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## **2018 ANNUAL GENERAL MEETING – CHAIRMAN’S ADDRESS**

The Chairman’s address for the Desane Group Holdings Annual General Meeting being held on Friday, 2 November 2018:

Good morning ladies and gentlemen,

I am Professor John Sheehan AM and I’m delighted to join you as Chairman of Desane Group Holdings Limited for the Annual General Meeting.

Joining me today is:

- Mr Phil Montrone OAM, Managing Director;
- Mr John Bartholomew, independent non-executive Director;
- Mr Rick Montrone, Director and Head of Property; and
- Mr Jack Sciara, Chief Financial Officer and Company Secretary.

I can report to shareholders that the Group’s earnings before interest and tax, for the financial year ending 30 June 2018, was **\$1.6m** and the Group’s net assets are **\$29.5m**. The Group’s net tangible assets (NTA) now stand at 79 cents per security accounting for the proposed dividend payment but excluding the sale of the 68-72 Lilyfield Road Rozelle asset.

It will be recalled the Directors rewarded shareholders by paying an interim dividend of **2.25 cents** per security in March 2018, and shareholders were also rewarded with a final dividend of **2.25 cents** per security, fully franked, paid on 26 October 2018. It is significant to note that total cash distributions to shareholders in and since the financial year ending 30 June 2015 to date has been **\$14.7m** fully franked.

Maintenance of the Group’s continuing strong financial results was achieved notwithstanding a year of significant uncertainty surrounding the proposed compulsory acquisition of our flagship property at 68-72 Lilyfield Road, Rozelle by Roads and Maritime Services (RMS). The 5,274m<sup>2</sup> landholding has been earmarked for residential redevelopment since June 2015, when the Group lodged a planning proposal with the NSW Department of Planning, as the relevant planning authority.

Whilst Desane's preference was to deliver the master-planned mixed use proposal, shareholders can be satisfied that the agreed sale of the property to RMS in September 2018 represents fair market value for the site. The prospect of further litigation with RMS and the NSW Government was not in the best interest of shareholders.

Notwithstanding, the Group's management has been active in progressing its other property projects.

Planning for the residential redevelopment of the 1.2 hectare property at Thornton in Penrith is advancing.

Further, the Group's purchase in April 2018 of a 2,792m<sup>2</sup> redevelopment site, in the inner Sydney suburb of Leichhardt, has progressed to the stage that a Development Application has been lodged for the construction of approximately 50 apartments in FY19.

On a broader view, as mentioned in my report last year, the continuing uncertainty since the Brexit vote in the United Kingdom to leave the European Community (EU) has paradoxically reinforced perceptions of the robustness of Australian equity and property markets. Overseas investors in both equities and property continue to regard Australia as a safe haven for funds, given increasingly fragile international relations between the USA, China and the EU.

It is therefore not surprising that equities such as Desane Group Holdings Limited, which hold quality well located properties, have demonstrated both growth in asset value and earnings in line with the robust pressures of the property market. It is this feature which separates this particular class of equity from more volatile investment vehicles such as 'tech' and resource stocks, and even other conservative investment vehicles such as cash which remains at historically low levels.

In central Sydney and the nearby inner ring areas, a vibrant market for commercial, industrial and residential property exists due in no small part to supply constraints and removal of existing buildings due to residential conversion, driven significantly by offshore demand. Strong leasing demand for commercial office space and apartments has coalesced in these CBD and city fringe locations, and Desane remains particularly well positioned holding an increasingly strengthened balance sheet.

Finally, I can report to shareholders that this annual report is the 31st such report of Desane Group Holdings Limited. Your Company has continued to prosper due to the superb quality of its senior management and the invaluable contribution of its Board.

Your Board remains confident the Group's strategies will result in asset and earnings growth in the 2018/2019 financial year.

Finally, I would like to welcome those shareholders who have recently joined the Company. The Board looks forward to a rewarding and fruitful association with those new shareholders during the coming years.

For further information, please visit [www.desane.com.au](http://www.desane.com.au) or please contact:

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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.*