

ASX and Media release

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20 February 2017

HALF YEAR RESULTS TO 31 DECEMBER 2016

The Board of Desane Group Holdings Limited (“Desane” or “the Group”) is pleased to announce a net profit after tax (“NPAT”) of \$2.4m for the Group’s half year results ending 31 December 2016.

HY2017 financial highlights:

- Earnings before interest and tax (“EBIT”) of \$3.8m;
- NPAT of \$2.4m;
- Solid balance sheet position with **cash of \$15.4m** and net assets **uplift of 11.5%** to \$32.4m; and
- **Increase of 8.8%** in net tangible asset (“NTA”) per share to \$0.87 (HY2016 \$0.80).

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 7 March 2017, with the payment date being 22 March 2017.

Appendix 4D

The interim financial report for the year ended 31 December 2016 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.

Developments & Investments

The Board is pleased with the operational performance of its developments and investments for the half year ended 31 December 2016, resulting in a profit after tax of \$2.4m and being able to reward shareholders with fully franked dividends.

The summary for each of the properties as at 31 December 2016, is summarised below:

| Property | Area & Type | Summary |
|---------------------------------|--|---|
| 68-72 Lilyfield Road ROZELLE | 5,500m ² High tech multimedia centre (proposed mixed use development site) | <p>In June 2015, Desane lodged with the NSW Department of Planning, a formal master plan and rezoning proposal to allow for a mixed use development comprising approximately 200 residential apartments, 2,000m² of retail, commercial and community floor space, as well as a child care centre.</p> <p>In August 2016, Desane received notification from the Roads and Maritime Services (“RMS”) of their intention to acquire the property for the purposes of the WestConnex M4-M5 link.</p> <p>The RMS are required under the Land Acquisition (Just Terms Compensation) Act 1991 to make a genuine attempt to acquire the land by agreement.</p> <p>The negotiations with the RMS are due to commence in early 2017.</p> |
| 91 Thornton Drive PENRITH | 1.2 hectare development site | <p>Desane exchanged contracts in November 2016 for the purchase of the 1.2ha prime development site in the centre of the western Sydney suburb of Penrith for \$3.9m. Settlement for the purchase of the property was completed in January 2017.</p> <p>The land is currently zoned light industrial and is suitable for a staged developed strata subdivision.</p> |
| 7-9 Orion Road LANE COVE | 6,000m ² Office and warehouse | <p>The property is 100% leased and generating annualised rental growth of approximately 3.5% to 4.0%.</p> |

| | | |
|---|--|--|
| 13 Sirius Road LANE COVE | 2,200m ² Commercial / industrial building | The property is 100% leased and generating annualised rental growth of approximately 3.5% to 4.0%. |
| 7 Sirius Road LANE COVE | 2,800m ² Commercial / industrial building | The property is 100% leased and generating annualised rental growth of approximately 3.5% to 4.0%. |
| Easton Rozelle 47-51 Lilyfield Road ROZELLE | Realised mixed use development site DA approved 32 residential apartments and 3 commercial suites | The one remaining commercial suite was sold and realised in the half year ended 31 December 2016. |

Capital Management

As at 31 December 2016, the Group's balance sheet is strong, with cash of \$15.4m and short term financial assets of \$2.1m with LVR below 45%.

In June 2016, the Company extended its existing \$16.6m debt facilities with CBA for a further three (3) years to July 2019.

Finance costs at 31 December 2016 remain steady at \$0.3m after accounting for the one-off loan extension fee and with the RBA cash rate remaining steady at 1.5%, a further consolidation of finance costs is forecast for the FY2017.

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 2016

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 2016

Previous Corresponding Period: Half year ended 31 December 2015

Desane Group Holdings Limited
APPENDIX 4D – Half Yearly Report
for the period ended 31 December 2016

Details of the reporting period

Current Period: 1 July 2016 to 31 December 2016
 Previous Corresponding Period: 1 July 2015 to 31 December 2015

Results for announcement to the market

| | Dec 2016 \$'000 | Dec 2015 \$'000 | Change % |
|---|---------------------|-----------------------------|-------------|
| Revenue from property investment - rental | 1,093 | 1,110 | (1.5%) |
| Revenue from property services | 10 | 30 | (66.6%) |
| Revenue from property and project management | 73 | 162 | (54.9%) |
| Revenue from property development sales | 645 | 25,629 | (97.5%) |
| Profit (loss) from ordinary activities after tax attributable to members | 2,413 | 2,902 | (16.8%) |
| Net profit (loss) for the period attributable to members | 2,413 | 2,902 | (16.8%) |
| 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 | 6 March 2017 | | |
| Record Date | 7 March 2017 | | |
| Payment Date | 22 March 2017 | | |
| The Dividend Reinvestment Plan (DRP) has been suspended until further notice and will not operate in respect of the interim dividend payable on 22 March 2017. | | | |

Desane Group Holdings Limited
APPENDIX 4D – Half Yearly Report
for the period ended 31 December 2016

Earnings per security (EPS)

| | Current period | Previous corresponding period |
|-------------|-----------------------|-------------------------------|
| Basic EPS | 6.49 cents | 7.93 cents |
| Diluted EPS | 6.49 cents | 7.93 cents |

Net tangible assets per security

| | Current period | Previous corresponding period |
|---|-----------------------|-------------------------------|
| Net tangible asset backing per Ordinary Share | 87 cents | 80 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 | 2.25 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 2016

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 | (5) | 216 |
| Income tax on ordinary activities | - | - |
| Profit (loss) from ordinary activities after tax | (5) | 216 |
| Extraordinary items net of tax | - | - |
| Net profit (loss) | (5) | 216 |
| Adjustments | - | - |
| Share of net profit (loss) of associates and joint venture entities | (5) | 216 |

Desane Group Holdings Limited
APPENDIX 4D – Half Yearly Report
for the period ended 31 December 2016

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 |
| Lilyfield Road Joint Venture | 70% | 70% | (5) | 216 |
| Total | | | (5) | 216 |

Commentary on results

| | Current Period | Previous corresponding period |
|---|-----------------------|-------------------------------|
| Earnings per share | 6.49 cents | 7.93 cents |
| Net tangible asset backing per Ordinary Share | 87.00 cents | 80.00 cents |
| Interim dividend per Ordinary Share | 2.25 cents | 2.25 cents |

Desane Group Holdings Limited
APPENDIX 4D – Half Yearly Report
for the period ended 31 December 2016

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 2016.

Attachment

The Half Yearly Financial Report for the period ended 31 December 2016 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 2017



ABN 61 003 184 932

HALF YEAR FINANCIAL REPORT

FOR THE HALF YEAR ENDED

31 DECEMBER 2016

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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 2016

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 2016.

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
Rick Montrone

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 Jack Sciara

Operating and Financial Review

"The Desane Way"

Desane is an integrated and internally managed property investment group with capabilities and expertise in property investment and development, leasing and sales of industrial, commercial and residential properties.

There were no significant changes in the principal activities of the Company during the period for the half year ended 31 December 2016, which were:

- Property investment;
- Property development;
- Property project management; and
- Property services.

The Company has a disciplined "add value" approach to property acquisitions and a strategy of purchasing property assets that are underdeveloped and improving asset value through gaining rezoning and development certainty.

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%.

"Our Strategy"

Desane has two main operating segments, property investment and property development. All property assets are owned and managed by Desane Properties Pty Ltd, a wholly owned subsidiary of Desane Group Holdings Limited.

The Company's strategy is to generate increasing returns for shareholders through revenue and capital growth:

1. By extracting the asset's highest and best use value over the long term;
2. By seeking rezoning and development approval to maximise asset value and returns; and
3. By acquiring well located properties that offer an opportunity to create increased capital value.

DESANE GROUP HOLDINGS LIMITED ABN 61 003 184 932 and Controlled Entities
Directors' Report
For the six months ended 31 December 2016

Operating Results

The Board is pleased with the operational performance of its developments and investments for the half year ended 31 December 2016, resulting in a profit after tax of \$2.4m. The Board is pleased to announce, following the strong half year result, a fully franked dividend in line with the FY16 dividend. The operating profit after tax for the half year ended 31 December 2015 was \$2.9m.

| | 31 Dec 2016 \$'000 | 31 Dec 2015 \$'000 |
|--|-----------------------|-----------------------|
| The consolidated profit of the economic entity, after providing for income tax amounted to | <u>2,413</u> | <u>2,902</u> |

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

| | Total Revenue | | Segment Result | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| | 31 Dec 2016 \$'000 | 31 Dec 2015 \$'000 | 31 Dec 2016 \$'000 | 31 Dec 2015 \$'000 |
| Property development sales | 645 | 25,629 | 645 | 25,629 |
| Property development cost base | - | - | (615) | (21,723) |
| Property investment – rental | 1,093 | 1,110 | 416 | 565 |
| Property services | 10 | 30 | 10 | 30 |
| Property management | 73 | 79 | 73 | 79 |
| Property investment – net revaluations | 3,137 | - | 3,137 | - |
| Project management | - | 83 | - | 83 |
| Interest income | <u>323</u> | <u>41</u> | <u>323</u> | <u>41</u> |
| | <u>5,281</u> | <u>26,972</u> | <u>3,989</u> | <u>4,704</u> |
| Unallocated expenses | | | <u>(545)</u> | <u>(547)</u> |
| Operating profit | | | 3,444 | 4,157 |
| Income tax (expense)/benefit attributable to operating profit | | | (61) | (179) |
| Deferred tax attributable to operating profit | | | <u>(970)</u> | <u>(1,076)</u> |
| Operating profit after income tax attributable to members of Desane Group Holdings Limited | | | <u>2,413</u> | <u>2,902</u> |

Dividends Paid or Recognised

Dividends paid or declared for payment are as follows:

| | | |
|---|----|-----|
| Ordinary dividend of \$0.02 per share, franked, paid on 26 November 2015, declared in the 2015 report | \$ | 725 |
| Interim dividend of \$0.0225 per share, franked, paid on 31 March 2016, declared in the December 2015 half yearly report | \$ | 823 |
| Final dividend of \$0.0225 per share, franked, paid on 7 October 2016, declared in the 2016 report | \$ | 830 |
| Interim dividend of \$0.0225 per share, franked, payable on 22 March 2017, declared in the December 2016 half yearly report | \$ | 837 |

DESANE GROUP HOLDINGS LIMITED ABN 61 003 184 932 and Controlled Entities
Directors' Report
For the six months ended 31 December 2016

Dividend Reinvestment Plan (DRP)

The DRP has been suspended until further notice and **will not operate** in respect of the interim dividend declared. Please refer to separate announcement regarding the DRP program.

Capital Management

As at 31 December 2016, the Group's balance sheet is strong, with cash of \$15.4m and short term financial assets of \$2.1m with LVR below 45%.

In June 2016, the Company extended its existing \$16.6m debt facilities with CBA for a further three (3) years to July 2019.

Finance costs at 31 December 2016 remain steady at \$0.3m after accounting for the one-off loan extension establishment fee and with the RBA cash rate remaining at 1.5%, a further consolidation in finance costs is forecast for the existing \$16.6m loan facilities in FY2017.

Developments and Investments

The Board believes the Group's existing property portfolio will provide significant opportunities in the short to medium term.

Notwithstanding the lease expiry of the Company's major tenant, Staging Connections, in September 2016, the Company's property portfolio valuation increased by 10.7% to \$38.5m following a Directors' valuation in conjunction with the independent valuation undertaken by JLL Valuation Advisory in June 2016.

68-72 Lilyfield Road, Rozelle

In June 2015, Desane lodged with the NSW Department of Planning, a formal master plan and rezoning proposal to allow for a mixed use development comprising approximately 200 residential apartments, 2,000m² of retail, commercial and community floor space, as well as a child care centre.

In August 2016, Desane received notification from the Roads and Maritime Services ("RMS") of their intention to acquire the property for the purposes of the WestConnex M4-M5 link.

The RMS are required under the Land Acquisition (Just Terms Compensation) Act 1991 to make a genuine attempt to acquire the land by agreement.

The negotiations with the RMS are due to commence in early 2017.

91 Thornton Drive, Penrith

Desane completed, in January 2017, the settlement for the purchase of a prime development site located in the centre of the western Sydney suburb of Penrith, for \$3.9m.

This 11,200m² light industrial zoned site is located within 400 metres of Penrith Railway Station, 600 metres of Westfield Penrith Shopping Centre, the Penrith CBD and with easy access to the M4, M7, Penrith Nepean Hospital and the planned Badgerys Creek airport.

Discussions with planners and their consultants have commenced to prepare development and strata sub division plans for the site.

Desane's Managing Director, Mr Phil Montrone, commented, "The completion of the acquisition of the Penrith development site is a positive outcome giving the Company an opportunity to develop a new project. Desane will continue to look for similar strategic opportunities where it can develop or add value in a highly competitive property market".

47-51 Lilyfield Road, Rozelle

The final commercial unit in the 35 lot mixed use subdivision development was realised in November 2016.

DESANE GROUP HOLDINGS LIMITED ABN 61 003 184 932 and Controlled Entities
Directors' Report
For the six months ended 31 December 2016

The summary for the investment properties in the portfolio as at 31 December 2016 is outlined below:

| Property | Area & Type | Summary |
|-----------------------------|--|--|
| 7-9 Orion Road LANE COVE | 6,000m ² Office and warehouse | The property is 100% leased and generating annualised rental growth of approximately 3.5% to 4.0%. |
| 13 Sirius Road LANE COVE | 2,200m ² Commercial / industrial building | The property is 100% leased and generating annualised rental growth of approximately 3.5% to 4.0%. |
| 7 Sirius Road LANE COVE | 2,800m ² Commercial / industrial building | The property is 100% leased and generating annualised rental growth of approximately 3.5% to 4.0%. |

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.

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 increased 5.9% to \$32.4m from 30 June 2016;
- Earnings before interest and tax (EBIT) of \$3.8m; and
- Continued profits with net profit after tax (NPAT) of \$2.4m.

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 settled the purchase of 91 Thornton Drive, Penrith, a prime development site in the centre of the western Sydney suburb of Penrith for \$3.9m. Settlement for the purchase of the property was completed in January 2017.

Other than the above, at the date of this report and in the opinion of the directors, no matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the consolidated group, the results of those operations, or the state of affairs of the consolidated group in future financial years.

DESANE GROUP HOLDINGS LIMITED ABN 61 003 184 932 and Controlled Entities
Directors' Report
For the six months ended 31 December 2016

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.

Rounding of Amounts

The Company is an entity to which ASIC Class Order 98/100 applies and accordingly, amounts contained in this financial report and the directors' report, have been rounded to the nearest thousand dollar, where rounding is applicable.

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 2016.

Signed in accordance with a resolution of the Board of Directors, at Sydney, this 20th day of February, 2017.



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 2016, 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

GRAEME GREEN
Director

Signed in Sydney, 20 February 2017

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 six months ended 31 December 2016

| | Consolidated Group | |
|---|---------------------|---------------------|
| | 31 Dec 2016 | 31 Dec 2015 |
| | \$'000 | \$'000 |
| Revenue from property investment – rental | 1,093 | 1,110 |
| Revenue from property services | 10 | 30 |
| Revenue from property and project management | 73 | 162 |
| Revenue from property development sales | 645 | 25,629 |
| Property development cost base | (615) | (21,723) |
| Interest income | 323 | 41 |
| Employee benefits expense | (469) | (413) |
| Depreciation and amortisation expense | (5) | (5) |
| Gain/(loss) on revaluation of investment properties | 3,137 | - |
| Finance costs | (340) | (338) |
| Other expenses from ordinary activities | <u>(408)</u> | <u>(336)</u> |
| Profit before income tax | 3,444 | 4,157 |
| Income tax expense - current | (61) | (179) |
| Deferred income tax expense | <u>(970)</u> | <u>(1,076)</u> |
| Profit from continuing operations | <u><u>2,413</u></u> | <u><u>2,902</u></u> |
| Other Comprehensive Income | | |
| Total comprehensive income for the period | <u><u>-</u></u> | <u><u>-</u></u> |
| Profit attributable to minority equity interest | <u><u>-</u></u> | <u><u>-</u></u> |
| Profit attributable to members of the parent entity | <u><u>2,413</u></u> | <u><u>2,902</u></u> |
| Earnings per Share | | |
| Basic earnings per share (cents per share) | 6.49 | 7.93 |
| Diluted earnings per share (cents per share) | 6.49 | 7.93 |

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 2016

| | Consolidated Group | |
|--------------------------------------|--------------------|---------------|
| | 31 Dec 2016 | 31 Dec 2015 |
| | \$'000 | \$'000 |
| Current Assets | | |
| Cash and cash equivalents | 15,342 | 16,717 |
| Trade and other receivables | 33 | 964 |
| Other current assets | 28 | 54 |
| Other financial assets | 2,151 | - |
| Development property held for sale | <u>-</u> | <u>2,455</u> |
| Total Current Assets | <u>17,554</u> | <u>20,190</u> |
| Non-current Assets | | |
| Trade and other receivables | 2 | 2 |
| Investment properties | 38,121 | 32,646 |
| Development properties | 390 | - |
| Property, plant and equipment | 36 | 45 |
| Rental Incentives | <u>5</u> | <u>19</u> |
| Total Non-current Assets | <u>38,554</u> | <u>32,712</u> |
| Total Assets | <u>56,108</u> | <u>52,902</u> |
| Current Liabilities | | |
| Trade and other payables | 456 | 2,615 |
| Borrowings | - | 16,590 |
| Provisions | <u>1,457</u> | <u>1,036</u> |
| Total Current Liabilities | <u>1,913</u> | <u>20,241</u> |
| Non-current Liabilities | | |
| Trade and other payables | 123 | 103 |
| Borrowings | 16,590 | - |
| Deferred tax liability | 5,105 | 3,547 |
| Provisions | <u>19</u> | <u>12</u> |
| Total Non-current Liabilities | <u>21,837</u> | <u>3,662</u> |
| Total Liabilities | <u>23,750</u> | <u>23,903</u> |
| Net Assets | <u>32,358</u> | <u>28,999</u> |
| Equity | | |
| Issued capital | 17,308 | 16,860 |
| Retained earnings | <u>15,050</u> | <u>12,139</u> |
| Total Equity | <u>32,358</u> | <u>28,999</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 six months ended 31 December 2016

| | Issued Capital \$'000 | Retained Earnings \$'000 | Asset Revaluation Reserve \$'000 | Total \$'000 |
|---|-----------------------------|--------------------------------|---|----------------------|
| Balance at 1 July 2015 | 16,627 | 10,060 | - | 26,687 |
| Shares issued during the year | 233 | - | - | 233 |
| Profit attributable to members of parent entity | <u>-</u> | <u>2,902</u> | <u>-</u> | <u>2,902</u> |
| Dividends provided for | <u>-</u> | <u>(823)</u> | <u>-</u> | <u>(823)</u> |
| Balance at 31 Dec 2015 | <u>16,860</u> | <u>12,139</u> | <u>-</u> | <u>28,999</u> |
| Balance at 1 July 2016 | 17,077 | 13,474 | - | 30,551 |
| Shares issued during the year | 231 | - | - | 231 |
| Profit attributable to members of parent entity | <u>-</u> | <u>2,413</u> | <u>-</u> | <u>2,413</u> |
| Dividends paid | <u>-</u> | <u>(837)</u> | <u>-</u> | <u>(837)</u> |
| Balance at 31 Dec 2016 | <u>17,308</u> | <u>15,050</u> | <u>-</u> | <u>32,358</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 six months ended 31 December 2016

| | Consolidated Group | |
|--|---------------------------|--------------------|
| | 31 Dec 2016 | 31 Dec 2015 |
| | Inflows | Inflows |
| | (Outflows) | (Outflows) |
| | \$'000 | \$'000 |
| Cash flows from operating activities | | |
| Receipts from customers | 1,530 | 1,457 |
| Payments to suppliers and employees | (824) | (836) |
| Proceeds from sale of development property | 1,425 | 25,629 |
| Property development expenditure | (615) | (3,490) |
| Interest received | 323 | 41 |
| Finance costs | (340) | (338) |
| Net cash provided by (used in) operating activities | 1,499 | 22,463 |
| Cash flows from investing activities | | |
| Proceeds from the sale of plant and equipment | - | - |
| Purchase of plant and equipment | (2) | (1) |
| Proceeds from sale of property investments | - | - |
| Purchase of development or investment properties | (390) | - |
| Purchase of financial assets | (700) | - |
| Purchase of other non-current assets (capital expenditure) | (234) | (14) |
| Net cash provided by (used in) investing activities | (1,326) | (15) |
| Cash flows from financing activities | | |
| Proceeds from issue of shares | 231 | 233 |
| Dividends paid by parent entity | (830) | (725) |
| Proceeds from borrowings | - | 1,859 |
| Repayment of borrowings | - | (11,703) |
| Retention held/(repaid) | - | (212) |
| Rental bonds received/(repaid) | 19 | 79 |
| Net cash provided by (used in) financing activities | (580) | (10,469) |
| Net increase/(decrease) in cash held | (407) | 11,979 |
| Cash at beginning of the half year | 15,749 | 4,738 |
| Cash at end of the half year | 15,342 | 16,717 |

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 six months ended 31 December 2016

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 2016 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 Standards, have been adopted in the preparation of the half-year financial report and are consistent with those adopted and disclosed in the company's 2016 annual financial report for the financial year ended 30 June 2016, except for the impact of the adoption of any new and revised accounting policy.

Comparative figures are shown for 31 December 2015 in addition to 30 June 2016 (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 2016 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 defined 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 the cost of acquisition, development and interest on financing during development. Interest and other holding charges after practical completion are expensed as incurred.

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

DESANE GROUP HOLDINGS LIMITED ABN 61 003 184 932 and Controlled Entities
Notes to the Condensed Consolidated Financial Statements
for the six months ended 31 December 2016

1. Summary of Significant Accounting Policies (continued)

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, are 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.

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.

DESANE GROUP HOLDINGS LIMITED ABN 61 003 184 932 and Controlled Entities
Notes to the Condensed Consolidated Financial Statements
for the six months ended 31 December 2016

1. Summary of Significant Accounting Policies (continued)

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 2016 | | 31 Dec 2015 | |
| | Cents per Share | \$'000 | Cents per Share | \$'000 |
| Dividends paid or declared for payment are as follows: | | | | |
| Ordinary dividend of \$0.02 franked, paid 26 November 2015, declared in the 2015 Financial Report | | | 2.00 | 725 |
| Interim dividend of \$0.0225 per share, franked, paid on 31 March 2016, declared in the December 2015 half yearly report | | | 2.25 | 823 |
| Final dividend of \$0.0225 per share, franked paid on 7 October 2016, declared in the 2016 report | 2.25 | 830 | | |
| Interim dividend of \$0.0225 per share, franked, payable on 22 March 2017, declared in the December 2016 half yearly report | 2.25 | 837 | | |

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.

DESANE GROUP HOLDINGS LIMITED ABN 61 003 184 932 and Controlled Entities
Notes to the Condensed Consolidated Financial Statements
for the six months ended 31 December 2016

3. Operating Segments (continued)

Types of Operations & 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 that are 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.

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.

DESANE GROUP HOLDINGS LIMITED ABN 61 003 184 932 and Controlled Entities
Notes to the Condensed Consolidated Financial Statements
for the six months ended 31 December 2016

3. Operating Segments (continued)

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.

i) Segment Performance - 31 Dec 2016

| | Property Investment \$'000 | Property Development \$'000 | Property Project Management & Resale \$'000 | Property Services \$'000 | Plant & Equipment \$'000 | Other \$'000 | Consolidated Group \$'000 |
|---|----------------------------------|-----------------------------------|---|--------------------------------|--------------------------------|-----------------|---------------------------------|
| Six Months to 31 December 2016 | | | | | | | |
| Revenue | | | | | | | |
| External sales | 1,093 | 645 | | 83 | | 323 | 2,144 |
| Other segments | - | - | - | - | | - | - |
| Total revenue | <u>1,093</u> | <u>645</u> | <u>-</u> | <u>83</u> | <u></u> | <u>323</u> | <u>2,144</u> |
| Segment result | <u>3,893</u> | <u>30</u> | <u>-</u> | <u>83</u> | <u></u> | <u>323</u> | <u>4,329</u> |
| Unallocated expenses | | | | | | | (545) |
| Finance costs | | | | | | | <u>(340)</u> |
| Profit/(loss) before Income tax | | | | | | | 3,444 |
| Income tax expense | | | | | | | (61) |
| Deferred income tax expense | | | | | | | <u>(970)</u> |
| Profit/(loss) after Income tax | | | | | | | <u>2,413</u> |

Other is comprised of:

| | Revenue \$'000 | Profit \$'000 |
|-------------------|-------------------|------------------|
| Interest received | <u>323</u> | <u>323</u> |

DESANE GROUP HOLDINGS LIMITED ABN 61 003 184 932 and Controlled Entities
Notes to the Condensed Consolidated Financial Statements
for the six months ended 31 December 2016

3. Operating Segments (continued)

ii) Segment Assets - 31 December 2016

| | Property Investment \$'000 | Property Development \$'000 | Property Project Management & Resale \$'000 | Property Services \$'000 | Plant & Equipment \$'000 | Other \$'000 | Consolidated Group \$'000 |
|---|----------------------------------|-----------------------------------|---|--------------------------------|--------------------------------|-----------------|---------------------------------|
| July 2016 opening balance | 34,750 | 460 | - | - | - | 18,041 | 53,251 |
| Unallocated Assets | | | | | | | - |
| Deferred tax assets | | | | | | | - |
| Segment Asset Increases/(Decreases) for the Period | | | | | | | |
| Acquisitions | | 390 | | | | | 390 |
| Proceeds from sale | | (645) | | | | | (645) |
| Revaluations/(devaluations) | 3,137 | | | | | | 3,137 |
| Capital expenditures | 234 | | | | | | 234 |
| Development expenditure | | 155 | | | | | 155 |
| Development profit realised | | 30 | | | | | 30 |
| Net movement in other Segments | | | | | | (444) | (444) |
| | 38,121 | 390 | - | - | - | 17,597 | 56,108 |
| Unallocated Assets | | | | | | | |
| Deferred Tax Assets | | | | | | | |
| Total Group Assets | | | | | | | <u>56,108</u> |

DESANE GROUP HOLDINGS LIMITED ABN 61 003 184 932 and Controlled Entities
Notes to the Condensed Consolidated Financial Statements
for the six months ended 31 December 2016

3. Operating Segments (continued)

iii) Segment Liabilities – 31 December 2016

| | Property Investment \$'000 | Property Development \$'000 | Property Project Management & Resale \$'000 | Property Services \$'000 | Plant & Equipment \$'000 | Other \$'000 | Consolidated Group \$'000 |
|---|----------------------------------|-----------------------------------|---|--------------------------------|--------------------------------|-----------------|---------------------------------|
| July 2016 opening balance | 16,590 | - | - | - | - | 1,975 | 18,565 |
| Unallocated Liabilities | | | | | | | |
| Deferred tax liabilities | | | | | | | 4,136 |
| Segment Liabilities Increases/(Decreases) for the Period | | | | | | | |
| Repayments | | | | | | | - |
| New borrowings | | | | | | | - |
| Net movement in other Segments | | | | | | 79 | 79 |
| | 16,590 | - | - | - | - | 2,054 | 22,780 |
| Unallocated Liabilities | | | | | | | |
| Deferred Tax Liabilities | | | | | | | 970 |
| Total Group Liabilities | | | | | | | <u>23,750</u> |

DESANE GROUP HOLDINGS LIMITED ABN 61 003 184 932 and Controlled Entities
Notes to the Condensed Consolidated Financial Statements
for the six months ended 31 December 2016

3. Operating Segments (continued)

iv) Segment Performance - 31 Dec 2015

| | Property Investment \$'000 | Property Development \$'000 | Property Project Management & Resale \$'000 | Property Services \$'000 | Other \$'000 | Consolidated Group \$'000 |
|--|----------------------------------|-----------------------------------|---|--------------------------------|------------------|---------------------------------|
| Six Months to 31 December 2015 | | | | | | |
| Revenue | | | | | | |
| External sales | 1,110 | 25,629 | 83 | 103 | 47 | 26,972 |
| Other | - | - | - | - | - | - |
| Total segment revenue | <u>1,110</u> | <u>25,629</u> | <u>83</u> | <u>103</u> | <u>47</u> | <u>26,972</u> |
| Segment net profit before tax | <u>565</u> | <u>3,906</u> | <u>83</u> | <u>103</u> | <u>47</u> | 4,704 |
| Reconciliation of segment result to group net profit/(loss) before tax | | | | | | |
| Unallocated expenses | | | | | | <u>(547)</u> |
| Profit/(loss) before income tax | | | | | | 4,157 |
| Income tax expense | | | | | | (179) |
| Deferred income tax expense | | | | | | <u>(1,076)</u> |
| Profit/(loss) after income tax | | | | | | <u>2,902</u> |
| Other is comprised of: | | | | | | |
| | | | | Revenue \$'000 | Profit \$'000 | |
| Interest received | | | | 41 | 41 | |
| Other (recovery of administration costs) | | | | <u>6</u> | <u>6</u> | |
| | | | | <u>47</u> | <u>47</u> | |

DESANE GROUP HOLDINGS LIMITED ABN 61 003 184 932 and Controlled Entities
Notes to the Condensed Consolidated Financial Statements
for the six months ended 31 December 2016

3. Operating Segments (continued)

v) Segment Assets - 31 December 2015

| | Property Investment \$'000 | Property Development \$'000 | Property Project Management & Resale \$'000 | Property Services \$'000 | Other \$'000 | Consolidated Group \$'000 |
|--|----------------------------------|-----------------------------------|---|--------------------------------|-----------------|---------------------------------|
| July 2015 opening balance | 32,660 | 20,688 | - | - | 7,694 | 61,042 |
| Unallocated Assets | | | | | | - |
| Deferred tax assets | | | | | | - |
| Segment Asset Increases/ (Decreases) for the Period | | | | | | |
| Acquisitions | | | | | | - |
| Proceeds from sale | | (25,629) | | | | (25,629) |
| Revaluations/(devaluations) | | | | | | - |
| Capital expenditures | (14) | | | | | (14) |
| Development expenditure | | 4,941 | | | | 4,941 |
| Asset held for sale | - | 2,455 | | | | 2,455 |
| Net movement in other segments | | | | | 10,107 | 10,107 |
| | <u>32,646</u> | <u>2,455</u> | <u>-</u> | <u>-</u> | <u>17,801</u> | <u>52,902</u> |
| Unallocated Assets | | | | | | - |
| Deferred Tax Assets | | | | | | - |
| Total Group Assets | | | | | | <u>52,902</u> |

vi) Segment Liabilities – 31 December 2015

| | Property Investment \$'000 | Property Development \$'000 | Property Project Management & Resale \$'000 | Property Services \$'000 | Other \$'000 | Consolidated Group \$'000 |
|--|----------------------------------|-----------------------------------|---|--------------------------------|-----------------|---------------------------------|
| July 2015 opening balance | 16,590 | 9,844 | - | - | 5,449 | 31,883 |
| Unallocated Liabilities | | | | | | |
| Deferred tax liabilities | | | | | | 2,472 |
| Segment Liabilities Increases/ (Decreases) for the Period | | | | | | |
| Repayments | | (11,703) | | | | (11,703) |
| New borrowings | | 1,859 | | | | 1,859 |
| Repayment of associated company loan | | | | | | - |
| Net movement in other segments | | | | | (1,684) | (1,684) |
| | <u>16,590</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>3,765</u> | <u>22,827</u> |
| Unallocated Liabilities | | | | | | |
| Deferred Tax Liabilities | | | | | | 1,076 |
| Total Group Liabilities | | | | | | <u>23,903</u> |

DESANE GROUP HOLDINGS LIMITED ABN 61 003 184 932 and Controlled Entities
Notes to the Condensed Consolidated Financial Statements
for the six months ended 31 December 2016

4. Equity Issued

Issue of ordinary shares during the half year ended 31 December 2016.

| | Consolidated Group | | Consolidated Group | |
|--------------------------------------|--------------------------|--------------------------|----------------------|----------------------|
| | 31 Dec 2016 | 31 Dec 2015 | 31 Dec 2016 | 31 Dec 2015 |
| | No | No | \$'000 | \$'000 |
| Ordinary Shares Fully Paid | | | | |
| As at 1 July 2016 | 36,905,259 | 36,239,331 | 17,077 | 16,627 |
| Shares Issued During the Year | | | | |
| Dividend reinvestment plan | 285,641 | 343,050 | 231 | 233 |
| Share purchase plan | - | - | - | - |
| Bonus issue | - | - | - | - |
| Closing ordinary shares fully paid | <u>37,190,900</u> | <u>36,582,381</u> | <u>17,308</u> | <u>16,860</u> |

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 settled the purchase of 91 Thornton Drive, Penrith, a prime development site in the centre of the western Sydney suburb of Penrith for \$3.9 million. Settlement for the purchase of the property was completed in January 2017.

Other than the above, at the date of this report and in the opinion of the directors, no matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the consolidated group, the results of those operations, or the state of affairs of the consolidated group in future financial years.

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 20, 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 2016 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
20 February 2017

**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 2016, the condensed consolidated statement of profit or 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 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 the Group's financial position as at 31 December 2016 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*.

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 2016 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*.

GCC Business + Assurance Pty Ltd

GCC BUSINESS & ASSURANCE PTY LTD
(Authorised Audit Company)

Graeme Green

GRAEME GREEN
Director

20 February 2017