

ASX and Media release

26 February 2024

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DESANE ANNOUNCES SOLID HY24 RESULTS

Desane Group Holdings Limited (ASX: **DGH** or **Desane**) is pleased to announce its results for the half year ended 31 December 2023, confirming Earnings Before Interest & Tax (**EBIT**) of **\$3.6m**.

HY24 Group highlights:

- An **increase** of 6% in Group total assets **to \$104.9m** for the six months
- An **increase** of 9% in investment property holdings **to \$84.7m** for the six months
- Group gearing **stable at 40%**
- An **increase** of 4% in NTA per share **to \$1.64** for the six months
- An **increase** of 25% in property rental income over the previous corresponding period

Desane has ensured that shareholders' capital is minimally affected by the current economic environment and 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.

The Group's investment property located at 91 Thornton Drive, Penrith NSW was independently valued, resulting in a significant revaluation increase of \$3.4m (35%), resulting in the Penrith property now being valued at \$13.5m.

This half year, as part of its investment portfolio restocking, the Group acquired an investment property for \$3.5m located at 35 Norton Street, Leichhardt NSW. Settlement was completed on 15 February 2024.

Cash Position

As of 31 December 2023, Desane holds **\$12.9m in cash and financial assets** in low-risk investments secured by first registered mortgages, generating **an average return of 7.0% pa interest revenue**.

The Board is committed to returning to paying sustainable dividends to shareholders, whilst achieving capital growth. Unlocking additional value from the Group's existing property portfolio will require capital funding, therefore the Board has resolved to not recommend the payment of an interim dividend for the half year ended 31 December 2023.

Thornton Estate, Penrith

The 2024 and 2025 financial years will present an opportunity for Desane to progress the development of the 11,000m² Thornton Estate property, located in the heart of Penrith. The Board has engaged a design and construct builder to scope the possibility of subdividing the property into a 7,000m² lot (Lot 1) and a 4,000m² lot (Lot 2). Stage 1 will create the opportunity to develop Lot 1 into a 5,500m² facility, comprising 32 industrial units and 60 storage units. **The Stage 1 construction will be funded internally and will be sold on completion.** The successful development and sale of Stage 1 will determine the best way to progress with Stage 2.

The construction of the Western Sydney Airport continues to drive the strong demand for industrial and commercial land in western Sydney. The successful development of this property will make a tangible contribution to Desane's shareholders. **This property is unencumbered.**



Artist's impression

Leichhardt Residential (NSW):

This boutique 4 storey approved residential development, comprises 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.



Artist's impression

The Norton Street project complements our Company's existing nearby 46-apartment project in Allen Street, which has been approved by Inner West Council. This 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 could yield estimated revenues of between \$70m to \$75m for the Group.**



Artist's impression

These two properties are currently leased on a medium term basis, in anticipation of market conditions sentiments improving for residential apartment developments in Sydney's Inner West. **These two properties are unencumbered.**

Wacol, Brisbane Industrial (QLD):

Following the development approval received from Brisbane City Council, to expand this industrial property asset located in the Brisbane suburb of Wacol, for an additional 3,250m² industrial facility, Desane considered the rapidly increasing cost of construction and decided to postpone the construction of the additional industrial facility until the cost of construction stabilises. Desane will monitor the cost of construction in 2024/2025 and as soon as it is considered to be appropriate, the construction of the additional facility will be commissioned. The existing 5,039m² facility is leased to Brisbane City Council on a long-term basis and serves as the Council's vehicle and fleet maintenance headquarters.

On completion of the new facility, the two combined assets will create a total of 8,289m² of net lettable area and should have a value of approximately \$22m and is expected to generate over \$1.3m per annum of net rental income for the Group.



Artist's impression

Norton Street, Leichhardt Assets

Villa Rosa

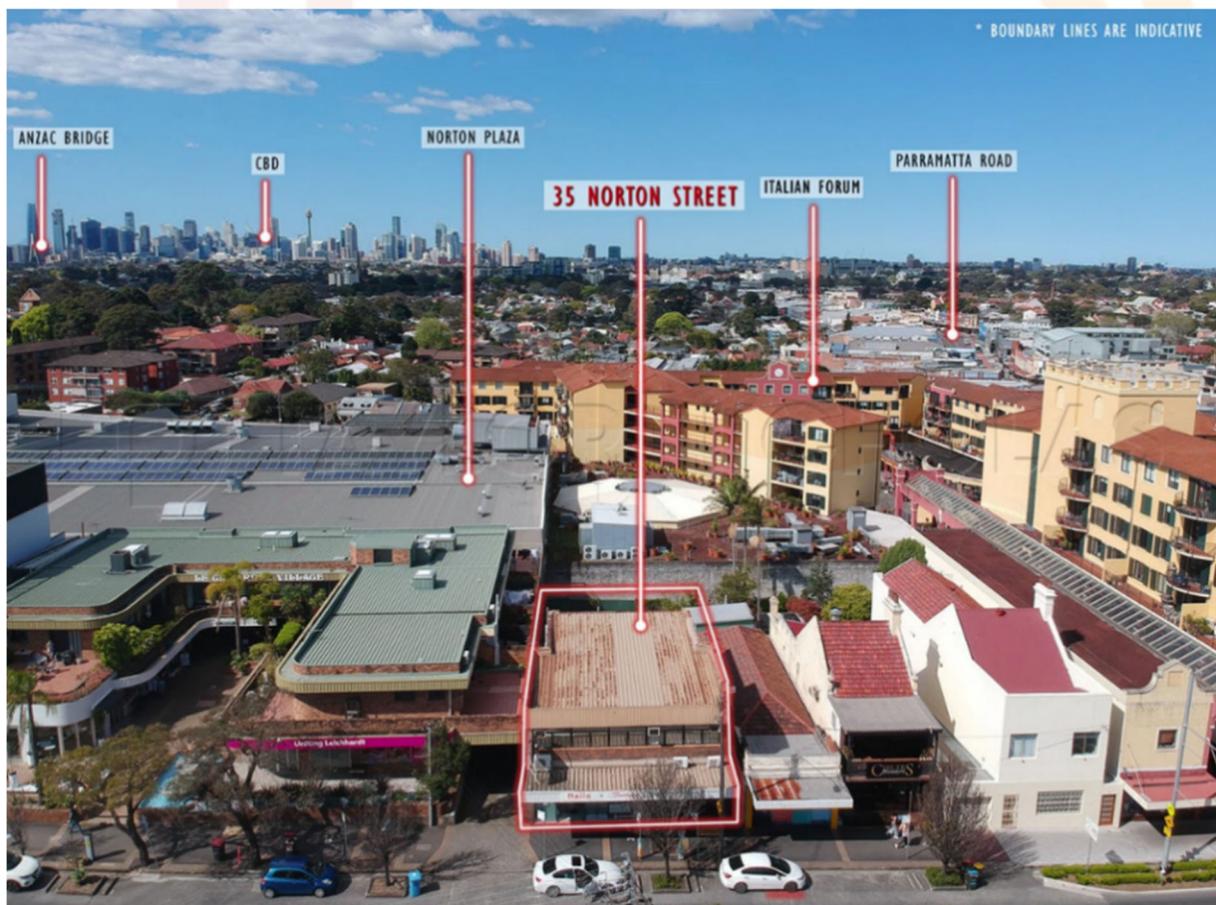
As part of Desane's stated intention to grow the investment property portfolio, in June 2022, Desane completed the acquisition of a prime commercial property located in the Sydney suburb of Leichhardt for \$7.25m. The property, zoned B2-Local Centre, has ample onsite parking and is located in the heart of Norton Street – Leichhardt's commercial, retail and residential district. The property has been upgraded and fully leased to six tenants on long term leases. The 1,550m² of net lettable area is being leased at an average of \$300 per square metre, yielding over \$450,000 per annum net. **This property is unencumbered.**



Central Norton Street

On 15 February 2024, Desane completed the acquisition of a retail and commercial property located in the Norton Street, Leichhardt central commercial district. The purchase price was \$3.5m. The 436m² freestanding property is zoned E1 (Local Centre) and currently permits a 1.5:1 building ratio. The property has ample onsite basement parking and is located on the doorstep of well-serviced bus routes to Sydney's CBD and is within a walking distance from Petersham Train Station. Norton Street is known for its vibrant multicultural restaurant and café culture, and boutique shops.

The acquisition of this property complements Desane's extensive inner western Sydney property portfolio and is part of the Group's investment property restocking, as part of the CGT rollover deferral, and will bolster future rental revenue streams and provide development upside in the medium term. In line with Local and State Governments' stated intentions, the Leichhardt central commercial precinct is likely, in the short to medium term, to undergo a planning review by the Inner West Council. This property is well located to benefit from any planning uplift decisions for the precinct. The building is currently tenanted on medium to long term leases to a diverse mix of tenancies. **This property is unencumbered.**



Lane Cove West Industrial Assets

The two Lane Cove west industrial investment assets, totalling 4,900m², are leased to national tenants. These industrial properties will continue to provide Desane with a steady annual rental income and value growth. On a fully leased basis, the properties provide approximately \$1.1m in net rental.



Company Outlook

Managing Director, Phil Montrone said, “Desane’s management has remained focussed on maintaining and improving the Group’s existing property assets’ value and income. Desane’s investment assets fall into the highly sought-after industrial and commercial asset class, providing stability of income. Desane’s strong balance sheet, coupled with the ability to add value to our existing assets and to acquire additional income producing properties, will provide the opportunity to continue to **protect and improve shareholder value.**”

Desane’s strong balance sheet also provides the opportunity to continue with a diligent 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:

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Jack Sciara
Company Secretary
Desane Group Holdings Limited
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ABOUT DESANE:

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

Appendix 4D Half Yearly Report

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

Results for announcement to the market

For the six months ended 31 December 2023

(Comparative figures being the half year ended 31 December 2022)

Result Summary	Half Year Ended 31 December 2023 \$A'000	Half Year Ended 31 December 2022 \$A'000	Change
Revenue			
Property investment – rental	1,127	900	25.2%
Property and project management	20	19	5.2%
Profit/(loss) from ordinary activities after tax attributable to members	2,192	761	188.0%
Net profit/(loss) for the period attributable to members	2,192	761	188.0%

Dividends

No interim dividend has been declared or proposed in respect of the half year ending 31 December 2023.

Net Tangible Assets per Security

	Current Period	Previous corresponding period
Earnings per security (EPS)		
Basic EPS	5.36 cents	1.86 cents
Diluted EPS	5.36 cents	1.86 cents
Net tangible assets per security		
Net tangible asset backing per Ordinary Share	\$1.64	\$1.57

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 2023 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 2023.

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 2023**



CONTENTS

Directors' Report	4 – 7
Auditor's Independence Declaration	8
Condensed Consolidated Statement of Profit or Loss and Comprehensive Income	10
Condensed Consolidated Statement of Financial Position	11
Condensed Consolidated Statement of Changes in Equity	12
Condensed Consolidated Statement of Cash Flows	13
Notes to the Condensed Consolidated Financial Statements	14 – 22
Directors' Declaration	23
Independent Auditor's Review Report	24 – 25



Desane is a diverse property group listed on the Australian Securities Exchange (“ASX”) with extensive experience in property investment and development in Australia.

Concept image – 91 Thornton Drive, Penrith NSW

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 2023 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 2023.

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 during 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 2023, which were:

- Property investment; and
- Property development.



The Desane team, from left – Kylie Ichsan, Peter Krejci, Jack Sciara, John Sheehan, Rick Montrone, Kenji Nakamura, Sandra Skerl and Phil Montrone.

Operating and Financial Review

The Group recorded a consolidated statutory net profit after tax of **\$2.2m** for the half year ended 31 December 2023. 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 2023 \$'000	31 Dec 2022 \$'000
The profit of the consolidated group, after providing for income tax, amounted to	2,192	761

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

	Total Revenue		Segment Result	
	31 Dec 2023 \$'000	31 Dec 2022 \$'000	31 Dec 2023 \$'000	31 Dec 2022 \$'000
Property investment – rental	1,127	900	579	439
Property management	20	19	20	19
Property investment – net revaluations	3,384	1,450	3,384	1,450
Interest income	456	511	456	511
	4,987	2,880	4,439	2,419
Unallocated expenses			(1,300)	(1,314)
Operating profit			3,139	1,105
Income tax (expense)/benefit attributable to operating profit			-	-
Deferred tax attributable to operating profit			(947)	(344)
Operating profit after income tax attributable to members of Desane Group Holdings Limited			2,192	761

Key Financial Highlights

- An increase of 6% in Group total assets to \$104.9m for the 6 months
- An increase of 9% in investment property holdings to \$84.7m for the six months
- Group gearing stable at 40%
- An increase of 4% in NTA per share to \$1.64 for the six months
- An increase of 25% in property rental income over the previous corresponding period

Financial Review

Desane has ensured that shareholders' capital is minimally affected by the current economic environment and 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.

The Group's investment property located at 91 Thornton Drive, Penrith NSW was independently valued, resulting in a significant revaluation increase of \$3.4m (35%), resulting in the Penrith property now being valued at \$13.5m.

This half year, as part of its investment portfolio restocking, the Group acquired an investment property for \$3.5m, located at 35 Norton Street, Leichhardt NSW. Settlement was completed on 15 February 2024.

Directors' Report - continued

As of 31 December 2023, Desane holds \$12.9m in cash and financial assets in low-risk investments secured by first registered mortgages, generating an average return of 7% pa interest revenue.

Dividends Paid or Recognised

The Board is committed to returning to paying sustainable dividends to shareholders, whilst achieving capital growth. Unlocking additional value from the Group's existing property portfolio will require capital funding, therefore the Board has resolved to not recommend the payment of an interim dividend for the half year ended 31 December 2023.

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

The Group's acquisition of 35 Norton Street, Leichhardt NSW, was settled on 15 February 2024.

There were no other 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.



13 Sirius Road, Lane Cove NSW

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 2023.

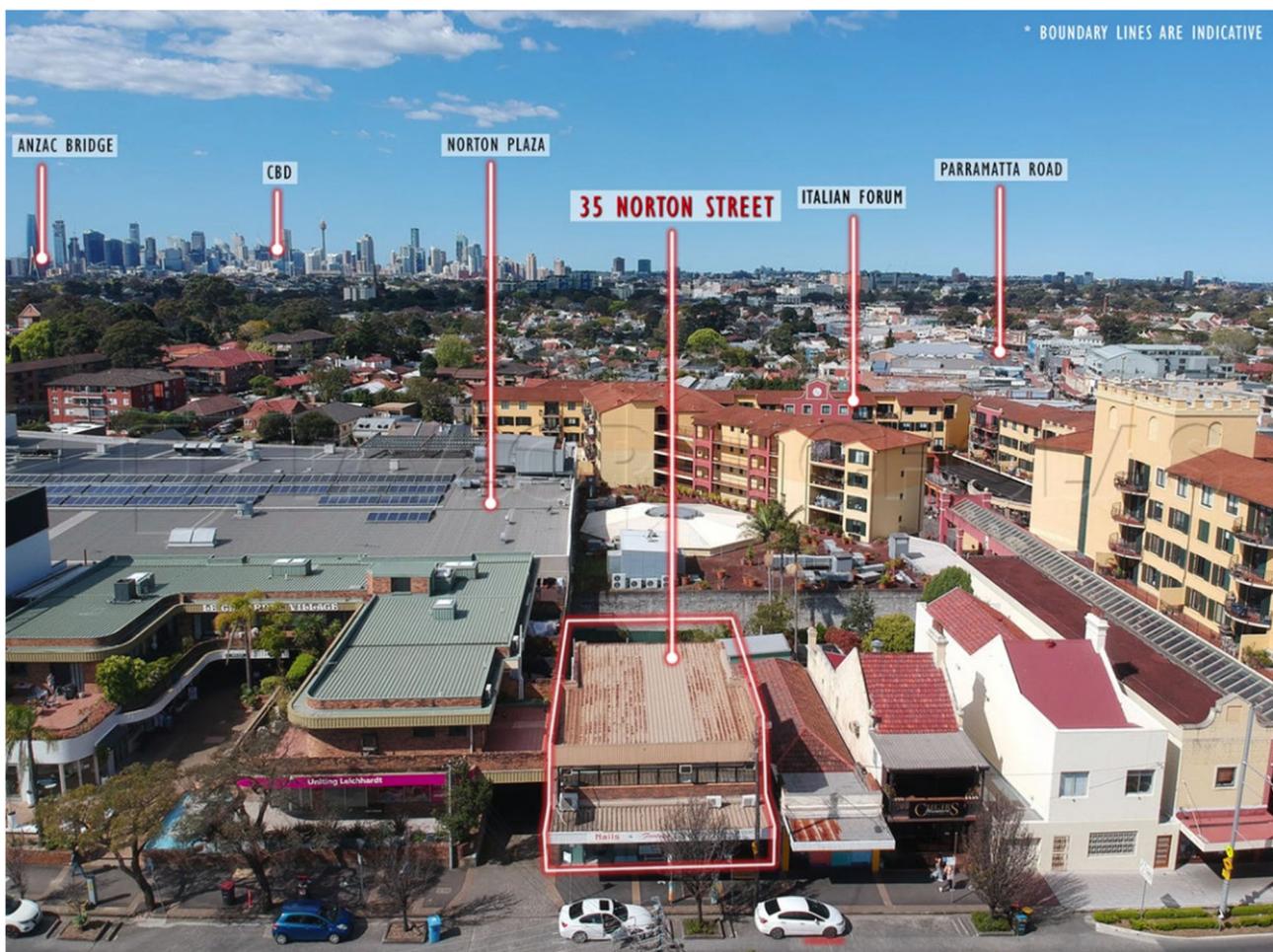
Signed in accordance with a resolution of the Board of Directors, at Sydney this 26th day of February 2024.



John Sheehan AM
Non-executive Chairman



Phil Montrone OAM
Managing Director



35 Norton Street, Leichhardt NSW

Auditor's Independence Declaration

G. C. C. Business & Assurance Pty Ltd

ABN 61 105 044 862

GPO Box 4566 Sydney NSW 2001
Telephone: (02) 9231 6166
Facsimile: (02) 9231 6155
Email: gmga@gccbussines.com.au

Suite 807, 109 Pitt Street, Sydney

AUDITOR'S INDEPENDENCE DECLARATION

DESANE GROUP HOLDINGS LIMITED AND CONTROLLED ENTITIES

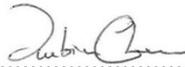
ABN 61 003 184 932

Auditor's Independence Declaration

As lead auditor for the review of the Desane Group Holdings Limited for the half-year ended 31 December 2023, I declare that to the best of my knowledge and belief, there have been:

- (i) no contraventions of the auditor 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.

This declaration is in respect of the Desane Group Holdings Limited and the entities it controlled during the period.



.....
GCC Business and Assurance Pty Limited
Juebin Chen
Director
(Authorised Audit Company No. 307963)
Sydney
Dated: 26 February 2024

Liability limited by a scheme approved under Professional Standards Legislation

FINANCIAL REPORT



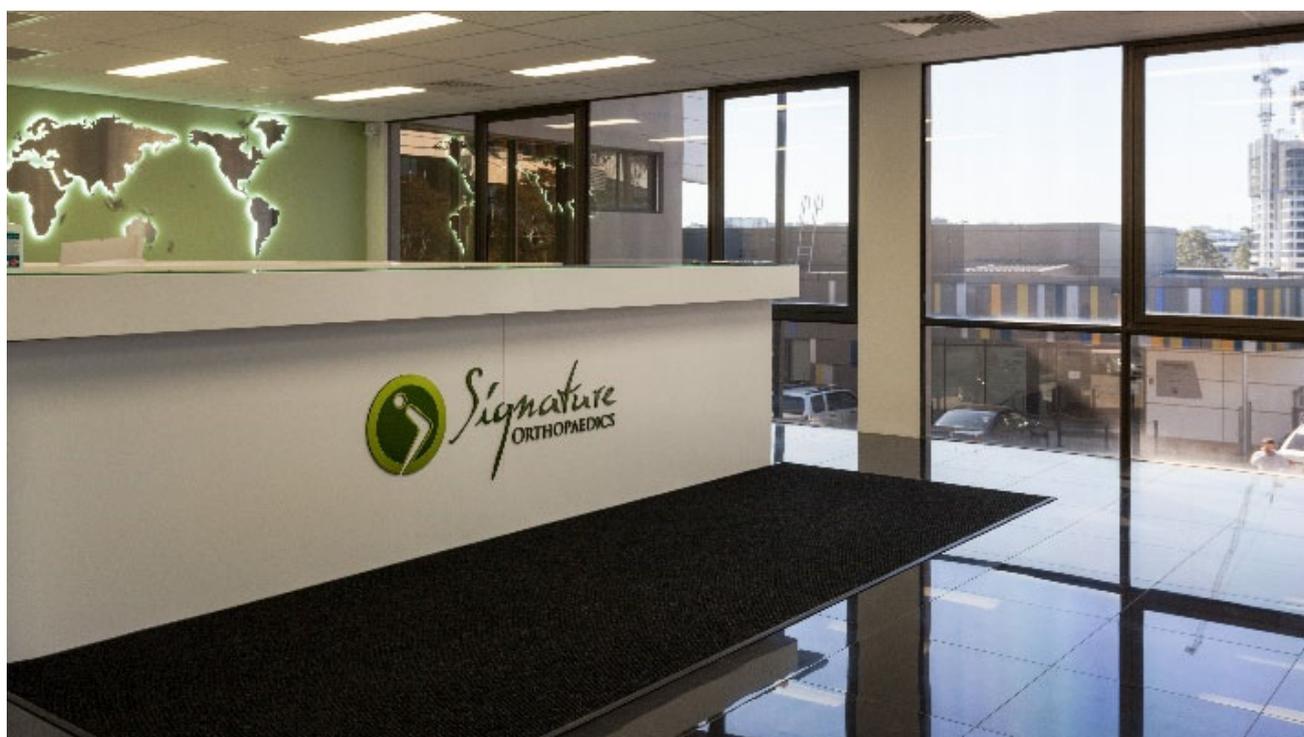
Condensed Consolidated Statement of Profit or Loss and Comprehensive Income

DESANE GROUP HOLDINGS LIMITED ABN 61 184 932 and Controlled Entities

For the six months ended 31 December 2023

	Consolidated Group	
	31 Dec 2023	31 Dec 2022
	\$'000	\$'000
Revenue from property investment – rental	1,127	900
Revenue from property and project management	24	19
Interest income	456	511
Employee benefits expense	(593)	(629)
Depreciation and amortisation expense	(24)	(22)
Gain/(loss) on revaluation of investment properties	3,384	1,450
Finance costs	(428)	(304)
Other expenses from ordinary activities	(807)	(820)
Profit before income tax	3,139	1,105
Income tax (expense)/benefit – current	-	-
Deferred income tax expense	(947)	(344)
Profit from continuing operations	2,192	761
Comprehensive Income		
Profit attributable to minority equity interest	-	-
Profit attributable to members of the parent entity	2,192	761
Earnings per Share		
Basic earnings per share (cents per share)	5.36	1.86
Diluted earnings per share (cents per share)	5.36	1.86

The accompanying notes form part of these financial statements.



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 2023

	Consolidated Group	
	31 Dec 2023 \$'000	30 Jun 2023 \$'000
Current Assets		
Cash and cash equivalents	3,085	696
Cash term deposits	2,000	2,000
Trade and other receivables	117	376
Investment property held for sale	8,759	-
Other current assets	367	500
Other financial assets	7,824	10,690
Total Current Assets	22,152	14,262
Non-current Assets		
Trade and other receivables	118	132
Investment properties	75,950	77,473
Inventory – development property	4,365	4,382
Property, plant and equipment	2,310	2,331
Other financial assets	-	180
Other non-current assets	2	2
Total Non-current Assets	82,745	84,500
Total Assets	104,897	98,762
Current Liabilities		
Trade and other payables	3,329	264
Borrowings	13,900	13,900
Provisions	39	104
Total Current Liabilities	17,268	14,268
Non-current Liabilities		
Trade and other payables	-	2
Deferred tax liability	20,649	19,702
Provisions	52	53
Total Non-current Liabilities	20,701	19,757
Total Liabilities	37,969	34,025
Net Assets	66,928	64,737
Equity		
Issued capital	21,213	21,213
Retained earnings	45,715	43,524
Total Equity	66,928	64,737

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 2023

	Issued Capital \$'000	Retained Earnings \$'000	Total \$'000
Balance at 1 July 2023	21,213	43,523	64,736
Shares issued during the year	-	-	-
Profit attributable to members of parent entity	-	2,192	2,192
Dividends provided for	-	-	-
Balance at 31 December 2023	21,213	45,715	66,928
Balance at 1 July 2022	21,213	42,207	63,420
Shares issued during the year	-	-	-
Profit attributable to members of parent entity	-	761	761
Dividends provided for	-	-	-
Balance at 31 December 2022	21,213	42,968	64,181



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 2023

	Consolidated Group	
	31 Dec 2023	31 Dec 2022
	Inflows (Outflows)	Inflows (Outflows)
	\$'000	\$'000
Cash flows from operating activities		
Receipts from customers	1,120	974
Payments to suppliers and employees	(1,117)	(1,644)
Legal settlement	-	(400)
Interest received	456	511
Finance costs	(428)	(304)
Net cash provided by (used in) operating activities	31	(863)
Cash flows from investing activities		
Purchase of property, plant and equipment	(4)	(13)
Purchase of development properties	18	4
Purchase of investment properties	(540)	-
Purchase of financial assets	-	(2,000)
Proceeds from sale of financial assets	3,046	1,221
Capital costs of investment properties	(162)	(163)
Net cash provided by (used in) investing activities	2,358	(951)
Cash flows from financing activities		
Dividends paid by parent entity	-	-
Net cash provided by (used in) financing activities	-	-
Net increase/(decrease) in cash held	2,389	(1,814)
Cash at beginning of the half year	696	2,059
Cash at end of the half year	3,085	245



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 2023

1. Summary of Significant Accounting Policies

Basis of Preparation of Half-year Financial Report

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 2023 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*.

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. Comparative figures are shown for 31 December 2022 or 30 June 2023 (where applicable) in the statement of financial position. There has been no restatement of figures in prior periods.

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 2023 annual financial report for the financial year ended 30 June 2023, except for the impact of the adoption of any new and revised accounting policy. 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 2023 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 2023

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.

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.

New and Amended Policies Adopted by the Group

The Group has adopted the following standards:

- *AASB 2020-: Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current*

This amendment amends AASB 101 to clarify whether a liability should be presented as current or non-current.

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 2023

1. Summary of Significant Accounting Policies (continued)

- AASB 2022-6: Amendments to Australian Accounting Standards – Non-current Liabilities with Covenants

AASB 2022-6 amends AASB 101 to improve the information an entity provides in its financial statements about liabilities arising from loan arrangements for which the entity's right to defer settlement of those liabilities for at least 12 months after the reporting period is subject to the entity complying with conditions specified in the loan arrangement. It also amends an example in Practice Statement 2 regarding assessing whether information about covenants is material for disclosure.

2. Dividend Paid

	Consolidated Group			
	31 Dec 2023		31 Dec 2022	
	Cents per Share	\$'000	Cents per Share	\$'000
Dividends paid or declared for payment	-	-	-	-

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 2023

3. Operating Segments (continued)

i) Segment Performance – 31 December 2023

	Property Investment \$'000	Property Services \$'000	Property, Plant & Equipment \$'000	Other \$'000	Consolidated Group \$'000
Six Months to 31 December 2023					
Revenue					
External sales	1,127	20	-	456	1,603
Total revenue	1,127	20	-	456	1,603
Segment result	3,963	20	-	456	4,439
Unallocated expenses					(872)
Finance costs					(428)
Profit/(loss) before income tax					3,139
Deferred income tax expense					(947)
Profit/(loss) after income tax					2,192

Other is comprised of:

	Revenue \$'000	Profit \$'000
Interest received	456	456

ii) Segment Assets – 31 December 2023

	Property Investment \$'000	Property Development \$'000	Property Services \$'000	Property, Plant & Equipment \$'000	Other \$'000	Consolidated Group \$'000
July 2023 opening balance	77,473	4,382	-	2,331	14,575	98,761
Unallocated Assets						
Deferred tax assets						
Segment Asset Increases/(Decreases) for the Period						
Acquisitions	3,690	-	-	5	-	3,695
Disposed of assets	-	-	-	(2)	-	(2)
Revaluations/(Devaluations)	3,384	-	-	-	-	3,384
Capital expenditures	162	(17)	-	-	-	145
Accumulated depreciation movement	-	-	-	(24)	-	(24)
Net movement in other segments	-	-	-	-	(1,062)	(1,062)
	84,709	4,365	-	2,310	13,513	104,897
Unallocated Assets						
Deferred Tax Assets						
Total Group Assets						104,897

iii) Segment Liabilities – 31 December 2023

	Property Investment \$'000	Property Development \$'000	Property Services \$'000	Property, Plant & Equipment \$'000	Other \$'000	Consolidated Group \$'000
July 2023 opening balance	13,900	-	-	-	423	14,323
Unallocated Liabilities						
Deferred tax liabilities					19,702	19,702
Segment Liabilities Increases/(Decreases) for the Period						
Net movements in other segments					2,997	2,997
	13,900	-	-	-	23,122	37,022
Unallocated Liabilities						947
Deferred Tax Liabilities						
Total Group Liabilities						37,969

iv) Segment Performance – 31 December 2022

	Property Investment \$'000	Property Services \$'000	Property, Plant & Equipment \$'000	Other \$'000	Consolidated Group \$'000
Six Months to 31 December 2022					
Revenue					
External sales	900	19	-	511	1,430
Total revenue	900	19	-	511	1,430
Segment result	1,889	19	-	511	2,419
Unallocated expenses					
Finance costs					(1,010)
Profit/(loss) before income tax					1,105
Deferred income tax expense					(344)
Profit/(loss) after income tax					761
Other is comprised of:					
				Revenue \$'000	Profit \$'000
Interest received				511	511

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 2023

4. Equity Issued

Issue of ordinary shares during the half year ended 31 December 2023.

	Consolidated Group		Consolidated Group	
	31 Dec 2023 No	30 Jun 2023 No	31 Dec 2023 \$'000	30 Jun 2023 \$'000
Ordinary Shares Fully Paid				
As at 1 July 2023	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 a short term lease, executed at arm's length, for premises at 159 Allen Street, Leichhardt.

Mr Jack Sciara provided professional tax services to the Group for the amount of \$4,400 on an arm's length basis. Mr Jack Sciara's spouse and daughter have been employed by Desane Group Holdings Limited on a part time and casual basis respectively, as administration assistants for the accounting and finance department. Their employment is on an arm's length basis.

Mr Rick Montrone's spouse was paid \$15,750 on market terms, for the design and production of the annual financial report, as well as the AGM presentation and ongoing website maintenance.

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.

6. Contingent Liabilities

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

7. Events Subsequent to Reporting Date

The Group's acquisition of 35 Norton Street, Leichhardt NSW, was settled on 15 February 2024.

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

Directors' Declaration

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

1. The financial statements and notes, as set out on pages 9 to 22, 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 2023 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
26 February 2024

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 (the Group), which comprises the condensed consolidated statement of financial position as at 31 December 2023, 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 2023 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*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's Responsibilities for the Review 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 (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibilities of the directors 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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G. C. C. Business & Assurance Pty Ltd

Auditor's responsibility for the review of the half-year financial report

Our responsibility is to express a conclusion on the financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2023 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*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other 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.

GCC Business & Assurance Pty Ltd.

GCC BUSINESS & ASSURANCE PTY LTD
(Authorised Audit Company)



JUEBIN CHEN
Director

Sydney
26 February 2024

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Concept image – 322 Norton Street, Leichhardt 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

REGISTERED OFFICE

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26-32 Pirrama Road, Pyrmont NSW 2009

POSTAL ADDRESS

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SHARE REGISTRY

Computershare Investor Services Pty Limited
Level 5, 115 Grenfell Street, Adelaide SA 5000

AUDITOR

GCC Business & Assurance Pty Ltd
Suite 807, 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

