

# ASX and Media release

15 February 2016

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## HALF YEAR RESULTS TO 31 DECEMBER 2015

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The Board of Desane Group Holdings Limited today announced the half year results for the six months ended 31 December 2015.

The Group's six months operational results, when compared to the previous corresponding period, can be summarised as follows:

- Net profit after tax (NPAT) **increased** to \$2.9 million from \$1.1 million
- Earnings per share (EPS) **to 7.93 cents** from 3.79 cents
- Earnings before interest and tax (EBIT) **increased** to \$4.5 million
- NTA per security **80 cents**
- Completion and sale of the Easton Rozelle residential apartments
- \$12 million reduction of Group's debt

### Dividend

The Directors have recommended a **fully franked interim dividend of 2.25 cents per share**. The record date for the interim dividend will be 17 March 2016, with the payment date being 31 March 2016.

### Appendix 4D

The interim financial report for the year ended 31 December 2015 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.

## Operations

For the six months ended 31 December 2015, the Group's achieved all of the Directors' stated objectives, namely:

1. The completion and sale of the Easton Rozelle residential apartments;
2. \$12 million reduction of the Group's debt; and
3. Maintain 100% occupancy across all of the Group's property investment portfolio.

The 100% occupancy rate for all the properties owned by the Group validates the strategic decision Desane's management has made in working closely with existing clients and potential future clients operating in the growing medical and health services related sector.

### i. 7-9 Orion Road, Lane Cove

The Orion Road industrial complex comprises a multi unit industrial estate totalling approximately **6,000m<sup>2</sup> of office and high clearance warehouse**. Onsite parking is provided for 106 cars.

The well maintained business park is **100% leased** on a medium to long term **WALE of 3.4 years**.

It is situated on the eastern side of Orion Road, within the high tech industrial precinct of Lane Cove West. Lane Cove West is approximately 10km from Sydney's CBD.

The property is performing well and is continuing to contribute to the Group's profit result through its increased income and strong leasing profile.

### ii. 13 Sirius Road, Lane Cove

The Sirius Road property comprises approximately **2,200m<sup>2</sup> of high tech commercial office/industrial building** and is located approximately 100 metres from the other two Lane Cove West properties owned by Desane in the high tech industrial precinct. Onsite parking is provided for 52 cars in an underground basement car park.

The property is **fully leased** on a **WALE of 3.1 years** to two large Australian companies.

The property is performing well and is continuing to show rental and capital appreciation growth for the Group.

### iii. 7 Sirius Road, Lane Cove

This **2,700m<sup>2</sup> commercial office and industrial warehouse building** is also located within the Lane Cove West high tech industrial precinct. Onsite parking is provided for 38 cars.

The property comprises approximately 460m<sup>2</sup> of high tech office and 2,240m<sup>2</sup> of high clearance warehouse and is **fully leased** on a **WALE of 4.8 years** to a large Australian medical supply company.

The property is performing well and is continuing to show rental and capital appreciation growth for the Group.

### iv. 68-72 Lilyfield Road, Rozelle

This **6,000m<sup>2</sup> high tech multimedia centre** includes approximately 2,800m<sup>2</sup> of high clearance warehouse. It is located in the highly sought after inner Sydney suburb of Rozelle and is **100% leased** on a medium term **WALE of 0.5 years**. Onsite parking is provided for 85 cars over three levels.

Negotiations to extend the existing lease are progressing with the major existing tenant.

Due to the increased demand in Sydney for well designed modern apartment complexes located close to the Central Business District, Desane is also in the process of obtaining approval from the NSW Department of Planning to rezone the property to a mixed use development.

The property is located 750 metres from the Anzac Bridge with easy access to the CBD, Cross City Tunnel, Harbour Bridge and Harbour Tunnel, closely linking the property to the eastern, northern and southern suburbs of Sydney. Desane has a 70% interest in this property.

## Developments

Desane's senior management will continue to use its property development expertise to review, rezone and redevelop some of its existing property holdings.

Desane is currently working on the following development projects:

- Completing the realisation of the Easton Rozelle residential project which has generated significant returns for the Group; and
- The rezoning, to high rise residential, of the high tech multimedia centre located in the Sydney suburb Rozelle. The rezoning of this property should provide a significant value-add opportunity for Desane's shareholders in the near future.

**i. Easton Rozelle Apartments**

Strata registration of the 32 residential apartments and 3 commercial suites was achieved in November 2015, with the settlement of 30 apartments completed in December 2015. As the date of this report, Desane has realised \$27.8 million gross in sales revenue, with an additional \$3.6 million gross sales revenue expected before 30 June 2016.

**Outlook**

Desane expects the Australian commercial and industrial property market to continue to strengthen over the next three to four years, both in rental returns and capital growth. It is anticipated that there will be a tightening in property yields across the sector as vacancy rates fall and Sydney's commercial and industrial property availability continues to be absorbed by rezoning to residential redevelopment.

Desane's existing industrial and commercial property portfolio is under continual review, in order that the Group and its shareholders benefit from the strength of the Sydney residential market. Where appropriate, Desane will seek rezoning approval for some of its strategically well placed properties, in order to take advantage of these market conditions. **Desane's well cashed up balance sheet will allow the Group to take advantage of future property investment opportunities.**

It is intended that the Group will not only deal directly in properties but will also continue to be involved in joint venture projects with local and overseas corporations and institutions and may acquire equity in established enterprises which are considered to be of sound potential.

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

**FOR FURTHER INFORMATION, PLEASE CONTACT:**

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