

ASX and Media release

21 February 2022

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DESANE ANNOUNCES SOLID HY21 RESULTS

Desane Group Holdings Limited (ASX: **DGH** or **Desane**) is pleased to announce its results for the half year ended 31 December 2021, confirming Earnings Before Interest & Tax (**EBIT**) of **\$7.2m**.

HY22 Group highlights:

- An increase of 25% over the corresponding period in investment property holdings
- An increase of 11% over the corresponding period in total assets
- Finance costs decreased by 16% over the corresponding period
- Group gearing stable at 30%
- An increase of 7% over the corresponding period in NTA per share

Despite the impact of COVID-19 restrictions on the economy and the domestic property sector, Desane has remained fully operational, ensuring shareholders' capital is minimally affected. Desane will continue to focus on three main objectives:

1. Strategic investment acquisitions which will bolster ROE and rental income streams;
2. Evaluate its development pipeline with an eye to achieving maximum value outcomes; and
3. Review capital management strategies to ensure the Group's asset growth and reward shareholders with dividends.

This half year, two of the Group's investment properties, namely 16 Industrial Avenue, Wacol QLD and 91 Thornton Drive, Penrith NSW, were independently valued which resulted in a significant revaluation uplift. This revaluation uplift reflects the work undertaken by management in renegotiating a long-term lease with tenant Brisbane City Council, the approval for the extension of the Wacol industrial property, and the increase in values across the broader industrial property market in the western Sydney region.

As of 31 December 2021, Desane holds \$11.4m in cash and financial assets in low-risk investments secured by first registered mortgages, generating an average return of 6.5% pa.

The Board is committed to providing shareholders with a sustainable dividend stream. However, over the next 12 to 24 months, the unlocking of additional value from three of the Group's properties will require capital funding and for this reason, the Board has resolved to not recommend the payment of an interim dividend for the half year ended 31 December 2021. The Board expects Desane's capital management strategies to adapt, in the next 12 to 24 months as the economy comes out of the COVID-19 slowdown, ensuring the Company's stated objectives are delivered.

Phil Montrone, Managing Director and CEO said, "With its strong balance sheet, Desane is well positioned to continue its objective of restocking its investment property assets and or unlocking further value from the Group's highly sought-after property assets."

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

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Jack Sciara
Company Secretary
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ABOUT DESANE:

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

Appendix 4D Half Yearly Report

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

Results for announcement to the market

For the six months ended 31 December 2021

(Comparative figures being the half year ended 31 December 2020)

Result Summary	Half Year Ended 31 December 2021 \$A'000	Half Year ended 31 December 2020 \$A'000	Change
Revenue			
Property investment – rental	945	1,018	(7.2%)
Property and project management	24	26	(7.7%)
Profit/(loss) from ordinary activities after tax attributable to members	5,058	1,880	169.0%
Net profit/(loss) for the period attributable to members	5,058	1,880	169.0%

Dividends

No interim dividend has been declared or proposed in respect of the half year ending 31 December 2021.

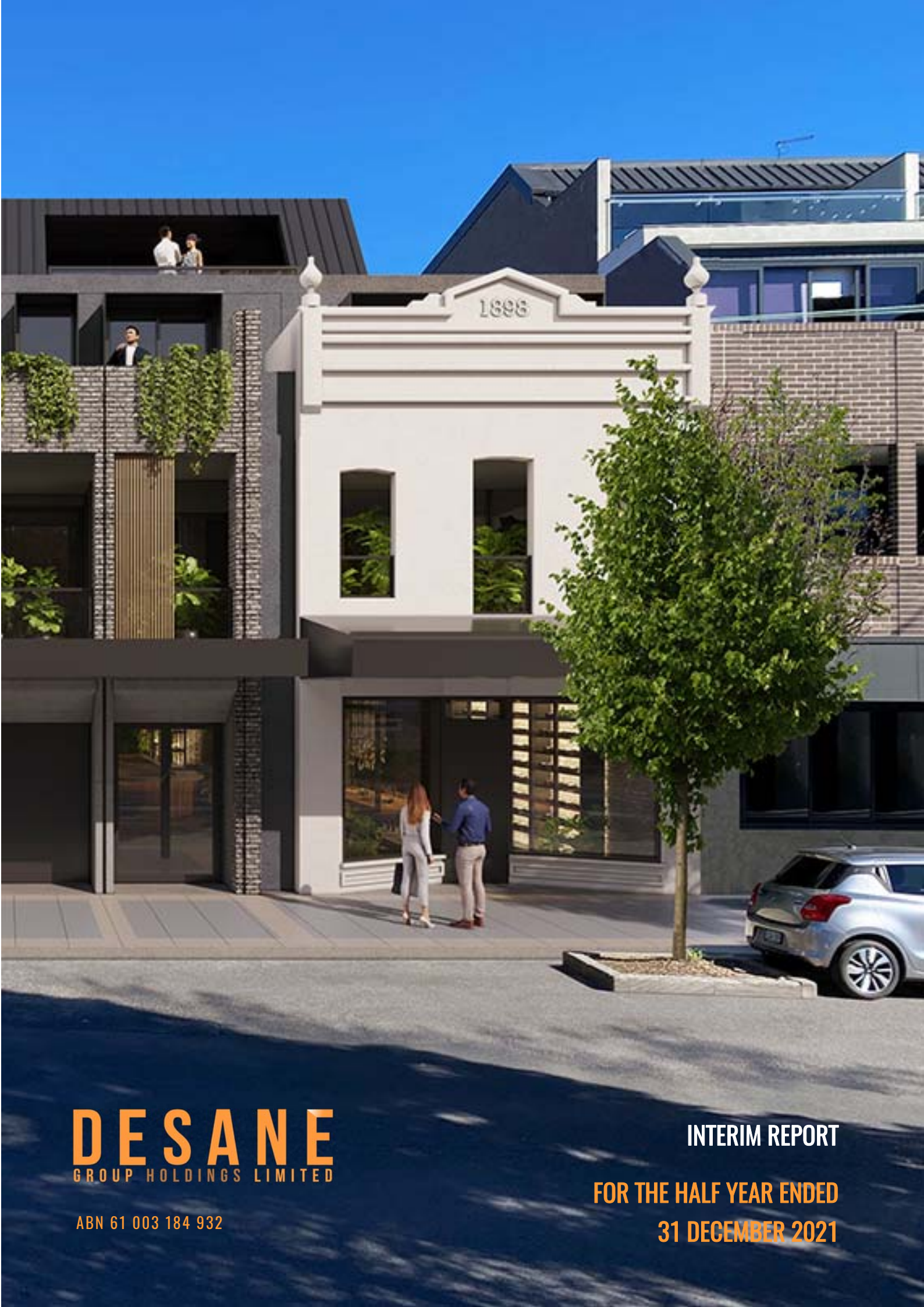
Net Tangible Assets per Security	Current Period	Previous corresponding period
Earnings per security (EPS)		
Basic EPS	12.36 cents	4.60 cents
Diluted EPS	12.36 cents	4.60 cents
Net tangible assets per security		
Net tangible asset backing per Ordinary Share	\$1.56	\$1.46

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

This information should be read in conjunction with the 31 December 2021 Half Year Financial Report and the attached media release for commentary and explanation of the results.

The accounts were reviewed by the Company's auditors, whose report is attached as part of the Half Year Financial Report for the half year ended 31 December 2021.

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



DESANE
GROUP HOLDINGS LIMITED

ABN 61 003 184 932

INTERIM REPORT
FOR THE HALF YEAR ENDED
31 DECEMBER 2021



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DESANE

GROUP HOLDINGS LIMITED

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

Concept image: 16 Industrial Avenue, Wacol QLD

Australian requirements for interim financial reports

This Interim financial report does not include all the notes of the type normally included in an annual report. Accordingly, this report should be read in conjunction with the annual report for the year ended 30 June 2021 and any public announcements made by Desane Group Holdings Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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

Directors' Report

The Directors of Desane Group Holdings Limited ("Desane" and "the Group") present their interim report, together with the condensed financial report of the Company and its controlled entities for the half year ended 31 December 2021.

Directors

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

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

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

Company Secretary

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

- Jack Sciara

Principal Activities

There were no significant changes in the principal activities of the Group during the six month period ending 31 December 2021, which were:

- Property investment; and
- Property development.



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

Operating and Financial Review

The Group recorded a consolidated statutory net profit after tax of **\$5.1m** for the half year ended 31 December 2021. Statutory net profit after tax has been prepared in accordance with the *Corporations Act 2001* and Australian Accounting Standards, which comply with International Financial Reporting Standards.

	31 Dec 2021 \$'000	31 Dec 2020 \$'000
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The profit of the consolidated group, after providing for income tax, amounted to **5,058** 1,880

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

	Total Revenue		Segment Result	
	31 Dec 2021 \$'000	31 Dec 2020 \$'000	31 Dec 2021 \$'000	31 Dec 2020 \$'000
Property development expenses	-	-	(24)	(7)
Property investment – rental	945	1,018	637	802
Property management	24	26	24	26
Property investment – net revaluations	7,160	2,522	7,160	2,522
Interest income	351	246	351	246
	8,480	3,812	8,148	3,589
Unallocated expenses			(942)	(914)
Operating profit			7,206	2,675
Income tax (expense)/benefit attributable to operating profit			-	-
Deferred tax attributable to operating profit			2,148	(795)
Operating profit after income tax attributable to members of Desane Group Holdings Limited			5,058	1,880

Key Financial Highlights

- An increase of 25% over the corresponding period in investment property holdings to \$74.5m,
- An increase of 11% over the corresponding period in total assets to \$93.1m,
- Finance costs decreased by 16% over the corresponding period
- Group gearing stable at 30%
- An increase of 7% over the corresponding period in NTA per share to \$1.56

Financial Review

Despite the impact of COVID-19 restrictions on the economy and the domestic property sector, Desane has remained fully operational, ensuring shareholders' capital is minimally affected and Desane will continue to focus on three main objectives:

1. Strategic investment acquisitions which will bolster ROE and rental income streams;
2. Evaluate its development pipeline, with an eye to achieving maximum value outcomes; and
3. Review capital management strategies to ensure the Group's asset growth and reward shareholders with dividends.

Directors' Report - continued

This half year, two of the Group's investment properties, namely 16 Industrial Avenue, Wacol QLD and 91 Thornton Drive, Penrith NSW, were independently valued which resulted in a significant revaluation uplift. This revaluation uplift reflects the work undertaken by management in renegotiating a long-term lease with tenant Brisbane City Council, the approval for the extension of the Wacol industrial property, and the increase in values across the broader industrial property market in the western Sydney region.

As of 31 December 2021, Desane holds \$11.4m in cash and financial assets invested in low-risk investments secured by first registered mortgages, generating an average return of 6.5% pa.

Dividends Paid or Recognised

Dividends paid are as follows:

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

The Board is committed to providing shareholders with a sustainable dividend stream. However, over the next 12 to 24 months, the unlocking of additional value from three of the Group's properties will require capital funding and for this reason, the Board has resolved to not recommend the payment of an interim dividend for the half year ended 31 December 2021. The Board expects Desane's capital management strategies to adapt, in the next 12 to 24 months as the economy come out of the COVID-19 slowdown, ensuring the Company's stated objectives are delivered.

Likely Developments

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

Significant Changes in State of Affairs

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

Events Subsequent to Balance Date

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

Environmental Regulation

The consolidated group complies with all relevant legislation and regulations in respect to environmental matters. No matters have arisen during the year in connection with Desane's obligations pursuant to Commonwealth and State environmental regulations.

Occupational Health and Safety Regulations

The consolidated group complies with all relevant legislation and regulations in respect to occupational health and safety matters.

COVID-19

The Government initiated enforceable lockdowns in the second half of 2021 to reduce the spread of COVID-19 and consequently, Desane's workforce 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 both Federal and State 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 New South Wales and Queensland, 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.

Proceedings on behalf of the Company

In 2015, Ozzy States Pty Ltd, the builder (now liquidated), completed a mixed residential development in Rozelle, contracted by Desane Contracting Pty Ltd. The Board has been advised that the project builder has been liquidated. 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. The Board of Directors are of the view that this matter will be resolved as soon as possible. This note is also in accordance with Accounting Standards AASB 137-92 and IAS137.

Rounding of Amounts

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

Auditor's Declaration

The lead auditor's declaration under Section 307C of the Corporations Act 2001 is set out on page 8 for the half year ended 31 December 2021.

Signed in accordance with a resolution of the Board of Directors, at Sydney this 21st day of February, 2022.



John Sheehan AM
Non-executive Chairman



Phil Montrone OAM
Managing Director

Auditor's Independence Declaration

G.C.C. Business & Assurance Pty Ltd

ABN 61 105 044 862

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Facsimile: (02) 9231 6155

Suite 807, 109 Pitt Street, Sydney

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

I declare that, to the best of my knowledge and belief, during the half year ended 31 December 2021, there have been:

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

GCC Business & Assurance Pty Ltd

GCC BUSINESS & ASSURANCE PTY LTD
(Authorised Audit Company)

Graeme Green

GRAEME GREEN
Director

Signed in Sydney, 21 February 2022

FINANCIAL REPORT



Concept image: 159 Allen Street, Leichhardt NSW

Condensed Consolidated Statement of Profit or Loss and Comprehensive Income

DESANE GROUP HOLDINGS LIMITED ABN 61 184 932 and Controlled Entities

For the six months ended 31 December 2021

	Consolidated Group	
	31 Dec 2021	31 Dec 2020
	\$'000	\$'000
Revenue from property investment – rental	945	1,018
Revenue from property and project management	24	26
Property development expenses	(24)	(7)
Interest income	351	246
Employee benefits expense	(606)	(578)
Depreciation and amortisation expense	(24)	(26)
Gain/(loss) on revaluation of investment properties	7,160	2,522
Finance costs	(56)	(67)
Other expenses from ordinary activities	(564)	(459)
Profit before income tax	7,206	2,675
Income tax (expense)/benefit – current	-	-
Deferred income tax expense	(2,148)	(795)
Profit from continuing operations	5,058	1,880
Comprehensive Income		
Profit attributable to minority equity interest	-	-
Profit attributable to members of the parent entity	5,058	1,880

Earnings per Share

Basic earnings per share (cents per share)	12.36	4.60
Diluted earnings per share (cents per share)	12.36	4.60

The accompanying notes form part of these financial statements.



13 Sirius Road, Lane Cove NSW



7 Sirius Road, Lane Cove NSW

Condensed Consolidated Statement of Financial Position

DESANE GROUP HOLDINGS LIMITED ABN 61 184 932 and Controlled Entities

For the six months ended 31 December 2021

	Consolidated Group	
	31 Dec 2021	31 Dec 2020
	\$'000	\$'000
Current Assets		
Cash and cash equivalents	65	318
Cash term deposits	-	12,014
Trade and other receivables	302	272
Inventory – development property	4,331	-
Other current assets	168	120
Other financial assets	9,480	5,712
Total Current Assets	14,346	18,436
Non-current Assets		
Trade and other receivables	126	10
Investment properties	74,474	59,662
Inventory – development property	-	3,682
Property, plant and equipment	2,346	2,383
Other financial assets	1,850	100
Other non-current assets	2	2
Total Non-current Assets	78,798	65,839
Total Assets	93,144	84,275
Current Liabilities		
Trade and other payables	3,891	313
Borrowings	-	5,900
Provisions	181	1,061
Total Current Liabilities	4,072	7,274
Non-current Liabilities		
Borrowings	5,900	-
Deferred tax liability	19,274	17,151
Provisions	64	79
Total Non-current Liabilities	25,238	17,230
Total Liabilities	29,310	24,504
Net Assets	63,834	59,771
Equity		
Issued capital	21,213	21,213
Retained earnings	42,621	38,558
Total Equity	63,834	59,771

The accompanying notes form part of these financial statements.

Condensed Consolidated Statement of Changes in Equity

DESANE GROUP HOLDINGS LIMITED ABN 61 184 932 and Controlled Entities

For the six months ended 31 December 2021

	Issued Capital \$'000	Retained Earnings \$'000	Total \$'000
Balance at 1 July 2021	21,213	37,563	58,776
Shares issued during the year	-	-	-
Profit attributable to members of parent entity	-	5,058	5,058
Dividends provided for	-	-	-
Balance at 31 December 2021	21,213	42,621	63,834
Balance at 1 July 2020	21,213	37,598	58,811
Shares issued during the year	-	-	-
Profit attributable to members of parent entity	-	1,880	1,880
Dividends provided for	-	(920)	(920)
Balance at 31 December 2020	21,213	38,558	59,771



Concept image – 159 Allen Street, Leichhardt NSW

Condensed Consolidated Statement of Cash Flows

DESANE GROUP HOLDINGS LIMITED ABN 61 184 932 and Controlled Entities

For the six months ended 31 December 2021

	Consolidated Group	
	31 Dec 2021	31 Dec 2020
	Inflows (Outflows)	Inflows (Outflows)
	\$'000	\$'000
Cash flows from operating activities		
Receipts from customers	1,004	1,093
Payments to suppliers and employees	(1,830)	(1,038)
Property development expenditure	(24)	(7)
Interest received	351	246
Finance costs	(56)	(67)
Net cash provided by (used in) operating activities	(555)	227
Cash flows from investing activities		
Purchase of property, plant and equipment	(3)	-
Purchase of development properties	(322)	(141)
Purchase of financial assets	(7,011)	(16,053)
Proceeds from sale of financial assets	8,488	7,100
Capital costs of investment properties	35	(97)
Net cash provided by (used in) investing activities	1,187	(9,191)
Cash flows from financing activities		
Dividends paid by parent entity	(920)	(920)
Net cash provided by (used in) financing activities	(920)	(920)
Net increase/(decrease) in cash held	(288)	(9,884)
Cash at beginning of the half year	353	10,202
Cash at end of the half year	65	318



Image: 270-278 Norton Street, Leichhardt NSW

Notes to the Condensed Consolidated Financial Statements

DESANE GROUP HOLDINGS LIMITED ABN 61 184 932 and Controlled Entities

For the six months ended 31 December 2021

1. Summary of Significant Accounting Policies

Statement of Compliance

The half-year financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134: *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34: *Interim Financial Reporting*.

These half-year financial statements do not include notes of the type normally included in the annual financial reports and statements and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial statements. Accordingly, these half-year financial statements are to be read in conjunction with the annual financial statements for the year ended 30 June 2021 and any public announcements made by Desane Group Holdings Limited during the half-year reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Basis of Preparation of Half-year Financial Report

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

The accounting policies, which are consistent with Australian Accounting Standards and with International Reporting Financial Statements, have been adopted in the preparation of the half-year financial report and are consistent with those adopted and disclosed in the Company's 2021 annual financial report for the financial year ended 30 June 2021, except for the impact of the adoption of any new and revised accounting policy.

Comparative figures are shown for 31 December 2020 in addition to 30 June 2021 (where applicable) in the statement of financial position due to the seasonality of the business and the impact this has on working capital. There has been no restatement of figures in prior periods.

The Group has considered all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period.

No new Standards and amendments to Standards that are mandatory for the first time for the financial year beginning 1 July 2021 affected any of the amounts recognised in the current year or any prior year and are not likely to affect future periods.

Investment Properties

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

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

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

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

Inventories

Development Property

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

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

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

Property, Plant and Equipment

Property

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

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

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

Plant and Equipment

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

Plant and equipment are measured on a cost basis.

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

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.

Notes to the Condensed Consolidated Financial Statements

DESANE GROUP HOLDINGS LIMITED ABN 61 184 932 and Controlled Entities

For the six months ended 31 December 2021

1. Summary of Significant Accounting Policies (continued)

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

<u>Class of Fixed Asset</u>	<u>Depreciation Rate</u>
Motor vehicles	15%
Plant and equipment	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 and other comprehensive income.

Leases

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

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

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

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

Financial Instruments

The Group has adopted AASB 9: Financial Instruments.

Initial recognition and measurement

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

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

Classification and subsequent measurement

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

The Group has interests in the following financial assets:

(i) Held-to-maturity investments

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

Borrowings

Borrowings consist of first mortgage finance secured over the investment properties. Covenants imposed by mortgagor require total debt not to exceed 50% of the property value and the net rental is required to exceed interest expense by at least 2.0 times. All covenants imposed on secured loan agreements have been satisfied.

Critical Accounting Estimates and Judgements

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

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

(i) Impairment – property valuations

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

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

(ii) Impairment – general

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

Notes to the Condensed Consolidated Financial Statements

DESANE GROUP HOLDINGS LIMITED ABN 61 184 932 and Controlled Entities

For the six months ended 31 December 2021

2. Dividend Paid

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

3. Operating Segments

Segment Information

Identification of Reportable Segments

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

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

Types of Operations and Services by Segment

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

(i) Property Investment

Rental income from prime real estate investments.

(ii) Property Development

Development projects (residential, commercial or industrial).

(iii) Property Services

Property and related services.

Accounting Policies Adopted

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

Segment Assets

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

Segment Liabilities

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

Unallocated Items

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

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

Geographical Segments

The consolidated group operates in two geographical segments, being New South Wales and Queensland, Australia.

Inter-Segment Transactions

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



Notes to the Condensed Consolidated Financial Statements

DESANE GROUP HOLDINGS LIMITED ABN 61 184 932 and Controlled Entities

For the six months ended 31 December 2021

3. Operating Segments (continued)

i) Segment Performance – 31 December 2021

	Property Investment \$'000	Property Development \$'000	Property Services \$'000	Property, Plant & Equipment \$'000	Other \$'000	Consolidated Group \$'000
Six Months to 31 December 2021						
Revenue						
External sales	945	-	24	-	351	1,320
Other segments	-	-	-	-	-	-
Total revenue	945	-	24	-	351	1,320
Segment result	7,797	(24)	24	-	351	8,148
Unallocated expenses						(886)
Finance costs						(56)
Profit/(loss) before income tax						7,206
Deferred income tax expense						(2,148)
Profit/(loss) after income tax						5,058
Other is comprised of:						
				Revenue \$'000		Profit \$'000
Interest received						

ii) Segment Assets – 31 December 2021

	Property Investment \$'000	Property Development \$'000	Property Services \$'000	Property, Plant & Equipment \$'000	Other \$'000	Consolidated Group \$'000
July 2021 opening balance	67,350	4,008	-	2,367	13,919	87,644
Unallocated Assets						
Deferred tax assets						
Segment Asset Increases/(Decreases) for the Period						
Acquisitions	-	-	-	3	-	3
Revaluations/(Devaluations)	7,160	-	-	-	-	7,160
Capital expenditures	(36)	323	-	-	-	287
Accumulated depreciation movement	-	-	-	(24)	-	(24)
Net movement in other segments	-	-	-	-	(1,926)	(1,926)
	74,474	4,331	-	2,346	11,993	93,144
Unallocated Assets						-
Deferred Tax Assets						-
Total Group Assets						93,144

iii) Segment Liabilities – 31 December 2021

	Property Investment \$'000	Property Development \$'000	Property Services \$'000	Property, Plant & Equipment \$'000	Other \$'000	Consolidated Group \$'000
July 2021 opening balance	5,900	-	-	-	5,843	11,743
Unallocated Liabilities						
Deferred tax liabilities						17,126
Segment Liabilities Increases/(Decreases) for the Period						
Net movements in other segments	-	-	-	-	(1,707)	(1,707)
	5,900	-	-	-	4,136	27,162
Unallocated Liabilities						
Deferred Tax Liabilities						2,148
Total Group Liabilities						29,310

iv) Segment Performance – 31 December 2020

	Property Investment \$'000	Property Development \$'000	Property Services \$'000	Property, Plant & Equipment \$'000	Other \$'000	Consolidated Group \$'000
Six Months to 31 December 2020						
Revenue						
External sales	1,018	-	26	-	246	1,290
Other segments	-	-	-	-	-	-
Total revenue	1,018	-	26	-	246	1,290
Segment result	3,331	(7)	26	-	246	3,596
Unallocated expenses						(854)
Finance costs						(67)
Profit/(loss) before income tax						2,675
Deferred income tax expense						(795)
Profit/(loss) after income tax						1,880
Other is comprised of:						
				Revenue \$'000	Profit \$'000	
Interest received				246	246	

Notes to the Condensed Consolidated Financial Statements

DESANE GROUP HOLDINGS LIMITED ABN 61 184 932 and Controlled Entities

For the six months ended 31 December 2021

3. Operating Segments (continued)

v) Segment Assets – 31 December 2020

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

iii) Segment Liabilities – 31 December 2020

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

4. Equity Issued

Issue of ordinary shares during the half year ended 31 December 2021.

	Consolidated Group		Consolidated Group	
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
	No	No	\$'000	\$'000
Ordinary Shares Fully Paid				
As at 1 July 2021	40,909,990	40,909,990	21,213	21,213
Shares Issued During the Year	-	-		
Closing ordinary shares fully paid	40,909,990	40,909,990	21,213	21,213

5. Related Party Transaction

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 services totalling \$3,181 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 Jack Sciara's spouse has been employed by Desane Group Holdings Limited on a part time basis as an administration assistant for the accounting and finance department. Her employment is on an arm's length basis.

Mr Rick Montrone's spouse was paid \$23,900, on market terms, for the design and production of the interim and annual financial reports, as well as the AGM presentation and ongoing website maintenance.

6. Contingent Liabilities

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

7. Events Subsequent to Reporting Date

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

8. Commitments for Expenditure

The contract for 270-278 Norton Street, Leichhardt NSW was exchanged in June 2021, with 50% payment of \$3.625m and the balance of \$3.625m payable on or before June 2022.

9. Proceedings on behalf of the Company

In 2015, Ozzy States Pty Ltd, the builder (now liquidated), completed a mixed residential development in Rozelle, contracted by Desane Contracting Pty Ltd. The Board has been advised that the project builder has been liquidated. 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. The Board of Directors are of the view that this matter will be resolved as soon as possible. This note is also in accordance with Accounting Standards AASB 137-92 and IAS137.

Directors' Declaration

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

1. The financial statements and notes, as set out on pages 9 to 23, are in accordance with the *Corporations Act 2001*, including:
 - a. comply with Accounting Standard AASB 134: *Interim Financial Reporting*; and
 - b. giving a true and fair view of the consolidated entity's financial position as at 31 December 2021 and of its performance for the half-year ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.



John Sheehan AM
Director



Phil Montrone OAM
Director

Sydney
21 February 2022

Independent Auditor's Review Report

G.C.C. Business & Assurance Pty Ltd

ABN 61 105 044 862

GPO Box 4566, Sydney NSW 2001

Telephone: (02) 9231 6166

Facsimile: (02) 9231 6155

Suite 807, 109 Pitt Street, Sydney

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

REPORT ON THE HALF-YEAR FINANCIAL REPORT

Conclusion

We have reviewed the accompanying half-year financial report of Desane Group Holdings Limited and controlled entities, which comprises the condensed consolidated statement of financial position as at 31 December 2021, the condensed consolidated statement of profit and loss and other comprehensive income, the condensed consolidated statement of changes in equity, and the condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Desane Group Holdings Limited is not in accordance with the *Corporations Act 2001*, including:

- i. giving a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the half-year ended on that date; and
- ii. complying with AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2021 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Desane Group Holdings Limited, ASRE 2410 requires that we comply with ethical requirements relevant to the audit of the annual financial report.

A review of the half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independent Auditor's Review Report – continued

G.C.C. Business & Assurance Pty Ltd

ABN 61 105 044 862

GPO Box 4566, Sydney NSW 2001

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Facsimile: (02) 9231 6155

Suite 807, 109 Pitt Street, Sydney

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

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

GCC Business & Assurance Pty Ltd

GCC BUSINESS & ASSURANCE PTY LTD
(Authorised Audit Company)

Graeme Green

GRAEME GREEN
Director

21 February 2022

Photo – 91 Thornton Drive, Penrith NSW





DIRECTORS

Prof. John Sheehan AM
(Non-executive Chairman)

Phil Montrone OAM
(Managing Director)

Rick Montrone
(Director – Head of Property)

Peter Krejci
(Non-executive Director)

CHIEF FINANCIAL OFFICER & COMPANY SECRETARY

Jack Sciarra

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Adelaide SA 5000

AUDITOR

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109 Pitt Street
Sydney NSW 2000

STOCK EXCHANGE LISTING

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

WEBSITE

www.desane.com.au

