

ASX release

ABN/ 61 003 184 932
ASX CODE/ DGH

22 February 2021

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DESANE ANNOUNCES SOLID HY21 RESULTS

Desane Group Holdings Limited (ASX: **DGH** or **Desane**) is pleased to announce its results for the half year ended 31 December 2020, confirming Earnings Before Interest & Tax (**EBIT**) of **\$2.75m** and a dividend distribution of **2.25 cents per security**.

HY21 Group highlights:

- Assets of \$84.3m, an increase of 1.44% over the corresponding period
- Property holdings \$63.4m, an increase of 4.92% over the corresponding period
- Rental income increased by 88.95% over the corresponding period
- Finance costs decreased by 20.57% over the corresponding period
- Group gearing sub 29%
- NTA per share of \$1.46
- Cash and financial assets of \$18.2m

Despite COVID-19 restrictions and its impact on the commercial property sector, Desane has remained fully operational ensuring shareholders' capital is minimally affected. Desane continues to deliver on its stated objectives of:

- Ensuring the health and safety of its employees and customers;
- Engaging with its tenants by providing a sustainable level of support;
- Preservation of cash reserves and capital; and
- Adding value to its existing property investment portfolio.

During HY21, Desane received approval from Brisbane Council to expand its Wacol Brisbane investment asset, adding 3,250m² of net lettable high clearance warehouse to the existing 5,039m² facility. Construction of the approved facility is subject to finalising pre-leasing commitment. On completion, the additional industrial facility should contribute an additional \$600,000 per annum of net rental income.

Also during HY21, Desane formalised new lease agreements for its Lane Cove investment portfolio, locking in \$4.0m of net rental income over the next five (5) years.

Further boosting the value of the investment property portfolio was a valuation uplift of \$2.5m over the Lane Cove and Penrith property assets.

As at 31 December 2020, Desane holds \$18.2m in cash reserves, with \$12.2m invested in short term bank deposits and \$6.0m invested in low risk financial assets, secured by first registered mortgages, generating an average of 7% p.a. revenue.

Phil Montrone, Managing Director and CEO said: “Our management’s ability to upgrade the existing Lane Cove industrial facilities and reset some of the existing leases, has resulted in the Company achieving its stated objective for HY21, with the \$2.5m independent valuation uplift of the Lane Cove and Penrith property assets, together with the approval to expand the Brisbane asset and continuing to increase its rental income.”

“Over the next 12 to 24 months, whilst the general Australian economy continues to reset itself, there will no doubt be challenging times emerging for the property industry in Australia. Desane with its strong balance sheet and substantial cash reserves, is well placed to continue its objective of restocking its investment property assets and or unlocking further value from its highly sought after property assets.”

“The Group’s result and balance sheet position in HY21 sets the platform for Desane to deliver long term income and capital growth for our shareholders”, Mr Montrone added.

For further information, please visit www.desane.com.au or please contact:

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Managing Director & CEO
Desane Group Holdings Limited
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Jack Sciara
Company Secretary
Desane Group Holdings Limited
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ABOUT DESANE:

Desane Group Holdings Limited is a leading property investment and development company, based in Sydney, Australia. Integrity, work ethic and a commitment to excellence underpins the basis of Desane’s long term vision of ensuring maximum value for its shareholders.

Appendix 4D Half Yearly Report

This half yearly report is provided to the Australian Securities Exchange (ASX) under ASX Listing Rule 4.2A.

Results for announcement to the market

For the six months ended 31 December 2020

(Comparative figures being the half year ended 31 December 2019)

	Half Year Ended 31 December 2020 \$A'000	Half Year ended 31 December 2019 \$A'000	Change
Revenue			
Property investment – rental	1,018	538	89.0%
Property and project management	26	24	8.3%
Profit/(loss) from ordinary activities after tax attributable to members	1,880	2,135	(11.9)%
Net profit/(loss) for the period attributable to members	1,880	2,135	(11.9)%

	Amount per security	Franked amount per security
Dividend information		
Interim dividend	2.25 cents	0%
Interim dividend dates:		
Ex dividend date	4 March 2021	
Record date	5 March 2021	
Payment date	26 March 2021	
<i>Dividend Reinvestment Plan (DRP)</i>		
The DRP has been suspended until further notice and will not operate in respect of the interim dividend payable on 26 March 2021.		

	Current Period	Previous corresponding period
Earnings per security (EPS)		
Basic EPS	4.60 cents	5.22 cents
Diluted EPS	4.60 cents	5.22 cents
Net tangible assets per security		
Net tangible asset backing per Ordinary Share	\$1.46	\$1.46

For a brief explanation of any of the figures reported above, please refer to the Director's Report in the Half Year Financial Report.

This information should be read in conjunction with the 31 December 2020 Half Year Financial Report and the attached media release for commentary and explanation of the results.

The accounts were reviewed by the Company's auditors, whose report is attached as part of the Half Year Financial Report for the half year ended 31 December 2020.

All documents comprise the information required under listing rule 4.2A.

**CONSOLIDATED INTERIM FINANCIAL
STATEMENTS**

**FOR THE HALF YEAR ENDED
31 DECEMBER 2020**



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DESANE

GROUP HOLDINGS LIMITED

Established and listed on the Australian Securities Exchange (“ASX”) for over 30 years, Desane is a diverse property group with extensive experience in property investment and development.

Concept image: 16 Industrial Avenue, Wacol QLD

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 2020 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 2020.

Directors

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

- John Sheehan AM
- Phil Montrone OAM
- Rick Montrone
- Peter Krejci

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 2020, which were:

- Property investment; and
- Property development.



Concept image: 322 Norton Street, Leichhardt NSW

Operating and Financial Review

The Group recorded a consolidated statutory net profit after tax of **\$1.9m** for the half year ended 31 December 2020. 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 2020 \$'000	31 Dec 2019 \$'000
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The profit of the consolidated group, after providing for income tax, amounted to **1,880** 2,135

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

	Total Revenue		Segment Result	
	31 Dec 2020 \$'000	31 Dec 2019 \$'000	31 Dec 2020 \$'000	31 Dec 2019 \$'000
Property development expenses	-	(21)	-	(21)
Property investment – rental	1,018	538	802	383
Property management	26	24	26	24
Property investment – net revaluations	2,522	3,460	2,522	3,460
Interest income	246	411	246	411
	3,812	4,412	3,596	4,257
Unallocated expenses			(921)	(1,179)
Operating profit			2,675	3,078
Income tax (expense)/benefit attributable to operating profit			-	-
Deferred tax attributable to operating profit			(795)	(943)
Operating profit after income tax attributable to members of Desane Group Holdings Limited			1,880	2,135

Key Financial Highlights

- Assets of \$84.3m, an increase of 1.44% over the corresponding period
- Property holdings \$63.4m, an increase of 4.92% over the corresponding period
- Rental income increased by 88.95% over the corresponding period
- Finance costs decreased by 20.57% over the corresponding period
- Group gearing sub 29%
- NTA per share of \$1.46
- Cash and financial assets of \$18.2m

Financial Review

Despite COVID-19 restrictions and its impact on the commercial property sector, Desane has remained fully operational ensuring shareholders' capital is minimally affected. Desane continues to deliver on its stated objectives of:

- Ensuring the health and safety of its employees and customers;
- Engaging with its tenants by providing a sustainable level of support;
- Preservation of cash reserves and capital; and
- Adding value to its existing property investment portfolio.

Directors' Report - continued

In October 2020, Desane received approval from Brisbane Council to expand its Wacol Brisbane investment asset, adding 3,250m² of net lettable high clearance warehouse to the existing 5,039m² facility. Construction of the approved facility is subject to finalising pre-leasing commitment. On completion, the additional industrial facility should contribute an additional \$600,000 per annum of net rental income.

Also in October 2020, Desane formalised new lease agreements for its Lane Cove investment portfolio, locking in \$4.0m of net rental income over the next five (5) years.

Further boosting the value of the investment property portfolio was a valuation uplift of \$2.5m over the Lane Cove and Penrith property assets.

As at 31 December 2020, Desane holds \$18.2m in cash reserves, with \$12.2m invested in short term bank deposits and \$6.0m invested in low risk financial assets, secured by first registered mortgages, generating an average of 7% p.a. revenue.

Dividends Paid or Recognised

Dividends paid or declared for payment are as follows:

	31 Dec 2020 \$'000	31 Dec 2019 \$'000
Ordinary dividend of \$0.0225 per share, unfranked, paid on 23 October 2020, declared in the 2020 report	920	
Interim dividend of \$0.0225 per share, unfranked, payable on 26 March 2021, declared in the December 2020 half yearly report	920	
Ordinary dividend of \$0.03 per share, partially franked, paid on 25 October 2019, declared in the 2019 report		1,227
Interim dividend of \$0.0225 per share, unfranked, paid on 27 March 2020, declared in the December 2019 half yearly report		920

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.

COVID-19

The Federal Government introduced compulsory measures in March 2020 to reduce the spread of COVID-19 and consequently, Desane's workplace environment and practices were reviewed to ensure that the safety of its staff and visitors was a priority and that Desane was in compliance with Government policies. Appropriate COVID-19 safety measures have been initiated since March 2020, which included the restriction of nonessential meetings at the head office, all staff members being given the option and equipment to work from home and all Board members being given the option to attend board meetings remotely.

All properties owned and managed by Desane, both in NSW and QLD, also adhere to occupational health and safety requirements. Staff members and contractors (on behalf of Desane) attending properties ensured that all site COVID-19 safety measures were followed and that Government COVID-19 policies were complied with.

Rounding of Amounts

The Company is of a kind referred to in Class Order 2016/191, issued by the Australian Securities and Investments Commission, relating to "rounding-off". Amounts in this report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

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 2020.

Signed in accordance with a resolution of the Board of Directors, at Sydney this 22nd day of February, 2021.



John Sheehan AM
Non-executive Chairman



Phil Montrone OAM
Managing Director



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

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 2020, 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)

Graeme Green

GRAEME GREEN
Director

Signed in Sydney, 22 February 2021

FINANCIAL REPORT



Concept image: 159 Allen Street, Leichhardt NSW

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 2020

	Consolidated Group	
	31 Dec 2020	31 Dec 2019
	\$'000	\$'000
Revenue from property investment – rental	1,018	538
Revenue from property and project management	26	24
Property development expenses	-	(21)
Interest income	246	411
Employee benefits expense	(578)	(641)
Depreciation and amortisation expense	(26)	(25)
Gain/(loss) on revaluation of investment properties	2,522	3,460
Finance costs	(67)	(85)
Other expenses from ordinary activities	(466)	(583)
Profit before income tax	2,675	3,078
Income tax (expense)/benefit – current	-	-
Deferred income tax expense	(795)	(943)
Profit from continuing operations	1,880	2,135
Other Comprehensive Income		
Profit attributable to minority equity interest	-	-
Profit attributable to members of the parent entity	1,880	2,135
Earnings per Share		
Basic earnings per share (cents per share)	4.60	5.22
Diluted earnings per share (cents per share)	4.60	5.22

The accompanying notes form part of these financial statements.



13 Sirius Road, Lane Cove NSW



7 Sirius Road, Lane Cove NSW

Condensed Consolidated Statement of Financial Position

DESANE GROUP HOLDINGS LIMITED ABN 61 184 932 and Controlled Entities

For the six months ended 31 December 2020

	Consolidated Group	
	31 Dec 2020	31 Dec 2019
	\$'000	\$'000
Current Assets		
Cash and cash equivalents	318	3,084
Cash term deposits	12,014	10,000
Trade and other receivables	272	51
Other current assets	120	174
Other financial assets	5,712	6,986
Total Current Assets	18,436	20,295
Non-current Assets		
Trade and other receivables	10	-
Investment properties	59,662	56,973
Inventory – development property	3,682	3,399
Property, plant and equipment	2,383	2,407
Other financial assets	100	-
Other non-current assets	2	2
Total Non-current Assets	65,839	62,781
Total Assets	84,275	83,076
Current Liabilities		
Trade and other payables	313	126
Borrowings	5,900	-
Provisions	1,061	1,033
Total Current Liabilities	7,274	1,159
Non-current Liabilities		
Trade and other payables	-	-
Borrowings	-	5,900
Deferred tax liability	17,151	16,324
Provisions	79	84
Total Non-current Liabilities	17,230	22,308
Total Liabilities	24,504	23,467
Net Assets	59,771	59,609
Equity		
Issued capital	21,213	21,213
Retained earnings	38,558	38,396
Total Equity	59,771	59,609

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 2020

	Issued Capital \$'000	Retained Earnings \$'000	Total \$'000
Balance at 1 July 2020	21,213	37,598	58,811
Shares issued during the year	-	-	-
Profit attributable to members of parent entity	-	1,880	1,880
Dividends provided for	-	(920)	(920)
Balance at 31 December 2020	21,213	38,558	59,771
Balance at 1 July 2019	21,213	37,181	58,394
Shares issued during the year	-	-	-
Profit attributable to members of parent entity	-	2,135	2,135
Dividends provided for	-	(920)	(920)
Balance at 31 December 2019	21,213	38,396	59,609



Concept image – 159 Allen Street, Leichhardt NSW

Condensed Consolidated Statement of Cash Flows

DESANE GROUP HOLDINGS LIMITED ABN 61 184 932 and Controlled Entities

For the six months ended 31 December 2020

	Consolidated Group	
	31 Dec 2020	31 Dec 2019
	Inflows (Outflows)	Inflows (Outflows)
	\$'000	\$'000
Cash flows from operating activities		
Receipts from customers	1,093	743
Payments to suppliers and employees	(1,045)	(1,414)
Property development expenditure	-	(21)
Interest received	246	411
Finance costs	(67)	(85)
Net cash provided by (used in) operating activities	227	(366)
Cash flows from investing activities		
Proceeds from the sale of plant and equipment	-	-
Purchase of property, plant and equipment	-	-
Proceeds from sale of property investments	-	-
Purchase of investment properties	-	(20,573)
Purchase of development properties	(141)	(3,399)
Purchase of financial assets	(16,053)	(16,885)
Proceeds from sale of financial assets	7,100	-
Capital costs of investment properties	(97)	(42)
Net cash provided by (used in) investing activities	(9,191)	(40,899)
Cash flows from financing activities		
Proceeds from issue of shares	-	-
Dividends paid by parent entity	(920)	(1,227)
Repayment of borrowings	-	-
Net cash provided by (used in) financing activities	(920)	(1,227)
Net increase/(decrease) in cash held	(9,884)	(42,492)
Cash at beginning of the half year	10,202	45,576
Cash at end of the half year	318	3,084

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 2020

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 2020 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 2020 annual financial report for the financial year ended 30 June 2020, except for the impact of the adoption of any new and revised accounting policy.

Comparative figures are shown for 31 December 2019 in addition to 30 June 2020 (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 2020 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 2020

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.

Inventories

Development Property

Land held for development and sale is measured at the lower of cost and net realisable value. Net realisable value is determined on the basis of sales in the ordinary course of business. 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.

Inventory is classified as current when development is expected to be sold in the next twelve months, otherwise it will be classified as non-current.

If applicable, the carrying value will include revaluations applied to the asset during the period the property was classified as an investment property.

Property, Plant and Equipment

Property

Freehold land and buildings are carried at their fair value (being the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction), based on periodic, but at least triennial, valuations by external independent valuers, less accumulated impairment losses and accumulated depreciation for buildings.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation surplus in equity. Decreases that offset previous increases of the same asset are recognised against revaluation surplus directly in equity; all other decreases are recognised in profit or loss.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Plant and Equipment

Each class of plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment are measured on a cost basis.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

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 2020

1. Summary of Significant Accounting Policies (continued)

Depreciation

The depreciable amount of plant and equipment is depreciated on a straight line basis over their useful lives to the economic entity commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

<u>Class of Fixed Asset</u>	<u>Depreciation Rate</u>
Motor vehicles	15%
Plant and equipment	1% - 37.5%
Office and computer equipment	10% - 33%

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at each reporting date.

An asset's carrying value is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the consolidated statement of profit and loss and other comprehensive income.

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

The Group has adopted AASB 9: 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 (i.e. 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.

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 2020

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.

Borrowings

Borrowings consist of first mortgage finance secured over the investment properties. Covenants imposed by mortgagor require total debt not to exceed 60% of the property value and the net rental is required to exceed interest expense by at least 1.9 times. All covenants imposed on secured loan agreements have been satisfied.

Critical Accounting Estimates and Judgements

The preparation of the financial reports requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial reports. Management bases its judgements and estimates on historical experience and other various factors it believes to be reasonable under the circumstances, but which are inherently uncertain and unpredictable, the results of which form the basis of the carrying value of assets and liabilities. The resulting accounting estimates may differ from actual results under different assumptions and conditions.

Key estimates and assumptions that have a risk of causing adjustment with the next financial year to the carrying amounts of assets and liabilities recognised in these financial reports are:

(i) Impairment – property valuations

Critical judgements are made by the group in respect of fair values of investment properties. The fair value of these investments are reviewed regularly by management with reference to external independent property valuations and market conditions existing at reporting date, using generally accepted market practices.

Then critical assumptions underlying management's estimates of fair values are those relating to the passing rent, market rent, occupancy, capitalisation rate, terminal yield and discount rate. If there is any change in these assumptions or economic conditions, the fair value of the property investments may differ.

(ii) Impairment – general

The group assesses impairment at the end of each reporting period by evaluating conditions and events specific to the group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

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 2020

2. Dividend Paid

	Consolidated Group			
	31 Dec 2020		31 Dec 2019	
	Cents per Share	\$'000	Cents per Share	\$'000
Dividends paid or declared for payment are as follows:				
Final dividend of \$0.03 per share, partially franked, paid on 25 October 2019			3.00	1,227
Interim dividend of \$0.0225 per share, unfranked, paid on 27 March 2020			2.25	920
Final dividend of \$0.0225 per share, unfranked, paid on 23 October 2020	2.25	920		
Interim dividend of \$0.0225 per share, unfranked, payable on 26 March 2021	2.25	920		

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 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.

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 2020

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 two geographical segments, being New South Wales and Queensland, 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 2020

3. Operating Segments (continued)

i) Segment Performance – 31 December 2020

	Property Investment \$'000	Property Development \$'000	Property Services \$'000	Property, Plant & Equipment \$'000	Other \$'000	Consolidated Group \$'000
Six Months to 31 December 2020						
Revenue						
External sales	1,018	-	26	-	246	1,290
Other segments	-	-	-	-	-	-
Total revenue	1,018	-	26	-	246	1,290
Segment result	3,324	-	26	-	246	3,596
Unallocated expenses						(854)
Finance costs						(67)
Profit/(loss) before income tax						2,675
Deferred income tax expense						(795)
Profit/(loss) after income tax						1,880
Other is comprised of:						
					Revenue \$'000	Profit \$'000
Interest received					246	246

ii) Segment Assets – 31 December 2020

	Property Investment \$'000	Property Development \$'000	Property Services \$'000	Property, Plant & Equipment \$'000	Other \$'000	Consolidated Group \$'000
July 2020 opening balance	57,043	3,540	-	2,409	19,551	82,543
Unallocated Assets						
Deferred tax assets						-
Segment Asset Increases/(Decreases) for the Period						
Acquisitions						-
Disposal of assets						-
Revaluations/ (Devaluations)	2,522					2,522
Capital expenditures	72	167				239
Accumulated depreciation movement				(26)		(26)
Net movement in other segments					(1,003)	(1,003)
	59,637	3,707	-	2,383	18,548	84,275
Unallocated Assets						
Deferred Tax Assets						-
Total Group Assets						84,275

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 2020

iii) Segment Liabilities – 31 December 2020

	Property Investment \$'000	Property Development \$'000	Property Services \$'000	Property, Plant & Equipment \$'000	Other \$'000	Consolidated Group \$'000
July 2020 opening balance	5,900	-	-	-	1,477	7,377
Unallocated Liabilities						
Deferred tax liabilities						16,356
Segment Liabilities Increases/(Decreases) for the Period						
Repayments						
Net movements in other segments					(24)	(24)
	5,900	-	-	-	1,453	23,709
Unallocated Liabilities						
Deferred Tax Liabilities						795
Total Group Liabilities						24,504

iv) Segment Performance – 31 December 2019

	Property Investment \$'000	Property Development \$'000	Property Services \$'000	Property, Plant & Equipment \$'000	Other \$'000	Consolidated Group \$'000
Six Months to 31 December 2019						
Revenue						
External sales	538	(21)	24	-	411	952
Other segments	-	-	-	-	-	-
Total revenue	538	(21)	24	-	411	952
Segment result	3,843	(21)	24	-	411	4,257
Unallocated expenses						(1,094)
Finance costs						(85)
Profit/(loss) before income tax						3,078
Deferred income tax expense						(943)
Profit/(loss) after income tax						2,135
Other is comprised of:						
				Revenue \$'000		Profit \$'000
Interest received				411		411

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 2020

3. Operating Segments (continued)

v) Segment Assets – 31 December 2019

	Property Investment \$'000	Property Development \$'000	Property Services \$'000	Property, Plant & Equipment \$'000	Other \$'000	Consolidated Group \$'000
July 2019 opening balance	43,398	-	-	2,432	46,019	91,849
Unallocated Assets						
Deferred tax assets						
Segment Asset Increases/(Decreases) for the Period						
Acquisitions	10,094	3,379	-	-	-	13,473
Disposal of assets	-	-	-	-	-	-
Revaluations/ (Devaluations)	3,460	-	-	-	-	3,460
Capital expenditures	21	20	-	-	-	41
Accumulated depreciation movement	-	-	-	(25)	-	(25)
Net movement in other segments	-	-	-	-	(25,722)	(25,722)
	56,973	3,399	-	2,407	20,297	83,076
Unallocated Assets						
Deferred Tax Assets						
Total Group Assets						83,076

iii) Segment Liabilities – 31 December 2019

	Property Investment \$'000	Property Development \$'000	Property Services \$'000	Property, Plant & Equipment \$'000	Other \$'000	Consolidated Group \$'000
July 2019 opening balance	16,400	-	-	-	1,673	18,073
Unallocated Liabilities						
Deferred tax liabilities						15,381
Segment Liabilities Increases/(Decreases) for the Period						
Repayments						
Net movements in other segments	(10,500)				(430)	(10,930)
	5,900	-	-	-	1,243	22,524
Unallocated Liabilities						
Deferred Tax Liabilities						943
Total Group Liabilities						23,467

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 2020

4. Equity Issued

Issue of ordinary shares during the half year ended 31 December 2020.

	Consolidated Group		Consolidated Group	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
	No	No	\$'000	\$'000
Ordinary Shares Fully Paid				
As at 1 July 2020	40,909,990	40,909,990	21,213	21,213
Shares Issued During the Year	-	-		
Closing ordinary shares fully paid	40,909,990	40,909,990	21,213	21,213

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 2020 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
22 February 2021

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 2020, 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 2020 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 2020 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

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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.

GCC Business & Assurance Pty Ltd

GCC BUSINESS & ASSURANCE PTY LTD
(Authorised Audit Company)

Graeme Green

GRAEME GREEN
Director

22 February 2021

Photo – 91 Thornton Drive, Penrith NSW



DIRECTORS

Prof. John Sheehan AM
(Non-executive Chairman)

Phil Montrone OAM
(Managing Director)

Rick Montrone
(Director – Head of Property)

Peter Krejci
(Non-executive Director)

CHIEF FINANCIAL OFFICER & COMPANY SECRETARY

Jack Sciara

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Adelaide SA 5000

AUDITOR

GCC Business & Assurance Pty Ltd
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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