Appendix 4D

Half Year Report

Name of Entity

Devine Limited

ABN	Reporting period ("2019")	Previous Corresponding period ("2018")
51 010 769 365	30 June 2019	30 June 2018

Results for announcement to the market

	6 months to 30 June 2019 $'000	6 months to 30 June 2018 $'000	% Change
Revenue from ordinary activities	14,828	23,860	(37.9%)
Loss after tax attributable to shareholders	(3,391)	(11,359)	(70.1%)

Additional Appendix 4D disclsoure requirements can be found in the notes to the 30 June 2019 Interim Financial report for Devine Limited and the Directors' Comments for the review of operations.

Dividends/Distributions

There were no dividends declared or paid to shareholders during or since the end of the half year ended 30 June 2019.
The Company does not have an active Dividend Reinvestment Plan

Net Tangible Assets per share (NTA)

	2019 $	2018 $
Basic NTA	$ 0.55	$ 0.66
Diluted NTA	$ 0.55	$ 0.66

Earnings per share (EPS)

	2019 cents	2018 cents
Basic EPS	(2.1) cents	(7.1) cents
Diluted EPS	(2.1) cents	(7.1) cents

Devine Limited ABN 51 010 769 365
Interim Report – 30 June 2019

Lodged with the ASX under Listing Rule 4.2A
This information should be read in conjunction with the
31 December 2018 Annual Report

Contents

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

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

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

DIRECTORS' REPORT

Your directors present their report on the consolidated entity (referred to hereafter as the Group or Company) consisting of Devine Limited (Devine) and the entities it controlled at the end of, or during, the half-year ended 30 June 2019.

DIRECTORS

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

D P Robinson (Chairman)
G Sassine
J M Campbell

CHIEF EXECUTIVE OFFICER

J M Campbell

CHIEF FINANCIAL OFFICER AND COMPANY SECRETARY

J S L Mackay

DIVIDENDS

There were no dividends declared or paid to members during or since the end of the half-year ended 30 June 2019 (June 2018: nil).

REVIEW OF OPERATIONS

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

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 21.

ROUNDING OF AMOUNTS

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

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

D P Robinson
Chairman

Brisbane
13 August 2019

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 30 JUNE 2019

	Notes	6 months to June 2019 $'000	6 months to June 2018 $'000
Continuing operations			
Revenue	2	**15,082**	24,256
Expenses	3	**(18,965)**	(36,812)
Finance income		**82**	9
Finance expense		**(128)**	(145)
Net finance (expense)/income		**(46)**	(136)
Share of net profit of joint ventures accounted for using the equity method		**681**	1,523
Loss from continuing operations before tax		**(3,248)**	(11,169)
Income tax expense	4	**-**	-
Loss from continuing operations after tax		**(3,248)**	(11,169)
Discontinued operations			
Loss after tax from discontinued operations	9	**(143)**	(190)
Loss for the half-year		**(3,391)**	(11,359)
Total comprehensive loss for the half-year		**(3,391)**	(11,359)
		Cents	Cents
Earnings/(loss) per share Basic and diluted, loss for the half-year attributable to ordinary equity holders of the Company	8	**(2.1)**	(7.1)
Earnings/(loss) per share from continuing operations Basic and diluted, loss for the half-year attributable to ordinary equity holders of the Company	8	**(2.0)**	(7.0)
Earnings/(loss) per share from discontinued operations Basic and diluted, loss for the half-year attributable to ordinary equity holders of the Company		**(0.1)**	(0.1)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

	Notes	30 June 2019 $'000	31 December 2018 $'000
ASSETS			
Current assets			
Cash and cash equivalents		**1,397**	1,413
Trade and other receivables		**12,960**	17,561
Contract assets		**3,666**	3,744
Inventories		**21,520**	23,022
Prepayments		**480**	857
Total current assets		**40,023**	46,597
Non-current assets			
Trade and other receivables		**152**	-
Contract assets		**5,286**	4,893
Inventories		**72,430**	71,878
Investments accounted for using the equity method		**22,672**	21,925
Property, plant and equipment		**709**	176
Intangible assets		**3,316**	3,316
Total non-current assets		**104,565**	102,188
Total assets		**144,588**	148,785
LIABILITIES			
Current liabilities			
Trade and other payables		**9,435**	12,680
Interest bearing loans		**37,985**	-
Provisions		**1,861**	2,577
Lease liabilities		**1,473**	-
Total current liabilities		**50,754**	15,257
Non-current liabilities			
Interest bearing loans		**-**	35,985
Provisions		**2,673**	3,525
Lease liabilities		**1,010**	-
Total non-current liabilities		**3,683**	39,510
Total liabilities		**54,437**	54,767
Net assets		**90,151**	94,018
EQUITY			
Contributed equity		**292,367**	292,367
Reserves		**337**	337
Accumulated losses		**(202,553)**	(198,686)
Total equity		**90,151**	94,018

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 30 JUNE 2019

	Contributed equity $'000	Reserves $'000	Accumulated losses $'000	Total equity $'000
Balance at 31 December 2018	292,367	337	(198,686)	94,018
Opening balance adjustment on application of new accounting standards[1]	-	-	(476)	(476)
Restated total equity at 1 January 2019	**292,367**	**337**	**(199,162)**	**93,542**
Loss for the half-year	-	-	(3,391)	(3,391)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the half-year	**-**	**-**	**(3,391)**	**(3,391)**
Transactions with owners in their capacity as owners:				
Expense pursuant to employee incentive scheme	-	-	-	-
Balance at 30 June 2019	**292,367**	**337**	**(202,553)**	**90,151**
Balance at 1 January 2018[2]	292,367	336	(173,493)	119,210
Loss for the half-year	-	-	(11,359)	(11,359)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the half-year	**-**	**-**	**(11,359)**	**(11,359)**
Transactions with owners in their capacity as owners:				
Expense pursuant to employee incentive scheme	-	1	-	1
Balance at 30 June 2018	**292,367**	**337**	**(184,852)**	**107,852**

[1]Refer to Note 1(b) for details on opening balance adjustments made on application of new accounting standards.

[2]Balances at 1 January 2018 are presented inclusive of opening balance adjustments made on application of new accounting standards effective 1 January 2018. Refer to the 31 December 2018 financial statements for details on these adjustments.

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 30 JUNE 2019

	Notes	**6 months to June 2019 $'000**	6 months to June 2018 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**16,686**	21,933
Payments to suppliers and employees (inclusive of goods and services tax)		**(19,068)**	(14,686)
Interest received		**41**	9
Interest and borrowing costs paid		**(589)**	(1,101)
Net cash inflow/(outflow) from operating activities		**(2,930)**	6,155
Cash flows from investing activities			
Net payments for property, plant and equipment		**-**	(14)
Payments for investments in joint ventures		**(114)**	(139)
Loans to joint ventures and repayment of advances from joint ventures		**(2,220)**	(12,276)
Repayment of loans by joint ventures		**3,882**	6,923
Equity distributions received from joint ventures		**48**	350
Net cash inflow/(outflow) from investing activities		**1,596**	(5,156)
Cash flows from financing activities			
Proceeds from borrowings		**2,000**	1,669
Repayment of borrowings		**-**	-
Repayment of lease liabilities		**(682)**	-
Net cash inflow/(outflow) from financing activities		**1,318**	1,669
Net increase/(decrease) in cash and cash equivalents		**(16)**	2,668
Cash and cash equivalents at the beginning of the reporting period		**1,413**	295
Cash and cash equivalents at end of period		**1,397**	2,963

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 30 JUNE 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2018 and any public announcements made by Devine Limited during the interim period in accordance with the continuous disclosure requirements of the ASX Listing Rules.

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

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

(i) Basis of Accounting

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

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

(ii) Going Concern

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

For the half year ended 30 June 2019, the Group incurred a net loss after tax of $3.4m (half year ended June 2018: net loss after tax of $11.4m) and generated net cash outflows from operating activities of $2.9m (half year ended June 2018: net cash inflow of $6.2m). As at 30 June 2019, the Group had net assets of $90.2m (December 2018: $94.0m) and current liabilities (including the senior bank Multi Option Facility (MOF) balance) exceeded current assets by $10.7m (December 2018: current assets exceeded current liabilities by $31.3m).

As at 30 June 2019, the Group had drawn debt and bank guarantees of $43.3m (December 2018: $42.0m) under the MOF, of which $38.0m has been classified as a current liability due to its maturity being 29 March 2020. The MOF does not contain covenants and is guaranteed by Devine's majority shareholder. The assets of the group exceed the current $43.3m exposure of the Group to the senior lender in relation to the MOF. The MOF expires on 29 March 2020 and if not renegotiated the Directors note that, based on internal projections, the Group currently does not have the capacity to repay the facility in full at that time nor does it currently have readily available alternative sources of liquidity.

In preparing the financial statements on a going concern basis, the Directors have had regard to the re-organisation of the Company's business and the Group's previous refinancing of the MOF. The Group has commenced discussions with the financier and Devine's majority shareholder for the renewal of the MOF facility under terms acceptable to the Company and to the majority shareholder. On the basis of the above and the continued focus on cash and liquidity by management, the Directors are satisfied that the Group will renew its finance facilities and therefore can continue to operate as a going concern to realise assets and discharge liabilities in the ordinary course of business and at the amounts stated in the financial report.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Change in accounting standards and accounting policy judgement
New and amended accounting standards relevant to the Group that are effective for the period are as follows:

AASB 16 Leases
In the current period, the Group has applied AASB 16 *Leases* which came into effect 1 January 2019. Details of the impact of this adoption on the Group's consolidated financial statements are described below. The Group's accounting policies for lease accounting are disclosed in detail in Note 1(c).

The Group has adopted AASB 16 using the modified retrospective approach whereby the Group has recognised the cumulative effect of initially applying this standard as an adjustment to the opening balance of equity as at 1 January 2019. Accordingly, the Group has not restated comparative balances in this set of financial statements.

On adoption of AASB 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB 117 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 6.0%. The associated right-of-use assets for these leases were measured on a retrospective basis as if AASB 16 had always been applied, with the incremental borrowing rate applied as at each lease's commencement date and the assets depreciated on a straight-line basis over the term of each lease. The provisions recognised in respect of onerous lease contracts were netted off against the associated right-of-use assets at the date of transition.

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 *Determining Whether an Arrangement contains a Lease*. The Group now assesses whether a contract is or contains a lease based on the new definition of a lease. Under AASB 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to AASB 16, the Group elected to apply the following practical expedients:

- Grandfathering of the assessment of which transactions are leases, or contain a lease;
- Application of a single incremental borrowing rate to a portfolio of leases with reasonably similar characteristics;
- Relying upon an onerous leases assessment by applying AASB 137 immediately before the date of initial application of AASB 16;
- Not recognising leases whose term ends within 12 months of the date of initial application (use of short term lease accounting is applied in this situation) or leases for which the underlying asset is of low value;
- Excluding initial direct costs from the measurement of right-of-use assets at the date of the initial application; and
- Use of hindsight in determining the lease term if the contract contains options to extend or terminate the lease.

On the basis of the above, Devine applied AASB 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under AASB 117 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under AASB 16 has been applied only to contracts entered into or modified on or after 1 January 2019.

The effect of adoption of AASB 16 was as follows:

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Impact on the statement of financial position (increase / (decrease)) as at 1 January 2019:

		$'000
ASSETS		
Property, plant and equipment (non-current)	(1)	**791**
Receivables (current)		**176**
Receivables (non-current)		**247**
Total assets		**1,214**
LIABILITIES		
Trade and other payables (current)		**182**
Lease liabilities (current)	(1)	**(1,418)**
Lease liabilities (non-current)	(1)	**(1,758)**
Provisions (current)	(2)	**614**
Provisions (non-current)	(2)	**690**
Total liabilities		**(1,690)**
EQUITY		
Retained earnings	(3)	**(476)**
Total equity		**(476)**

(1) Property, plant and equipment & current and non-current lease liabilities
AASB 16 has led to amounts recognised in respect of right-of-use assets within property, plant and equipment and lease liabilities within the Consolidated Statement of Financial Position representing the Group's portfolio of leased assets.

(2) Provisions
The Group has net off previously recognised onerous lease provisions against the right-of-use assets recognised upon transition.

(3) Retained earnings
The cumulative effect of initially applying AASB 16 has been recognised as an adjustment to the opening balance of equity as at 1 January 2019, resulting in a net decrease in equity of $476k.

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments disclosed as at 31 December 2018 as follows:

	$'000
Operating lease commitments disclosed as at 31 December 2018 (under AASB 117)	**3,335**
Discounted operating lease commitments at 31 December 2018, using incremental borrowing rate of 6%	3,109
Less: Short-term leases not recognised	-
Less: Leases of low value assets not recognised	-
Add: Payments in optional renewal periods not included in lease commitments at 31 December 2018	67
Lease liabilities as at 1 January 2019 (under AASB 16)	**3,176**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

As a result of initially applying AASB 16, in relation to the leases that were previously classified as operating leases, the Group's 30 June 2019 consolidated statement of financial position included $595k of right-of-use assets presented within property, plant and equipment and $2,483k of lease liabilities. In relation to these leases, the Group has recognised depreciation and interest costs, instead of operating lease expenses. During the six months ended 30 June 2019, the Group recognised $197k of depreciation charges and $87k of interest costs from these leases. There have been no additions to right-of-use assets in the six month period to 30 June 2019.

(c) Accounting policies applied from 1 January 2019

The accounting policies and methods of computation applied by the Group in this consolidated interim financial report are the same as those applied by the Group in the financial report for the year ended 31 December 2018, except for the following amended policies for the new accounting standards effective 1 January 2019 outlined in Note 1(b). The Group has elected not to restate comparative information and as a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policies outlined in the Group's 2018 Annual Report.

Leases

Under AASB 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset recognised by the Group is initially measured at cost, comprised of the initial measurement of the related lease liability, any lease payments made at or before the commencement of the contract, less any lease incentives received, any initial direct costs and any restoration costs. Subsequently the asset is measured at cost less any accumulated depreciation and impairment losses, and adjusted for certain re-measurements of the lease liability. Right-of-use assets are depreciated over the shorter period of either the useful life of the underlying asset or the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, or as appropriate, changes in the assessment of whether an extension option is reasonably certain to be exercised.

The Group has applied judgment to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which in turn affects the measurement of lease liabilities and right-of-use assets recognised.

(d) Critical accounting estimates and judgments

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Critical accounting estimates and judgments (continued)

Estimates and judgments relating to current and likely future operational activities are necessarily made from time to time. They are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed, at the time, to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. In preparing the consolidated interim financial report, judgements made in the application of AASBs that could have a significant effect on the financial report and estimates with a risk of adjustment in the next year are the same as those disclosed in the 31 December 2018 Annual Report.

(e) Comparatives

The comparative information is for the six month period ended 30 June 2018 and balance sheet information as at 31 December 2018. Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosure.

2. REVENUE FROM CONTINUING OPERATIONS

6 months ended 30 June 2019	**Communities**	**Development**	**Construction**	**Total continuing operations**
	$'000	**$'000**	**$'000**	**$'000**
Revenue from contracts with customers				
Revenue from land development and resale	13,661	-	-	13,661
Revenue from services	566	-	-	566
Total revenue from external customers	**14,227**	**-**	**-**	**14,227**
Revenue from construction activities	-	-	396	396
Revenue from services	187	18	-	205
Total revenue from related parties	**187**	**18**	**396**	**601**
Total revenue from contracts with customers	**14,414**	**18**	**396**	**14,828**
Timing of revenue recognition				
At a point in time	*13,848*	*-*	*-*	*13,848*
Over time	*566*	*18*	*396*	*980*
Total revenue from contracts with customers	**14,414**	**18**	**396**	**14,828**
Other revenue				
Sundry income	4	250	-	254
Total other revenue	**4**	**250**	**-**	**254**
Total revenue from continuing operations	**14,418**	**268**	**396**	**15,082**

6 months ended 30 June 2018[1]	**Communities**	**Development**	**Construction**	**Total continuing operations**
	$'000	**$'000**	**$'000**	**$'000**
Revenue from contracts with customers				
Revenue from land development and resale	16,366	-	-	16,366
Revenue from services	2,326	-	-	2,326
Total revenue from external customers	**18,692**	**-**	**-**	**18,692**
Revenue from construction activities	-	-	3,961	3,961
Revenue from services	1,022	185	-	1,207
Total revenue from related parties	**1,022**	**185**	**3,961**	**5,168**
Total revenue from contracts with customers	**19,714**	**185**	**3,961**	**23,860**
Timing of revenue recognition				
At a point in time	*17,388*	*-*	*-*	*17,388*
Over time	*2,326*	*185*	*3,961*	*6,472*
Total revenue from contracts with customers	**19,714**	**185**	**3,961**	**23,860**
Other revenue				
Rental income	115	-	-	115
Sundry income	281	-	-	281
Total other revenue	**396**	**-**	**-**	**396**
Total revenue from continuing operations	**20,110**	**185**	**3,961**	**24,256**

[1]Comparatives have been reclassified and repositioned for consistency with current year disclosures as discussed in Note 1(e).

3. EXPENSES FROM CONTINUING OPERATIONS

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

	6 months to June 2019 $'000	6 months to June 2018 $'000
Cost of sales	**11,630**	18,728
Net inventory impairment/ (write-backs)*	**(540)**	10,376
Marketing and selling costs	**4,022**	2,666
Occupancy**	**342**	695
Administration	**2,506**	2,818
Land holding expenses	**519**	551
Other	**486**	978
	18,965	36,812

*June 2019 includes $nil inventory impairment during the period (June 2018: $10.7m).
**June 2019 includes depreciation of AASB 16 right-of-use assets of $0.2m (June 2018: $nil).

4. INCOME TAX EXPENSE

(a) Income tax expense

	6 months to June 2019 $'000	6 months to June 2018 $'000
Current tax expense:	-	-
Deferred tax expense:	-	-
Income tax expense reported in the consolidated statement of comprehensive income	-	-

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

	30 June 2019 $'000	30 June 2018 $'000
Loss from continuing operations before income tax expense	**(3,248)**	(11,169)
Loss from discontinuing operations before income tax expense	**(143)**	(190)
Total loss before income tax expense	**(3,391)**	(11,359)
Tax at the Australian tax rate of 30.0% (2018 – 30.0%)	**(1,017)**	(3,408)
Tax effect of amounts which are not deductible/ (taxable) in calculating taxable income:		
Other	**1**	1
Current year tax losses not recognised	**1,016**	3,407
Income tax expense	-	-
Income tax expense for continuing operations	-	-
Income tax expense for discontinuing operations	-	-
	-	-

(c) Tax losses

The Group has total tax losses of $161,616,063 (December 2018: $154,566,588) which will be available for offsetting against future profits provided certain tests under relevant taxation legislations are met.

Deferred tax assets in respect of these losses of $47,387,011 (December 2018: $46,369,976) have not been recognised as there is not sufficient certainty that future taxable amounts will be available in the short term to recognise these losses or that these tests will continue to be able to be met.

5. DIVIDENDS

Franking credits balance

	30 June 2019 $'000	30 June 2018 $'000
Franking credits available for subsequent reporting periods based on a tax rate of 30.0% (June 2018 – 30.0%)	**9,444**	9,444

6. CONTINGENCIES

(a) Contingent liabilities

The Group had contingent liabilities at 30 June 2019 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 $14.0m at 30 June 2019 (December 2018: $18.8m) 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 Devine Land Pty Ltd, a 100% controlled entity of Devine Limited, have provided guarantees jointly and severally for the performance of a Group's joint venture for a debt totaling $12.7m at 30 June 2019 (December 2018: $15.0m). This debt has been primarily secured against assets of the joint venture with a carrying value of $26.3m at the reporting date (December 2018: $33.4m) and a land asset with a carrying value of $6.3m owned by Devine Land Pty Ltd at the reporting date (December 2018: $8.4m). The joint venture debt is also backed by guarantees from the joint venture partner and the debt is to be repaid from the property sales of the joint venture. No liabilities are expected to arise.

Devine Limited has also provided a guarantee for the performance of a Group's joint venture in proportion to its 50% shareholding interest for a debt which as at June 2019 has been fully repaid (December 2018: $54k). This had been primarily secured against assets of the joint venture with a carrying value of $42.9m at the reporting date (December 2018: $45.6m). The debt was repaid from the property sales of the joint venture. No liabilities are expected to arise.

(ii) Litigation

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

During the prior period, the Group was served a Claim from a customer. The Group denies the claim which is being defended and a counterclaim has been lodged. The Group has retained lawyers and obtained an advice. The Group is of the view that the claim has low prospects of success.

(b) Contingent assets

Due to the implementation of AASB15 from 1 January 2018, certain assets previously recognised were de-recognised in the 2018 financial year. However, the Directors consider the underlying probability of an inflow of economic benefits has not changed for the remaining derecognised assets of $5.4m (December 2018: $5.4m) and these assets are now disclosed as contingent under AASB137 as the existence of these assets is dependent upon the occurrence of uncertain future events not wholly within the control of the Group.

7. SEGMENT INFORMATION

(a) Description of segments

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

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

7. SEGMENT INFORMATION (continued)

(b) Operating segments

6 months ended 30 June 2019	Communities $'000	Development $'000	Construction $'000	Corporate $'000	Total continuing operations $'000	Discontinued $'000	Consolidated Total $'000
Revenue from contracts with customers	14,414	18	396	-	14,828	-	**14,828**
Other revenue	4	250	-	-	254	-	**254**
Total segment revenue	**14,418**	**268**	**396**	**-**	**15,082**	**-**	**15,082**
Segment result before asset write-downs and provisions	**(1,934)**	**102**	**(415)**	**(1,791)**	**(4,038)**	**(143)**	**(4,181)**
Impairment reversals / (Write down of assets)	540	250	-	-	790	-	**790**
Segment result	**(1,394)**	**352**	**(415)**	**(1,791)**	**(3,248)**	**(143)**	**(3,391)**
Loss before income tax					(3,248)	(143)	(3,391)
Income tax expense					-	-	**-**
Loss for the half-year					**(3,248)**	**(143)**	**(3,391)**
As at 30 June 2019:							
Segment assets	135,797	4,090	15	4,656	144,558	30	**144,588**
Segment liabilities*	9,237	3	2,200	41,795	53,235	1,202	**54,437**
Other segment information							
Investments in joint ventures	18,637	4,035	-	-	22,672	-	**22,672**
Share of net profits of joint ventures	589	92	-	-	681	-	**681**

*Corporate liabilities include the Group's interest bearing liabilities which are made available to operating segments as required to fund operations.

7. SEGMENT INFORMATION (continued)

(b) Operating segments (continued)

6 months ended 30 June 2018	**Communities $'000**	**Development $'000**	**Construction $'000**	**Corporate $'000**	**Total continuing operation $'000**	**Discontinued $'000**	**Consolidated Total $'000**
Revenue**	19,713	186	3,961	-	23,860	-	23,860
Other revenue	242	-	154	-	396	-	396
Total segment revenue	19,955	186	4,115	-	24,256	-	24,256
Segment result before asset write-downs and provisions	2,087	282	(706)	(2,132)	(469)	(190)	(659)
Impairment reversals / (Write down of assets)	(10,700)	-	-	-	(10,700)	-	(10,700)
Segment result	(8,613)	282	(706)	(2,132)	(11,169)	(190)	(11,359)
Loss before income tax	-	-	-	-	(11,169)	(190)	(11,359)
Income tax expense	-	-	-	-	-	-	-
Loss for the half-year	-	-	-	-	(11,169)	(190)	(11,359)
As at 31 December 2018:							
Segment assets	139,966	4,365	173	4,280	148,784	1	148,785
Segment liabilities*	11,129	5	2,822	39,743	53,699	1,068	54,767
Other segment information							
Investments in joint ventures	18,048	3,877	-	-	21,925	-	21,925
Share of net profits of joint ventures	1,408	115	-	-	1,523	-	1,523

* Corporate liabilities include the Group's interest bearing liabilities which are made available to operating segments as required to fund operations.
** During the period, one customer within the construction segment contributed to more than 10% of the Group revenue.

8. EARNINGS PER SHARE

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

	30 June 2019 Cents	30 June 2018 Cents
Earnings/(loss) per share for continuing operations	**(2.0)**	(7.0)
Total basic and diluted earnings/(loss) per share	**(2.1)**	(7.1)

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

	30 June 2019 $'000	30 June 2018 $'000
Loss attributable to the ordinary equity holders of the Company used in calculating basic earnings/(loss) per share:		
Continuing operations earnings/(loss)	**(3,248)**	(11,169)
Total earnings/(loss)	**(3,391)**	(11,359)

(c) Weighted average number of shares used as denominator

	30 June 2019 Number	30 June 2018 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**158,730,556**	158,730,556

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

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

9. DISCONTINUED OPERATIONS

	6 months to June 2019 $'000	6 months to June 2018 $'000
Revenue	**-**	-
Expenses	**(143)**	(190)
Finance income	**-**	-
Finance expense	**-**	-
Net finance expense	**-**	-
Loss before tax from discontinued operations	**(143)**	(190)
Tax expense	**-**	-
Loss after tax from discontinued operations	**(143)**	(190)

Refer to Note 7 for more details on discontinued operations.

9. DISCONTINUED OPERATIONS (continued)

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

	6 months to June 2019 $'000	6 months to June 2018 $'000
Operating net cash outflow	**(39)**	(266)
Investing net cash inflow	**39**	-
Net decrease in cash and cash equivalents	**-**	**(266)**

10. RELATED PARTY TRANSACTIONS

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

	6 months to June 2019 $'000	6 months to June 2018 $'000
Mode Apartments Unit Trust	**396**	3,961
	396	3,961

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

Townsville City Project Trust	**187**	1,021
Mode Apartments Unit Trust	**18**	185
	205	1,206

During the period, the Group’s majority shareholder has continued to guarantee the Group’s senior debt facility (a $70m Multi Option Facility expiring 29 March 2020). The Group has also been supported by its majority shareholder through other services including legal, treasury, insurance, IT and travel. All transactions are made on normal commercial terms or below market rates.

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

11. EVENTS OCCURRING AFTER THE REPORTING PERIOD

There have been no significant events which have occurred subsequent to 30 June 2019.

In the Directors' opinion:

(a) the interim financial statements and notes set out on pages 2 to 19 are in accordance with the *Corporations Act 2001*, including:

  (i) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and

  (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2019 and of its performance for the half-year ended on that date, and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee.

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

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

D P Robinson
Chairman

Brisbane
13 August 2019

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Auditor's Independence Declaration to the Directors of Devine Limited

As lead auditor for the review of Devine Limited for the half-year ended 30 June 2019, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

b) no contraventions of any applicable code of professional conduct in relation to the review.

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

Ernst & Young

Ric Roach
Partner
13 August 2019

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

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Devine Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2019 and of its consolidated financial performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 30 June 2019 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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Independence

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

Ernst & Young

Ernst & Young

Ric Roach

Ric Roach
Partner
Brisbane
13 August 2019