

# ASX and Media release

20 February 2018

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## HALF YEAR RESULTS TO 31 DECEMBER 2017

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The Board of Desane Group Holdings Limited (“Desane” or “the Group”) is pleased to announce a net profit after tax (“NPAT”) of \$0.8m for the Group’s half year results ending 31 December 2017.

HY2018 financial highlights:

- Earnings before interest and tax (“EBIT”) of \$1.4m (HY2017 \$3.8m);
- NPAT of \$0.8m (HY2017 \$2.4m);
- Solid balance sheet position with **cash of \$12.3m** (HY2017 \$15.4m);
- Net assets of **\$30.4m** (HY2017 \$32.4m);
- Net tangible asset (“NTA”) per share to \$0.82 (HY2017 \$0.87); and
- Reduction in debt facility from \$16.6m to \$11.1m.

### Dividend

The Directors have declared a **fully franked interim dividend of 2.25 cents per share**. The record date for the interim dividend will be 9 March 2018, with the payment date being 27 March 2018.

### Appendix 4D

The interim financial report for the year ended 31 December 2017 has been released today. This report is provided to the Australian Securities Exchange Limited (“ASX”) under ASX Listing Rule 4.2A.

The financial data prepared by the Company upon which the attached report is based are drawn up in accordance with applicable Accounting Standards AASB134 Interim Financial Reporting and the Corporations Regulations 2001.

## Capital Management

The Company's statement of financial position as at 31 December 2017 is strong, with cash of \$12.3m and the Loan to Value Ratio ("LVR") remaining below 40%. The low gearing and cash provides the Company the flexibility to pursue potential acquisition opportunities in the Sydney metropolitan area.

In July 2017, following the sale of 7-9 Orion Road, Lane Cove, the Company's total debt facility was reduced to \$11.1m from \$16.6m. The reduction in debt has resulted in a 19% decrease in finance costs to \$0.27m as at 31 December 2017.

## Outlook

The shrinking pool of available property assets located in the inner Sydney suburbs is creating opportunities and challenges for land buyers and sellers. The withdrawal of large industrial and commercial assets for rezoning to residential development, particularly those close to public transport amenities, will inevitably lead to increased capital values across the Sydney metropolitan area.

As a result, Desane will continue to explore opportunities to acquire property assets particularly within areas it has identified as priority growth areas and precincts such as Western Sydney.

Desane will also continue to review its existing property portfolio, in order that the Group and its shareholders can benefit from the strength in the Sydney property market. Where appropriate, Desane will seek rezoning, strata subdivision and development approval for some of its strategically well placed properties, in order to take advantage of these market conditions.

FOR FURTHER INFORMATION, PLEASE CONTACT:

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Jack Sciara  
Company Secretary  
Desane Group Holdings Limited  
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### **ABOUT DESANE:**

*Desane Group Holdings Limited is a property investment and development business based in Sydney, with expertise in property acquisitions, investment, management, leasing, sales and development of industrial, commercial and residential properties. Desane has a disciplined "add value" property acquisition approach, which will deliver maximum shareholder value in the medium to long term.*

Half Yearly Report of

**Desane Group Holdings Limited  
and Controlled Entities**

**ABN 61 003 184 932**

**for the Six Months Ended 31 December 2017**

This Half Yearly Report is provided to the Australian Stock Exchange (ASX) under ASX Listing Rule 4.2A.

Current Reporting Period: Half year ended 31 December 2017

Previous Corresponding Period: Half year ended 31 December 2016

# Desane Group Holdings Limited

## APPENDIX 4D – Half Yearly Report

### for the period ended 31 December 2017

#### Details of the reporting period

Current Period: 1 July 2017 to 31 December 2017  
 Previous Corresponding Period: 1 July 2016 to 31 December 2016

#### Results for announcement to the market

	Dec 2017 \$'000	Dec 2016 \$'000	Change %
Revenue from property investment - rental	630	1,093	(42.5%)
Revenue from property services	96	10	860.0%
Revenue from property and project management	38	73	(47.9%)
Revenue from property development sales	-	645	(100.0%)
Profit (loss) from ordinary activities after tax attributable to members	777	2,413	(67.8%)
Net profit (loss) for the period attributable to members	777	2,413	(67.8%)
Dividends	Amount per security	Franked amount per security	
Interim Dividend	2.25 cents	2.25 cents	
Previous Corresponding Period	2.25 cents	2.25 cents	
Interim Dividend Dates:			
Ex-dividend Date	8 March 2018		
Record Date	9 March 2018		
Payment Date	27 March 2018		
The Dividend Reinvestment Plan (DRP) has been suspended until further notice and will not operate in respect of the interim dividend payable on 27 March 2018.			

**Desane Group Holdings Limited**  
**APPENDIX 4D – Half Yearly Report**  
**for the period ended 31 December 2017**

**Earnings per security (EPS)**

	<b>Current period</b>	Previous corresponding period
Basic EPS	<b>2.09 cents</b>	6.49 cents
Diluted EPS	<b>2.09 cents</b>	6.49 cents

**Net tangible assets per security**

	<b>Current period</b>	Previous corresponding period
Net tangible asset backing per Ordinary Share	<b>82 cents</b>	87 cents

**Amount per Security**

	Amount per security	Franked amount per security at 30% tax	Amount per security of foreign source dividend
<b>Interim dividend:</b>			
Current reporting period	2.25 cents	2.25 cents	NIL
Previous corresponding period	2.25 cents	2.25 cents	NIL

**Desane Group Holdings Limited**  
**APPENDIX 4D – Half Yearly Report**  
**for the period ended 31 December 2017**

**Details of aggregate share of profits/(losses) of associates and joint venture entities**

<b>Group's share of associates and joint venture entities:</b>	<b>Current period \$A'000</b>	<b>Previous corresponding period - \$A'000</b>
Profit (loss) from ordinary activities before tax	(133)	(5)
Income tax on ordinary activities	-	-
<b>Profit (loss) from ordinary activities after tax</b>	<b>(133)</b>	<b>(5)</b>
Extraordinary items net of tax	-	-
<b>Net profit (loss)</b>	<b>(133)</b>	<b>(5)</b>
Adjustments	-	-
<b>Share of net profit (loss) of associates and joint venture entities</b>	<b>(133)</b>	<b>(5)</b>

**Desane Group Holdings Limited**  
**APPENDIX 4D – Half Yearly Report**  
**for the period ended 31 December 2017**

**Material interests in entities which are not controlled entities**

The Group has an interest (that is material to it) in the following entities.

<i><b>Name of entity</b></i>	Percentage of ownership interest held at end of period or date of disposal		Contribution to net profit (loss)	
<b>Equity accounted associates and joint venture entities</b>	<b>Current period</b>	Previous corresponding period	<b>Current period \$A'000</b>	Previous corresponding period - \$A'000
Lilyfield Road Joint Venture	<b>70%</b>	70%	<b>(133)</b>	(5)
<b>Total</b>			<b>(133)</b>	(5)

**Commentary on results**

	<b>Current Period</b>	Previous corresponding period
Earnings per share	<b>2.09 cents</b>	6.49 cents
Net tangible asset backing per Ordinary Share	<b>82.00 cents</b>	87.00 cents
Interim dividend per Ordinary Share	<b>2.25 cents</b>	2.25 cents

**Desane Group Holdings Limited**  
**APPENDIX 4D – Half Yearly Report**  
**for the period ended 31 December 2017**

**Audit Review**

The accounts were reviewed by the Company's auditors whose report is attached as part of the Half Yearly Financial Report for the half year ended 31 December 2017.

**Attachment**

The Half Yearly Financial Report for the period ended 31 December 2017 is attached.

**Signed**

A handwritten signature in black ink, appearing to read 'Sciara', with a large, stylized initial 'S'.

Jack Sciara  
Company Secretary  
20 February 2018



**CONSOLIDATED INTERIM  
FINANCIAL STATEMENTS**  
**FOR THE HALF YEAR ENDED  
31 DECEMBER 2017**



## CONTENTS

Directors' Report	4 – 7
Auditor's Independence Declaration	8
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	10
Condensed Consolidated Statement of Financial Position	11
Condensed Consolidated Statement of Changes in Equity	12
Condensed Consolidated Statement of Cash Flows	13
Notes to the Condensed Consolidated Financial Statements	14 – 23
Directors' Declaration	24
Independent Auditor's Review Report	25 – 26

### Australian requirements for interim financial reports

This Interim financial report does not include all the notes of the type normally included in an annual report. Accordingly, this report should be read in conjunction with the annual report for the year ended 30 June 2017 and any public announcements made by Desane Group Holdings Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Desane Group Holdings Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is at 68-72 Lilyfield Road, Rozelle NSW 2039. Its shares are listed on the Australian Stock Exchange, ASX code **DGH**.





*Aerial view – Thornton and Penrith CBD*



# Directors' Report

The Directors of Desane Group Holdings Limited ("Desane" and "the Company") present their report, together with the condensed financial report of the Company and its controlled entities for the half year ended 31 December 2017.

## Directors

The names of directors in office at any during or since the end of the half year are:

- Phil Montrone OAM
- John Blair Sheehan AM
- John William Bartholomew
- Rick Montrone

The Directors have been in office since the start of the financial year to the date of this report, unless otherwise stated.

## Company Secretary

The following person held the position of company secretary for all of the reporting period:

- Jack Sciara

## Operating and Financial Review

Desane is an integrated property company with capabilities and expertise in high quality property investments.

Our property strategy is on both commercial real estate, with value-add potential and high quality development projects, which convert to increasing shareholder value in the medium to long term.

There were no significant changes in the principal activities of the Company during the financial year, which were:

- Property development (residential and mixed use); and
- Property investment.

**The Company also intends to acquire properties, funded by existing capital and bank funding within the gearing policy of a loan to value ratio ("LVR") of less than 50%.**

## Directors' Report - continued

### Operating Results

The Board is pleased with the operational performance for the half year ended 31 December 2017, resulting in a profit after tax of **\$777,070**. The Board is also pleased to announce the payment of a fully franked interim dividend of **2.25 cents per share**. The operating profit after tax for the half year ended 31 December 2016 was \$2,413,397.

	31 Dec 2017 \$	31 Dec 2016 \$
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The consolidated profit of the economic entity, after providing for income tax amounted to	<b>777,070</b>	2,413,397
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A summary of consolidated revenues and results by significant industry segments is set out below:

	Total Revenue		Segment Result	
	31 Dec 2017 \$	31 Dec 2016 \$	31 Dec 2017 \$	31 Dec 2016 \$
Property development sales	-	645,000	-	645,000
Property development cost base	-	-	-	(614,624)
Property development expenses	<b>(433,770)</b>	-	<b>(433,770)</b>	-
Property investment – rental	<b>629,546</b>	1,092,728	<b>(1,020,972)</b>	416,151
Property services	<b>96,000</b>	10,000	<b>96,000</b>	10,000
Property management	<b>38,075</b>	73,264	<b>38,075</b>	73,264
Property investment – net revaluations	<b>2,692,471</b>	3,137,108	<b>2,692,471</b>	3,137,108
Interest income	<b>298,100</b>	322,813	<b>298,100</b>	322,813
	<b>3,320,422</b>	5,280,913	<b>1,669,904</b>	3,989,712
Unallocated expenses			<b>(561,282)</b>	(545,486)
Operating profit			<b>1,108,622</b>	3,444,226
Income tax (expense)/benefit attributable to operating profit			<b>289,050</b>	(61,106)
Deferred tax attributable to operating profit			<b>(620,602)</b>	(969,723)
Operating profit after income tax attributable to members of Desane Group Holdings Limited			<b>777,070</b>	2,413,397

### Dividends Paid or Recognised

Dividends paid or declared for payment are as follows:

	31 Dec 2017	31 Dec 2016
Ordinary dividend of \$0.0225 per share, franked, paid on 7 October 2016, declared in the 2016 report		\$830,368
Interim dividend of \$0.0225 per share, franked, paid on 22 March 2017, declared in the December 2016 half yearly report		\$836,775
Ordinary dividend of \$0.0225 per share, franked, paid on 6 October 2017, declared in the 2017 report	<b>\$836,795</b>	
Special dividend of \$0.10 per share, franked, paid on 6 October 2017, declared in the 2017 report	<b>\$3,719,090</b>	
Interim dividend of \$0.0225 per share, franked, payable on 27 March 2018 declared in the December 2017 half yearly report	<b>\$836,795</b>	

# Directors' Report - continued

## Dividend Reinvestment Plan ("DRP")

The DRP, which was introduced in May 2015, was suspended by the Board on 20 February 2017, until further notice.

## Capital Management

The Company's statement of financial position as at 31 December 2017 is strong, with cash of \$12.3m and the Loan to Value Ratio ("LVR") remaining below 40%. The low gearing and cash provides the Company the flexibility to pursue potential acquisition opportunities in the Sydney metropolitan area.

In July 2017, following the sale of 7-9 Orion Road, Lane Cove, the Company's total debt facility was reduced to \$11.1m from \$16.6m. The reduction in debt has resulted in a 19% decrease in finance costs to \$0.27m as at 31 December 2017.

## Financial Position

The Directors believe the Group is in a strong and stable financial position to expand and grow its current operations. This is largely due to the following key factors:

- Group net tangible assets of \$30.4m;
- Earnings before interest and tax ("EBIT") of \$1.4m; and
- Continued profits with net profit after tax ("NPAT") of \$0.8m.

## Outlook

Desane expects the Australian property market to continue to provide significant returns over the short to medium term.

Desane's existing property portfolio is under continual review, in order that the Group and its shareholders benefit from the strength in the Sydney metropolitan property market. Where appropriate, Desane will seek rezoning, strata subdivision and development approval for some of its strategically well placed properties, in order to take advantage of these market conditions. Desane will continue to closely monitor the Australian industrial, commercial and residential property markets, seeking opportunities through property fundamentals such as leasing risk and value add opportunities.

Desane has not engaged in any speculative investment or in any activities outside its expertise of property investment and property development. The Group continues to develop its skills and systems to meet its long-term objectives.

## Significant Changes in State of Affairs

There was no significant change in the state of affairs of the Group.

## Events Subsequent to Balance Date

Desane announced to the ASX on 11 August 2017, that it had commenced urgent proceedings in the Supreme Court of NSW, seeking relief that the State of NSW, the Roads and Maritime Services ("RMS") and Sydney Motorway Corporation ("SMC") be restrained from acting upon or taking any step, in reliance upon the *Proposed Acquisition Notice* ("PAN") issued by RMS to Desane dated 26 May 2017. Desane has sought on a final basis a declaration that the PAN was invalid and that the notice be set aside. The matter is scheduled to be heard in the Supreme Court of NSW on 26 February 2018.

## Environmental Issues

The consolidated group complies with all relevant legislation and regulations in respect to environmental matters. No matters have arisen during the year in connection with Desane's obligations pursuant to Commonwealth and State environmental regulations.

## Directors' Report - continued

### Occupational Health and Safety Regulations

The consolidated group complies with all relevant legislation and regulations in respect to occupational health and safety matters. No matters have arisen during the year in connection with Desane's obligations pursuant to Commonwealth and State occupational health and safety regulations.

### Auditor's Declaration

The lead auditor's declaration under Section 307C of the Corporations Act 2001 is set out on page 8 for the half year ended 31 December 2017.

Signed in accordance with a resolution of the Board of Directors, at Sydney, this 20th day of February, 2018.



**John Sheehan AM**  
Non-executive Chairman



**Phil Montrone OAM**  
Managing Director

# Auditor's Independence Declaration

## G.C.C. Business & Assurance Pty Ltd

ABN 61 105 044 862

GPO Box 4566, Sydney NSW 2001

Telephone: (02) 9231 6166

Facsimile: (02) 9231 6155

Suite 807, 109 Pitt Street, Sydney

**AUDITOR'S INDEPENDENCE DECLARATION  
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001  
TO THE DIRECTORS OF DESANE GROUP HOLDINGS LIMITED AND CONTROLLED ENTITIES**

I declare that, to the best of my knowledge and belief, during the half year ended 31 December 2017, there have been:

- (i) No contraventions of the auditor's independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- (ii) No contraventions of any applicable code of professional conduct in relation to the review.

*G.C.C. Business & Assurance Pty Ltd.*  
GCC BUSINESS & ASSURANCE PTY LTD  
(Authorised Audit Company)

  
CHANG CHOW  
Director

Signed in Sydney, 20 February 2018



*Aerial view of Sydney CBD and  
68-72 Lilyfield Road, Rozelle*

## FINANCIAL REPORT





# Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

**DESANE GROUP HOLDINGS LIMITED ABN 61 184 932 and Controlled Entities**

**For the six months ended 31 December 2017**

	Consolidated Group	
	31 Dec 2017	31 Dec 2016
	\$	\$
Revenue from property investment – rental	629,546	1,092,728
Revenue from property services	96,000	10,000
Revenue from property and project management	38,075	73,264
Revenue from property development sales	-	645,000
Property development cost base	-	(614,624)
Property development expenses	(433,770)	-
Interest income	298,100	322,813
Employee benefits expense	(675,446)	(468,917)
Depreciation and amortisation expense	(5,424)	(5,311)
Gain/(loss) on revaluation of investment properties	2,692,471	3,137,108
Finance costs	(274,009)	(340,035)
Other expenses from ordinary activities	(1,256,921)	(407,800)
Profit before income tax	1,108,622	3,444,226
Income tax (expense)/benefit – current	289,050	(61,106)
Deferred income tax expense	(620,602)	(969,723)
Profit from continuing operations	777,070	2,413,397
<b>Other Comprehensive Income</b>		
Total comprehensive income for the period	-	-
Profit attributable to minority equity interest	-	-
Profit attributable to members of the parent entity	777,070	2,413,397
<b>Earnings per Share</b>		
Basic earnings per share (cents per share)	2.09	6.49
Diluted earnings per share (cents per share)	2.09	6.49

*The accompanying notes form part of these financial statements.*



# Condensed Consolidated Statement of Financial Position

## DESANE GROUP HOLDINGS LIMITED ABN 61 184 932 and Controlled Entities

For the six months ended 31 December 2017

	Consolidated Group	
	31 Dec 2017	31 Dec 2016
	\$	\$
<b>Current Assets</b>		
Cash and cash equivalents	12,247,594	15,341,788
Trade and other receivables	139,326	32,834
Other current assets	222,775	28,449
Other financial assets	2,201,000	2,151,000
Development property reclassified as current	12,845,576	-
<b>Total Current Assets</b>	<b>27,656,271</b>	<b>17,554,071</b>
<b>Non-current Assets</b>		
Trade and other receivables	1,873	1,475
Investment properties	19,344,067	38,511,492
Property, plant and equipment	30,240	36,248
Rental incentives	-	5,153
<b>Total Non-current Assets</b>	<b>19,376,180</b>	<b>38,554,368</b>
<b>Total Assets</b>	<b>47,032,451</b>	<b>56,108,439</b>
<b>Current Liabilities</b>		
Trade and other payables	707,629	456,138
Borrowings	5,250,000	-
Provisions	893,341	1,456,906
<b>Total Current Liabilities</b>	<b>6,850,970</b>	<b>1,913,044</b>
<b>Non-current Liabilities</b>		
Trade and other payables	17,596	122,531
Borrowings	5,900,000	16,590,000
Deferred tax liability	3,858,112	5,105,304
Provisions	31,700	19,348
<b>Total Non-current Liabilities</b>	<b>9,807,408</b>	<b>21,837,183</b>
<b>Total Liabilities</b>	<b>16,658,378</b>	<b>23,750,227</b>
<b>Net Assets</b>	<b>30,374,073</b>	<b>32,358,212</b>
<b>Equity</b>		
Issued capital	17,307,948	17,307,948
Retained earnings	13,066,125	15,050,264
<b>Total Equity</b>	<b>30,374,073</b>	<b>32,358,212</b>

The accompanying notes form part of these financial statements.



# Condensed Consolidated Statement of Changes in Equity

## DESANE GROUP HOLDINGS LIMITED ABN 61 184 932 and Controlled Entities

For the six months ended 31 December 2017

	Issued Capital \$	Retained Earnings \$	Asset Revaluation Reserve \$	Total \$
Balance at 1 July 2016	17,076,567	13,473,642	-	30,550,209
Shares issued during the year	231,381	-	-	231,381
Profit attributable to members of parent entity	-	2,413,397	-	2,413,397
Dividends paid	-	(836,775)	-	(836,775)
Balance at 31 December 2016	17,307,948	15,050,264	-	32,358,212
Balance at 1 July 2017	17,307,948	13,125,850	-	30,433,798
Shares issued during the year	-	-	-	-
Profit attributable to members of parent entity	-	777,070	-	777,070
Dividends provided for	-	(836,795)	-	(836,795)
Balance at 31 December 2017	17,307,948	13,066,125	-	30,374,073



91 Thornton Road, Penrith

# Condensed Consolidated Statement of Cash Flows

## DESANE GROUP HOLDINGS LIMITED ABN 61 184 932 and Controlled Entities

For the six months ended 31 December 2017

	Consolidated Group	
	31 Dec 2017	31 Dec 2016
	Inflows	Inflows
	(Outflows)	(Outflows)
	\$	\$
<b>Cash flows from operating activities</b>		
Receipts from customers	798,100	1,530,006
Payments to suppliers and employees	(1,236,082)	(824,126)
Proceeds from sale of development property	-	1,424,500
Property development expenditure	(433,770)	(614,624)
Payment of company income tax	(2,791,455)	-
Interest received	298,100	322,813
Finance costs	(274,009)	(340,035)
<b>Net cash provided by (used in) operating activities</b>	<b>(3,639,116)</b>	<b>1,498,534</b>
<b>Cash flows from investing activities</b>		
Proceeds from the sale of plant and equipment	-	-
Purchase of plant and equipment	(3,000)	(1,560)
Proceeds from sale of property investments	17,461,000	-
Purchase of development or investment properties	-	(390,000)
Purchase of financial assets	-	(700,000)
Purchase of other non-current assets (capital expenditure)	(762,288)	(234,385)
<b>Net cash provided by (used in) investing activities</b>	<b>16,695,712</b>	<b>(1,325,945)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares	-	231,381
Dividends paid by parent entity	(4,555,885)	(830,368)
Proceeds from borrowings	45,000	-
Repayment of borrowings	(5,485,000)	-
Retention held/(repaid)	(212,500)	-
Rental bonds received/(repaid)	(22,500)	19,192
<b>Net cash provided by (used in) financing activities</b>	<b>(10,230,885)</b>	<b>(579,795)</b>
<b>Net increase/(decrease) in cash held</b>	<b>2,825,711</b>	<b>(407,206)</b>
Cash at beginning of the half year	9,421,883	15,748,994
<b>Cash at end of the half year</b>	<b>12,247,594</b>	<b>15,341,788</b>

# Notes to the Condensed Consolidated Financial Statements

## DESANE GROUP HOLDINGS LIMITED ABN 61 184 932 and Controlled Entities

For the six months ended 31 December 2017

### 1. Summary of Significant Accounting Policies

#### Statement of Compliance

The half-year financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134: *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34: *Interim Financial Reporting*.

These half-year financial statements do not include notes of the type normally included in the annual financial reports and statements and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial statements. Accordingly, these half-year financial statements are to be read in conjunction with the annual financial statements for the year ended 30 June 2017 and any public announcements made by Desane Group Holdings Limited during the half-year reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

#### Basis of Preparation of Half-year Financial Report

The condensed consolidated financial statements have been prepared on the basis of historical costs, except for the revaluation of certain financial instruments to fair value. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies, which are consistent with Australian Accounting Standards and with International Reporting Financial Statements, have been adopted in the preparation of the half-year financial report and are consistent with those adopted and disclosed in the Company's 2017 annual financial report for the financial year ended 30 June 2017, except for the impact of the adoption of any new and revised accounting policy.

Comparative figures are shown for 31 December 2016 in addition to 30 June 2017 (where applicable) in the statement of financial position due to the seasonality of the business and the impact this has on working capital. There has been no restatement of figures in prior periods.

The Group has considered all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period.

No new Standards and amendments to Standards that are mandatory for the first time for the financial year beginning 1 July 2017 affected any of the amounts recognised in the current year or any prior year and are not likely to affect future periods.

#### Investment Properties

Investment properties, comprising freehold office and industrial complexes, are held to generate long-term rental yields. All tenant leases are on an arm's length basis. The fair value model is applied to all investment property and each property is reviewed at each reporting date. The fair value is determined as the price at which the property could be exchanged between knowledgeable, willing parties in an arm's length transaction. Each property is independently valued every three years by registered valuers who have recognised and appropriate professional qualifications, and recent experience in the location and category of investment property being valued. Changes to fair value are recorded in the statement of profit and loss as revenue from non operating activities.

Investment properties under construction are measured at the lower of fair value and net realisable value. Cost includes cost of acquisition, development and interest on financing during development. Interest and other holding charges after practical completion are expensed as incurred.

# Notes to the Condensed Consolidated Financial Statements

## DESANE GROUP HOLDINGS LIMITED ABN 61 184 932 and Controlled Entities

For the six months ended 31 December 2017

### 1. Summary of Significant Accounting Policies (continued)

Investment properties are maintained at a high standard and as permitted by accounting standards, the properties are not depreciated.

Rental revenue from the leasing of investment properties is recognised in the statement of profit and loss and other comprehensive income in the periods in which it is receivable, as this represents the pattern of service rendered through the provision of the properties. All tenant leases are on an arm's length basis.

### Development Properties

Land held for development and sale is measured at the lower of their carrying amount and net realisable value less costs to sell. Costs include the cost of acquisition, development, borrowing costs and holding costs until the completion of development. Gains and losses are recognised in the statement of comprehensive income on the signing of an unconditional contract of sale if significant risks and rewards and effective control over the property is passed to the purchaser at this point.

### Leases

Finance leases are capitalised by recognising an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, as recognised as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight line basis over the lease term.

### Financial Instruments

#### *Initial recognition and measurement*

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the entity commits itself to either the purchase or sale of the asset (ie. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", at which case transaction costs are expensed to profit or loss immediately.

#### *Classification and subsequent measurement*

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method, or cost.

# Notes to the Condensed Consolidated Financial Statements

## DESANE GROUP HOLDINGS LIMITED ABN 61 184 932 and Controlled Entities

For the six months ended 31 December 2017

### 1. Summary of Significant Accounting Policies (continued)

The Group has interests in the following financial assets:

#### (i) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Group's intention to hold these investments to maturity. Interest income is recognised in profit or loss when received. On maturity, the financial asset is derecognised and re-classified as cash at bank.

### Borrowings

Borrowings consist of first mortgage finance secured over the investment properties. Covenants imposed by mortgagor require total debt not to exceed 65% of the property value and the net rental is required to exceed interest expense by at least 1.5 times. All covenants imposed on secured loan agreements have been met.

### 2. Dividend Paid

	Consolidated Group			
	31 Dec 2017		31 Dec 2016	
	Cents per Share	\$	Cents per Share	\$
<b>Dividends paid or declared for payment are as follows:</b>				
Final dividend of \$0.0225 per share, franked, paid on 7 October 2016, declared in the 2016 report			2.25	830,368
Interim dividend of \$0.0225 per share, franked, paid on 22 March 2017, declared in the December 2016 half yearly report			2.25	836,775
Final dividend of \$0.0225 per share, franked, paid on 6 October 2017, declared in the 2017 report	2.25	836,795		
Special dividend of \$0.10 per share, franked, paid on 6 October 2017, declared in the 2017 report	10.00	3,719,090		
Interim dividend of \$0.0225 per share, franked, payable on 27 March 2018, declared in the December 2017 half yearly report	2.25	836,795		



# Notes to the Condensed Consolidated Financial Statements

## DESANE GROUP HOLDINGS LIMITED ABN 61 184 932 and Controlled Entities For the six months ended 31 December 2017

### 3. Operating Segments

#### Segment Information

##### Identification of Reportable Segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors in assessing performance and determining the allocation of resources.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics and are also similar to the operations and or services provided by the segment.

##### Types of Operations and Services by Segment

Revenue is derived by the industry segments from the following activities:

##### (i) Property Investment

Rental income from prime real estate investments.

##### (ii) Property Development

Development projects (residential, commercial or industrial).

##### (iii) Property Project Management and Resale

Property project management and resale of commercial, industrial and residential properties, principally in Sydney metropolitan areas.

##### (iv) Property Services

Property and related services.

##### Accounting Policies Adopted

Unless stated otherwise, all amounts reported to the Board of Directors, with respect to operating segments, are determined in accordance with accounting policies consistent to those adopted in the annual financial statements of the Group.

##### Segment Assets

Where an asset is used across multiple segments, the asset is allocated to that segment that receives majority economic value from that asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

##### Segment Liabilities

Liabilities are allocated to segments where there is a direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Group as a whole and are not allocated. Segment liabilities include trade and other payables and certain direct borrowings.

# Notes to the Condensed Consolidated Financial Statements

**DESANE GROUP HOLDINGS LIMITED ABN 61 184 932 and Controlled Entities**  
**For the six months ended 31 December 2017**

## 3. Operating Segments (continued)

### Unallocated Items

The following items of revenue, expenses, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- Net gains on disposal of available for sale investments;
- Impairment of assets and other nonrecurring items of revenue or expenses;
- Income tax expense;
- Deferred tax assets and liabilities;
- Current tax liabilities;
- Other financial liabilities;
- Retirement benefit obligations; and
- Administration expenses.

### Geographical Segments

The consolidated group operates in one geographical segment, being New South Wales, Australia.

### Inter-Segment Transactions

Inter-segment pricing is based on what would be realised in the event the sale was made to an external party at arm's length basis.



68-72 Lilyfield Road, Rozelle

# Notes to the Condensed Consolidated Financial Statements

## DESANE GROUP HOLDINGS LIMITED ABN 61 184 932 and Controlled Entities

For the six months ended 31 December 2017

### 3. Operating Segments (continued)

#### i) Segment Performance – 31 December 2017

	Property Investment \$	Property Development \$	Property Project Management & Resale \$	Property Services \$	Plant & Equipment \$	Other \$	Consolidated Group \$
<b>Six Months to 31 December 2017</b>							
<b>Revenue</b>							
External sales	629,546	-	-	134,075	-	298,100	1,061,721
Other segments	-	-	-	-	-	-	-
<b>Total revenue</b>	<b>629,546</b>	<b>-</b>	<b>-</b>	<b>134,075</b>	<b>-</b>	<b>298,100</b>	<b>1,061,721</b>
<b>Segment result</b>	<b>1,945,508</b>	<b>(433,770)</b>	<b>-</b>	<b>134,075</b>	<b>-</b>	<b>298,100</b>	<b>1,943,913</b>
Unallocated expenses							(561,282)
Finance costs							(274,009)
Profit/(loss) before income tax							1,108,622
Income tax benefit/(expense)							289,050
Deferred income tax expense							(620,602)
<b>Profit/(loss) after income tax</b>							<b>777,070</b>

Other is comprised of:

	Revenue \$	Profit \$
Interest received	298,100	298,100

# Notes to the Condensed Consolidated Financial Statements

## DESANE GROUP HOLDINGS LIMITED ABN 61 184 932 and Controlled Entities

For the six months ended 31 December 2017

### 3. Operating Segments (continued)

#### ii) Segment Assets – 31 December 2017

	Property Investment \$	Property Development \$	Property Project Management & Resale \$	Property Services \$	Plant & Equipment \$	Other \$	Consolidated Group \$
July 2017 opening balance	46,559,883	-	-	-	-	11,847,982	58,407,865
<b>Unallocated Assets</b>							-
Deferred tax assets							
<b>Segment Asset Increases/(Decreases) for the Period</b>							
Acquisitions							
Proceeds from sale	(17,825,000)						(17,825,000)
Revaluations/ (devaluations)	2,692,471						2,692,471
Capital expenditures	762,289						762,289
Development expenditure							
Development profit realised							
Net movement in other segments						2,994,826	2,994,826
	32,189,643					14,842,808	47,032,451
<b>Unallocated Assets</b>							
<b>Deferred Tax Assets</b>							
<b>Total Group Assets</b>							47,032,451

#### iii) Segment Liabilities – 31 December 2017

	Property Investment \$	Property Development \$	Property Project Management & Resale \$	Property Services \$	Plant & Equipment \$	Other \$	Consolidated Group \$
July 2017 opening balance	16,590,000	-	-	-	-	7,857,264	24,447,264
<b>Unallocated Liabilities</b>							3,526,561
Deferred tax liabilities							
<b>Segment Liabilities Increases/(Decreases) for the Period</b>							
Repayments	(5,485,000)						(5,485,000)
New borrowings	45,000						45,000
Net movements in other segments						(6,206,999)	(6,206,999)
	11,150,000					1,650,265	16,326,826
<b>Unallocated Liabilities</b>							
<b>Deferred Tax Liabilities</b>							331,552
<b>Total Group Liabilities</b>							16,658,378

# Notes to the Condensed Consolidated Financial Statements

## DESANE GROUP HOLDINGS LIMITED ABN 61 184 932 and Controlled Entities For the six months ended 31 December 2017

### 3. Operating Segments (continued)

#### iv) Segment Performance – 31 December 2016

	Property Investment \$	Property Development \$	Property Project Management & Resale \$	Property Services \$	Plant & Equipment \$	Other \$	Consolidated Group \$
Six Months to 31 December 2016							
Revenue							
External sales	1,092,728	645,000	-	83,264	-	322,813	2,143,805
Other segments	-	-	-	-	-	-	-
Total revenue	1,092,728	645,000	-	83,264	-	322,813	2,143,805
Segment result	3,893,293	30,376	-	83,264	-	322,813	4,329,746
Unallocated expenses							(545,486)
Finance costs							(340,034)
Profit/(loss) before income tax							3,444,226
Income tax expense							(61,106)
Deferred income tax expense							(969,723)
Profit/(loss) after income tax							2,413,397

Other is comprised of:

	Revenue \$	Profit \$
Interest received	322,813	322,813

# Notes to the Condensed Consolidated Financial Statements

## DESANE GROUP HOLDINGS LIMITED ABN 61 184 932 and Controlled Entities

For the six months ended 31 December 2017

### 3. Operating Segments (continued)

#### v) Segment Assets – 31 December 2016

	Property Investment \$	Property Development \$	Property Project Management & Resale \$	Property Services \$	Plant & Equipment \$	Other \$	Consolidated Group \$
July 2016 opening balance	34,750,000	459,585	-	-	-	18,041,713	53,251,298
Unallocated Assets							-
Deferred tax assets							-
Segment Asset Increases/(Decreases) for the Period							
Acquisitions		390,000					390,000
Proceeds from sale		(645,000)					(645,000)
Revaluations/ (devaluations)	3,137,108						3,137,108
Capital expenditures	234,384						234,384
Development expenditure		155,039					155,039
Development profit realised		30,376					30,376
Net movement in other segments						(444,766)	(444,766)
	38,121,492	390,000	-	-	-	17,596,947	56,108,439
Unallocated Assets							
Deferred Tax Assets							
Total Group Assets							56,108,439

#### vi) Segment Liabilities – 31 December 2016

	Property Investment \$	Property Development \$	Property Project Management & Resale \$	Property Services \$	Plant & Equipment \$	Other \$	Consolidated Group \$
July 2016 opening balance	16,590,000	-	-	-	-	1,975,521	18,565,521
Unallocated Liabilities							
Deferred tax liabilities							4,135,581
Segment Liabilities Increases/(Decreases) for the Period							
Repayments							-
New borrowings							-
Net movements in other segments						79,402	79,402
	16,590,000	-	-	-	-	2,054,923	22,780,504
Unallocated Liabilities							
Deferred Tax Liabilities							969,723
Total Group Liabilities							23,750,227

# Notes to the Condensed Consolidated Financial Statements

## DESANE GROUP HOLDINGS LIMITED ABN 61 184 932 and Controlled Entities For the six months ended 31 December 2017

### 4. Equity Issued

Issue of ordinary shares during the half year ended 31 December 2017.

	Consolidated Group		Consolidated Group	
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
	No	No	\$	\$
<b>Ordinary Shares Fully Paid</b>				
As at 1 July 2017	<b>37,190,900</b>	36,905,259	<b>17,307,948</b>	17,076,567
<b>Shares Issued During the Year</b>				
Dividend reinvestment plan	-	285,641	-	231,381
Share purchase plan	-	-	-	-
Bonus issue	-	-	-	-
Closing ordinary shares fully paid	<b>37,190,900</b>	37,190,900	<b>17,307,948</b>	17,307,948

### 5. Related Party Transaction

There have been no material related party transactions since the last annual reporting.

### 6. Contingent Liabilities

There has been no change in contingent liabilities since the last annual reporting date.

### 7. Events Subsequent to Reporting Date

Desane announced to the ASX on 11 August 2017, that it had commenced urgent proceedings in the Supreme Court of NSW, seeking relief that the State of NSW, the Roads and Maritime Services ("RMS") and Sydney Motorway Corporation ("SMC") be restrained from acting upon or taking any step, in reliance upon the *Proposed Acquisition Notice* ("PAN") issued by RMS to Desane dated 26 May 2017. Desane has sought on a final basis a declaration that the PAN was invalid and that the notice be set aside. The matter is scheduled to be heard in the Supreme Court of NSW on 26 February 2018.

## Directors' Declaration

In accordance with a resolution of the directors of Desane Group Holdings Limited, the directors of the company declare that:

1. The financial statements and notes, as set out on pages 9 to 23, are in accordance with the *Corporations Act 2001*, including:
  - a. comply with Accounting Standard AASB 134: *Interim Financial Reporting*; and
  - b. giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.



**John Sheehan AM**  
**Director**



**Phil Montrone OAM**  
**Director**

Sydney  
20 February 2018



# Independent Auditor's Review Report

## G.C.C. Business & Assurance Pty Ltd

ABN 61 105 044 862

GPO Box 4566, Sydney NSW 2001

Telephone: (02) 9231 6166

Facsimile: (02) 9231 6155

Suite 807, 109 Pitt Street, Sydney

**INDEPENDENT AUDITOR'S REVIEW  
REPORT TO THE MEMBERS OF  
DESANE GROUP HOLDINGS LIMITED AND CONTROLLED ENTITIES  
ABN: 61 003 184 932**

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Desane Group Holdings Limited and controlled entities, which comprises the condensed consolidated statement of financial position as at 31 December 2017, the condensed consolidated statement of profit and loss and other comprehensive income, the condensed consolidated statement of changes in equity, and the condensed 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.

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

The directors of Desane Group Holdings Limited 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, we have become aware of any matter that makes us 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 financial position as at 31 December 2017 and its 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 Desane Group Holdings Limited, ASRE 2410 requires that we comply with ethical requirements relevant to the audit of the annual financial report.

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

### Independence

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

## Independent Auditor's Review Report – continued

### G.C.C. Business & Assurance Pty Ltd

ABN 61 105 044 862

GPO Box 4566, Sydney NSW 2001

Telephone: (02) 9231 6166

Facsimile: (02) 9231 6155

Suite 807, 109 Pitt Street, Sydney

#### Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Desane Group Holdings Limited is not in accordance with the *Corporations Act 2001*, including:

- i. giving a true and fair view of the Group's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and
- ii. complying with AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.

*G.C.C. Business & Assurance Pty Ltd.*  
GCC BUSINESS & ASSURANCE PTY LTD  
(Authorised Audit Company)

  
CHANG CHOW  
Director

Signed in Sydney, 20 February 2018





7 Sirius Road, Lane Cove



## **DIRECTORS**

John B Sheehan AM  
(Non-executive Chairman)

Phil Montrone OAM  
(Managing Director)

John W Bartholomew  
(Non-executive Director)

Rick Montrone  
(Director – Head of Property)

## **CHIEF FINANCIAL OFFICER & SECRETARY**

Jack Sciara

## **REGISTERED OFFICE**

68-72 Lilyfield Road  
Rozelle NSW 2039

## **POSTAL ADDRESS**

PO Box 331  
Leichhardt NSW 2040

## **SHARE REGISTRY**

Computershare Investor Services  
Pty Limited  
Level 5  
115 Grenfell Street  
Adelaide SA 5000

## **AUDITOR**

GCC Business & Assurance Pty Ltd  
Suite 807  
109 Pitt Street  
Sydney NSW 2000

## **STOCK EXCHANGE LISTING**

Desane Group Holdings Limited  
shares are listed on the Australian  
Securities Exchange. The ASX code  
is DGH.

## **WEBSITE**

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

**DESANE**  
GROUP HOLDINGS LIMITED