DESANE
GROUP HOLDINGS LIMITED

ABN/ 61 003 184 932
ASX CODE/ DGH

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ASX and Media release

23 August 2021

DESANE GROUP FULL YEAR RESULTS – 30 JUNE 2021

Desane Group Holdings Limited (ASX: **DGH** or **Desane**) is pleased to announce its full year results for the year ended 30 June 2021 (FY21). This financial year, the Group achieved a statutory net profit after tax of **$1.8m**.

Result Commentary

- **EBIT of $2.7m**
- **NPAT of $1.8m**
- **NTA per share of $1.44**
- **Total Group assets of $87.7m**
- **Full year dividend of 4.5c per share, unfranked**

The Group's operational revenue increased by 14% driven by increased rental income year on year, whilst operational costs remained steady. The Group's total assets stand at $87.7m representing an increase of 4% over the corresponding period. The Company's shareholders are being rewarded with a final dividend of 2.25 cents per share unfranked, bringing the full year FY21 dividend to 4.5 cents per share unfranked.

Group Asset Snapshot

As of 30 June 2021, Desane's total group assets of $87.7m comprised the following:

- 42% industrial properties
- 31% approved Sydney residential projects
- 15% cash and financial assets
- 11% commercial properties
- 1% other

Desane's investment and development property assets, combined with the 1.2ha property asset located in the Sydney western suburb of Penrith, will achieve significant medium to long term returns for shareholders.

Cash Position

Desane's cash position remains strong with **$13.2m in cash and financial assets**. The Company's diversified $7.0m loan portfolio, secured by first registered mortgages against quality property assets, is yielding **an average of 7% pa interest revenue**.

Planning Approvals

Brisbane Industrial (QLD):

In October 2020, Desane received development approval from Brisbane City Council to expand its existing industrial property asset located in the Brisbane suburb of Wacol. The existing 5,039m^2 facility is leased to Brisbane City Council and serves as the Council's vehicle and fleet maintenance headquarters. The approved facility will add 3,250m^2 of net lettable high clearance floor space to the existing 5,039m^2 facility, creating a total of 8,289m^2 of net lettable area.

Subject to State Government COVID-19 restrictions being eased and finalising pre-leasing commitments, construction of the facility is anticipated to commence in 2022. **On completion, the combined facilities will generate over $1.1m per annum of net rental income for the Group.**

Leichhardt Residential (NSW):

In June 2021, Desane received development approval for a boutique 4 storey residential development, comprising 9 residential apartments, 1 ground floor retail commercial space and 10 basement car spaces. The property is located in Norton Street's vibrant restaurant, café and cinema precinct and is 200m from Leichhardt North Light Rail Station.

The approval of the Norton Street project complements our Company's existing nearby 46-apartment project in Allen Street, which was approved by Inner West Council in September 2019. The property is located 200m from Hawthorne Light Rail Station and is a short distance from local schools and other amenities. **On completion, the combined Norton Street and Allen Street developments will yield an estimated end value of $70.0m to $75.0m**.

Head of Property Director, Mr Rick Montrone said: "The past 12 months' price increase in established housing in Sydney's inner west, provides a compelling case for Desane to commence development of its well-designed quality apartment pipeline."

Lease Renewals

In October 2020, Desane formalised the renewal of leases with three existing tenants at its Lane Cove NSW industrial investment properties, with two of the tenants agreeing to a 5-year lease term. **Desane's Lane Cove industrial investment property portfolio is expected to generate over $4.0m of net rental income for the Group over the next 5 years**.

Loan Renewal

Following the lease renewals of the Lane Cove NSW industrial properties, Desane formalised the renewal of its $6.0m loan facility with the Commonwealth Bank for a further 3 years at 1.9% pa variable.

Property Acquisition

In June 2021, as part of Desane's property investment restocking, Desane exchanged contracts for the purchase of a prime commercial property in the Sydney suburb of Leichhardt for $7.25m. The property, zoned B2-Local Centre, has ample onsite parking and is located in the heart of Norton Street, Leichhardt's commercial, retail and residential district. The building currently includes multiple diverse tenancies over 1,800m^2 of net lettable area, which on a fully leased basis is expected to return approximately $0.5m net rent per annum. Settlement is expected to occur on or before June 2022.

Company Outlook

Managing Director, Phil Montrone said, "Desane's industrial property assets are performing well, in line with industrial and logistic assets across the major capital cities. Desane's investment assets fall into the highly sought-after industrial asset class, providing stability of income during these challenging times. Desane's strong balance sheet, coupled with the ability to add value to our existing assets and to acquire additional income producing assets, will provide a significant uplift in shareholder value in the medium to long term."

Desane is also well positioned to continue its property acquisition and restocking program and to continue to source reliable income producing and add-value assets that will provide sustainable revenue streams, capital growth and medium to long term benefits for its shareholders.

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

Phil Montrone OAM	Jack Sciara
Managing Director & CEO	Company Secretary
Desane Group Holdings Limited	Desane Group Holdings Limited
(02) 9555 9922	(02) 9555 9922
philmontrone@desane.com.au	jacksciara@desane.com.au

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.

DESANE
GROUP HOLDINGS LIMITED

Appendix 4E Preliminary Final Report

This full year final report is provided to the Australian Securities Exchange (ASX) under ASX Listing Rule 4.3A.

Results for announcement to the market

For the year ended 30 June 2021

(Comparative figures being the year ended 30 June 2020)

	Year Ended 30 June 2021 $A'000	Year ended 30 June 2020 $A'000	Change
Revenue			
Property investment – rental	**2,080**	1,468	41.7%
Property and project management	**48**	49	(2.0%)
Profit/(loss) from ordinary activities after tax	**1,806**	2,257	(19.9%)
Net profit/(loss) for the period attributable to members	**1,806**	2,257	(19.9%)

	Amount per security	Franked amount per security
Dividend information		
Interim dividend (paid 26 March 2021)	**2.25 cents**	-%
Final dividend	**2.25 cents**	-%
Final dividend dates:		
Ex dividend date	**11 October 2021**	
Record date	**12 October 2021**	
Payment date	**25 October 2021**	

Dividend Reinvestment Plan (DRP)

The DRP has been suspended until further notice and will not operate in respect of the final dividend payable on 25 October 2021.

	Current Period	Previous corresponding period
Earnings per security (EPS)		
Basic EPS	**4.42 cents**	5.52 cents
Diluted EPS	**4.42 cents**	5.52 cents
Net tangible assets per security		
Net tangible asset backing per Ordinary Share	**$1.44**	$1.44

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

This information should be read in conjunction with the 30 June 2021 Full 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 Full Year Financial Report for the year ended 30 June 2021.

All documents comprise the information required under listing rule 4.3A.

DESANE
GROUP HOLDINGS LIMITED

FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2021

Desane Group Holdings Limited ABN 61 003 184 932 and its controlled entities.

CONTENTS

These consolidated financial statements are the financial statements of the consolidated entity consisting of Desane Group Holdings Limited and its controlled entities.

The consolidated financial statements were authorised for issue by the Directors on 23 August 2021. The Directors have the power to amend and reissue the consolidated financial statements.

Through the use of the internet, we have ensured that our corporate reporting is timely and complete. All press releases, financial reports and other information are available on our website: desane.com.au

The Directors of Desane Group Holdings Limited ("Desane" and "the Company") present their report, together with the financial report of the Company and its controlled entities for the financial year ended 30 June 2021.

Directors and Directors' Interests

<table>
<tr><td colspan="3">Prof. John B Sheehan AM, Independent Non-Executive Director and Chairman</td></tr>
<tr><td>Expertise and experience</td><td colspan="2">Prof. Sheehan, a Life Fellow member of the Australian Property Institute (NSW division), has over 30 years experience and expertise in property compensation law, town and country planning and environmental law. He has been a board member since the Company's incorporation in 1987 and was appointed as Chairman in 1992, which he currently serves.</td></tr>
<tr><td>Special responsibilities</td><td colspan="2">Chairman of the Remuneration & Nomination Committee
Chairman of the Environmental, Occupational Health and Safety Committee
Member of the Risk Management & Audit Committee
Member of the Finance & Operations Committee</td></tr>
<tr><td>Interests in Desane</td><td>Ordinary shares</td><td>168,735</td></tr>
</table>

<table>
<tr><td colspan="3">Mr Phil Montrone OAM, Managing Director</td></tr>
<tr><td>Expertise and experience</td><td colspan="2">Mr P Montrone has over 30 years experience and expertise in property investment, acquisitions, development and project management. He has been a significant board member since the Company's incorporation in 1987 and was appointed as Managing Director in 1987, which he currently serves.</td></tr>
<tr><td>Special responsibilities</td><td colspan="2">Member of the Risk Management & Audit Committee
Member of the Finance & Operations Committee
Member of the Environmental, Occupational Health & Safety Committee</td></tr>
<tr><td>Interests in Desane</td><td>Ordinary shares</td><td>14,330,444</td></tr>
</table>

<table>
<tr><td colspan="3">Mr Rick Montrone, Director</td></tr>
<tr><td>Expertise and experience</td><td colspan="2">Mr R Montrone, who was appointed as Director in 2015, has over 15 years experience in property investment, acquisitions, developments, management, leasing, sales and project management. Mr Montrone is a licensed real estate agent and an associate member of the Australian Property Institute.</td></tr>
<tr><td>Special responsibilities</td><td colspan="2">Member of the Risk Management & Audit Committee
Member of the Finance & Operations Committee
Member of the Environmental, Occupational Health & Safety Committee</td></tr>
<tr><td>Interests in Desane</td><td>Ordinary shares</td><td>283,721</td></tr>
</table>

<table>
<tr><td colspan="3">Mr Peter Krejci, Independent Non-Executive Director</td></tr>
<tr><td>Expertise and experience</td><td colspan="2">Mr Krejci has over 20 years experience and expertise in corporate management and is a founding Principal of BRI Ferrier. His professional experience covers financial services, property and construction, retail, logistics, manufacturing and mining. Mr Mr Krejci was appointed as a board member on 8 July 2019.</td></tr>
<tr><td>Special responsibilities</td><td colspan="2">Chairman of the Risk Management & Audit Committee
Member of the Remuneration & Nomination Committee
Member of the Finance & Operations Committee
Member of the Environmental, Occupational Health & Safety Committee</td></tr>
<tr><td>Interests in Desane</td><td>Ordinary shares</td><td>Nil</td></tr>
</table>

Company Secretary

The following person held the position of company secretary at the end of the financial year:

Mr Jack Sciara, *Company Secretary*		
Expertise and experience	Mr J Sciara joined Desane in 2001, and has over 20 years experience and expertise in corporate accounting and taxation. Jack was appointed as Company Secretary in 2016. His role in the Company includes developing financial and tax strategies for the Group, investor relations, ASX compliance and corporate governance and overseeing the financial operations and financial reporting of all controlled entities. Jack is a member of the Institute of Public Accountants and a registered Tax Practitioner.	
Special responsibilities	Chief Financial Officer and Company Secretary	
Interests in Desane	Ordinary shares	258,000

Meetings of Directors

The number of directors' meetings (including meetings of committees of directors) and number of meetings attended by each of the directors of the company during the financial year are:

Director	**Directors' Meetings and Finance & Operations Committee Meetings**		**Risk Management & Audit Committee Meetings**	
	No. of Meetings Attended	**No. of Meetings Held**	**No. of Meetings Attended**	**No. of Meetings Held**
J B Sheehan	12	12	2	2
P Montrone	12	12	2	2
R Montrone	11	12	2	2
P Krejci	12	12	2	2
J Sciara	12*	12*	2	2

	Remuneration & Nomination Committee Meetings		**Environmental & Occupational Health & Safety Committee Meetings**	
	No. of Meetings Attended	**No. of Meetings Held**	**No. of Meetings Attended**	**No. of Meetings Held**
J B Sheehan	1	1	1	1
P Montrone	-	1	1	1
R Montrone	-	1	-	1
P Krejci	1	1	1	1
J Sciara	1*	1	1*	1

** As Company Secretary*

Principal Activities

There were no significant changes in the principal activities of the Company during the financial year, which were:

- Property investment; and
- Property development (residential and mixed use).

Operating and Financial Review

The Group recorded a consolidated statutory net profit after tax for the year of $1.8m (2020: $2.3m). 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.

	2021 $'000	2020 $'000
The profit of the consolidated group, after providing for income tax amounted to	**1,806**	2,257

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

	Total Revenue		**Segment Result**	
	2021 $'000	2020 $'000	**2021 $'000**	2020 $'000
Property development expenses	**-**	-	**(40)**	(33)
Property investment – rental	**2,080**	1,468	**644**	311
Property management	**47**	49	**47**	49
Property investment – net revaluations	**2,522**	3,461	**2,522**	3,461
Interest income	**498**	793	**498**	793
	5,147	5,771	**3,671**	4,581
Less: Unallocated expenses			**(1,095)**	(1,349)
Operating profit			**2,576**	3,232
Income tax (expense)/benefit attributable to operating profit			**-**	-
Deferred tax attributable to operating profit			**(770)**	(975)
Operating profit after income tax attributable to members of Desane Group Holdings Limited			**1,806**	2,257

Financial Review

Despite the challenging property market and economic hurdles due to the COVID-19 pandemic, Desane achieved a solid financial result for the 2021 financial year and continues to deliver on its core business objectives. The Group's operational revenues increased 14% on the previous corresponding period whilst the Group's remuneration and employee benefits decreased by 14%.

In October 2020, Desane received development approval from Brisbane City Council to expand its existing industrial property asset located in the Brisbane suburb of Wacol. The existing 5,039m^2 facility is leased to Brisbane City Council and serves as the Council's vehicle and fleet maintenance headquarters. The approved facility will add 3,250m^2 of net lettable high clearance floor space to the existing 5,039m^2 facility, creating a total of 8,289m^2 of net lettable area.

Construction of the approved facility is anticipated to commence in 2022, subject to Government COVID-19 restrictions being eased and finalising pre-leasing commitments. On completion, the combined facilities will generate over $1.1m per annum of net rental income for the Group.

Also in October 2020, Desane formalised the renewal of leases with three existing tenants at its Lane Cove NSW industrial investment properties, with two of the tenants agreeing to a 5-year lease term. With the lease renewals, Desane's Lane Cove industrial investment property portfolio is expected to generate over $4m of net rental income for the Group over the next 5 years.

Following the lease renewals of the Lane Cove NSW industrial properties, Desane formalised the renewal of its $6m loan facility with the Commonwealth Bank for a further 3 years at 1.9%pa variable.

In June 2021, as part of its property investment portfolio restocking, Desane exchanged contracts for the purchase of a prime commercial property in the Sydney suburb of Leichhardt for $7.25m. The property, zoned B2-Local Centre, has ample onsite parking and is located in the heart of Norton Street, Leichhardt's commercial, retail and residential district. The building currently includes multiple diverse tenancies over 1,800m^2 of net lettable area, which on a fully leased basis is expected to return approximately $0.5m net rent per annum. Settlement is scheduled to occur on or before June 2022.

Despite the challenging economic climate ahead, Desane will continue to focus on three main objectives into the new financial year and beyond:

1. Strategic investment acquisitions which will bolster ROE and rental income streams;
2. Evaluate its development projects with an eye to achieving maximum value outcomes; and
3. Review capital management strategies to ensure capacity to grow and continued shareholder dividends.

Capital Gains Tax Deferral

Included in the deferred tax liability of $17.1m is approximately $13.9m of capital gains tax (CGT) deferral, pertaining to the involuntary sale of the Rozelle property in September 2018, as part of the compulsory acquisition by NSW Roads & Maritime Services which triggered a CGT event.

Dividends Paid or Recognised

	2021 $'000	2020 $'000
Dividends paid or declared for payment are as follows:		
Interim dividend of $0.0225 unfranked, per share, paid on 27 March 2020		920
Ordinary dividend of $0.0225 unfranked, per share, paid on 23 October 2020, declared in the 2020 financial year		920
Interim dividend of $0.0225 unfranked, per share, paid on 26 March 2021	**920**	
Ordinary dividend of $0.0225 unfranked, per share, declared by the directors from retained earnings payable on 25 October 2021	**920**	

Dividend Reinvestment Plan (DRP)

The DRP has been suspended until further notice.

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 events subsequent to the balance date.

Likely developments

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

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 Government initiated enforceable lockdowns in June 2021 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 implemented since March 2020, which included the restriction of non-essential 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.

Desane has not applied for, nor received, Federal Government COVID-19 financial assistance such as JobKeeper.

AUDITED REMUNERATION REPORT

This report details the nature and amount of remuneration for each director of Desane Group Holdings Limited, and for the executives receiving the highest remuneration.

Remuneration Policy

The remuneration policy of Desane Group Holdings Limited has been designed to align director and executive objectives with shareholder and business objectives. The board of Desane Group Holdings Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the consolidated group, as well as create goal congruence between directors, executives and shareholders.

Approach to Remuneration

The Group is committed to applying fair and equitable remuneration practices, taking into account the Company's corporate strategy, objectives and shareholder returns.

The Group's current remuneration framework includes:

1. Fixed remuneration
2. Incentive schemes
3. Executive agreements

Fixed Remuneration

Fixed remuneration includes a base salary, statutory superannuation and all other statutory entitlements. Fixed remunerations are reviewed annually by the Remuneration Committee and are based upon performance, qualification, experience and current market practices. The Remuneration Committee accesses external independent advice if required.

Incentive Schemes (Discretionary Remuneration)

Short Term Incentives

A discretionary Short Term Incentive ("STI") cash bonus may be offered to executives and key management personnel ("KMP") at the discretion of the Remuneration Committee. STIs align the achievement of strategic short term objectives for the long term benefit of the Company and its shareholders. The total potential STI available is set at a level that provides sufficient incentive to the executive to achieve the operational targets at a cost to the Group that is reasonable.

Approved STIs depend on the extent to which specific targets set by the Board at the beginning of the financial year (or shortly thereafter) are achieved. The targets consist of a number of Key Performance Indicators ("KPI") which are linked to the Company's strategic business objectives such as (but not limited to):

- Dividends paid;
- Earnings before interest and tax ("EBIT");
- Net profit after tax ("NPAT");
- Share price performance; and
- Net tangible asset ("NTA") per share.

On an annual basis, after consideration of the Group's performance against KPIs, the remuneration committee determines the amount, if any, of the STI to be paid to KMP.

For the financial year ended 30 June 2021, there was no approval or payment of an STI bonus to KMP (2020: $-).

Consequences of Performance on Shareholder Wealth

In considering the Group's performance and benefits for shareholder wealth, the remuneration committee have regard to the following indices in respect of the current and previous financial years.

	2021	2020	2019
NPAT for the year at 30 June	$1.8m	$2.3m	$27.3m
Dividends paid per share (cents)	4.5	4.5	5.25
Closing share price at 30 June	$1.180	$1.350	$1.405
Earnings/(loss) per share (cents) at 30 June	4.42	5.52	66.73
Ordinary shares on issue at 30 June	40,909,990	40,909,990	40,909,990
NTA per share at 30 June	$1.44	$1.44	$1.43

Executive Agreements

Executive agreements are formal legal agreements between the Company and all executives and KMP. The agreements are executed in line with the Corporations Act and will define terms of employment, role and responsibilities, performance expectations, specify termination payment arrangements, provide provisions for performance related bonuses and ensure transparency for the Company and its shareholders.

Executive agreements are generally reviewed every three years (unless required earlier) by the executive, KMP and the Remuneration Committee to ensure that they are adequate and updated if required.

Termination benefits are within the limits set by the *Corporations Act 2001* such that they do not require shareholder approval.

Name	Commencement Date	Term of Agreement & Notice Period	Base Salary Including Superannuation $'000	Termination Payments / Benefits $
P Montrone	1 September 1987	No fixed term & 12 months	222	-
R Montrone	2 November 2003	No fixed term & 12 months	395	-
J Sciara	3 September 2001	No fixed term & 12 months	223	-

Non Executive Directors

Total compensation for all non executive directors, last voted on at the 2015 Annual General Meeting, is not to exceed $0.3m per annum. Currently, non executive directors are compensated to a total of $0.1m per annum (2020: $0.1m), inclusive of superannuation. The 2021 non executive director fees are 48% (2020: 48%) of the aggregate maximum sum approved by shareholders.

The base fee for the Chairman is $84,000 per annum and $55,000 per annum for other non executive directors. Base fee cover all main board activities and membership of all board committees. Non executive directors are not provided with retirement benefits apart from statutory superannuation if applicable.

Details of Remuneration for year ended 30 June 2021

The remuneration for each director and the executive officer of the consolidated entity receiving the highest remuneration during the year was as follows:

	Short Term Benefits			
	Salary & Fees $'000	STI Cash Bonus $'000	Superannuation $'000	Total $'000
Directors				
John B. Sheehan (non-executive)	84	-	-	84
Peter Krejci (non-executive)	55	-	5	60
Phil Montrone	203	-	19	222
Rick Montrone	361	-	34	395
Chief Financial Officer/Company Secretary				
Jack Sciara	204	-	19	223
	907	-	77	984

Indemnifying Officers or Auditor

The company or consolidated group has not, during or since the financial year, in respect of any person who is or has been an officer or auditor of the company or a related body corporate, indemnified or made any relevant agreement for indemnifying against a liability incurred as an officer, including costs and expenses in successfully defending legal proceedings.

The company paid a premium of $20,918 to insure the directors of the company and controlled entities. The policy provides cover for individual directors and officers of the company, in respect of claims made and notified to the insurer during the policy period for losses and expenses incurred in defence of claims for any alleged wrongful acts arising out of their official capacities. It will also reimburse the company for any liability it has to indemnify the directors or officers for such losses.

It is noted that the company's Constitution allows an officer or auditor of the company to be indemnified by the company against any liability incurred by him in his capacity of officer or auditor in defending any proceedings in which judgement is given in his favour.

Options

No options have been granted over unissued shares during the financial year and there are no outstanding options at 30 June 2021.

Proceedings on Behalf of the Company

The Owners Corporation of 47-51 Lilyfield Road, Rozelle, no longer having the ability to pursue the project builder, who is in liquidation, for alleged building defect rectification works, has commenced legal proceedings in the NSW Supreme Court against Desane Contracting Pty Ltd. Refer to Note 27d for further details.

Non-audit Services

The board of directors, in accordance with the advice from the Audit Committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- All non-audit services are reviewed and approved by the Audit Committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- The nature of the services provided does not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

The following fees for non-audit services were paid/payable to the external auditors during the year ended 30 June 2021.

	$'000
Taxation services	3

Auditor's Independence Declaration

The lead auditor's Independence Declaration for the year ended 30 June 2021, has been received and can be found on page 9 of the Financial Report.

ASIC Class Order 98/100 Rounding of Amounts

The company is an entity to which ASIC Class Order 98/100 applies and accordingly, amounts in the financial statements and directors' report have been rounded to the nearest thousand dollars.

Corporate Governance Statement

Desane is committed to implementing sound standards of corporate governance. The Group has taken into consideration the ASX Corporate Governance Council's Corporate Governance principles and Recommendations (4th Edition) ("ASX Recommendations"). The Group's corporate governance statement outlines the key principles and practices of the Company. A copy of the Group's Corporate Governance Statement has been placed on the Group's website under the About Us tab in the Corporate Governance Section - desane.com.au/about/corporate-governance/

This Report of the Directors, incorporating the Remuneration Report, is signed in accordance with a resolution of the Board of Directors, at Sydney, this 23rd day of August, 2021.

J B Sheehan
Director
Sydney

P Montrone
Director
Sydney

GCC 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 NSW 2000

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 year ended 30 June 2021 there have been no contraventions of:

(i) The auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(ii) Any applicable code of professional conduct in relation to the audit.

GCC Business + Assurance Pty Ltd

GCC BUSINESS & ASSURANCE PTY LTD
(Authorised Audit Company)

Graeme Green

GRAEME GREEN
Director

23 August 2021

Liability limited by a scheme approved under Professional Standards Legislation

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2021

	Note	Consolidated Group 2021 $'000	2020 $'000
Continuing Operations			
Revenue	2	**2,127**	1,517
Other income	2a	**498**	793
Gain/(loss) on revaluation of investment properties	2	**2,522**	3,461
Property development expenses		**(40)**	(33)
Employee benefits expense		**(1,121)**	(1,313)
Depreciation and amortisation expense		**(53)**	(53)
Finance costs		**(133)**	(149)
Other expenses from ordinary activities		**(1,224)**	(991)
Profit before income tax		**2,576**	3,232
Income tax (expense)/benefit	4	**(770)**	(975)
Profit from continuing operations		**1,806**	2,257
Other comprehensive income		**-**	-
Net Profit (after income tax)		**1,806**	2,257
Profit attributable to minority equity interest		**-**	-
Profit attributable to members of the parent entity		**1,806**	2,257
Earnings per Share:			
Overall Operations			
Basic earnings per share (cents per share)	8	**4.42**	5.52
Diluted earnings per share (cents per share)	8	**4.42**	5.52
Continuing Operations			
Basic earnings per share (cents per share)		**4.42**	5.52
Diluted earnings per share (cents per share)		**4.42**	5.52

The accompanying notes form part of these financial statements.

	Note	Consolidated Group 2021 $'000	2020 $'000
Current Assets			
Cash and cash equivalents	9	**353**	10,203
Trade and other receivables	10	**298**	189
Inventory – development property	11	**4,009**	3,540
Other current assets	12	**386**	285
Other financial assets	13	**12,637**	8,323
Total Current Assets		**17,682**	22,540
Non-current Assets			
Investment properties	14	**67,350**	57,043
Property, plant and equipment	15	**2,367**	2,409
Other assets	12	**75**	2
Other financial assets	13	**170**	550
Total Non-current Assets		**69,962**	60,004
Total Assets		**87,645**	82,544
Current Liabilities			
Trade and other payables	16	**4,709**	341
Provisions	18	**1,075**	1,047
Total Current Liabilities		**5,784**	1,388
Non-current Liabilities			
Borrowings	17	**5,900**	5,900
Provisions	19	**59**	89
Deferred tax liability	22	**17,126**	16,356
Total Non-current Liabilities		**23,085**	22,345
Total Liabilities		**28,869**	23,733
Net Assets		**58,776**	58,811
Equity			
Issued capital	20	**21,213**	21,213
Retained earnings	21	**37,563**	37,598
Total Equity		**58,776**	58,811

The accompanying notes form part of these financial statements.

Consolidated Group

	Issued Capital $'000	**Retained Earnings $'000**	**Total $'000**
Balance as at 1 July 2020	**21,213**	**37,598**	**58,811**
Shares issued during the year	**-**	**-**	**-**
Profit attributable to members of the parent entity	**-**	**1,806**	**1,806**
	21,213	**39,404**	**60,617**
Dividends paid or recognised for the year	**-**	**(1,841)**	**(1,841)**
Balance at 30 June 2021	**21,213**	**37,563**	**58,776**

	Issued Capital $'000	Retained Earnings $'000	Total $
Balance as at 1 July 2019	21,213	37,182	58,395
Shares issued during the year	-	-	-
Profit attributable to members of the parent entity	-	2,257	2,257
	21,213	39,439	60,652
Dividends paid or recognised for the year	-	(1,841)	(1,841)
Balance at 30 June 2020	21,213	37,598	58,811

The accompanying notes form part of these financial statements.

	Note	Consolidated Group 2021 Inflows (Outflows) $'000	2020 Inflows (Outflows) $'000
Cash flows from operating activities			
Receipts from customers		**2,176**	1,591
Payments to suppliers and employees		**(2,381)**	(2,401)
Property development expenditure		**(40)**	(33)
Interest received		**498**	793
Finance costs		**(133)**	(149)
Net cash provided by (used in) operating activities	29	**120**	(199)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(11)**	(30)
Purchase of development properties		**(468)**	(3,540)
Purchase of investment properties		**(3,630)**	(20,594)
Purchase of financial assets		**(3,934)**	(8,772)
Capital costs of investment properties		**(86)**	(91)
Net cash provided by (used in) investing activities		**(8,129)**	(33,027)
Cash flows from financing activities			
Dividends paid by parent entity		**(1,841)**	(2,147)
Net cash provided by (used in) financing activities		**(1,841)**	(2,147)
Net increase/(decrease) in cash held		**(9,850)**	(35,373)
Cash at beginning of financial year		**10,203**	45,576
Cash at end of financial year	9	**353**	10,203

The accompanying notes form part of these financial statements.

Note 1: Summary of Significant Accounting Policies

Basis of Preparation

The financial report covers the economic entity of Desane Group Holdings Limited and its controlled entities. The separate financial statements of the parent entity, Desane Group Holdings Limited, have not been presented within this financial report, as permitted by the Corporations Act, 2001. Desane Group Holdings Limited is a listed public company, incorporated and domiciled in Australia.

The consolidated financial statements are presented in Australian dollars, which is the functional currency for the parent company and its controlled entities.

The financial statements were authorised for issue on 23 August 2021 by the directors of the Company.

The financial statements are a general purpose financial report, that have been prepared in accordance with the Corporations Act, 2001, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board ("AASB") and the International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB"). The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards, as issued by IASB.

Except for cash flow information, the financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

The following is a summary of the material accounting policies adopted by the consolidated group in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

The accounting policies set out below have been consistently applied to all years presented.

Accounting Policies

a. Principles of Consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent entity controlled by Desane Group Holdings Limited and all of its controlled entities. Desane Group Holdings Limited controls an entity when it is exposed to or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

A list of controlled entities is contained in note 30 to the financial statements. All controlled entities have a 30 June financial year end.

All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of controlled entities have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

Where controlled entities have entered or left the economic entity during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

Non-controlling interests, being the equity in a controlled entity not attributable, directly or indirectly, to a parent, are reported separately within the equity section of the consolidated statement of financial position and statement of other comprehensive income. The non-controlling interests in the net assets comprise their interests at the date of the original business combination and their share of changes in equity since that date.

Note 1: Summary of Significant Accounting Policies (continued)

b. Income Tax

The income tax expense (benefit) for the year comprises current income tax expense and deferred tax expense (benefit).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using the applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amount expected to be paid to (recovered from) the relevant taxation authority. Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Deferred tax assets and liabilities are ascertained based on the temporary differences arising between the tax base of the assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or a liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets or liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that the net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

Tax Consolidation

Desane Group Holdings Limited and its wholly owned Australian controlled entities have formed an income tax consolidated group under tax consolidation legislation. Each entity in the Group recognises its own current and deferred tax assets and liabilities. Such taxes are measured using the 'stand-alone taxpayer' approach to allocation. Current tax liabilities (assets) and deferred tax assets arising from unused tax losses and tax credits in the controlled entities are immediately transferred to the head entity. The Group notified the Australian Taxation Office that it had formed an income tax consolidated group to apply from 1 July 2003. The tax consolidated group has entered a tax funding arrangement whereby each company in the Group contributes to the income tax payable by the Group in proportion to their contribution to the Group's taxable income.

c. 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 profit and loss on the signing of an unconditional contract of sale if significant risks and rewards and effective control over the property passes to the purchaser at this point.

Inventory is classified as current when development is expected to be developed and available for sale in the next twelve months, otherwise it will be classified as non-current.

Note 1: Summary of Significant Accounting Policies (continued)

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

d. 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.

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:

Class of Fixed Asset	Depreciation Rate
Motor vehicles	15%
Plant and equipment	2.5%-33%
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.

e. Investment Properties

Investment properties, comprising freehold office and industrial complexes, are held to generate long-term rental yields and capital gains. All tenant leases are on an arm's length basis. The fair value model is applied to all investment property and each property is reviewed at each reporting date. The fair value is defined as the price at which the property could be exchanged between knowledgeable, willing parties in an arm's length transaction. Each property is independently valued at least 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. Acquired investment properties are recognised in the statement of financial position when control over the property is attained and the Group derives the benefits of ownership.

Note 1: Summary of Significant Accounting Policies (continued)

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

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

Rental revenue from the leasing of investment properties is recognised in the statement of profit and loss 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.

f. 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.

g. 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 (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", in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

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

The Group has interests in the following financial assets:

(i) *Held-to-maturity investments*

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

h. Impairment of Assets

At each reporting date, the group reviews the carrying values of its tangible assets to determine whether there is any indication that those assets have been impaired. The assessment will include the consideration of external and internal sources of information. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less cost to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the consolidated statement of profit and loss.

Note 1: Summary of Significant Accounting Policies (continued)

i. Investments in Associates

Associates are companies in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the entity but is not control or joint control of those policies.

Profits and losses resulting from transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group discontinues recognising its share of further losses unless it has incurred legal or constructive obligations or made payments on behalf of the associate. When the associate subsequently makes profits, the Group will resume recognising its share of those profits once its share of the profits equals the share of the losses not recognised.

Investments in associate companies are recognised in the financial statements by applying the equity method of accounting, whereby the investment is initially recognised at cost and adjusted thereafter for the post acquisition change in the Group's share of net assets of the associate company. In addition, the Group's share of the profit or loss of the associate is included in the Group's profit or loss.

j. Interests in Joint Arrangements

Joint arrangements represent the contractual sharing of control between parties in a business venture where unanimous decisions about relevant activities are required. Joint venture operations represent arrangements whereby joint operators maintain direct interests in each asset and exposure to each liability of the arrangement. The Group's interests in the assets, liabilities, revenue and expenses of joint operations are included in the respective line items of the consolidated financial statements.

Gains and losses resulting from sales to a joint operation are recognised to the extent of the other party's interest. When the Group makes a purchase from a joint operation, it does not recognise its share of the gains and losses from the joint arrangement until it resells the goods and services to a third party.

k. Employee Benefits

Short-term Employee Benefits

Provision is made for the Group's obligation for short-term employee benefits. Short-term employee benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The Group's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as part of current trade and other payables in the statement of financial position. The Group's obligations for employees' annual leave and long service leave entitlements are recognised as provisions in the statement of financial position.

Other Long-term Employee Benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

The Group's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the Group does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

Note 1: Summary of Significant Accounting Policies (continued)

l. Provisions

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

m. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

n. Revenue and Other Income

The Group has applied AASB 15: Revenue from Contracts with Customers.

Revenue from the rendering of property services is recognised upon delivery of the service to customers.

Investment property revenue is recognised on a straight-line basis over the period of the lease term so as to reflect a constant periodic rate of return on the net investment. The Group derives revenue from investing in properties for rental and capital appreciation over time. There are no changes to the measurement or timing of investment property rental revenue that have arisen from adoption of AASB 15.

Revenue from sale of properties held for resale and non-current property or other assets is brought to account on the signing of an unconditional contract of sale if the significant risks and rewards and effective control over the property passes to the purchaser at this point.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Dividend revenue is recognised when the right to receive a dividend has been established. Dividends received from associates and joint venture entities are accounted for in accordance with the equity method of accounting.

All revenue is stated net of the amount of goods and services tax (GST).

o. Trade and Other Receivables

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

p. Trade and Other Payables

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

q. Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are expensed in the period in which they are incurred.

r. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financial activities, which are disclosed as operating cash flows.

Note 1: Summary of Significant Accounting Policies (continued)

s. Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in the presentation in the financial year. When the Group retrospectively applies an accounting policy and makes a retrospective restatement or reclassifies items in its financial statement, an additional (third) statement of financial position as at the beginning of the preceding period in addition to the minimum comparative financial statement is presented.

t. Rounding of Amounts

The parent entity has applied the relief available to it under ASIC Class Order 98/100. Accordingly, amounts in the financial statements and directors' report have been rounded off to the nearest $1,000.

u. 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 the 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. Assumptions used in valuation of property investments are disclosed in note 14.

(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.

Note 2: Revenue and Other Income

	Consolidated Group 2021 $'000	2020 $'000
Revenue from Continuing Operations		
Property rental income	**2,080**	1,468
Property management fees	**47**	49
Total Revenue from Continuing Operations	**2,127**	1,517
Other Revenue		
a. Interest revenue from:		
- other persons	**498**	793
Total Other Revenue	**498**	793
Total Revenue	**2,625**	2,310
Other Income		
Property investment – net revaluations	**2,522**	3,461
Total Other Income	**2,522**	3,461

Note 3: Profit for the Year

Profit before income tax from continuing operations includes the following specific expenses:

	Note	Consolidated Group 2021 $'000	2020 $'000
Expenses			
Auditors' remuneration	6	**80**	79
Depreciation of plant and equipment		**53**	53
Finance costs:			
- External		**133**	149
Transfer to/(from) provisions for:			
- Employee entitlements		**(2)**	(12)
Rental expenses relating to operating leases		**5**	33
Direct property expenditure from investment property generating rental income		**613**	333

Note 4: Income Tax Expense

a. The components of tax expense comprise:

	Note	Consolidated Group 2021 $'000	2020 $'000
Deferred tax	22	**770**	975
		770	975

Note 4: Income Tax Expense (continued)

b. The prima facie tax on profit from ordinary activities before income tax is reconciled to income tax as follows:

	Note	Consolidated Group 2021 $'000	2020 $'000
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2020: 30%)			
- consolidated group		**773**	970
Add:			
Tax effect of:			
- adjustment for prior year tax provision		**1**	16
- other accruals/provisions		**5**	6
- other non-allowable items		**2**	1
- other items not included in taxable income		**(11)**	(18)
Income tax attributable to entity		**770**	975
The applicable weighted average effective tax rates		**29.9%**	30.2%

The amount of benefits brought to account or which may be realised in the future, is based on the assumption that no adverse change will occur in the income tax legislation, the anticipation that the Group will derive sufficient future assessable income to enable the benefit to be realised and continue to comply with the conditions of deductibility imposed by the law.

Note 5: Key Personnel Compensation

a. Names and position held of economic and parent entity key personnel in office at any time during the financial year are:

Key Personnel	Position
Prof. John B. Sheehan AM	Chairman (non-executive director)
Mr Phil Montrone OAM	Managing Director
Mr Peter Krejci	Director (non-executive)
Mr Rick Montrone	Director – Head of Property
Mr Jack Sciara	Company Secretary and Chief Financial Officer

b. Compensation Practices

The board's policy for determining the nature and amount of compensation of key personnel for the group is as follows:

The compensation structure for key personnel is based on a number of factors, including length of service, particular experience of the individual concerned, and the overall performance of the company. Employment is on a continuing basis the terms of which are not expected to change in the immediate future. Upon retirement key personnel are paid employee benefit entitlements accrued to the date of retirement.

The company may terminate any employee without cause by providing adequate written notice or making payment in lieu of notice based on the individual's annual salary component. Termination payments are generally not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct the company can terminate employment at any time.

All remuneration packages are set at levels that are intended to attract and retain executives capable of managing the economic entity's operations. Refer note 5c.

Note 5: Key Personnel Compensation (continued)

c. Key Personnel Compensation

2021

Key Personnel	**Salary & Fees $'000**	**Superannuation $'000**	**Short Term Incentives $'000**	**Total $'000**
John B. Sheehan	**84**	**-**	**-**	**84**
Peter Krejci	**55**	**5**	**-**	**60**
Phil Montrone	**203**	**19**	**-**	**222**
Rick Montrone	**361**	**34**	**-**	**395**
Jack Sciara	**204**	**19**	**-**	**223**
	907	**77**	**-**	**984**

2020

Key Personnel	Salary & Fees $'000	Superannuation $'000	Short Term Incentives $'000	Total $'000
John B. Sheehan	84	-	-	84
Peter Krejci	55	5		60
Phil Montrone	368	35	-	403
Rick Montrone	375	36	-	411
Jack Sciara	235	22	-	257
	1,117	98	-	1,215

d. Shareholdings

Number of shares held by parent entity directors and specified executives.

Key Personnel	**Balance 30.06.20 '000**	**Net Change Other* '000**	**Balance 30.06.21 '000**
John B. Sheehan	169	-	169
Phil Montrone	14,314	16	14,330
Rick Montrone	213	71	284
Peter Krejci	-	-	-
Jack Sciara	258	-	258
	14,954	87	15,041

** "Net Change Other" refers to shares purchased or sold during the financial year.*

Note 6: Auditors' Remuneration

	Consolidated Group 2021 $'000	2020 $'000
Remuneration of the auditor for the parent entity:		
Michael Chau & Associates		
- auditing or reviewing the financial report	**-**	3
GCC Business Assurance Pty Ltd		
- auditing or reviewing the financial report	**77**	73
- taxation services	**3**	3
	80	79

Note 7: Dividends

		Consolidated Group 2021 $'000	2020 $'000
Dividends paid			
a.	Interim dividend of $0.0225 unfranked, per share, paid on 27 March 2020		920
	Ordinary dividend of $0.0225 unfranked, per share, paid on 23 October 2020, declared in the 2020 financial report		920
	Interim dividend of $0.0225 unfranked, per share, paid on 26 March 2021	**920**	
	Ordinary dividend of $0.0225 unfranked, per share, declared by directors from retained earnings payable on 25 October 2021	**920**	

b. **The Group has $nil (2020 - $nil) franking credits available before the final dividend for 2021 is provided.**

Note 8: Earnings per Share

	Consolidated Group 2021 $'000	2020 $'000
Reconciliation of earnings used in the calculation of earnings per share		
Operating profit after income tax	**1,806**	2,257

Reconciliation of weighted average numbers of ordinary shares used in the calculation of earnings per share

	Consolidated Group 2021	2020
Weighted average number of ordinary shares used in the calculation of basic earnings per share	**40,909,990**	40,909,990
Basic earnings per share (cents per share)	**4.42**	5.52
Diluted earnings per share (cents per share)	**4.42**	5.52

Conversion, call, subscription or issue after 30 June 2021

There has been no conversion to, calls of, or subscription for ordinary shares since the reporting date and before the completion of these accounts.

Note 9: Current Assets – Cash and Cash Equivalents

	Consolidated Group	
	2021	2020
	$'000	$'000
Cash at bank and in hand	**178**	10,203
Interest bearing short term deposits	**175**	-
	353	10,203

The effective interest rate on cash at bank was nil (2020 – nil).

The effective interest rate on short term bank deposits was an average of 0.1% (2020 – 1.0%). These deposits have a weighted average maturity of 90 days.

Reconciliation of cash

Cash at the end of the financial year as shown in the cash flow statement is reconciled to items in the statement of financial position as follows:

	Consolidated Group	
Cash as above	**353**	10,203
Less: Bank overdraft (refer to note 17)	**-**	-
	353	10,203

Note 10: Current Assets – Trade and Other Receivables

	Consolidated Group	
	2021	2020
	$'000	$'000
Trade receivables	**298**	189

Note 11: Current Assets – Inventory (Development Property)

	Consolidated Group	
	2021	2020
	$'000	$'000
322 Norton Street, Leichhardt – acquisition cost	**3,379**	3,379
322 Norton Street, Leichhardt – development costs	**630**	161
	4,009	3,540

Note 12: Other Assets

(a) Current Assets

	Consolidated Group	
	2021	2020
	$'000	$'000
Prepayments and GST receivables	**386**	285
	386	285

(b) Non Current Assets

	Consolidated Group	
	2021	2020
	$'000	$'000
Formation costs	**2**	2
Lease payment plan	**73**	-
	75	2

Note 13: Other Financial Assets

(a) Current

	Consolidated Group	
	2021	2020
	$'000	$'000
Interest bearing deposit	**6,000**	-
Held-to-maturity investments		
Fixed interest securities	**6,669**	8,355
Provision for doubtful debt	**(32)**	(32)
	12,637	8,323

(b) Non Current

	Consolidated Group	
	2021	2020
	$'000	$'000
Held-to-maturity investments		
Fixed interest securities	**170**	550
	170	550

The effective interest rate on fixed interest securities is an average of 7% pa.

These securities have a weighted average maturity of 365 days.

Note 14: Non-current Assets – Properties

Investment properties:

	Note	Consolidated Group 2021 $'000	2020 $'000
13 Sirius Road, Lane Cove NSW	14a	**8,600**	7,907
7 Sirius Road, Lane Cove NSW	14b	**10,511**	9,000
91 Thornton Drive, Penrith NSW	14c	**7,503**	7,171
159 Allen Street, Leichhardt NSW	14d	**22,861**	22,861
16 Industrial Avenue, Wacol QLD	14e	**10,176**	10,104
270-278 Norton Street, Leichhardt NSW	14f	**7,699**	-
		67,350	57,043

Valuation overview

The basis of the directors' valuation of the investment properties (non-current) is a fair market value as defined in note 1e.

In arriving at their opinion, the directors have reviewed and adopted the following three approaches and methodologies:

1. Capitalisation of current net rental income;
2. Discounted cash flow ("DCF"); and
3. Direct comparison to market sales evidence.

The properties are being valued independently at least every three years. The Group has no restrictions on the realisability of an investment property nor any contractual obligations to construct, develop, perform, repair or enhance an investment property.

a. The directors' valuation, as at 30 June 2021. An independent valuation was undertaken in December 2020 by a certified practicing valuation company. The directors have based the value on the valuation report, together with current direct comparison market sales evidence.

b. The directors' valuation as at 30 June 2021. An independent valuation was undertaken in December 2020 by a certified practicing valuation company. The directors have based the value on the valuation report, together with current direct comparison market sales evidence.

c. The directors' valuation, as at 30 June 2021. An independent valuation was undertaken in December 2020 by a certified practicing valuation company. The directors have based the value on the valuation report, together with current direct comparison market sales evidence.

d. The directors' valuation as at 30 June 2021. The purchase of the property was settled in October 2019. The property is located 5km from Sydney's CBD and is zoned R1 General Residential and has Development Approval for 46 residential apartments.

e. Valued at cost as at 30 June 2021. The property was purchased in November 2019, on market terms.

f. The contract for the property was exchanged in June 2021, with 50% payment of $3,625,000 and the balance payable at settlement on or before June 2022. The title on the property will pass to the Group on settlement.

Note 14: Non-current Assets – Properties (continued)

Investment Properties

2021

	Acquisition Cost $'000	Construction Cost $'000	Interest Capitalised $'000	Other Capital Costs $'000	Units Sold/to be Sold $'000	Revaluation $'000	Carrying Value 30.06.2021 $'000
13 Sirius Rd, Lane Cove NSW	**2,900**	**672**	**-**	**1,198**	**-**	**3,830**	**8,600**
7 Sirius Rd, Lane Cove NSW	**2,950**	**1,137**	**-**	**323**	**-**	**6,101**	**10,511**
91 Thornton Dr, Penrith NSW	**4,149**	**-**	**-**	**824**	**-**	**2,530**	**7,503**
159 Allen St, Leichhardt NSW	**22,280**	**-**	**-**	**581**	**-**	**-**	**22,861**
16 Industrial Ave, Wacol QLD	**10,073**	**-**	**-**	**103**	**-**	**-**	**10,176**
270-278 Norton St, Leichhardt NSW	**7,699**	**-**	**-**	**-**	**-**	**-**	**7,699**
	50,051	**1,809**	**-**	**3,029**	**-**	**12,461**	**67,350**

2020

	Acquisition Cost $'000	Construction Cost $'000	Interest Capitalised $'000	Other Capital Costs $'000	Units Sold/to be Sold $'000	Revaluation $'000	Carrying Value 30.06.2020 $'000
13 Sirius Rd, Lane Cove NSW	2,900	672	-	1,198	-	3,137	7,907
7 Sirius Rd, Lane Cove NSW	2,950	1,137	-	311	-	4,601	9,000
91 Thornton Dr, Penrith NSW	4,149	-	-	821	-	2,201	7,171
159 Allen St, Leichhardt NSW	22,280	-	-	581	-	-	22,861
16 Industrial Ave, Wacol QLD	10,073	-	-	31	-	-	10,104
	42,352	1,809	-	2,943	-	9,940	57,043

Note 15: Non-current Assets – Property, Plant and Equipment

	Consolidated Group 2021 $'000	2020 $'000
Suite 4, 26-32 Pirrama Road, Pyrmont – land and buildings	**1,834**	1,834
Less: Accumulated depreciation	**-**	-
	1,834	1,834
Capital works	**351**	351
Less: Accumulated depreciation	**(36)**	(22)
	315	329
Depreciable plant and equipment	**21**	21
Less: Accumulated depreciation	**(7)**	(5)
	14	16
Leasehold improvements	**104**	104
Less: Accumulated depreciation	**(7)**	(4)
	97	100
Office furniture and equipment – at cost	**125**	114
Less: Accumulated depreciation	**(76)**	(56)
	49	58
Motor vehicle – at cost	**69**	69
Less: Accumulated depreciation	**(26)**	(16)
	43	53
In-house software	**23**	23
Less: Accumulated depreciation	**(8)**	(4)
	15	19
Total non-current assets	**2,367**	2,409

Movements in Carrying Amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Land and Buildings $'000	Capital Works $'000	Leasehold Improvements $'000	Plant & Equipment $'000	Total $'000
Consolidated Group					
Balance at the beginning of year	**1,834**	**329**	**100**	**146**	**2,409**
Additions	**-**	**-**	**-**	**11**	**11**
Disposals/write offs	**-**	**-**	**-**	**-**	**-**
Depreciation expense	**-**	**(13)**	**(3)**	**(37)**	**(53)**
Carrying amount at the end of the year	**1,834**	**315**	**97**	**121**	**2,367**

Note 16: Current Liabilities – Trade and Other Payables

	Consolidated Group 2021 $'000	2020 $'000
Unsecured liabilities		
Trade payables	**554**	173
Sundry and accrued expenses	**85**	168
270-278 Norton Street, Leichhardt – settlement commitment	**4,070**	-
	4,709	341

Note 17: Borrowings

(a) Current

	Note	Consolidated Group 2021 $'000	2020 $'000
Secured:			
Bank overdraft	a	**-**	-

a. Bank overdraft secured over Lane Cove properties (refer to note 29).

(b) Non Current

	Note	Consolidated Group 2021 $'000	2020 $'000
Secured Liabilities – Bank Loans			
Finance for property 13 Sirius Road, Lane Cove	17i	**2,950**	2,950
Finance for property 7 Sirius Road, Lane Cove	17ii	**2,950**	2,950
		5,900	5,900

i. First mortgage finance secured over 13 Sirius Road, Lane Cove property (note 14a). Covenants imposed by mortgagor require total debt not to exceed 50% of the property value and the EBITDA is required to exceed interest expense by at least 2.0 times.

ii. First mortgage finance secured over 7 Sirius Road, Lane Cove property (note 14b). Covenants imposed by mortgagor require total debt not to exceed 50% of the property value and the EBITDA is required to exceed interest expense by at least 2.0 times.

iii. All covenants imposed on secured loan agreements have been met.

Maturity Schedule

	Interest Rates (average)	Consolidated Group 2021 $'000	2020 $'000
27 July 2024	2.25% pa	**5,900**	5,900
		5,900	5,900

Note 18: Current Liabilities – Provisions

	Consolidated Group	
	2021	2020
	$'000	$'000
Dividends	**920**	920
Employee entitlements*	**155**	127
	1,075	1,047

** Movement represents net increase in provision set aside.*

	Consolidated Group	
	2021	2020
	No	No
Number of employees at year end	**6**	6

Note 19: Non Current Liabilities – Provisions

	Consolidated Group	
	2021	2020
	$'000	$'000
Employee long service leave entitlement*	**59**	89

** Movement represents provision set aside.*

The provision for employee entitlements represent amounts accrued for annual leave and long service leave.

The current position for the employee entitlement includes the total amount accrued for annual leave entitlement and long service leave that have been vested due to employees having completed the required period of service.

Note 20: Issued Capital

	Consolidated Group 2021 $'000	Consolidated Group 2020 $'000
40,909,990 (2020: 40,909,990) Ordinary Shares fully paid	**21,213**	21,213

	Consolidated Group 2021 Shares	Consolidated Group 2020 Shares	Consolidated Group 2021 $'000	Consolidated Group 2020 $'000
Ordinary Shares Fully Paid				
At beginning of the year	**40,909,990**	40,909,990	**21,213**	21,213
Ordinary Shares fully paid at reporting period	**40,909,990**	40,909,990	**21,213**	21,213

a. Movements in Ordinary Share Capital of the Company

No shares were issued during 2021 (2020: nil).

b. Authorised Capital

500,000,000 Ordinary Shares of no par value.

c. Capital Management

Management controls the capital of the Group in order to maintain a good debt to equity ratio, provide the shareholders with adequate returns and ensure that the Group can fund its operations and continue as a going concern.

The Group's debt and capital include ordinary share capital and financial liabilities, supported by financial assets.

There are no externally imposed capital requirements.

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

There have been no significant changes in the strategy adopted by management to control and manage the capital of the Group since the prior year.

Note 21: Retained Earnings

	Consolidated Group 2021 $'000	Consolidated Group 2020 $'000
Retained earnings at beginning of financial year	**37,598**	**37,182**
Net profit attributable to members of parent entity	**1,806**	**2,257**
Dividends provided for or paid	**(1,841)**	**(1,841)**
Retained earnings at end of financial year	**37,563**	**37,598**

Note 22: Deferred Taxes

	Note	Consolidated Group 2021 $'000	2020 $'000
Non-current			
Deferred tax liability comprises:			
Tax allowances relating to property and equipment		**14,348**	14,285
Revaluation of investment properties		**3,739**	2,982
Deferred tax asset attributable to tax and capital losses		**(879)**	(829)
Provisions		**(82)**	(82)
		17,126	16,356
Reconciliation			
Gross Movement			
The overall movement in the deferred tax account is as follows:			
Opening balance		**16,356**	15,381
Charge to statement of profit and loss	4	**770**	975
Closing balance		**17,126**	16,356
Deferred Tax Liability			
Tax allowance relating to property, plant and equipment			
Opening balance		**14,285**	14,233
Adjustment to previous year's provision		**-**	-
Charged to the statement of profit and loss		**63**	53
Closing balance		**14,348**	14,285
Revaluation of investment properties			
Opening balance		**2,982**	1,944
Net revaluation during the current period		**757**	1,038
Transfers on property sale		**-**	-
Closing balance		**3,739**	2,982
Deferred Tax Assets			
Tax and capital losses			
Opening balance		**(829)**	(707)
Prior year adjustment		**-**	16
Tax and capital losses utilised		**(50)**	(138)
Closing balance		**(879)**	(829)
Provisions			
Opening balance		**(82)**	(88)
Credited to statement of profit and loss		**-**	6
Closing balance		**(82)**	(82)

Note 23: Financial Instruments

a. Financial Risk Management

The group's financial instruments consist mainly of deposits with banks, mortgage loans with banking institutions, accounts receivable and payable, and loans to and from controlled entities.

Desane's Board of Directors and management are responsible for the monitoring and managing of financial risk exposures on a monthly basis.

The main risks the group is exposed to through its financial instruments are liquidity risk and interest rate risk.

Liquidity Risk

Liquidity risk arises from the possibility that the group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. Desane manages this risk through the following mechanisms:

- Preparing forward looking cash flow analysis in relation to its operational, investing and financing activities;
- Monitoring undrawn credit facilities;
- Obtaining funding from a variety of sources; and
- Investing surplus cash with major financial institutions.

Interest Rate Risk

Exposure to interest rate risks arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments.

Interest rate risk is managed using a mix of fixed and floating rate debt. At 30 June 2021, approximately 100% of the Group's debt is with a floating interest rate and any balance is fixed interest rate debt.

The group entity's exposure to interest rate risk and the effective weighted average interest rate by maturity periods are set out in the following table (note 23d). For interest rates applicable to each class of asset or liability, refer to individual notes to the financial statements. Exposures arise predominantly from assets and liabilities bearing variable interest rates as the consolidated entity intends to hold fixed rate assets and liabilities to maturity.

The contractual maturities of the financial liabilities are set out below. The amounts represent the future undiscounted principal and interest cash flows relating to the amounts drawn at reporting date.

b. Credit Risk Exposure

The credit risk on financial assets of the consolidated entity which has been recognised in the statement of financial position is generally the carrying amount, net of any provisions for doubtful debts.

The consolidated group does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the economic entity.

c. Net Fair Values

On Statement of Financial Position:

The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities approximates their carrying value.

On Statement of Financial Position:

The parent entity and certain controlled entities have potential financial liabilities which may arise from certain contingencies disclosed in note 30. No material losses are anticipated in respect of any of these contingencies.

Note 23: Financial Instruments (continued)

d. Carrying Amount and Net Fair Values

There is no material difference between the carrying amounts and the net fair values of financial assets and liabilities.

2021	**Note**	**Floating Interest Rate $'000**	**Floating Interest Maturing within 1-5 years $'000**	**Fixed Interest Maturing within 1 year $'000**	**Fixed Interest Maturing within 1-5 years $'000**	**Non Interest Bearing $'000**	**Total $'000**
Financial Assets							
Cash and deposits	**9**	**-**	**-**	**353**	**-**	**-**	**353**
Receivables	**10, 12**	**-**	**-**	**-**	**-**	**759**	**759**
Other financial assets	**13**	**-**	**-**	**12,637**	**170**	**-**	**12,807**
		-	**-**	**12,990**	**170**	**759**	**13,919**
Weighted average interest rates		**-**	**-**	**3.8%**	**7.0%**	**-**	**3.8%**
Financial Liabilities							
Trade and other creditors	**16**	**-**	**-**	**-**	**-**	**4,709**	**4,709**
Interest bearing liabilities	**17**	**-**	**5,900**	**-**	**-**	**-**	**5,900**
		-	**5,900**	**-**	**-**	**4,709**	**10,609**
Weighted average interest rate		**-**	**2.25%**	**-**	**-**	**-**	**2.25%**
Net financial assets (liabilities)		**-**	**(5,900)**	**12,910**	**250**	**(3,950)**	**3,310**

2020	Note	Floating Interest Rate $'000	Floating Interest Maturing within 1-5 years $'000	Fixed Interest Maturing within 1 year $'000	Fixed Interest Maturing within 1-5 years $'000	Non Interest Bearing $'000	Total $'000
Financial Assets							
Cash and deposits	9	-	-	10,203	-	-	10,203
Receivables	10, 12	-	-	-	-	476	476
Other financial assets	13	-	-	8,323	550	-	8,873
		-	-	18,526	550	476	19,552
Weighted average interest rates		-%	-%	3.7%	7.0%	-%	3.7%
Financial Liabilities							
Trade and other creditors	16	-	-	-	-	341	341
Interest bearing liabilities	17	-	5,900	-	-	-	5,900
		-	5,900	-	-	341	6,241
Weighted average interest rate		-%	2.5%	-%	-%	-%	2.5%
Net financial assets (liabilities)		-	(5,900)	18,526	550	135	13,311

Note 23: Financial Instruments (continued)

Sensitivity Analysis

The following table illustrates sensitivities to the Group's exposure to changes in interest rates. The table indicates the impact on how profit and equity values reported at reporting date would have been affected by change in the relevant risk variable that management considers to be reasonably possible. These sensitivities assume that the movement in a particular variable is independent of other variables.

The net effective variable interest rate borrowings (floating interest rate) expose the Group to interest rate risk which will impact future cash flows and interest charges, are indicated in the above figures. All interest bearing liabilities and their weighted interest rate is shown in note 23(d).

There are no financial liabilities maturing over 5 years.

	Consolidated Group	
	Profit	**Equity**
	$'000	**$'000**
Year ended 30 June 2021	**+/- 118**	**+/- 118**

- interest rate sensitivity calculated at an average of +/- 2%pa.

	Consolidated Group	
	Profit	Equity
	$'000	$'000
Year ended 30 June 2020	+/- 118	+/- 118

- interest rate sensitivity calculated at an average of +/- 2%pa.

Note 24: Related Party Transactions

All transactions are under normal commercial terms and conditions.

The Group's main related parties are as follows:

i. *Key management personnel:*

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity, are considered key management personnel.

ii. *Other related parties:*

Other related parties include entities controlled by the parent entity and entities over which key management personnel have control.

Note 24: Related Party Transactions (continued)

Related parties of Desane Group Holdings Limited (parent entity) fall into the following categories:

a. Controlled Entities

Information relating to controlled entities is set out in note 30. Other transactions between related parties consist of:

	Consolidated Group	
	2021	2020
	$'000	$'000
Desane Properties Pty Ltd: Dividend paid	**1,250**	1,500

b. Directors

The names of the persons who were directors of the parent entity during the financial year are as follows:

- Phil Montrone
- John Blair Sheehan
- Rick Montrone
- Peter Krejci

Information on the remuneration of directors and executives is set out in note 5.

The Managing Director and all executives are permanent employees of Desane Group Holdings Limited.

Trafalgar Contracting Pty Ltd, which is a company owned by Mr Phil Montrone's brother, has provided maintenance and project management services totalling $6,050 at properties owned by the Group on an arm's length basis. Mr Jack Sciara provided professional tax services to the Group for the amount of $4,000 on an arm's length basis. Mr Rick Montrone's spouse was paid $9,875 on market terms for the design and production of annual financial reports and the AGM presentation.

Other than the above transactions, no director has entered into a material contract since the end of the previous financial year and there were no material contracts involving directors' interests existing at year-end.

Note 25: Commitments for Expenditure

The contract for 270-278 Norton Street, Leichhardt was exchanged in June 2021, with 50% payment of $3,625,000 and the balance of $3,625,000 payable on or before June 2022.

Note 26: Superannuation Commitments

In the case of employees of the holding company, the company contributed 9.50% of each member's salary into the fund nominated by each member. Group companies contribute a minimum amount equal to 9.50% of each member's salary, plus the cost of the insurance coverage, if required, to insure the provision of all benefits to the Fund. The benefits provided by the accumulation fund are based on the contributions and income thereon held by the Fund on behalf of the member. The 9.50% contribution made by group companies is legally enforceable.

The company and its controlled entities have a legally enforceable obligation to contribute to the funds.

The directors are not aware of any other changes in circumstances which would have a material impact on the overall financial position of the funds.

Employer contributions to the plans; consolidated $97,220 (2020 - $116,185), parent entity $38,143 (2020 - $77,562).

Note 27: Contingent Liabilities

a. The parent entity has given a letter of support to each of its two controlled entities, to the effect that it will not require repayment of the loan funds advanced in the coming year (refer note 30(ii)).

The shareholders' funds as at 30 June 2021, in the controlled entities concerned were:

	2021 $'000	2020 $'000
159 Allen Street Leichhardt Pty Ltd	**(304)**	(169)
Desane Contracting Pty Limited – net assets	**(1,898)**	(1,859)
Desane Properties Pty Limited – net assets	**49,406**	47,580

b. 7 Sirius Road Property

The parent entity has guaranteed the repayment of the first mortgage finance secured over the 7 Sirius Road property (note 17).

c. 13 Sirius Road Property

The parent entity has guaranteed the repayment of the first mortgage finance secured over the 13 Sirius Road property (note 17).

d. In 2015, Ozzy States Pty Ltd, the builder (now in liquidation), completed a mixed residential development in Rozelle contracted by Desane Contracting Pty Ltd. The Board has been advised that the project builder has been placed in liquidation. The Owners Corporation for the Rozelle property, no longer having the ability to pursue the project builder for alleged building defect rectification works, has commenced legal proceedings in the NSW Supreme Court against Desane Contracting Pty Ltd. Desane Contracting Pty Ltd has engaged legal representation to defend the alleged claim and consequently the Board and Directors have been legally advised that providing detailed information and disclosures regarding this matter could prejudice the position of the entity in satisfactorily resolving the dispute. This note is also in accordance with accounting standards AASB 137 (92) and IAS137.

Note 28: Operating Segments – Consolidated Group

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 systems 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 Development

Development projects (residential, commercial or industrial).

ii. Property Investment

Rental income from prime real estate investments.

iii. Property Project Management and Resale

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

Note 28: Operating Segments – Consolidated Group (continued)

iv. Property Services

Property and related services.

Accounting Policies Adopted

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

Segment Assets

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

Segment Liabilities

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

Unallocated Items

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

- Net gains on disposal of available for sale investments;
- Impairment of assets and other non recurring 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.

2021	Property Investment $'000	Property Development $'000	Property Project Management and Resale $'000	Property Services $'000	Plant and Equipment $'000	Other $'000	Consolidated Group $'000
External sales	2,080	-	-	47	-	498	2,625
Other segments	-	-	-	-	-	-	-
Total revenue	2,080	-	-	47	-	498	2,625
Segment result	3,299	(40)	-	47	-	498	3,804
Unallocated expenses							(1,095)
Finance costs							(133)
Profit/(loss) before income tax							2,576
Income tax expense							(770)
Profit/(loss) after income tax							1,806

Note 28: Operating Segments – Consolidated Group (continued)

2021 **Segment Assets**	Property Investment $'000	Property Development $'000	Property Project Management and Resale $'000	Property Services $'000	Plant and Equipment $'000	Other $'000	Consolidated Group $'000
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	7,699	-	-	-	11	-	7,710
Revaluations/(devaluations)	2,522	-	-	-	-	-	2,522
Capital expenditures	86	-	-	-	-	-	86
Development expenditures	-	469	-	-	-	-	469
Depreciation and capital allowance	-	-	-	-	(53)	-	(53)
Net movement in other segments	-	-	-	-	-	(5,632)	(5,632)
	67,350	4,009	-	-	2,367	13,919	87,645
Unallocated Assets							
Deferred Tax Assets							
Total Group Assets							

2021 **Segment Liabilities**	Property Investment $'000	Property Development $'000	Property Project Management and Resale $'000	Property Services $'000	Plant and Equipment $'000	Other $'000	Consolidated Group $'000
2020 opening balance	5,900	-	-	-	-	1,477	7,377
Unallocated Liabilities							
Deferred tax liabilities							16,356
Segment Liabilities Increases/(Decreases) for the Period							
Net movement in other segments	-	-	-	-	-	4,366	4,366
	5,900	-	-	-	-	5,843	28,099
Unallocated Liabilities							
Deferred Tax Liabilities							770
Total Group Liabilities							28,869

Note 28: Operating Segments – Consolidated Group (continued)

2020	Property Investment $'000	Property Development $'000	Property Project Management and Resale $'000	Property Services $'000	Plant and Equipment $'000	Other $'000	Consolidated Group $'000
External sales	1,468	-	-	49	-	793	2,310
Other segments	-	-	-	-	-	-	-
Total revenue	1,468	-	-	49	-	793	2,310
Segment result	3,921	(33)	-	49	-	793	4,730
Unallocated expenses							(1,349)
Finance costs							(149)
Profit/(loss) before income tax							3,232
Income tax expense							(975)
Profit/(loss) after income tax							2,257

2020 Segment Assets	Property Investment $'000	Property Development $'000	Property Project Management and Resale $'000	Property Services $'000	Plant and Equipment $'000	Other $'000	Consolidated Group $'000
2019 opening balance	43,398	-	-	-	2,432	46,019	91,849
Unallocated Assets							
Deferred tax assets							
Segment Asset Increases/(Decreases) for the Period							
Acquisitions	10,093	3,379	-	-	30	-	13,502
Revaluations/(devaluations)	3,461	-	-	-	-	-	3,461
Capital expenditures	91	161	-	-	-	-	252
Depreciation and capital allowance	-	-	-	-	(53)	-	(53)
Net movement in other segments	-	-	-	-	-	(26,467)	(26,467)
	57,043	3,540	-	-	2,409	19,552	82,544
Unallocated Assets							
Deferred Tax Assets							-
Total Group Assets							82,544

Note 28: Operating Segments – Consolidated Group (continued)

2020 Segment Liabilities	Property Investment $'000	Property Development $'000	Property Project Management and Resale $'000	Property Services $'000	Plant and Equipment $'000	Other $'000	Consolidated Group $'000
2019 opening balance	16,400	-	-	-	-	1,673	18,073
Unallocated Liabilities							
Deferred tax liabilities						15,381	15,381
Segment Liabilities Increases/(Decreases) for the Period							
Net movement in other segments	(10,500)	-	-	-	-	(196)	(10,696)
	5,900	-	-	-	-	16,858	22,758
Unallocated Liabilities							975
Deferred Tax Liabilities							-
Total Group Liabilities							23,733

Note 29: Cash Flow Information

a. Reconciliation of Cash Flow from Operations with Profit After Income Tax

	Consolidated Group 2021 $'000	2020 $'000
Profit/(loss) after income tax	**1,806**	2,257
Non-cash flows in profit/(loss)		
Depreciation and amortisation	**53**	53
(Gain)/loss on asset revaluation	**(2,522)**	(3,461)
Changes in assets and liabilities		
(Increase)/decrease in trade receivables	**(183)**	(110)
(Increase)/decrease in prepayments	**(101)**	(24)
(Decrease)/increase in trade payments and accruals	**299**	207
(Decrease)/increase in other payables	**4,069**	(10,584)
(Decrease)/increase in provisions	**(2)**	(12)
Increase/(decrease) in deferred taxes payable	**770**	975
Transfer to investing activities	**(4,069)**	10,500
Cash flow from operations	**120**	(199)

Credit Standby Arrangements with Banks

	Consolidated Group 2021 $'000	2020 $'000
Credit facility	**100**	100
Amount utilised	**-**	-

Bank overdraft facility is arranged with one bank and the general terms and conditions are set and agreed annually. Interest rates are variable and subject to adjustment. Please refer to note 17.

Loan Facilities with Financial Institutions

	Consolidated Group 2021 $'000	2020 $'000
Loan facilities	**5,900**	5,900
Amount utilised	**(5,900)**	(5,900)

For more details on the loan facilities, please refer to note 17.

Note 30: Parent Entity Disclosures

The following information has been extracted from the books and records of the parent entity and has been prepared in accordance with Accounting Standards.

	Note	Parent Entity 2021 $'000	2020 $'000
STATEMENT OF COMPREHENSIVE INCOME			
Result of Parent Entity			
Profit for the period		**155**	151
Other comprehensive income		**-**	-
Total comprehensive income for the period		**155**	151
STATEMENT OF FINANCIAL POSITION			
Current Assets			
Cash		**8**	13
Other assets		**52**	60
Non-current Assets			
Trade and other receivables – loans to controlled entities	ii	**12,557**	14,197
Investment – controlled entities	i	**490**	490
Property, plant and equipment		**107**	129
Total Assets		**13,214**	14,889
Current Liabilities			
Trade and other payables		**36**	25
Short term provisions		**1,115**	1,115
Total Liabilities		**1,151**	1,140
Net Assets		**12,063**	13,749
Total Equity			
Issued capital		**21,213**	21,213
Retained earnings/(accumulated losses)		**(9,150)**	(7,464)
Total Equity		**12,063**	13,749

Note 30: Parent Entity Disclosures (continued)

i. Controlled Entities

Investments in controlled entities are unquoted and comprise:

		Parent Entity			
		2021		2020	
Controlled Entities	**Class of Shares**	**Holding %**	**Investment $'000**	Holding %	Investment **$'000**
Desane Properties Pty Ltd	Ordinary	**100**	**490**	100	490
Desane Contracting Pty Ltd	Ordinary	**100**	**-**	100	-
159 Allen Street Leichhardt Pty Ltd	Ordinary	**100**	**-**	100	-
			490		490

All controlled entities are incorporated in Australia. Desane Properties Pty Ltd declared a dividend of $1.25m out of retained profits (2020: $1.5m). Desane Contracting Pty Ltd declared a dividend of $nil (2020: $nil). 159 Allen Street Leichhardt Pty Ltd declared a dividend of $nil (2020: $nil).

Contribution to profit/(loss) after tax:

	2021 $'000	2020 $'000
Desane Group Holdings Limited	**(1,095)**	(1,349)
Desane Properties Pty Limited	**3,076**	3,771
Desane Contracting Pty Limited	**(40)**	(82)
159 Allen Street Leichhardt Pty Ltd	**(135)**	(83)
	1,806	2,257

ii. Loans to Controlled Entities

	2021 $'000	2020 $'000
Desane Properties Pty Limited	**(12,643)**	(10,622)
Desane Contracting Pty Limited	**1,882**	1,857
159 Allen Street Leichhardt Pty Ltd	**23,318**	22,962
	12,557	14,197

Guarantees

Desane Group Holdings Limited has not entered into any guarantees, in the current or previous financial year, in relation to the above debts of its controlled entities.

Capital Commitments

Desane Group Holdings has no capital commitments to note.

Contractual Commitments

At 30 June 2021, Desane Group Holdings Limited had not entered into any contractual commitments for the acquisition of property, plant and equipment or any other affairs (2020: Nil).

Note 31: Events after the Reporting Date

There were no material events subsequent to reporting date.

Note 32: Economic Dependency

A portion of all the Group's investment properties are under financial loans.

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 10 to 46 are in accordance with the *Corporations Act 2001* and;

   a. Comply with Australian Accounting Standards, which, as stated in accounting policy note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and

   b. Give a true and fair view of the financial position as at 30 June 2021 and of the performance for the year ended on that date of the consolidated group;

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; and

3. The directors have been given the declarations required by a 295A of the *Corporations Act 2001* from the Managing Director and Chief Financial Officer.

This declaration is made in accordance with a resolution of the Board of Directors.

J B Sheehan
Director
Sydney

P Montrone
Director
Sydney

23 August 2021

GCC Business & Assurance Pty Ltd
GPO Box 4566, Sydney NSW 2001
Telephone: (02) 9231 6166
ABN 61 105 044 862
Facsimile: (02) 9231 6155

Suite 807, 109 Pitt Street, Sydney NSW 2000

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DESANE GROUP HOLDINGS LIMITED

REPORT ON THE AUDIT OF CONSOLIDATED FINANCIAL STATEMENTS

Report on the Financial Report

Opinion

We have audited the financial report of Desane Group Holdings Limited and Controlled Entities (the Group), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion:

a. the accompanying financial report of Desane Group Holdings Limited and Controlled Entities is in accordance with the *Corporations Act 2001*; including:

    (i) giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year then ended; and

    (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b. the financial report also complies with International Financial Reporting Standards as disclosed in note 1.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. Our responsibilities under those standards are further disclosed in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110: *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the year ended 30 June 2021. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide an opinion on these matters.

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<table>
<tr><th>Description of Key Audit Matter</th><th>How Our Audit Addressed the Key Audit Matter</th></tr>
<tr><td>

1. **Valuation of Investment Properties** – non current refer note 1(e) and note 14 to the consolidated financial statements.

	$,000
7 Sirius Road, Lane Cove	10,511
13 Sirius Road, Lane Cove	8,600
91 Thornton Drive, Penrith	7,503

The properties were valued by the directors based on the methodologies used by independent valuations undertaken by a firm of licensed valuers.

Independent valuations were undertaken for the Lane Cove properties in December 2020 and in December 2020 for the Penrith Property.

Commercial property valuations are sensitive to the key assumptions applied in valuations. In particular, rates of capitalisation of net rental income, the inputs to determine discounted cash flow outcomes and in appropriately assessing market sales evidence in the property sector and location under review.

</td><td>

Our procedures included, but were not limited to the following:

1. We confirmed that the independent valuations were undertaken in accordance with both International Financial Reporting Standards (IFRS) 13 and the Australian Property Institute Standards to determine the fair value of the properties.
2. We considered the valuation methods used by the directors to ensure their approach and methodologies accorded with the industry norm for valuations of this nature and that all commonly accepted valuation methods had been considered.
3. We checked the continued reliability of the underlying assumptions used in the valuations to supporting lease agreements and other documents.
4. We compared the inputs in the valuations, including capitalisation rates, discount rates and rental yields to historical data and available industry data for their current relevance and applicability. The relative sensitivity of the inputs was discussed with the directors.
5. We considered the adequacy of the disclosures in the financial statements.

We confirmed that the directors' valuations were in accordance with generally acceptable market valuations with the key assumptions being within the range of current market data. We found the disclosures in the financial statements to be adequate.

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</table>

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Description of Key Audit Matter	How Our Audit Addressed the Key Audit Matter
2. Investment Property Purchased (refer note 14) **$,000** 270-278 Norton Street, Leichhardt 7,699 A contract of purchase was entered into on 4 June 2021 to purchase this property for $7.25m with a deferred settlement of 12 months. The settlement date is 1 June 2022.	Our procedures included, but were not limited to the following: 1. We verified the purchase of the property to the purchase contract, solicitor's detailed statement, title status and other documentation. 2. The payments for the purchase were agreed to Desane's banking records. We verified the payment to supporting legal documentation and the solicitor's instructions. 3. We verified the purchase was at arm's length and the value in accordance with a comparable property in the locality.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2021, but does not include the financial report and our auditor's report. Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon. In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could be reasonably expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration

We have audited the remuneration report included in pages 5 to 7 of the directors' report for the year ended 30 June 2021. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with s 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

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GCC 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 NSW 2000

Responsibilities

The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with s 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australia Auditing Standards.

Auditor's Opinion

In our opinion, the remuneration report of Desane Group Holdings Limited, for the year ended 30 June 2021, complies with s 300A of the *Corporations Act 2001*.

GCC Business & Assurance Pty Ltd.

GCC BUSINESS & ASSURANCE PTY LTD
(Authorised Audit Company)

GRAEME GREEN
Director

Sydney
23 August 2021

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The shareholder information set out below was applicable as at 5 August 2021.

1. SHAREHOLDING

Distribution of equitable securities:

Category (size of holding)	Number of Ordinary Shares*	Number of Holders of Ordinary Shares	% of Issued Capital
1 - 1,000	27,307	120	0.07
1,001 - 5,000	352,947	134	0.86
5,001 - 10,000	381,318	49	0.93
10,001 - 100,000	5,149,214	136	12.59
100,001 - and over	34,999,204	55	85.55
	40,909,990	494	100.00

There were 86 holders of less than a marketable parcel of ordinary shares.

** The number of Ordinary Shares on issue as at 30 June 2021 was 40,909,990.*

2. TWENTY LARGEST QUOTED EQUITY SECURITY HOLDERS

The names of the 20 largest security holders are listed below:

	Name	Ordinary Shares	% Held to Issued Capital
1.	Cupara Pty Ltd	11,270,878	27.55
2.	J P Morgan Nominees Australia Pty Limited	4,347,701	10.63
3.	Montevans Pty Ltd <M & M Super A/C>	2,745,400	6.71
4.	Trafalgar Custodians Pty Ltd	2,451,165	5.99
5.	Glencairn Pty Limited	1,250,000	3.06
6.	PFPT Management Pty Ltd <Pellarini Super Fund A/C>	938,831	2.29
7.	Cordato Partners (Superannuation) Pty Ltd <Cordato Partners S/F A/C>	790,409	1.93
8.	National Nominees Limited	740,875	1.81
9.	Hillmorton Custodians Pty Ltd <The Lennox Unit A/C>	637,871	1.56
10.	Dotnric Pty Ltd <Famiglia di Riccardo S/F A/C>	593,579	1.45
11.	John & Judith Pty Ltd <Joju Superannuationfund A/C>	582,677	1.42
12.	Keiser Investments Pty Ltd <Gann Family Retirement A/C>	556,158	1.36
13.	Mr Peter Howells	380,000	0.93
14.	Oakmount Nominees Pty Ltd <Narromine Super Fund A/C>	330,000	0.81
15.	Kelpador Investments Pty Ltd <Kelpador Superannuation A/C>	283,770	0.69
16.	Woodtrone Pty Ltd <Woodtrone Superannuation A/C>	283,721	0.69
17.	Mocorb Pty Ltd <BMC Superannuation Fund A/C>	282,131	0.69
18.	Waratah Property Services (No 1) Pty Ltd <Rayner Family S/F A/C>	276,512	0.68
19.	Joe Scardino & Felicia Scardino	273,555	0.67
20.	Whimplecreek Pty Ltd <Stawell Family A/C>	270,000	0.66
		29,285,233	**71.58**

3. SUBSTANTIAL SHAREHOLDERS

Substantial holders in the Company are set out below:

	Ordinary Number	%
Cupara Pty Ltd	10,246,252	28.27
Greig & Harrison Pty Ltd	5,497,762	13.44
Phoenix Portfolios Pty Ltd	4,560,206	12.36
Montevans Pty Ltd <M & M Super A/C>	2,729,374	6.67

4. VOTING RIGHTS

The voting rights attaching to each class of shares are set out below:

Ordinary Shares

No restrictions. On a show of hands, every member present or by proxy shall have one vote and upon a poll, each share shall have one vote.

There are no other classes of equity securities.

Directors & Key Personnel

Prof. John Blair Sheehan AM – Chairman (non-executive director)
Phil Montrone OAM – Managing Director
Rick Montrone – Director
Peter Krejci – Director (non-executive)
Jack Sciara – Company Secretary and Chief Financial Officer

Principal Registered Office in Australia

Suite 4, 26-32 Pirrama Road, Pyrmont NSW 2009

Other Company Details

Postal address: PO Box 331, Leichhardt NSW 2040
Telephone: (02) 9555-9922
Facsimile: (02) 9555-9944
E-mail Address: info@desane.com.au
Website: desane.com.au

Share Register

Shareholders with questions about their shareholdings should contact Desane's external share registrar:

Computershare Investor Services Pty Limited
Level 5, 115 Grenfell Street, Adelaide SA 5000
Postal Address: GPO Box 2975, Melbourne VIC 3001
Telephone enquiries within Australia: 1300-556-161
Telephone enquiries outside Australia: 61-3-9415-4000
Website: www.computershare.com

Please advise the share registrar if you have a new postal address.

Auditor

GCC Business & Assurance Pty Ltd
Suite 807, 109 Pitt Street, Sydney NSW 2000

Bankers

Commonwealth Bank of Australia

Securities Exchange Listing

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

Notice of Annual General Meeting

The Annual General Meeting of Desane Group Holdings Limited will be held at Doltone House – Tribeca, Ground Floor, 26-32 Pirrama Road, Pyrmont NSW on Friday, 29 October 2021 commencing at 10.00 am.