

Half Yearly Report of

**Desane Group Holdings Limited
and Controlled Entities**

ABN 61 003 184 932

for the Six Months Ended 31 December 2014

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 2014

Previous Corresponding Period: Half year ended 31 December 2013

Desane Group Holdings Limited
APPENDIX 4D – Half Yearly Report
for the period ended 31 December 2014

Details of the reporting period

Current Period: 1 July 2014 to 31 December 2014
 Previous Corresponding Period: 1 July 2013 to 31 December 2013

Results for announcement to the market

	Dec 2014 \$'000	Dec 2013 \$'000	Change %
Revenue from ordinary activities	1,508	971	+ 55%
Profit (loss) from ordinary activities after tax attributable to members	1,144	517	+ 121%
Net profit (loss) for the period attributable to members	1,144	517	+ 121%
Dividends	Amount per security	Franked amount per security	
Interim Dividend	2.0 cents	2.0 cents	
Previous Corresponding Period	NIL	NIL	
Interim Dividend Record Date	17 March 2015		
Interim Dividend Payment Date	31 March 2015		
<p>For a brief explanation of any of the figures reported above, please refer to the attached Directors' Report.</p> <p>This information should be read in conjunction with the 30 June 2014 annual financial report.</p>			

Desane Group Holdings Limited
APPENDIX 4D – Half Yearly Report
for the period ended 31 December 2014

Earnings per security (EPS)

	Current period	Previous corresponding period
Basic EPS	3.79 cents	1.71 cents
Diluted EPS	3.79 cents	1.71 cents

Net tangible assets per security

	Current period	Previous corresponding period
Net tangible asset backing per Ordinary Share	86 cents	86 cents

Amount per Security

	Amount per security	Franked amount per security at 30% tax	Amount per security of foreign source dividend
Interim dividend:			
Current reporting period	2.0 cents	2.0 cents	NIL
Previous corresponding period	NIL	NIL	NIL

Desane Group Holdings Limited
APPENDIX 4D – Half Yearly Report
for the period ended 31 December 2014

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

Group's share of associates and joint venture entities:	Current period \$A'000	Previous corresponding period - \$A'000
Profit (loss) from ordinary activities before tax	367	138
Income tax on ordinary activities	60	5
Profit (loss) from ordinary activities after tax	307	133
Extraordinary items net of tax	-	-
Net profit (loss)	307	133
Adjustments	-	-
Share of net profit (loss) of associates and joint venture entities	307	133

Desane Group Holdings Limited
APPENDIX 4D – Half Yearly Report
for the period ended 31 December 2014

Material interests in entities which are not controlled entities

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

<i>Name of entity</i>	Percentage of ownership interest held at end of period or date of disposal		Contribution to net profit (loss)	
	Current period	Previous corresponding period	Current period \$A'000	Previous corresponding period - \$A'000
Samvoni Pty Ltd / Tuta Properties Pty Ltd	50%	50%	140	12
Lilyfield Road Joint Venture	70%	70%	167	121
Total			307	133

Desane Group Holdings Limited
APPENDIX 4D – Half Yearly Report
for the period ended 31 December 2014

Commentary on results

	Current Period	Previous corresponding period
Earnings per share	3.79 cents	1.71 cents
Net tangible asset backing per Ordinary Share	86 cents	86 cents
Interim dividend per Ordinary Share	2.0 cents	Nil

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 2014.

Attachment

The Half Yearly Financial Report for the period ended 31 December 2014 is attached.

Signed



John Bartholomew
Company Secretary
18 February 2015

This is Annexure A of 21 pages referred to in form 7051, notification of Half Yearly Reports.

John Bartholomew Date: 18 February 2015



ABN 61 003 184 932

INTERIM FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED

31 DECEMBER 2014

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DESANE GROUP HOLDINGS LIMITED ABN 61 003 184 932 and Controlled Entities
Directors' Report
For the six months ended 31 December 2014

The Directors present their report on the company and its controlled entities for the half year ended 31 December 2014.

Directors

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

Phil Montrone
John Blair Sheehan
John William Bartholomew

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:

Mr John W Bartholomew

Principal Activities

The principal activities of the economic entity during the financial year to 31 December 2014 were:

- Property investment
- Property project management and resale
- Property services

There were no significant changes in the nature of the economic entity's principal activities during the period.

Operating Results

	31 Dec 2014	31 Dec 2013
	\$	\$
The consolidated profit of the economic entity, after providing for income tax amounted to	<u>1,143,769</u>	<u>516,885</u>

Dividends Paid or Recommended

Dividends paid or declared for payment are as follows:

Ordinary dividend of \$0.02 per share, franked, paid on 26 November 2014, recommended in the 2014 report	\$ 603,989	
Ordinary special dividend of \$0.02 per share, franked, paid on 22 July 2014, recommended in the 2014 report	\$ 603,989	
Interim dividend of \$0.02 per share, franked, payable on 31 March 2015, recommended in the 2014 half yearly report	\$ 603,989	
Ordinary dividend of \$0.01 per share, unfranked, paid on 26 November 2013, recommended in the 2013 report		\$ 301,994

DESANE GROUP HOLDINGS LIMITED ABN 61 003 184 932 and Controlled Entities
Directors' Report (Continued)
For the six months ended 31 December 2014

Review of Operations

The Directors report a half year profit, after tax, of \$1,143,769. The operating profit for the half year ended 31 December 2013 was \$516,885.

A summary of consolidated revenues and results by significant industry segments is set out below:

	Revenue		Segment Result	
	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013
	\$	\$	\$	\$
Property investment – rental	1,122,542	878,429	626,013	267,713
Property services	25,412	-	25,412	-
Property management	103,005	78,956	103,005	78,956
Property investment – net revaluations	950,000	912,546	950,000	912,546
Interest income	25,865	2,733	25,865	2,733
Project management	243,978	-	243,978	-
Other	13,500	13,500	13,500	13,500
	<u>2,484,302</u>	<u>1,886,164</u>	<u>1,987,773</u>	<u>1,275,448</u>
Share of net profits/(loss) of associates			139,940	11,793
Unallocated expenses			<u>(552,912)</u>	<u>(542,338)</u>
Operating profit			1,574,801	744,903
Deferred tax attributable to operating profit			<u>(431,032)</u>	<u>(228,018)</u>
Operating profit after income tax attributable to members of Desane Group Holdings Limited			<u>1,143,769</u>	<u>516,885</u>

Operations

For the six months ended 31 December 2014, the Group's operations **achieved all** of the Company's objectives previously outlined to the market, namely, the sale of the Lane Cove high-rise residential development, the commencement of the \$27 million Rozelle high-rise mixed residential project, and increasing the Group's net profit by **121%** over the previous corresponding period. The Group also successfully refinanced all of its current bank loans to long term, at an **average interest rate of 4.95% pa**. These achievements reflect the quality of the Group's management team and the strength of our Company's relationships with clients and business enterprises it transacts with.

Over the past six months, Desane has focussed on increasing its property asset value by rezoning some of its industrial and commercial properties to residential. The Group continues to be a significant Sydney based **commercial and industrial property landlord** and will continue to increase its property holdings as opportunities arise. The Group has increased its total assets by 13.7% over the corresponding period, to **\$54.5 million** and it manages an additional \$4.6 million of industrial properties located in the Sydney metropolitan area.

All properties owned and managed by the Group are **100% leased** to long term quality national and international tenants. Desane has retained the property management rights in the properties it owns in joint venture with other corporations. The property management division is continuing to perform well.

i. 7-9 Orion Road, Lane Cove

The Orion Road complex consists of **6,000m² of industrial buildings** leased to six large Australian and international corporations, all with medium to long term leases. This property is performing well and is continuing to contribute to the Group's profit result through its increased annual net rental income and a strong leasing profile. The net return for funds invested in this property is 8%.

ii. 13 Sirius Road, Lane Cove

This **2,200m² high-tech property** comprises a two-level commercial/industrial building with 50 basement security parking spaces and is located within 100 metres of two other commercial industrial properties owned by Desane in the Lane Cove West industrial precinct. The continuing ownership of this property by Desane will show rental and capital increases for Desane's property asset portfolio in future years. The net return for funds invested in this property is 19%.

iii. 7 Sirius Road, Lane Cove

This **2,800m² commercial/industrial building** is located within 100 metres of two other commercial industrial properties owned by Desane in the Lane Cove West industrial precinct. The property comprises approximately 460m² of office and 2,240m² of high clearance warehouse, with 38 on-site car parking spaces. This property will show rental and capital increases for Desane's portfolio in future years. The net return for funds invested in this property is 10%.

iv. 68-72 Lilyfield Road, Rozelle

This **6,000m² commercial and industrial property** is located in the prime Sydney suburb of Rozelle and is 100% leased on a long term basis. Due to increased demand in the inner-western Sydney suburbs for residential apartments and in view of the close proximity of this property to Sydney's CBD, Desane is in the process of **undertaking a master plan** in order to obtain approval from the NSW and local planning authorities to **rezone the property to high rise residential**. The property is located in close proximity to the Anzac Bridge and the Sydney Cross City Tunnel, linking the eastern suburbs to the inner western Sydney suburbs. Desane has a 70% interest in this property. The net return for funds invested in this property is 8%.

v. Net Return on Funds Invested

An **average net return of 11%** has been achieved for funds invested in the Group's industrial property portfolio.

The following companies are the medium to long term tenants of the properties owned and/or managed by the Group: **Staging Connections, Morpho Australasia; Pentel Australia; Optimed; Halley & Mellows; Kindercise Gym; Artisan Wine Cellars; Premier Products; Byron Food Science, Marsupial Landscapes; Electronic Security Sales; OMK Group; Novis Healthcare; Signature Orthopaedics, and Lizard Learning Centre.**

DESANE GROUP HOLDINGS LIMITED ABN 61 003 184 932 and Controlled Entities
Directors' Report (Continued)
For the six months ended 31 December 2014

Developments

i. Easton, Rozelle

Desane's Directors are pleased with the progress of the construction and sales of the 29 residential apartments, 3 commercial ground floor units and 45 parking spaces. The construction of the project is reaching the half-way mark, with 27 apartments being sold and sales contracts exchanged for the value of \$24.6 million. When completed, this project is expected to generate sales of **up to \$27 million**. The project is expected to be completed by September 2015.

Outlook

It is Desane's Directors' view that the Australian commercial and industrial property market is expected to improve significantly over the next three years, both in tenant occupancy requirements and rental returns. It is anticipated that there will be a tightening of vacancy rates and a shortage of industrial property availability in proximity of the Sydney CBD.

Desane's existing industrial and commercial property portfolio is under continual review, in order that the Company and its shareholders benefit from the strengthening residential market conditions prevailing in Sydney. Where appropriate, Desane will seek the rezoning, to residential, for some of its strategically well placed properties, in order to take advantage of the changing market conditions. Desane will continue to closely monitor the Australian industrial, commercial and residential property market, to take advantage of future 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.

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

Financial Position

The directors believe the Group is in a sound financial position and is poised to commence the next phase of growth. This is largely due to the following factors:

- **Earnings before interest and tax (EBIT) for the Group increased by 69.5% to \$1.98 million on the previous corresponding period;**
- **Net profit after tax (NPAT) of \$1.14 million, an increase of 121% on the previous corresponding period;**
- **27.8% increase in rental income on the previous corresponding period;**
- **Earnings per share (EPS) increased by 121% to 3.79 cents from 1.71 cents on the previous corresponding period;**
- **Total assets for the Group increased by 13.71% on the previous corresponding period, to \$54.5 million; and**
- **Net tangible assets (NTA) steady at 86 cents per share;**

Significant Changes in State of Affairs

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

Events after the Reporting Period

There are no events after the reporting period.

DESANE GROUP HOLDINGS LIMITED ABN 61 003 184 932 and Controlled Entities
Directors' Report (Continued)
For the six months ended 31 December 2014

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.

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.

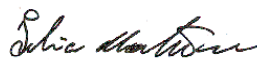
Auditor's Declaration

The lead auditor's declaration under Section 307C of the Corporations Act 2001 is set out on page 6 for the half year ended 31 December 2014.

Signed in accordance with a resolution of the Board of Directors, at Sydney, this 18th day of February, 2015.



J B Sheehan
Director



P Montrone
Director

**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 2014, 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.

GCC Business & Assurance Pty Ltd.

GCC BUSINESS & ASSURANCE PTY LTD
(Authorised Audit Company)



GRAEME GREEN
Director

Signed in Sydney, 18 February 2015

DESANE GROUP HOLDINGS LIMITED ABN 61 003 184 932 and Controlled Entities
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the Half Year Ended 31 December 2014

	Consolidated Group	
	31 Dec 2014	31 Dec 2013
	\$	\$
Revenue	1,508,437	970,885
Interest income	25,865	2,733
Employee benefits expense	(365,705)	(285,539)
Depreciation and amortisation expense	(4,405)	(5,234)
Gain/(loss) on revaluation of investment properties	950,000	912,546
Finance costs	(403,336)	(422,476)
Other expenses from ordinary activities	(275,995)	(439,805)
Share of net profits and revaluation gains of associates	<u>139,940</u>	<u>11,793</u>
Profit before income tax	1,574,801	744,903
Deferred income tax expense	<u>(431,032)</u>	<u>(228,018)</u>
Profit from continuing operations	<u>1,143,769</u>	<u>516,885</u>
Other Comprehensive Income		
Total Comprehensive Income for the period	<u>-</u>	<u>-</u>
Profit attributable to minority equity interest	<u>-</u>	<u>-</u>
Profit attributable to members of the parent entity	<u>1,143,769</u>	<u>516,885</u>
Earnings per Share		
Basic earnings per share (cents per share)	3.79	1.71
Diluted earnings per share (cents per share)	3.79	1.71

The accompanying notes form part of these financial statements.

DESANE GROUP HOLDINGS LIMITED ABN 61 003 184 932 and Controlled Entities
Condensed Consolidated Statement of Financial Position as at 31 December 2014

	Consolidated Group	
	31 Dec 2014	31 Dec 2013
	\$	\$
Current Assets		
Cash and cash equivalents	5,339,995	20,395
Trade and other receivables	2,405,678	112,200
Other current assets	154,846	86,523
Development property held for sale	16,187,798	-
Investments accounted for using the equity method	<u>75,965</u>	<u>10,783,660</u>
Total Current Assets	<u>24,164,282</u>	<u>11,002,778</u>
Non-current Assets		
Trade and other receivables	1,475	1,475
Investment properties	30,256,857	36,803,511
Property, plant and equipment	40,362	44,324
Rental Incentives	<u>84,396</u>	<u>108,614</u>
Total Non-current Assets	<u>30,383,090</u>	<u>36,957,924</u>
Total Assets	<u>54,547,372</u>	<u>47,960,702</u>
Current Liabilities		
Trade and other payables	954,427	1,418,594
Deferred revenue development property	2,060,239	-
Borrowings	-	183,506
Provisions	<u>619,739</u>	<u>37,494</u>
Total Current Liabilities	<u>3,634,405</u>	<u>1,639,594</u>
Non-current Liabilities		
Trade and other payables	24,964	24,964
Borrowings	23,299,568	19,661,915
Deferred tax liability	1,531,870	609,311
Provisions	<u>4,232</u>	<u>29,181</u>
Total Non-current Liabilities	<u>24,860,634</u>	<u>20,325,371</u>
Total Liabilities	<u>28,495,039</u>	<u>21,964,965</u>
Net Assets	<u>26,052,333</u>	<u>25,995,737</u>
Equity		
Issued capital	12,097,005	12,097,005
Retained earnings	<u>13,955,328</u>	<u>13,898,732</u>
Total Equity	<u>26,052,333</u>	<u>25,995,737</u>

The accompanying notes form part of these financial statements.

DESANE GROUP HOLDINGS LIMITED ABN 61 003 184 932 and Controlled Entities
Condensed Consolidated Statement of Changes in Equity
for the half year ended 31 December 2014

	Issued Capital \$	Retained Earnings \$	Asset Revaluation Reserve \$	Total \$
Balance at 1 July 2013	12,097,005	13,381,847	-	25,478,852
Shares issued during the year	-	-	-	-
Profit attributable to members of parent entity	<u>-</u>	<u>516,885</u>	<u>-</u>	<u>516,885</u>
Dividends paid or provided for	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance at 31 Dec 2013	<u>12,097,005</u>	<u>13,898,732</u>	<u>-</u>	<u>25,995,737</u>
Balance at 1 July 2014	12,097,005	13,415,548	-	25,512,553
Shares issued during the year	-	-	-	-
Profit attributable to members of parent entity	<u>-</u>	<u>1,143,769</u>	<u>-</u>	<u>1,143,769</u>
Dividends paid or provided for	<u>-</u>	<u>(603,989)</u>	<u>-</u>	<u>(603,989)</u>
Balance at 31 Dec 2014	<u>12,097,005</u>	<u>13,955,328</u>	<u>-</u>	<u>26,052,333</u>

The accompanying notes form part of these financial statements.

DESANE GROUP HOLDINGS LIMITED ABN 61 003 184 932 and Controlled Entities
Condensed Consolidated Statement of Cash Flows
for the half year ended 31 December 2014

	Consolidated Group	
	31 Dec 2014	31 Dec 2013
	Inflows	Inflows
	(Outflows)	(Outflows)
	\$	\$
Cash flows from operating activities		
Receipts from customers	1,863,940	2,667,326
Payments to suppliers and employees	(711,944)	(871,338)
Dividend from associate entity	8,773,238	-
Interest received	25,865	2,733
Finance costs	<u>(403,336)</u>	<u>(422,476)</u>
Net cash provided by (used in) operating activities	<u>9,547,763</u>	<u>1,376,245</u>
Cash flows from investing activities		
Proceeds from the sale of plant and equipment	-	-
Purchase of plant and equipment	-	-
Proceeds from sale of property investments	-	-
Purchase of property and investments	-	-
Property Development expenditure	(4,854,900)	-
Purchase of other non-current assets (capital expenditure)	<u>(47,593)</u>	<u>(522,696)</u>
Net cash provided by (used in) investing activities	<u>(4,902,493)</u>	<u>(522,696)</u>
Cash flows from financing activities		
Proceeds from issue of shares	-	-
Dividends paid by parent entity	(1,207,978)	(301,994)
Loans from related parties/(repaid)	(4,146,545)	(73,823)
Loans from unrelated entities/(repaid)	-	-
Proceeds from borrowings	3,659,568	-
Repayment of borrowings	(21,915)	(231,732)
Repayment of rental bonds	<u>-</u>	<u>-</u>
Net cash provided by (used in) financing activities	<u>(1,716,870)</u>	<u>(607,549)</u>
Net increase/(decrease) in cash held	2,928,400	246,000
Cash at beginning of the half year	<u>2,411,595</u>	<u>(240,291)</u>
Cash at end of the half year	<u>5,339,995</u>	<u>5,709</u>

The accompanying notes form part of these financial statements.

DESANE GROUP HOLDINGS LIMITED ABN 61 003 184 932 and Controlled Entities
Notes to the Condensed Consolidated Financial Statements
for the half year ended 31 December 2014

1. Summary of Significant Accounting Policies

These general purpose financial statements for the half-year reporting period ended 31 December 2014 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standards including AASB 134: Interim Financial Reporting.

These half-year financial statements do not include all the notes of the type normally included in annual financial 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 2014 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 and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's 2014 annual financial report for the financial year ended 30 June 2014, except for the impact of the adoption of the new and revised accounting policy's discussed below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

Comparative figures are shown for 31 December 2013 in addition to 30 June 2014 in the balance sheet 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.

New and revised Standards and amendments thereof and Interpretations effective for the current half year include:

- AASB 1031 *Materiality*
- AASB 2012-3 *Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities*
- AASB 2013-3 *Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets*
- AASB 2011-4 *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements*
- AASB 2013-4 *Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting*
- AASB 2013-9 *Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments*

The Group has considered the impact and adoption of the above accounting standards and has determined that there is no significant impact on the measurement or disclosure requirements for the Group.

DESANE GROUP HOLDINGS LIMITED ABN 61 003 184 932 and Controlled Entities
Notes to the Condensed Consolidated Financial Statements
for the half year ended 31 December 2014

2. Profit for the Period

Consolidated Group	
31 Dec 2014	31 Dec 2013
\$	\$

The following revenue and expense items are relevant in explaining the financial performance for the interim period:

Auditors' remuneration	31,698	46,122
Depreciation of plant and equipment	4,405	5,234
Finance costs:		
- Other persons and/or corporations	403,336	415,799
- Associated companies	-	6,677
Rental expenses relating to operating leases	32,974	32,709

3. Dividend Paid

	Consolidated Group			
	31 Dec 2014		31 Dec 2013	
	Cents per Share	\$	Cents per Share	\$

Recognised amounts:

Ordinary final dividend, franked, paid 26 November 2014, recommended in the 2014 Financial Report

2.00 603,989

Ordinary special dividend, franked, paid 22 July 2014, recommended in the 2014 Financial Report

2.00 603,989

Ordinary final dividend, unfranked, paid 26 November 2014, recommended in the 2013 Financial Report

1.00 301,994

Unrecognised amounts:

In respect of the half-year ended 31 December 2014, the directors have recommended the payment of an interim dividend, franked, of 2 cents per share payable on 15 March 2015

2.00 603,989

- -

DESANE GROUP HOLDINGS LIMITED ABN 61 003 184 932 and Controlled Entities
Notes to the Condensed Consolidated Financial Statements
for the half year ended 31 December 2014

4. Operating Segments

i) Segment Performance - 31 Dec 2014

	Property Investment \$	Property project management and resale \$	Property services \$	Plant and Equipment \$	Other \$	Consolidated Group \$
Six Months to 31 December 2014						
Revenue						
External sales	2,072,542	346,983	25,412	-	39,365	2,484,302
Other	-	-	-	-	-	-
Total segment revenue	<u>2,072,542</u>	<u>346,983</u>	<u>25,412</u>	<u>-</u>	<u>39,365</u>	<u>2,484,302</u>
Segment net profit before tax	<u>1,576,013</u>	<u>346,983</u>	<u>25,412</u>	<u>-</u>	<u>39,365</u>	1,987,773
Reconciliation of segment result to group net profit/(loss) before tax						
Share of net profit of associates						139,940
Unallocated expenses						<u>(552,912)</u>
Profit/(loss) before income tax						1,574,801
Deferred income tax expense						<u>(431,032)</u>
Profit/(loss) after income tax						<u>1,143,769</u>

a. Other is comprised of:

	Revenue \$	Profit \$
Interest received	25,865	25,865
Other (recovery of administration costs)	<u>13,500</u>	<u>13,500</u>
	<u>39,365</u>	<u>39,365</u>

b. Geographical Segments

The economic entity operates in one geographical segment being New South Wales, Australia.

c. Compilation of Segmental Information

The above segmental information has been compiled in a consistent manner to prior years. The division of the group's results and assets into industry segments (the sole management reporting segment) has been ascertained by reference to direct identification of assets and revenue/cost centres and where interrelated segmental assets and costs exist, an allocation has been calculated on a pro-rata basis of the identifiable assets and/or costs. Intersegmental pricing is on an arms-length basis.

DESANE GROUP HOLDINGS LIMITED ABN 61 003 184 932 and Controlled Entities
Notes to the Condensed Consolidated Financial Statements
for the half year ended 31 December 2014

4. Operating Segments (continued)

ii) Segment Assets - 31 December 2014

	Property Investment \$	Property Project Management and Resale \$	Property Services \$	Plant and Equipment \$	Other \$	Consolidated Group \$
July 2014 opening balance	49,301,425	-	-	-	2,799,613	52,101,038
Unallocated Assets						-
Deferred tax assets						-
Segment Asset Increases/ (Decreases) for the Period						
Acquisitions	-	-	-	-	-	-
Proceeds from sale	-	-	-	-	-	-
Revaluations/(devaluations)	950,000	-	-	-	-	950,000
Capital expenditures	47,593	-	-	-	-	47,593
Development expenditure	4,854,900	-	-	-	-	4,854,900
Asset held for sale	(8,633,298)	-	-	-	-	(8,633,298)
Net movement in other segments	-	-	-	-	5,227,139	5,227,139
	46,520,620	-	-	-	8,026,752	54,547,372
Unallocated Assets						-
Deferred Tax Assets						-
Total Group Assets						54,547,372
Equity accounted associates included in asset held for sale	(8,633,298)					
Segment Liabilities						
	Property Investment \$	Property Project Management and Resale \$	Property Services \$	Plant and Equipment \$	Other \$	Consolidated Group \$
July 2014 opening balance	23,808,460	-	-	-	1,679,186	25,487,646
Unallocated Liabilities						
Deferred tax liabilities						1,100,839
Segment Liabilities Increases/ (Decreases) for the Period						
Repayments					(21,915)	(21,915)
New borrowings	3,659,568					3,659,568
Repayment of associated company loan	(4,146,545)				-	(4,146,545)
Net movement in other segments					1,984,414	1,984,414
	23,321,483	-	-	-	3,641,685	28,064,007
Unallocated Liabilities						
Deferred Tax Liabilities						431,032
Total Group Liabilities						28,495,039
Equity accounted associates included in segment liabilities	(4,146,545)					

DESANE GROUP HOLDINGS LIMITED ABN 61 003 184 932 and Controlled Entities
Notes to the Condensed Consolidated Financial Statements
for the half year ended 31 December 2014

4. Operating Segments (continued)

iii) Segment Performance - 31 Dec 2013

	Property Investment	Property project management and resale	Property services	Plant and Equipment	Other	Consolidated Group
Six Months to 31 December 2013						
Revenue						
External sales	1,790,975	78,956	-	-	16,233	1,886,164
Other	-	-	-	-	-	-
Total segment revenue	<u>1,790,975</u>	<u>78,956</u>	<u>-</u>	<u>-</u>	<u>16,233</u>	<u>1,886,164</u>
Segment net profit before tax	<u>1,180,259</u>	<u>78,956</u>	<u>-</u>	<u>-</u>	<u>16,233</u>	1,275,448
Reconciliation of segment result to group net profit/(loss) before tax						
Share of net profit of associates						11,793
Unallocated expenses						<u>(542,338)</u>
Profit/(loss) before income tax						744,903
Income tax expense						<u>(228,018)</u>
Profit/(loss) after income tax						<u>516,885</u>

a. Other is comprised of:

	Revenue \$	Profit \$
Interest received	2,733	2,733
Other (recovery of administration costs)	<u>13,500</u>	<u>13,500</u>
	<u>16,233</u>	<u>16,233</u>

b. Geographical Segments

The economic entity operates in one geographical segment being New South Wales, Australia.

c. Compilation of Segmental Information

The above segmental information has been compiled in a consistent manner to prior years. The division of the group's results and assets into industry segments (the sole management reporting segment) has been ascertained by reference to direct identification of assets and revenue/cost centres and where interrelated segmental assets and costs exist, an allocation has been calculated on a pro-rata basis of the identifiable assets and/or costs. Intersegment pricing is on an arms-length basis.

DESANE GROUP HOLDINGS LIMITED ABN 61 003 184 932 and Controlled Entities
Notes to the Condensed Consolidated Financial Statements
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4. Operating Segments (continued)

iv) Segment Assets - 31 December 2013

	Property Investment \$	Property Project Management and Resale \$	Property Services \$	Plant and Equipment \$	Other \$	Consolidated Group \$
July 2013 opening balance	46,140,136	-	-	-	1,099,927	47,240,063
Unallocated Assets						-
Deferred tax assets						-
Segment Asset Increases/ (Decreases) for the Period						
Acquisitions				-		-
Proceeds from sale	-					-
Revaluations/(devaluations)	912,546			-		912,546
Capital expenditures	522,696					522,696
Asset held for sale	11,793					11,793
Net movement in other segments					(726,396)	(726,396)
	<u>47,587,171</u>	-	-	-	373,531	47,960,702
Unallocated Assets						-
Deferred Tax Assets						-
Total Group Assets						<u>47,960,702</u>
Equity accounted associates included in asset held for sale	<u>11,793</u>					

Segment Liabilities

	Property Investment \$	Property Project Management and Resale \$	Property Services \$	Plant and Equipment \$	Other \$	Consolidated Group \$
July 2013 opening balance	20,150,976	-	-	-	1,228,941	21,379,917
Unallocated Liabilities						
Deferred tax liabilities						404,577
Segment Liabilities Increases/ (Decreases) for the Period						
Repayments	(311,232)					(311,232)
New borrowings	-					-
Interest capitalised of loans with associated company	5,677					5,677
Repayment of associated company loan	-				-	5,677
Net movement in other segments					258,008	258,008
	<u>19,845,421</u>	-	-	-	1,486,949	21,736,947
Unallocated Liabilities						
Deferred Tax Liabilities						228,018
Total Group Liabilities						<u>21,964,965</u>
Equity accounted associates included in segment liabilities	<u>5,677</u>					

DESANE GROUP HOLDINGS LIMITED ABN 61 003 184 932 and Controlled Entities
Notes to the Condensed Consolidated Financial Statements
for the half year ended 31 December 2014

5. Equity Issued

Issue of ordinary shares during the half year ended 31 December 2014.

	Consolidated Group		Consolidated Group	
	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013
	No	No	\$	\$
Opening ordinary shares fully paid	30,199,465	30,199,465	12,097,005	12,097,005
Issue of ordinary shares, fully paid, during the half year - share purchase plan	-	-	-	-
Closing ordinary shares fully paid	<u>30,199,465</u>	<u>30,199,465</u>	<u>12,097,005</u>	<u>12,097,005</u>

6. Related Party Transaction

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

7. Contingent Liabilities

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

8. Events Subsequent to Reporting Date

There are no events subsequent to the reporting date.

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 7 to 17, 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 2014 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.



J B Sheehan
Director



P Montrone
Director

Sydney
18 February 2015

**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, which comprises the consolidated condensed statement of financial position as at 31 December 2014, the consolidated condensed statement of comprehensive income, the consolidated condensed statement of changes in equity, and the consolidated condensed 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 (including Australian Accounting Interpretations) 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 gives a true and fair view and 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 Desane Group Holdings Limited's financial position as at 31 December 2014 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*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Desane Group Holdings Limited, would be in the same terms if provided to the directors as at the time of this auditor's review report.

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 Desane Group Holdings Limited's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and

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ii. complying with AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.

GCC Business & Assurance Pty Ltd.

GCC BUSINESS & ASSURANCE PTY LTD
(Authorised Audit Company)



GRAEME GREEN
Director

18 February 2015