

ASX release

ABN/ 61 003 184 932  
ASX CODE/ DGH

20 February 2019

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## DESANE ANNOUNCES HY19 RESULTS

Desane Group Holdings Limited (ASX: **DGH** or **Desane**) is pleased to announce its HY19 results for the six months ended 31 December 2018.

### HY19 Highlights

- **Total assets of \$88.3m**
- **NPAT of \$27.7m**
- **NTA per share of \$1.47**

In November 2018, Desane Properties Pty Ltd, a controlled entity of Desane Group Holdings Limited, completed the sale of its Rozelle flagship property to the Roads and Maritime Services for \$78.0m plus GST for the WestConnex project. Desane's consolidated statutory net profit after tax included a net gain of \$38.9m from the sale of the property. The substantial cash reserves available to Desane will provide it with the opportunity to pursue short to medium term strategic acquisitions.

Desane will focus on three objectives in 2019:

- The delivery of significant "add value" through the progression of a planning proposal for the 1.2 hectare Thornton Penrith property.
- Completion of the acquisition and development approval for 159 Allen Street, Leichhardt.
- Review of its capital management strategies to ensure it has the capacity to grow its assets, whilst ensuring shareholders can continue to be rewarded.

Phil Montrone, Managing Director and CEO said: "I am pleased that our Board and management have once again delivered a strong result for our shareholders. The decisions made and executed over the past six months have ensured that Desane will have the financial capacity to expand its property portfolio and its recurring income. We look forward to continuing to reward our shareholders who have supported Desane's Board and management."

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

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Company Secretary  
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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 2018**

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 2018

Previous Corresponding Period: Half year ended 31 December 2017

# Desane Group Holdings Limited

## APPENDIX 4D – Half Yearly Report

### for the period ended 31 December 2018

#### Details of the reporting period

Current Period: 1 July 2018 to 31 December 2018

Previous Corresponding Period: 1 July 2017 to 31 December 2017

#### Results for announcement to the market

	Dec 2018 \$'000	Dec 2017 \$'000	Change %
Revenue from property investment - rental	1,770	630	180.9%
Revenue from property services	1,046	96	989.5%
Revenue from property and project management	51	38	34.2%
Profit (loss) from ordinary activities after tax attributable to members	27,730	777	3,468.9%
Net profit (loss) for the period attributable to members	27,730	777	3,468.9%
<b>Dividends</b>	Amount per security	Franked amount per security	
Interim Dividend	2.25 cents	2.25 cents	
Previous Corresponding Period	2.25 cents	2.25 cents	
<b>Interim Dividend Dates:</b>			
Ex-dividend Date	7 March 2019		
Record Date	8 March 2019		
Payment Date	29 March 2019		
<b>The Dividend Reinvestment Plan (DRP) has been suspended until further notice and will not operate in respect of the interim dividend payable on 29 March 2019.</b>			

**Desane Group Holdings Limited**  
**APPENDIX 4D – Half Yearly Report**  
**for the period ended 31 December 2018**

**Earnings per security (EPS)**

	<b>Current period</b>	<b>Previous corresponding period</b>
Basic EPS	<b>67.80 cents</b>	2.09 cents
Diluted EPS	<b>67.80 cents</b>	2.09 cents

**Net tangible assets per security**

	<b>Current period</b>	<b>Previous corresponding period</b>
Net tangible asset backing per Ordinary Share	<b>\$1.47</b>	\$0.82

**Amount per Security**

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

**Desane Group Holdings Limited**  
**APPENDIX 4D – Half Yearly Report**  
**for the period ended 31 December 2018**

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

<b>Group's share of associates and joint venture entities:</b>	<b>Current period \$A'000</b>	<b>Previous corresponding period - \$A'000</b>
Profit (loss) from ordinary activities before tax	39,993	(133)
Income tax on ordinary activities	-	-
<b>Profit (loss) from ordinary activities after tax</b>	<b>39,993</b>	<b>(133)</b>
Extraordinary items net of tax	-	-
<b>Net profit (loss)</b>	<b>39,993</b>	<b>(133)</b>
Adjustments	-	-
<b>Share of net profit (loss) of associates and joint venture entities</b>	<b>39,993</b>	<b>(133)</b>

# Desane Group Holdings Limited

## APPENDIX 4D – Half Yearly Report

### for the period ended 31 December 2018

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

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

<i><b>Name of entity</b></i>	Percentage of ownership interest held at end of period or date of disposal		Contribution to net profit (loss)	
<b>Equity accounted associates and joint venture entities</b>	<b>Current period</b>	Previous corresponding period	<b>Current period \$A'000</b>	Previous corresponding period - \$A'000
Lilyfield Road Joint Venture	<b>70%</b>	70%	<b>39,993</b>	(133)
<b>Total</b>			<b>39,993</b>	(133)

#### Commentary on results

	<b>Current Period</b>	Previous corresponding period
Earnings per share	<b>67.80 cents</b>	2.09 cents
Net tangible asset backing per Ordinary Share	<b>\$1.47</b>	\$0.82
Interim dividend per Ordinary Share	<b>2.25 cents</b>	2.25 cents

**Desane Group Holdings Limited**  
**APPENDIX 4D – Half Yearly Report**  
**for the period ended 31 December 2018**

**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 2018.

**Attachment**

The Half Yearly Financial Report for the period ended 31 December 2018 is attached.

**Signed**



Jack Sciara  
Company Secretary  
20 February 2019



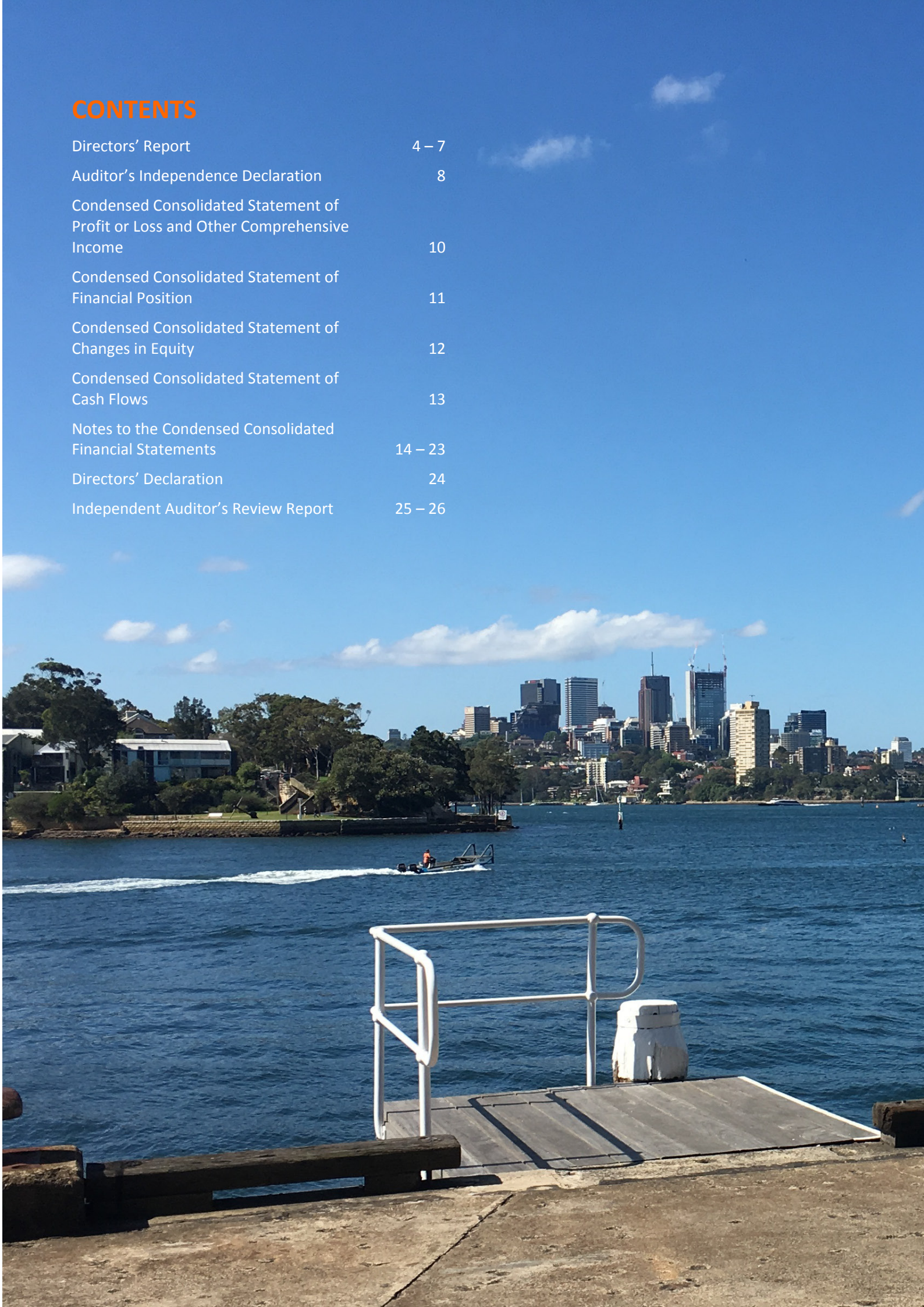
**CONSOLIDATED  
INTERIM FINANCIAL  
STATEMENTS**

**FOR THE HALF YEAR  
ENDED  
31 DECEMBER 2018**



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### **Australian requirements for interim financial reports**

*This Interim financial report does not include all the notes of the type normally included in an annual report. Accordingly, this report should be read in conjunction with the annual report for the year ended 30 June 2018 and any public announcements made by Desane Group Holdings Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.*

*Desane Group Holdings Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is at Suite 4, 26-32 Pirrama Road, Pyrmont NSW 2009. Its shares are listed on the Australian Stock Exchange, ASX code **DGH**.*

# Directors' Report - continued

The Directors of Desane Group Holdings Limited ("Desane" and "the Group") present their report, together with the condensed financial report of the Company and its controlled entities for the half year ended 31 December 2018.

## Directors

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

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

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

## Company Secretary

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

- Jack Sciara

## Principal Activities

There were no significant changes in the principal activities of the Group during the six month period ending 31 December 2018, which were:

- Property development; and
- Property investment.

## Operating and Financial Review

The Group recorded a consolidated statutory net profit after tax of **\$27.7m** for the half year ended 31 December 2018. Statutory net profit after tax has been prepared in accordance with the *Corporations Act 2001* and Australian Accounting Standards, which comply with International Financial Reporting Standards.

	31 Dec 2018 \$	31 Dec 2017 \$
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The profit of the consolidated group, after providing for income tax, amounted to **27,730,306** 777,070

A summary of consolidated financial results by operational segments is set out below:

	Total Revenue		Segment Result	
	31 Dec 2018 \$	31 Dec 2017 \$	31 Dec 2018 \$	31 Dec 2017 \$
Net gain on sale of investment property	38,949,217	-	38,949,217	-
Property development expenses	(648,982)	(433,770)	(648,982)	(433,770)
Property investment – rental	1,770,078	629,546	792,779	(1,020,972)
Property services	1,046,000	96,000	1,046,000	96,000
Property management	51,461	38,075	51,461	38,075
Property investment – net revaluations	-	2,692,471	-	2,692,471
Interest income	273,668	298,100	273,668	298,100
	41,441,442	3,320,422	40,464,143	1,669,904
Unallocated expenses			(999,671)	(561,282)
Operating profit			39,464,472	1,108,622
Income tax (expense)/benefit attributable to operating profit			-	289,050
Deferred tax attributable to operating profit			(11,734,166)	(620,602)
Operating profit after income tax attributable to members of Desane Group Holdings Limited			27,730,306	777,070

## Financial Review

In November 2018, Desane Properties Pty Ltd, a controlled entity of Desane Group Holdings Limited, completed the sale of its Rozelle flagship property to the Roads and Maritime Services for \$78.0m plus GST under the compulsory acquisition process. Desane Properties Pty Ltd has a 70% interest in the assets and income of the property. The Group's consolidated statutory net profit after tax included a net gain of \$38.9m from the sale of the Rozelle property. The sale has positioned the Group with cash of \$52.6m, which will provide flexibility to pursue potential acquisition opportunities in the Sydney metropolitan area and generate continued shareholder returns.

## Capital Gains Tax Deferral

Included in the deferred tax liability of \$15.6m is approximately \$13.9m of capital gains tax (CGT) deferral pertaining to the sale of the Rozelle property.

The Rozelle property was sold to the Roads and Maritime Services involuntarily as part of the compulsory acquisition process and triggered a CGT event.



## Directors' Report - continued

As the capital gain arises from the involuntary sale of the Rozelle property, Desane sought independent tax advice confirming it is eligible to obtain a CGT rollover relief under Subdivision 124-B of the *Income Tax Assessment Act 1997* on the purchase of a replacement asset.

Subdivision 124-B of the *Income Tax Assessment Act 1997* provides for a CGT rollover relief (or CGT deferral) where an asset a taxpayer owns is sold to a government agency during a compulsory acquisition process and an eligible replacement asset is acquired within the prescribed time as per Australian Taxation Office guidelines.

### Key Financial Highlights

- Total assets of \$88.3m
- NPAT of \$27.7m
- NTA per share of \$1.47

### Dividends Paid or Recognised

Dividends paid or declared for payment are as follows:

	31 Dec 2018	31 Dec 2017
<b>Ordinary dividend of \$0.0225 per share, franked, paid on 26 October 2018, declared in the 2018 report</b>	<b>920,475</b>	
<b>Interim dividend of \$0.0225 per share, franked, payable on 29 March 2019, declared in the December 2018 half yearly report</b>	<b>920,475</b>	
Ordinary dividend of \$0.0225 per share, franked, paid on 6 October 2017, declared in the 2017 report		\$836,795
Special dividend of \$0.10 per share, franked, paid on 6 October 2017, declared in the 2017 report		\$3,719,090
Interim dividend of \$0.0225 per share, franked, paid on 27 March 2018, declared in the December 2017 half yearly report		\$836,795

### Likely Developments

The Group continues to pursue its strategy of focusing on its core operations, utilising a strengthened balance sheet to provide support to grow and develop these operations.

### Significant Changes in State of Affairs

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

### Events Subsequent to Balance Date

There were no significant events subsequent to Balance Date for the Group.

### Environmental Regulation

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.

## Dividend Reinvestment Plan ("DRP")

The DRP has suspended until further notice.

## Auditor's Declaration

The lead auditor's declaration under Section 307C of the Corporations Act 2001 is set out on page 8 for the half year ended 31 December 2018.

Signed in accordance with a resolution of the Board of Directors, at Sydney, this 20th day of February, 2019.



**John Sheehan AM**  
Non-executive Chairman



**Phil Montrone OAM**  
Managing Director



*Desane's Board, from left – Rick Montrone, John Bartholomew, Phil Montrone, Jack Sciara and John Sheehan*

# Auditor's Independence Declaration

G.C.C. Business & Assurance Pty Ltd

ABN 61 105 044 862

GPO Box 4566, Sydney NSW 2001

Telephone: (02) 9231 6166

Facsimile: (02) 9231 6155

Suite 807, 109 Pitt Street, Sydney

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

I declare that, to the best of my knowledge and belief, during the half year ended 31 December 2018, there have been:

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

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

**GCC BUSINESS & ASSURANCE PTY LTD**  
*(Authorised Audit Company)*



**CHANG CHOW**  
Director

Signed in Sydney, 20 February 2019



# FINANCIAL REPORT



*Aerial view of 68-72 Lilyfield Road, Rozelle  
(Sold for \$78m plus GST on 5 November 2018)*



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

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

**For the six months ended 31 December 2018**

	Consolidated Group	
	31 Dec 2018	31 Dec 2017
	\$	\$
Revenue from property investment – rental	1,770,078	629,546
Revenue from property services	1,046,000	96,000
Revenue from property and project management	51,461	38,075
Net gain on sale of investment property	38,949,217	-
Property development expenses	(648,982)	(433,770)
Interest income	273,668	298,100
Employee benefits expense	(804,316)	(675,446)
Depreciation and amortisation expense	(10,187)	(5,424)
Gain/(loss) on revaluation of investment properties	-	2,692,471
Finance costs	(250,516)	(274,009)
Other expenses from ordinary activities	(911,951)	(1,256,921)
Profit before income tax	39,464,472	1,108,622
Income tax (expense)/benefit – current	-	289,050
Deferred income tax expense	(11,734,166)	(620,602)
Profit from continuing operations	27,730,306	777,070
<b>Other Comprehensive Income</b>		
Total comprehensive income for the period	-	-
Profit attributable to minority equity interest	-	-
Profit attributable to members of the parent entity	27,730,306	777,070
<b>Earnings per Share</b>		
Basic earnings per share (cents per share)	67.80	2.09
Diluted earnings per share (cents per share)	67.80	2.09

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



# Condensed Consolidated Statement of Financial Position

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

For the six months ended 31 December 2018

	Consolidated Group	
	31 Dec 2018	31 Dec 2017
	\$	\$
<b>Current Assets</b>		
Cash and cash equivalents	46,537,457	12,247,594
Cash term deposits	6,000,000	-
Trade and other receivables	48,945	139,326
Other current assets	456,001	222,775
Other financial assets	130,258	2,201,000
Development property reclassified as current	-	12,845,576
<b>Total Current Assets</b>	<b>53,172,661</b>	<b>27,656,271</b>
<b>Non-current Assets</b>		
Trade and other receivables	-	1,873
Investment properties	32,626,089	19,344,067
Property, plant and equipment	2,454,791	30,240
Other non-current assets	1,884	-
<b>Total Non-current Assets</b>	<b>35,082,764</b>	<b>19,376,180</b>
<b>Total Assets</b>	<b>88,255,425</b>	<b>47,032,451</b>
<b>Current Liabilities</b>		
Trade and other payables	5,596,038	707,629
Borrowings	5,900,000	5,250,000
Provisions	1,084,290	893,341
<b>Total Current Liabilities</b>	<b>12,580,328</b>	<b>6,850,970</b>
<b>Non-current Liabilities</b>		
Trade and other payables	-	17,596
Borrowings	-	5,900,000
Deferred tax liability	15,545,680	3,858,112
Provisions	74,549	31,700
<b>Total Non-current Liabilities</b>	<b>15,620,229</b>	<b>9,807,408</b>
<b>Total Liabilities</b>	<b>28,200,557</b>	<b>16,658,378</b>
<b>Net Assets</b>	<b>60,054,868</b>	<b>30,374,073</b>
<b>Equity</b>		
Issued capital	21,212,995	17,307,948
Retained earnings	38,841,873	13,066,125
<b>Total Equity</b>	<b>60,054,868</b>	<b>30,374,073</b>

The accompanying notes form part of these financial statements.



# Condensed Consolidated Statement of Changes in Equity

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

**For the six months ended 31 December 2018**

	Issued Capital \$	Retained Earnings \$	Asset Revaluation Reserve \$	Total \$
Balance at 1 July 2018	17,307,948	12,032,042	-	29,339,990
Shares issued during the year	3,905,047	-	-	3,905,047
Profit attributable to members of parent entity	-	27,730,306	-	27,730,306
Dividends provided for	-	(920,475)	-	(920,475)
<b>Balance at 31 December 2018</b>	<b>21,212,995</b>	<b>38,841,873</b>	<b>-</b>	<b>60,054,868</b>
Balance at 1 July 2017	17,307,948	13,125,850	-	30,433,798
Shares issued during the year	-	-	-	-
Profit attributable to members of parent entity	-	777,070	-	777,070
Dividends paid	-	(836,795)	-	(836,795)
<b>Balance at 31 December 2017</b>	<b>17,307,948</b>	<b>13,066,125</b>	<b>-</b>	<b>30,374,073</b>



91 Thornton Drive, Penrith

# Condensed Consolidated Statement of Cash Flows

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

For the six months ended 31 December 2018

	Consolidated Group	
	31 Dec 2018	31 Dec 2017
	Inflows (Outflows)	Inflows (Outflows)
	\$	\$
<b>Cash flows from operating activities</b>		
Receipts from customers	4,862,285	798,100
Payments to suppliers and employees	(2,674,268)	(1,236,082)
Property development expenditure	(648,982)	(433,770)
Payment of company income tax	-	(2,791,455)
Interest received	273,668	298,100
Finance costs	(250,516)	(274,009)
<b>Net cash provided by (used in) operating activities</b>	<b>1,562,187</b>	<b>(3,639,116)</b>
<b>Cash flows from investing activities</b>		
Proceeds from the sale of plant and equipment	3,636	-
Purchase of property, plant and equipment	(2,441,631)	(3,000)
Proceeds from sale of property investments	57,023,982	17,461,000
Purchase of investment properties	(6,897,065)	-
Purchase of financial assets	(6,000,000)	-
Proceeds from sale of financial assets	1,116,491	-
Capital costs of investment properties	(61,600)	(762,288)
<b>Net cash provided by (used in) investing activities</b>	<b>42,743,813</b>	<b>16,695,712</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares	3,905,047	-
Dividends paid by parent entity	(920,475)	(4,555,885)
Proceeds from borrowings	-	45,000
Repayment of borrowings	(5,250,000)	(5,485,000)
Retention held/(repaid)	-	(212,500)
Rental bonds received/(repaid)	(2,464)	(22,500)
<b>Net cash provided by (used in) financing activities</b>	<b>(2,267,892)</b>	<b>(10,230,885)</b>
<b>Net increase/(decrease) in cash held</b>	<b>42,038,108</b>	<b>2,825,711</b>
Cash at beginning of the half year	4,499,349	9,421,883
<b>Cash at end of the half year</b>	<b>46,537,457</b>	<b>12,247,594</b>

# Notes to the Condensed Consolidated Financial Statements

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

For the six months ended 31 December 2018

### 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 2018 and any public announcements made by Desane Group Holdings Limited during the half-year reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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

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

The accounting policies, which are consistent with Australian Accounting Standards and with International Reporting Financial Statements, have been adopted in the preparation of the half-year financial report and are consistent with those adopted and disclosed in the Company's 2018 annual financial report for the financial year ended 30 June 2018, except for the impact of the adoption of any new and revised accounting policy.

Comparative figures are shown for 31 December 2017 in addition to 30 June 2018 (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 2018 affected any of the amounts recognised in the current year or any prior year and are not likely to affect future periods.

#### Investment Properties

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

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

# Notes to the Condensed Consolidated Financial Statements

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

For the six months ended 31 December 2018

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

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

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

### Development Properties

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

### Leases

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

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

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

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

### Financial Instruments

#### *Initial recognition and measurement*

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

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

#### *Classification and subsequent measurement*

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

# Notes to the Condensed Consolidated Financial Statements

## DESANE GROUP HOLDINGS LIMITED ABN 61 184 932 and Controlled Entities For the six months ended 31 December 2018

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

The Group has interests in the following financial assets:

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

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

### Borrowings

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

### 2. Dividend Paid

	31 Dec 2018		Consolidated Group		31 Dec 2017
	Cents per Share	\$	Cents per Share	\$	
Dividends paid or declared for payment are as follows:					
Final dividend of \$0.0225 per share, franked, paid on 26 October 2018	2.25	920,475			
Interim dividend of \$0.0225 per share, franked, declared by the directors from operating profits payable on 29 March 2019	2.25	920,475			
Final dividend of \$0.0225 per share, franked, paid on 6 October 2017, declared in the 2017 report			2.25	836,795	
Special dividend of \$0.10 per share, franked, paid on 6 October 2017, declared in the 2017 report			10.00	3,719,090	
Interim dividend of \$0.0225 per share, franked, paid on 27 March 2018, declared in the December 2017 half yearly report			2.25	836,795	



# Notes to the Condensed Consolidated Financial Statements

## DESANE GROUP HOLDINGS LIMITED ABN 61 184 932 and Controlled Entities For the six months ended 31 December 2018

### 3. Operating Segments

#### Segment Information

##### Identification of Reportable Segments

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

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

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

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

(i) **Property Investment**

Rental income from prime real estate investments.

(ii) **Property Development**

Development projects (residential, commercial or industrial).

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

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

(iv) **Property Services**

Property and related services.

##### Accounting Policies Adopted

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

##### Segment Assets

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

##### Segment Liabilities

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

# Notes to the Condensed Consolidated Financial Statements

**DESANE GROUP HOLDINGS LIMITED ABN 61 184 932 and Controlled Entities**  
**For the six months ended 31 December 2018**

## 3. Operating Segments (continued)

### Unallocated Items

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

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

### Geographical Segments

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

### Inter-Segment Transactions

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



# Notes to the Condensed Consolidated Financial Statements

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

For the six months ended 31 December 2018

### 3. Operating Segments (continued)

#### i) Segment Performance – 31 December 2018

	Property Investment \$	Property Development \$	Property Project Management & Resale \$	Property Services \$	Property, Plant & Equipment \$	Other \$	Consolidated Group \$
<b>Six Months to 31 December 2018</b>							
<b>Revenue</b>							
External sales	1,770,078	(648,982)	-	1,097,461	-	273,668	2,492,225
Other segments	-	-	-	-	-	-	-
<b>Total revenue</b>	<b>1,770,078</b>	<b>(648,982)</b>	<b>-</b>	<b>1,097,461</b>	<b>-</b>	<b>273,668</b>	<b>2,492,225</b>
<b>Segment result</b>	<b>39,992,512</b>	<b>(648,982)</b>	<b>-</b>	<b>1,097,461</b>	<b>-</b>	<b>273,668</b>	<b>40,714,659</b>
Unallocated expenses							(999,671)
Finance costs							(250,516)
Profit/(loss) before income tax							39,464,472
Deferred income tax expense							(11,734,166)
<b>Profit/(loss) after income tax</b>							<b>27,730,306</b>
Other is comprised of:							
						Revenue \$	Profit \$
Interest received						273,668	273,668

# Notes to the Condensed Consolidated Financial Statements

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

For the six months ended 31 December 2018

### 3. Operating Segments (continued)

#### ii) Segment Assets – 31 December 2018

	Property Investment \$	Property Development \$	Property Project Management & Resale \$	Property Services \$	Property, Plant & Equipment \$	Other \$	Consolidated Group \$
July 2018 opening balance	38,560,492	-	-	-	-	7,830,328	46,390,820
Unallocated Assets							
Deferred tax assets							
Segment Asset Increases/(Decreases) for the Period							
Acquisitions	6,897,065				2,441,631		9,338,696
Disposal of assets	(12,893,068)				(1,336)		(12,894,403)
Capital expenditures	61,600						61,600
Accumulated depreciation movement					(10,187)		(10,187)
Net movement in other segments					24,683	45,344,217	45,368,900
	32,626,089	-	-	-	2,454,791	53,174,545	88,255,425
Unallocated Assets							
Deferred Tax Assets							
Total Group Assets							88,255,425

#### iii) Segment Liabilities – 31 December 2018

	Property Investment \$	Property Development \$	Property Project Management & Resale \$	Property Services \$	Property, Plant & Equipment \$	Other \$	Consolidated Group \$
July 2018 opening balance	11,150,000	-	-	-	-	2,089,315	13,239,315
Unallocated Liabilities							
Deferred tax liabilities							3,811,514
Segment Liabilities Increases/(Decreases) for the Period							
Repayments	(5,250,000)						(5,250,000)
Net movements in other segments						4,665,562	4,665,562
	5,900,000	-	-	-	-	6,754,877	16,466,391
Unallocated Liabilities							
Deferred Tax Liabilities							11,734,166
Total Group Liabilities							28,200,557

# Notes to the Condensed Consolidated Financial Statements

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

For the six months ended 31 December 2018

### 3. Operating Segments (continued)

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

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

# Notes to the Condensed Consolidated Financial Statements

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

For the six months ended 31 December 2018

### 3. Operating Segments (continued)

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

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

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

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

# Notes to the Condensed Consolidated Financial Statements

## DESANE GROUP HOLDINGS LIMITED ABN 61 184 932 and Controlled Entities For the six months ended 31 December 2018

### 4. Equity Issued

Issue of ordinary shares during the half year ended 31 December 2018.

	Consolidated Group		Consolidated Group	
	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
	No	No	\$	\$
<b>Ordinary Shares Fully Paid</b>				
As at 1 July 2018	<b>37,190,900</b>	37,190,900	<b>17,307,948</b>	17,307,948
<b>Shares Issued During the Year</b>				
Dividend reinvestment plan	-	-	-	-
Share purchase plan	-	-	-	-
Rights issue 1:10	<b>3,719,090</b>	-	<b>3,905,047</b>	-
Closing ordinary shares fully paid	<b>40,909,990</b>	37,190,900	<b>21,212,995</b>	17,307,948

### 5. Related Party Transaction

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

### 6. Contingent Liabilities

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

### 7. Events Subsequent to Reporting Date

There were no significant events subsequent to Balance Date for the Group.

## Directors' Declaration

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

1. The financial statements and notes, as set out on pages 9 to 23, are in accordance with the *Corporations Act 2001*, including:
  - a. comply with Accounting Standard AASB 134: *Interim Financial Reporting*; and
  - b. giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the half-year ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.



**John Sheehan AM**  
Director



**Phil Montrone OAM**  
Director

Sydney  
20 February 2019



# Independent Auditor's Review Report

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

ABN 61 105 044 862

GPO Box 4566, Sydney NSW 2001

Telephone: (02) 9231 6166

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Suite 807, 109 Pitt Street, Sydney

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

#### **REPORT ON THE HALF-YEAR FINANCIAL REPORT**

##### **Conclusion**

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 2018, the condensed consolidated statement of profit and loss and other comprehensive income, the condensed consolidated statement of changes in equity, and the condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

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 2018 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*.

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

The directors of Desane Group Holdings Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

##### **Auditor's Responsibility**

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2018 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.

## Independent Auditor's Review Report – continued

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

ABN 61 105 044 862

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Facsimile: (02) 9231 6155

Suite 807, 109 Pitt Street, Sydney

#### 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 Corporations Act 2001, which has been given to the directors of the Group, would be on the same terms if given to the directors as at the time of this auditor's review report.

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

GCC BUSINESS & ASSURANCE PTY LTD  
(Authorised Audit Company)



CHANG CHOW  
Director

20 February 2019





7 Sirius Road, Lane Cove



**DIRECTORS**

Prof. John Sheehan AM  
(Non-executive Chairman)

Phil Montrone OAM  
(Managing Director)

John Bartholomew  
(Non-executive Director)

Rick Montrone  
(Director – Head of Property)

**CHIEF FINANCIAL OFFICER &  
COMPANY SECRETARY**

Jack Sciara

**REGISTERED OFFICE**

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**AUDITOR**

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Sydney NSW 2000

**STOCK EXCHANGE LISTING**

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

**WEBSITE**

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