are detailed in the Remuneration report.

(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 2013 \$'000	30 June 2013 \$'000
Expense / (benefit) arising from share based payments	26	(140)

30 Remuneration of auditors

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

	6 months to December 2013 \$	12 months to June 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>	172,250	283,250
Other assurance and technical accounting services	44,480	76,119
Total remuneration for audit and other assurance services	216,730	359,369
Taxation services		
Tax compliance and advisory services	27,138	26,348
Total remuneration for taxation services	27,138	26,348
Total remuneration of Ernst & Young	243,868	385,717

31 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 (June 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 \$142,242 (June 2013: Nil) were accrued in respect of information technology and legal services provided to the Group. These fees were determined under normal commercial terms and conditions.

(b) Directors

Mr R W Parris is a Director of Queensland Property Consultants Pty Ltd. Fees totaling \$3,920 (June 2013: \$16,780) were paid or payable to Queensland Property Consultants Pty Ltd during the year in respect of property advisory services provided to Devine Limited and its controlled entities. These fees were determined under normal commercial terms and conditions.

Mr N Parris, son of Mr. R W Parris, is a beneficiary of Emerge Partners. Fees totaling \$71,473 (June 2013: Nil) 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 transitional financial year ended 31 December 2013 (June 2013: Nil).

(d) Other transactions with key management personnel

There have been no transactions with key management personnel or their related parties for the transitional financial year ended 31 December 2013 (June 2013: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Continued

31 Related party transactions (continued)

(e) Compensation of key management personnel of the Group

	6 months to December 2013 \$	12 months to June 2013 \$
Short-term employee benefits	1,769,452	3,607,140
Post-employment benefits	141,565	240,106
Long-term benefits	182,067	895,992
Share-based payments	52,808	-
	2,145,892	4,743,238

(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 2013 Number outstanding	June 2013 Number outstanding
Performance rights				
16 September 2013	30 September 2016	-	603,066	-
			603,066	-
Options				
6 September 2006	6 September 2016	\$3.89	-	40,250
2 July 2007	2 July 2017	\$5.22	-	33,750
1 July 2008	1 July 2018	\$3.15	-	56,000
1 July 2010	1 July 2015	\$0.94	540,000	740,000
28 October 2011	28 October 2016	\$0.91	437,750	437,750
			977,750	1,307,750
			1,580,816	1,307,750

31 Related party transactions (continued)

(g) Transactions with Joint Ventures

Lease rental of \$842,081 (June 2013: \$506,357) has been paid to a joint venture in respect of a property lease. The lease term and rental were determined under normal commercial conditions.

(h) Revenue from related parties

	6 months to December 2013 \$'000	12 months to June 2013 \$'000
Sales of goods and services		
Interest received from related parties	361	848
Revenue from property development - related joint ventures	4,395	7,505
Revenue from construction services - related joint ventures	9,549	52,997
	14,305	61,350

(i) Amounts owed by related parties

	31 December 2013 \$'000	30 June 2013 \$'000
Trade receivables owing by joint ventures	4,146	5,273
Loans advanced to joint ventures	24,229	18,113
	28,375	23,386

(j) Amounts owed to related parties

	31 December 2013 \$'000	30 June 2013 \$'000
Trade payables owing to joint ventures	-	19
Loans advanced by joint ventures	18,371	9,256
	18,371	9,275

(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 \$62.1m at 31 December 2013 (June 2013: \$40.1m). The debt is secured against assets of the joint ventures with a recorded value of \$118.4m (June 2013: \$105.9m) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Continued

32 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 2013	30 June 2013
Bacchus Marsh	50	50
Deer Park	50	50
Casey Fields*	55	55
Henry Road Pakenham	50	50
Turramurra	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 in 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 2013	30 June 2013
Hamilton Harbour Unit Trust	50	50
Townsville City Project Trust	50	50
Riverina Estate Development Trust	50	50
VR Pakenham Trust	50	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

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.

32 Interests in joint arrangements (continued)

(b) Joint ventures (continued)

(ii) Summarised financial information - material joint venture

The Group's interest in Hamilton Harbour Unit Trust, which is considered to be both material in value and of strategic value to the Group, 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 consolidated financial statements is set out below:

	31 December 2013 \$'000	30 June 2013 \$'000
Summarised statement of financial position		
Cash and cash equivalents	2,401	483
Other current assets*	73,803	93,498
Current assets	76,204	93,981
Non-current assets	10,676	10,652
Total assets	86,880	104,633
Current financial liabilities (excluding trade payables)*	34,268	40,316
Other current liabilities	583	722
Current liabilities	34,851	41,038
Other non-current liabilities	-	-
Net assets	52,029	63,595
Proportion of the Group's ownership	50%	50%
Carrying amount of investment accounted for using the equity method	26,015	31,798

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

	6 months to December 2013 \$'000	12 months to June 2013 \$'000
Summarised statement of comprehensive income		
Revenue	16,757	91,842
Interest income	40	136
Interest expense	(1,023)	(423)
Profit / (loss) for the year and total comprehensive income / (loss) for the year	(7,353)	5,437
Proportion of the Group's ownership	50%	50%
Share of profit / (loss) from joint venture	(3,677)	2,718
Distribution of profits received from joint venture	-	2,871

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Continued

32 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 2013 \$'000	30 June 2013 \$'000
Current assets	39,512	11,696
Non-current assets	14,703	48,811
Total Assets	54,215	60,507
Current liabilities	38,345	12,342
Non-current liabilities	5,315	23,452
Total Liabilities	43,660	35,794
Net Assets	10,555	24,713

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

	6 months to December 2013 \$	12 months to June 2013 \$
Profit / (loss) for the year and total comprehensive income / (loss) for the year	(236)	1,201

(c) Contributions to joint ventures

As part of its business arrangements Devine enters into joint ventures with other parties. Current trading conditions have resulted in the renegotiation of some terms and conditions of these arrangements. These negotiations are ongoing and no further losses are anticipated.

33 Contingencies

Contingent liabilities

The Group had contingent liabilities at 31 December 2013 in respect of:

(i) Guarantees

The Group has provided the following guarantees:

The Group and controlled entities have provided bank guarantees and surety bonds totaling \$30.2m at 31 December 2013 (June 2013: \$36.0m) 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 \$62.1m at 31 December 2013 (June 2013: \$40.1m). The debt is secured against assets of the joint ventures with a recorded value of \$118.4m (June 2013: \$105.9m) 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 has been 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. No provision has been raised where it is only possible but not probable the action will succeed or where it is expected that these matters will be resolved with no material cost being incurred by the Group.

34 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.

34 Segment information (continued)

(b) Operating segments

	Housing and Land \$'000	Development and Construction \$'000	Corporate and Other \$'000	Consolidated Total \$'000
December 2013				
Total sales revenue	106,857	32,517	-	139,374
Interest revenue	224	461	603	1,288
Other revenue	54	178	-	232
Total segment revenue	107,135	33,156	603	140,894
Operating segment result before write-down	(12,159)	(1,095)	(1,732)	(14,986)
Inventory write-down, impairment and other expenses (refer Note 4)	(66,622)	(3,178)	(219)	(70,019)
Segment result	(78,781)	(4,273)	(1,951)	(85,005)
(Loss) before income tax	-	-	-	(85,005)
Income tax benefit	-	-	-	12,028
(Loss) for the year	-	-	-	(72,977)
Segment assets	373,370	70,915	24,748	469,033
Segment liabilities*	89,974	11,974	122,391	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)
	Housing and Land \$'000	Development and Construction \$'000	Corporate and Other \$'000	Consolidated Total \$'000
June 2013				
Total sales revenue	237,962	73,111	-	311,073
Interest revenue	618	999	1,773	3,390
Other revenue	174	2,572	3	2,749
Total segment revenue	238,754	76,682	1,776	317,212
Operating segment result before write-down	3,822	8,303	(2,923)	9,202
Write-down of inventory (refer Note 4)	-	(10,000)	-	(10,000)
Segment result	3,822	(1,697)	(2,923)	(798)
(Loss) before income tax	-	-	-	(798)
Income tax benefit	-	-	-	239
(Loss) for the year	-	-	-	(559)
Segment assets	437,524	81,876	24,967	544,367
Segment liabilities*	100,318	28,817	97,727	226,862
Other segment information				
Investments in joint ventures	15,773	37,544	-	53,317
Share of net profits / (losses) of joint ventures	1,051	2,868	-	3,919

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

(c) Segment information provided to the senior executive management team

The Company operates in only one geographic segment, Australia.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Continued

35 Earnings per share

(a) Basic and diluted earnings per share

	31 December 2013 Cents	30 June 2013 Cents
Total basic and diluted earnings per share attributable to the ordinary equity holders of the Company	(46.0)	(0.4)

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

	31 December 2013 \$'000	30 June 2013 \$'000
(Loss) attributable to the ordinary equity holders of the Company used in calculating basic earnings per share	(72,977)	(559)

(c) Weighted average number of shares used as denominator

	31 December 2013 Number	30 June 2013 Number
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	158,747,660	158,730,556

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

Conversions, calls, subscriptions or issues since the reporting date

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

36 Events occurring after the reporting period

There have been no significant events which have occurred post 31 December 2013.

37 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.

(a) Market risk

Cash flow and fair value interest rate risk

The Group's main interest rate risk arises from long term 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 transitional financial year ended 31 December 2013 and year ended 30 June 2013, the Group's borrowings at variable rate were denominated in Australian Dollars.

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.

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	
	6 months to December 2013 \$'000	12 months to June 2013 \$'000	6 months to December 2013 \$'000	12 months to June 2013 \$'000
+1% (100 basis points)	(338)	(640)	419	727
-1% (100 basis points)	368	577	(542)	(800)

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

	31 December 2013		30 June 2013	
	Weighted average interest rate %	Balance \$'000	Weighted average interest rate %	Balance \$'000
Bank overdrafts and bank loans	4.7%	123,508	5.8%	119,236
Value of variable rate borrowings hedged		(75,000)		(100,000)
Net exposure to cash flow interest rate risk		48,508		19,236

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Continued

37 Financial risk management (continued)

(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.

	31 December 2013 \$'000	30 June 2013 \$'000
Trade receivables		
Trade receivables	30,284	45,761
Other receivables	51,774	27,834
	82,058	73,595
Cash at bank and short-term bank deposits		
AA-	10,498	5,476
A-	766	5,488
BBB+	-	5,018
BBB	-	5,004
	11,264	20,986
Retentions		
Not rated	191	191

37 Financial risk management (continued)

(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:

	6 months to December 2013 \$'000	12 months to June 2013 \$'000
Floating rate		
Expiring beyond one year (bank loans)*	6,285	31,175

* 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Continued

37 Financial risk management (continued)

(c) Liquidity risk (continued)

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
31 December 2013						
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
	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
30 June 2013						
Non-derivatives						
Trade payables	49,545	548	6,659	9,180	-	65,932
Interest bearing	27,046	4,446	4,398	93,895	-	129,785
Non-interest bearing	17,983	10,800	6,600	-	-	35,383
Total non-derivatives	94,574	15,794	17,657	103,075	-	231,100

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

37 Financial risk management (continued)

(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 2013 and 30 June 2013:

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
30 June 2013	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Liabilities				
Derivatives used for hedging	-	656	-	656
Total liabilities	-	656	-	656

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 2013

In the Directors' opinion:

- (a) the Financial statements and notes of Devine Limited for the transitional financial year ended 31 December 2013 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 2013 and of its performance for the transitional 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

13 March 2014

INDEPENDENT AUDITOR'S REPORT

to the members of Devine Limited



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

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

Independent auditor's report to the members of Devine Limited

Report on the financial report

We have audited the accompanying financial report of Devine Limited, which comprises the consolidated statement of financial position as at 31 December 2013, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six month period then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the period's end or from time to time during the financial period.

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.

A member firm of Ernst & Young Global Limited
Liability limited by a scheme approved under Professional Standards Legislation

INDEPENDENT AUDITOR'S REPORT

to the members of Devine Limited



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 consolidated entity's financial position as at 31 December 2013 and of its performance for the period 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 period ended 31 December 2013. 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 period ended 31 December 2013 complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Alison de Groot
Partner
Brisbane
13 March 2014

A member firm of Ernst & Young Global Limited
Liability limited by a scheme approved under Professional Standards Legislation

SHAREHOLDER INFORMATION

**The Shareholder information set out below
was applicable as at 17 March 2014**

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	931	343,622	-	-	-	-
1,001 - 5,000	1,335	3,364,598	-	-	-	-
5,001 - 10,000	515	3,837,836	-	-	-	-
10,001 - 100,000	735	19,530,507	2	168,250	1	68,016
100,001 and over	81	131,653,993	2	977,750	5	903,964
	3,597	158,730,556	4	1,146,000	6	971,980

There were 801 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	10,115,995	6.37
National Nominees Limited	5,176,666	3.26
Citicorp Nominees Pty Limited	4,655,153	2.93
RBC Investor Services Australia Nominees Pty Limited <BKCUST A/C>	3,704,960	2.33
UBS Nominees Pty Ltd	3,076,207	1.94
HSBC Custody Nominees (Australia) Limited	2,523,059	1.59
Luton Pty Ltd	1,321,273	0.83
BNP Paribas Noms (NZ) Ltd <DRP>	1,135,949	0.72
Wilmar Enterprises Pty Ltd	975,000	0.61
QIC Limited	905,534	0.57
Contemplator Pty Ltd <ARG Pension Fund A/C>	900,000	0.57
Aust Executor Trustees SA Ltd <TEA Custodians Limited>	896,511	0.56
Hugh Green Foundation	860,000	0.54
J P Morgan Nominees Australia Limited	695,508	0.44
Ruminator Pty Ltd	621,021	0.39
Corry Lyn Pty Ltd	600,000	0.38
Di Iulio Homes Pty Limited <Di Iulio Super Fund A/C>	580,000	0.37
Golden Venture Pty Ltd <The Tirman Super Fund A/C>	500,000	0.31
Mr Christopher Lephed	491,091	0.31
	120,102,570	75.65

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	10,115,995	6.37%
	90,484,638	57.00%

D. Voting rights

The voting rights attaching to each class of equity securities are set out below:

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.

FIVE YEAR FINANCIAL SUMMARY

	30 June 2010 \$'000	30 June 2011 \$'000	30 June 2012 \$'000	30 June 2013 \$'000	31 December# 2013 \$'000
Revenues from ordinary activities	570,865	425,173	313,865	311,073	139,374
Profit / (loss) from ordinary activities before interest & tax	29,969	42,500	(11,214)	6,042	(82,639)
Profit / (loss) from ordinary activities before tax	11,507	29,052	(18,226)	(798)	(85,005)
Profit / (loss) from discontinued operations before tax	125	-	-	-	-
Profit / (loss) after tax	8,158	20,188	(12,893)	(559)	(72,977)
Net profit / (loss) attributable to members of Devine Limited	8,158	20,188	(12,893)	(559)	(72,977)
Dividends declared, paid or provided for	-	12,698	9,524	3,174	-
Retained earnings / (Accumulated losses)	44,145	51,635	29,218	25,485	(47,492)
Total assets	559,682	588,012	569,361	544,367	469,033
Net assets / shareholders equity	336,407	343,997	321,461	317,505	244,694
Net tangible assets	333,091	340,681	318,145	314,189	241,378
Number of ordinary shares on issue ('000)	158,730*	158,730*	158,730	158,730	158,730
Net tangible assets per ordinary share (cents)	209.8	214.6	200.4	197.9	152.1
Earnings per ordinary share (cents)	7.2	12.7	(8.1)	(0.4)	(46.0)
Dividends per ordinary share (cents)					
Interim	-	4.0	2.0	-	-
Final	4.0	4.0	2.0	-	-
Total	4.0	8.0	4.0	-	-
Closing share price (cents)	94.0*	100.0*	58.0	67.0	81.0
Return on shareholders equity (%)	2.7**	5.9	(3.9)	(0.2)	(26.0)
Dividend yield % (before grossed up effect of franking credits)	4.3	8.0	6.9	-	-
Price / earnings ratio (times)	13.1	7.9	N/A	N/A	N/A

* Comparatives have been restated to reflect 4 for 1 share consolidation at November 2011.

** NTA and EPS have been affected by issue of shares for Rights Issue and Institutional Placement in March 2010.
Current and comparative year EPS and diluted EPS has been restated in accordance with AASB 133 *Earnings per Share*.

31 December 2013 represents the 6 month period 1 July 2013 to 31 December 2013. Prior periods represent the 12 month period 1 July to 30 June.



Devine Limited

ABN 51 010 769 365

Level 1, KSD1,
485 Kingsford Smith Drive,
Hamilton, QLD 4007

PO Box 780,
Hamilton Central, QLD 4007

P (07) 3608 6300

F (07) 3608 6333

devine.com.au