

2023 Annual Report



DESANE
GROUP HOLDINGS LIMITED

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01. Chairman's Report



Prof. John Sheehan AM

CHAIRMAN

It gives me great pleasure to introduce the Annual Report of Desane Group Holdings Limited for 2023.

I can report to shareholders that the Group's earnings before interest and tax, for the financial year ending 30 June 2023, was **\$2.6m** and the Group's total assets are **\$98.8m**. The Group's **net tangible assets (NTA) now stand at \$1.58 per security**, an increase of 2% over the previous corresponding year.

Given that the consequences of COVID-19 appear to be ameliorating from a health standpoint, nevertheless, it is clear that the financial consequences are now working through the broader Australian economy. In this environment, the Group has pleasingly achieved a healthy financial result, notably with further asset revaluations. The continuing focus of the Group on maintaining its substantial cash reserves and prudent management of existing property assets has resulted in a continuing strength of the overall Group. I am pleased to note that the current cash and financial assets stand at a significant \$13.6m, enabling the Group to accommodate opportunities over the next financial year as they doubtless arise.

As mentioned in my report last year, the Group's traditional base of industrial and logistic property assets continue to perform well, influenced no doubt to a significant degree by a change in employment patterns.

With unemployment standing at historical lows, notwithstanding the increasing cost of household debt, I would be remiss not to record that the Group's industrial and logistic property assets have benefitted from these changes in employment generally. It appears that where possible, significant numbers of the workforce are preferring to work from home at least for some days each week, with the result that home deliveries have grown significantly. Obviously, logistics have benefitted greatly from this change in employment patterns and hence it is clear that property assets focussed on this sector have been increasingly sought after. This is particularly evident in the growing revenue streams from the Group's property assets, which focus on such areas whilst also providing a continuing capital growth in the medium term at the very least. As stated earlier, this is notable in the increase in the **Group's total assets to \$98.8m**.

"I am pleased to note that the current cash and financial assets stand at a significant \$13.6m, enabling the Group to accommodate opportunities over the next financial year as they doubtless arise."

Also mentioned in my report last year, the resilient Australian economic growth continues to evidence strong domestic expenditure notwithstanding rising energy costs. The high level of participation in the workforce suggests that the economy is indeed more robust than many commentators suggested. The increases in the official interest rate by the Reserve Bank has been clearly focused on ensuring inflation returns to accepted targets, but at the same time with increased immigration there are clear signals that the overall economy will continue to grow in the medium term. Notwithstanding, the cost of building materials and construction labour continues to move towards a more stable position, with anticipated increases in such cost bases reducing in the next financial year. These costs have been at the forefront of your Board's considerations when committing to making decisions regarding the commencement of construction of development projects.

Hence, the Board and the Group management actively monitor these cost bases, recognising that a significant amount of building material is sourced from overseas and are vulnerable to currency fluctuations. The value of the Australian dollar continues to move within a range which is admittedly currently quite narrow, but also with a risk potential which sometimes unexpectedly widens. This is the question that prudent decision making when committing to the construction of development projects must answer. I am pleased that we have such depth of experience and knowledge clearly available to the Board through the skills of our senior management.

Finally, I can report to shareholders that this annual report is the 36th such report of Desane Group Holdings Limited. Your Company has continued to maintain its profitability due to the quality of its senior management and the invaluable contribution of its current Board members.

Your Board remains confident the current strategies of investment and cash retention will continue to result in responsible asset growth and further earnings for shareholders. I congratulate both the Group executives and the employees of Desane Group Holdings Limited for the solid and as always, prudent management of the Group.

Finally, I would like to welcome those shareholders who have recently joined the Company. The Board looks forward to a rewarding and fruitful association with those new shareholders during the coming years.

Prof. John Sheehan AM
CHAIRMAN

02.

Chief Executive's Report



322 NORTON ST

Phil Montrone

Managing Director & CEO

I am pleased to report that Desane Group Holdings Limited has reported its twelfth consecutive yearly profit result for FY23.

The Group's net tangible assets now stand at **\$1.58 per share**. Our management's focused approach has ensured that shareholders' asset value has been protected and enhanced.

The Group's EBIT for this financial year stands at \$2.6m. Desane's total assets now stand at \$98.8m and total revenue has increased by 18% over the corresponding period to \$3.0m.

Desane's cash position remains strong with \$13.6m in cash and financial assets. The Company's diversified loan portfolio, secured by first registered mortgages against quality property assets, is yielding an average of 7.5% pa interest revenue.

Notwithstanding the difficult economic conditions prevailing in Australia during this financial year, the Group's management has remained focussed on:

- Adding value to our existing investment property portfolio;
- Creating value through obtaining planning approvals to our assets; and
- Preservation of cash reserves and capital.

The two Lane Cove west industrial investment assets, totalling 4,900m², are leased on a long term basis 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.

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. During the course of this financial year, 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.**

During the course of this financial year, due to the rapidly increasing cost of construction, Desane's management made the decision to postpone the commissioning of the construction

of the Wacol, Brisbane industrial expansion and the boutique residential project in Norton Street, Leichhardt, and focussed on adding value to the Group's existing assets by upgrading and refurbishing existing assets and negotiating new leases, which has resulted in increased rental income and the revaluation of some of the property assets.

Market conditions permitting and the cost of construction stabilising during the course of 2023 to 2025, Desane will progress to develop the Wacol additional 3,250m² industrial facility. **On completion of the new industrial facility, the two combined Wacol assets will have 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.**

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 resolved to engage a local design architect, **Integrated Design Group**, 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.**

The construction for the boutique 4 storey residential apartment building in Norton Street, Leichhardt, was scheduled to be awarded to a builder in March 2023, however due to the rapid rise of construction costs and the inability of the builder to lock in a lump sum price for the construction work, it was decided to postpone the development and to lease the property. Market conditions permitting and the cost of construction stabilising during the course of 2023 to 2025, Desane will progress to develop this project which will comprise 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.

This Norton Street project complements our Company's approved nearby 46 apartment project in Allen Street, Leichhardt. 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.**

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

Our management's property knowledge and focussed approach

to creating additional value for our shareholders, resulted in the acquisition of a prime commercial property, known as "Villa Rosa", located in the Sydney suburb of Leichhardt, for \$7.25m. Following the acquisition, the property was upgraded and fully leased to six tenants on a long term basis. The 1,550m² of net lettable area has been leased at an average of \$300 per square metre, yielding over \$450,000 net annual rent. In January 2023, the property was independently valued at \$9.2m. 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. **This property is unencumbered.**

The Group's industrial and commercial property assets, and the approved residential development properties, combined with the 1.2ha property asset located in the Sydney western suburb of Penrith, should continue to achieve significant medium to long term returns for shareholders.

The emerging economic challenges for property companies in Australia, over the next 12 to 24 months, will require Desane's management to remain focussed on maintaining and improving its existing property assets' value and income. Desane's existing investment assets provide stability of income and the ability to add value. The Group's strong balance sheet, coupled with the ability to acquire additional income producing properties, will provide the opportunity to improve and protect shareholder's asset value, as well as to continue with its stated objectives of restocking our Company's investment property portfolio.

The economic uncertainty for certain classes of property assets and the continuing high construction costs for new projects will require Desane's management to implement measures that should provide a level of protection for shareholders against a negative economic impact for their investment.

Desane's investment property assets are performing well, in line with industrial and logistic assets across the major capital cities. Over the past three years, Australian consumers have changed the way they spend, which has accelerated Australia's e-commerce market, resulting in a healthy demand for properties that offer warehousing, logistics and distribution facilities. Desane's investment assets fall into the highly sought-after industrial asset class, providing stability of income during these challenging times.

I wish to thank the executive team and all our dedicated staff for their hard work in producing a steady result in very difficult times.

Finally, I would like to acknowledge the support of our Company's shareholders, in particular for the confidence they have placed in the Company's management over the past twelve months.



PHIL MONTRONE OAM
Managing Director & CEO

An outstanding industrial property, strengthening and expanding our investment portfolio.

16 Industrial Avenue is a 21,750m² industrial site comprising of a 5,039m² warehouse, ample on-site parking and excellent truck access. The property is fully leased to a high quality local government tenant on a long term basis.

Desane also has DA approval to construct an additional 3,250m² industrial facility on the site.



Artist's Impression



Artist's Impression

16 Industrial Ave.

BRISBANE



Artist's Impression

159 Allen St.

LEICHHARDT



Artist's Impression

Lifestyle at the door step of the city fringe.

159 Allen Street, Leichhardt is a 2,782m², R1 General Residential zoned site. The property is located approximately 5 kilometres from the CBD, less than 200 metres from Hawthorne Light Rail Station and is a rare development opportunity in Sydney's city fringe.

The property is in short distance to local schools, amenities and other public services, including the University of Sydney and the Royal Prince Alfred Hospital at Camperdown. Desane has recently attained planning approval from the Inner West Council for a 5-storey apartment complex, comprising of 46 residential apartments.



Artist's Impression

This property, a family legacy in the heart of the inner west, is ideally placed in leafy surrounds and has been known for over 40 years for the joy it provided when operating as the function venue, Villa Rosa.

The 929m² B2 zoned site is fully leased to a diversified mix of tenants on long term leases. The property, under the Leichhardt LEP, has an FSR of 1.5:1 and can be converted to residential apartments in the future subject to council approval.



270-278 Norton St. LEICHHARDT



322 Norton St.

LEICHHARDT



Creating community through a boutique development.

The 607m² site at 322 Norton Street was previously used as an auto-electrical shop and has development approval for a 9-unit, mixed-use development. The property is located approximately 5km from the CBD and is zoned B2 Mixed-Use.

The property is situated 200 metres from Leichhardt North Light Rail Station and is in walking distance to public transport as well as vibrant cafes, restaurants and the local shopping scene.



A 2,700m² industrial property.

Located in the Lane Cove West industrial precinct, the property is approximately 12 kilometres north of the Sydney CBD. The property is fully leased to a long term tenant and is situated within 100 metres from another industrial asset owned by Desane.



7 Sirius Rd.
LANE COVE

13 Sirius Rd.

LANE COVE



The limited availability of highly sought after acquisition options will continue to drive investor demand in the area.

A 2,400m² high-tech industrial building with 50 secure basement parking spaces. The property is located within the Lane Cove West precinct and is approximately 12 kilometres north of the Sydney CBD.



Artist's Impression

Future development on the horizon.

91 Thornton Drive, Penrith has an area of approximately 1.2 hectares, with an 88m frontage to Thornton Drive. The site is located within 400 metres of Penrith Railway Station and 500 metres of Westfield Penrith Plaza and the Penrith CBD.

The property falls within the 'Thornton' Masterplan Urban Transformation and will form part of the urban transformation area. The NSW Government has announced an \$8.0 billion investment into the Western Sydney Airport at Badgerys Creek, a \$1.0 billion upgrade to the Nepean Hospital and anticipates 40,000 new jobs will be created in the Penrith area.



91 Thornton Drive.

PENRITH



Artist's Impression

03.

Directors' Report



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

The consolidated financial statements were authorised for issue by the Directors on 21 August 2023. The Directors have the power to amend and reissue the consolidated financial statements.

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

The Directors of Desane Group Holdings Limited ("Desane" and "the Company") present their report, together with the financial report of the Company and its controlled entities for the financial year ended 30 June 2023.



DIRECTORS AND DIRECTORS' INTERESTS



Prof. John B Sheehan AM

Independent Non-Executive
Director & Chairman

Expertise and Experience

Prof. Sheehan, a Life Fellow member of the Australian Property Institute (NSW division), has over 30 years' experience and expertise in property compensation law, town and country planning and environmental law. He has been a board member since the Company's incorporation in 1987 and was appointed as Chairman in 1992, which he currently serves.

Special Responsibilities

- Chairman of the Remuneration & Nomination Committee
- Chairman of the Environmental, Occupational Health and Safety Committee
- Member of the Risk Management & Audit Committee
- Member of the Finance & Operations Committee

Interests In Desane

Ordinary shares: 179,305



Mr Phil Montrone OAM

Managing Director

Expertise and Experience

Mr P Montrone has over 30 years' experience and expertise in property investment, acquisitions, development and project management. He has been a significant board member since the Company's incorporation in 1987 and was appointed as Managing Director in 1987, which he currently serves.

Special Responsibilities

- Member of the Risk Management & Audit Committee
- Member of the Finance & Operations Committee
- Member of the Environmental, Occupational Health & Safety Committee

Interests In Desane

Ordinary shares: 14,596,076



Mr Rick Montrone

Director

Expertise and Experience

Mr R Montrone, who was appointed as Director in 2015, has over 20 years' experience in property investment, acquisitions, developments, management, leasing, sales and project management. Mr Montrone is a licensed real estate agent and an associate member of the Australian Property Institute.

Special Responsibilities

- Member of the Risk Management & Audit Committee
- Member of the Finance & Operations Committee
- Member of the Environmental, Occupational Health & Safety Committee

Interests In Desane

Ordinary shares: 303,721



Mr Peter Krejci

Independent Non-Executive Director

Expertise and Experience

Mr Krejci has over 25 years' experience and expertise in corporate management and is a founding Principal of BRI Ferrier. His professional experience covers financial services, property and construction, retail, logistics, manufacturing and mining. Mr Krejci was appointed as a board member on 8 July 2019.

Special Responsibilities

- Chairman of the Risk Management & Audit Committee
- Member of the Remuneration & Nomination Committee
- Member of the Finance & Operations Committee
- Member of the Environmental, Occupational Health & Safety Committee

Interests In Desane

Ordinary shares: Nil



Mr Jack Sciarra

Company Secretary

Expertise and Experience

Mr J Sciarra joined Desane in 2001 and has over 20 years' experience and expertise in corporate accounting and taxation. Jack was appointed as Company Secretary in 2016. His role in the Company includes developing financial and tax strategies for the Group, investor relations, ASX compliance and corporate governance and overseeing the financial operations and financial reporting of all controlled entities. Jack is a member of the Institute of Public Accountants and a registered Tax Practitioner.

Special Responsibilities

- Chief Financial Officer and Company Secretary

Interests In Desane

Ordinary shares: 203,000

DESANE
GROUP HOLDINGS LIMITED

DIRECTORS' REPORT

Meetings of Directors

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

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

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

*As Company Secretary

Principal Activities

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

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

Operating and Financial Review

The Group recorded a consolidated statutory net profit after tax for the year of \$1.3m (2022: \$4.6m). 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.

	2023 \$'000	2022 \$'000
The profit of the consolidated group, after providing for income tax amounted to	1,317	4,644

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

	Total Revenue		Segment Result	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Property investment – rental	1,964	1,752	(316)	339
Property management and services	40	44	40	44
Property investment – net revaluations	2,504	7,179	2,504	7,179
Interest income	984	747	984	747
	5,492	9,722	3,212	8,309
Less: Unallocated expenses			(1,307)	(1,677)
Operating profit			1,905	6,632
Income tax (expense)/benefit attributable to operating profit			-	-
Deferred tax attributable to operating profit			(588)	(1,988)
Operating profit after income tax attributable to members of Desane Group Holdings Limited			1,317	4,644

Financial Review

Desane achieved a sound financial result for the 2023 financial year. The Group's operational revenues have improved by 18%, whilst expenses have remained steady. The Group's property portfolio has continued to grow year on year.

In June 2022, as part of its property investment portfolio restocking, 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. Since its acquisition, new leases have been negotiated with existing and new tenants at market rent, with the leases expiring in 2027, resulting in an independent property revaluation of the asset to \$9.2m.

As a result of the planning approval for the extension of the Wacol industrial asset and the strong western Sydney industrial market, both Wacol and Penrith assets have been revalued by \$1m collectively, to reflect the current market value for those two assets.

Furthermore, as a result of diligent and prudent management of the property leases and funds under investment, the Group has achieved an 18% increase in revenues over the previous corresponding period.

The Group's total assets now stand at \$98.8m.

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

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

Capital Gains Tax Deferral

Included in the deferred tax liability of \$19.7m is approximately \$13.9m of capital gains tax (CGT) deferral pertaining to the involuntary sale of the Rozelle property, in September 2018, as part of the compulsory acquisition by Roads and Maritime Services which triggered a CGT event.

DIRECTORS' REPORT

Dividends Paid or Recognised

	2023 \$'000	2022 \$'000
Dividends paid or declared for payment are as follows:		
No dividend was declared for the full year ended 30 June 2023	-	-

Dividend Reinvestment Plan (DRP)

The DRP has been suspended until further notice.

Significant Changes in State of Affairs

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

Events Subsequent to Balance Date

There were no events subsequent to the balance date.

Likely Developments

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

Environmental Regulation

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

Occupational Health and Safety Regulations

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

Desane's workplace environment and practices are regularly reviewed to ensure that the safety of its staff and visitors is a priority.

All staff members being given the option and equipment to work from home and all Board members being given the option to attend Board meetings remotely.

All properties owned and managed by Desane, both in NSW and QLD, also adhere to Occupational Health and Safety requirements. Staff members and contractors (on behalf of Desane) attending properties ensured that all site safety measures were followed.

AUDITED REMUNERATION REPORT

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

Remuneration Policy

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

Approach to Remuneration

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

The Group's current remuneration framework includes:

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

Fixed Remuneration

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

Incentive Schemes (Discretionary Remuneration)

Short Term Incentives

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

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

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

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

For the financial year ended 30 June 2023, there was no approval or payment of an STI bonus to KMP (2022: \$-).

DIRECTORS' REPORT

Consequences of Performance on Shareholder Wealth

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

	2023	2022	2021
NPAT for the year at 30 June	\$1.3m	\$4.6m	\$1.8m
Dividends paid per share (cents)	-	-	4.5
Closing share price at 30 June	\$0.88	\$1.100	\$1.180
Earnings/(loss) per share (cents) at 30 June	3.22	11.35	4.42
Ordinary shares on issue at 30 June	40,909,990	40,909,990	40,909,990
NTA per share at 30 June	\$1.58	\$1.55	\$1.44

Executive Agreements

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

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

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

Name	Commencement Date	Term of Agreement & Notice Period	Base Salary Incl. Superannuation \$'000	Termination Payments/ Benefits \$'000
P Montrone	1 September 1987	No fixed term & 12 months	252	-
R Montrone	2 November 2003	No fixed term & 12 months	423	-
J Sciara	3 September 2001	No fixed term & 12 months	233	-

Non Executive Directors

Total compensation for all non executive directors, last voted on at the 2015 Annual General Meeting, is not to exceed \$300,000 per annum. Currently, non executive directors are compensated to a total of \$0.2m per annum (2022: \$0.1m), inclusive of superannuation. The 2023 non executive director fees are 50% (2022: 48%) of the aggregate maximum sum approved by shareholders.

The base fee for the Chairman is \$88,200 per annum and \$63,814 per annum for other non executive directors. Base fee cover all main board activities and membership of all board committees. Non executive directors are not provided with retirement benefits apart from statutory superannuation if applicable.

Details of Remuneration for year ended 30 June 2023

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

Directors	Salary & Fees \$'000	Short Term Benefits STI Cash Bonus \$'000	Superannuation \$'000	Total \$'000
John B. Sheehan (non-executive)	88	-	-	88
Peter Krejci (non-executive)	58	-	6	64
Phil Montrone	260	-	27	287
Rick Montrone	423	-	44	467
Chief Financial Officer/Company Secretary				
Jack Sciara	214	-	22	236
	1,043	-	99	1,142

Indemnifying Officers or Auditor

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

The company paid a premium of \$35,153 to insure the directors of the company and controlled entities. The policy provides cover for individual directors and officers of the company, in respect of claims made and notified to the insurer during the policy period for losses and expenses incurred in defence of claims for any alleged wrongful acts arising out of their official capacities. It will also reimburse the company for any liability it has to indemnify the directors or officers for such losses.

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

Options

No options have been granted over unissued shares during the financial year and there are no outstanding options at 30 June 2023.

Non-audit Services

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

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

The following fees for non-audit services were paid/payable to the external auditors during the year ended 30 June 2023.

Taxation services	\$'000
	4

DIRECTORS' REPORT

Auditor's Independence Declaration

The lead auditor's Independence Declaration for the year ended 30 June 2023, has been received and can be found on page 41 of the Annual Report.

ASIC Class Order 98/100 Rounding of Amounts

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

Corporate Governance Statement

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

This Report of the Directors, incorporating the Remuneration Report, is signed in accordance with a resolution of the Board of Directors, at Sydney, this 21st day of August 2023.



J B Sheehan
Director
Sydney



P Montrone
Director
Sydney



04.

Auditor's Independence Declaration





GCC Business & Assurance Pty Ltd

ABN 61 105 044 862

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Telephone: (02) 9231 6166
Facsimile: (02) 9231 6155

Suite 807, 109 Pitt Street, Sydney NSW 2000

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

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2023 there have been no contraventions of:

- (i) The auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (ii) Any applicable code of professional conduct in relation to the audit.

GCC Business & Assurance Pty Ltd

GCC BUSINESS & ASSURANCE PTY LTD
(Authorised Audit Company)

Graeme Green

GRAEME GREEN
Director

11 August 2023

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Liability limited by a scheme approved under Professional Standards Legislation

05.

Financial Statements



CONSOLIDATED STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME
for the year ended 30 June 2023

	Note	Consolidated Group	
		2023 \$'000	2022 \$'000
Continuing Operations			
Revenue	2	2,004	1,796
Other income	2a	984	747
Gain/(loss) on revaluation of investment properties	2	2,504	7,179
Employee benefits expense		(1,209)	(1,155)
Depreciation and amortisation expense		(44)	(49)
Finance costs		(677)	(164)
Litigation settlement		-	(400)
Other expenses from ordinary activities		(1,657)	(1,322)
Profit before income tax		1,905	6,632
Income tax (expense)/benefit	4	(588)	(1,988)
Profit from continuing operations		1,317	4,644
Other comprehensive income		-	-
Net Profit (after income tax)		1,317	4,644
Profit attributable to minority equity interest		-	-
Profit attributable to members of the parent entity		1,317	4,644
Earnings per Share:			
Overall Operations			
Basic earnings per share (cents per share)	8	3.22	11.35
Diluted earnings per share (cents per share)	8	3.22	11.35
Continuing Operations			
Basic earnings per share (cents per share)		3.22	11.35
Diluted earnings per share (cents per share)		3.22	11.35

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2023

	Note	Consolidated Group	
		2023 \$'000	2022 \$'000
Current Assets			
Cash and cash equivalents	9	2,696	2,059
Trade and other receivables	10	376	371
Other current assets	12	500	399
Other financial assets	13	10,690	11,151
Total Current Assets		14,262	13,980
Non-current Assets			
Inventory – development property	11	4,382	4,355
Investment properties	14	77,473	74,668
Property, plant and equipment	15	2,331	2,321
Other assets	12	134	137
Other financial assets	13	180	2,162
Total Non-current Assets		84,500	83,643
Total Assets		98,762	97,623
Current Liabilities			
Trade and other payables	16	264	881
Borrowings	17	13,900	-
Provisions	18	104	236
Total Current Liabilities		14,268	1,117
Non-current Liabilities			
Trade and other payables	16	2	22
Borrowings	17	-	13,900
Provisions	19	53	50
Deferred tax liability	22	19,702	19,114
Total Non-current Liabilities		19,757	33,086
Total Liabilities		34,025	34,203
Net Assets		64,737	63,420
Equity			
Issued capital	20	21,213	21,213
Retained earnings	21	43,524	42,207
Total Equity		64,737	63,420

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2023

	Consolidated Group		
	Issued Capital \$'000	Retained Earnings \$'000	Total \$'000
Balance at 1 July 2022	21,213	42,207	63,420
Shares issued during the year	-	-	-
Profit attributable to members of the parent entity	-	1,317	1,317
	21,213	43,524	64,737
Dividends paid or recognised for the year	-	-	-
Balance at 30 June 2023	21,213	43,524	64,737
	Issued Capital \$'000	Retained Earnings \$'000	Total \$'000
Balance as at 1 July 2021	21,213	37,563	58,776
Shares issued during the year	-	-	-
Profit attributable to members of the parent entity	-	4,644	4,644
	21,213	42,207	63,420
Dividends paid or recognised for the year	-	-	-
Balance at 30 June 2022	21,213	42,207	63,420

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 30 June 2023

Note	Consolidated Group	
	2023 Inflows (Outflows) \$'000	2022 Inflows (Outflows) \$'000
Cash flows from operating activities		
Receipts from customers	2,131	1,795
Payments to suppliers and employees	(3,680)	(2,710)
Interest received	848	747
Finance costs	(677)	(164)
Net cash provided by (used in) operating activities	29 (1,378)	(332)
Cash flows from investing activities		
Purchase of property, plant and equipment	(54)	(3)
Purchase of development properties	(27)	(347)
Purchase of investment properties	-	(4,013)
Purchase of financial assets	(180)	(7,041)
Proceeds from sale of financial assets	2,577	6,535
Capital costs of investment properties	(301)	(195)
Net cash provided by (used in) investing activities	2,015	(5,064)
Cash flows from financing activities		
Dividends paid by parent entity	-	(920)
New borrowings	-	8,000
Rental bonds received	-	22
Net cash provided by (used in) financing activities	-	7,102
Net increase/(decrease) in cash held	637	1,706
Cash at beginning of financial year	2,059	353
Cash at end of financial year	9 2,696	2,059

The accompanying notes form part of these financial statements.



NOTES TO THE FINANCIAL STATEMENTS*for the year ended 30 June 2023***Note 1: Summary of Significant Accounting Policies****Basis of Preparation**

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

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

The financial statements were authorised for issue on 21 August 2023 by the directors of the Company.

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

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

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

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

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

Accounting Policies**a. Principles of Consolidation**

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

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

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

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

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

b. Income Tax

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

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

Deferred tax assets and liabilities are ascertained based on the temporary differences arising between the tax base

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

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

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

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

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

Tax Consolidation

Desane Group Holdings Limited and its wholly owned Australian controlled entities have formed an income tax consolidated group under tax consolidation legislation. Each entity in the Group recognises its own current and deferred tax assets and liabilities. Such taxes are measured using the 'stand-alone taxpayer' approach to allocation. Current tax liabilities (assets) and deferred tax assets arising from unused tax losses and tax credits in the controlled entities are immediately transferred to the head entity. The Group notified the Australian Taxation Office that it had

formed an income tax consolidated group to apply from 1 July 2003. The tax consolidated group has entered a tax funding arrangement whereby each company in the Group contributes to the income tax payable by the Group in proportion to their contribution to the Group's taxable income.

c. Inventories**Development Property**

Land held for development and sale is measured at the lower of cost and net realisable value. Net realisable value is determined on the basis of like sales in the location and assessed likelihood of full recovery of costs on the ultimate sale of the property. Costs include the cost of acquisition, development, borrowing costs and holding costs until the completion of development. Gains and losses are recognised in the statement of profit and loss on the signing of an unconditional contract of sale if significant risks and rewards and effective control over the property passes to the purchaser at this point.

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

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

d. Property, Plant and Equipment**Property**

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2023

Note 1: Summary of Significant Accounting Policies (cont)

Plant and Equipment

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

Plant and equipment are measured on a cost basis.

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

Depreciation

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

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

Class of Fixed Asset	Depreciation Rate
Motor vehicles	15%
Plant and equipment	2.5%-33%
Office and computer equipment	10%-33%

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

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

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

e. Investment Properties

Investment properties, comprising freehold office and industrial complexes, are held to generate long-term rental yields and capital gains. All tenant leases are on an arm's length basis. The fair value model is applied to all investment property and each property is reviewed at each reporting date. The fair value is defined as

the price at which the property could be exchanged between knowledgeable, willing parties in an arm's length transaction. Each property is independently valued at least every three years by registered valuers who have recognised and appropriate professional qualifications, and recent experience in the location and category of investment property being valued. Changes to fair value are recorded in the statement of profit and loss as revenue from non operating activities. Acquired investment properties are recognised in the statement of financial position when control of the property is attained and the Group derives the benefits of ownership.

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

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

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

f. Leases

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

g. Financial Instruments

The Group has adopted AASB 9: Financial Instruments.

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this

is equivalent to the date that the entity commits itself to either the purchase or sale of the asset (ie. trade date accounting is adopted).

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

Classification and subsequent measurement

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

The Group has interests in the following financial assets:

(i) Held-to-maturity investments

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

h. Impairment of Assets

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

i. Investments in Associates

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

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

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group discontinues recognising its share of further losses unless it has incurred legal or constructive obligations or made payments on behalf of the associate. When the associate

subsequently makes profits, the Group will resume recognising its share of those profits once its share of the profits equals the share of the losses not recognised.

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

j. Interests in Joint Arrangements

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

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

k. Employee Benefits

Short-term Employee Benefits

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2023

Note 1: Summary of Significant Accounting Policies (cont)

Other Long-term Employee Benefits

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

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

l. Provisions

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

m. Cash and Cash Equivalents

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

n. Revenue and Other Income

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

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

Investment property revenue is recognised on a straight-line basis over the period of the lease term so as to reflect a constant periodic rate of return on the net investment.

The Group derives revenue from investing in properties for rental and capital appreciation over time.

Revenue from sale of properties held for resale and non-current property or other assets is brought to account when control over the property is transferred to the purchaser, often on the signing of an unconditional contract of sale if the significant risks and rewards and effective control over the property passes to the purchaser at this point. Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

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

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

o. Trade and Other Receivables

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

p. Trade and Other Payables

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

q. Borrowing Costs

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

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

r. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these

circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

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

s. Comparative Figures

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

t. Rounding of Amounts

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

u. Critical Accounting Estimates and Judgements

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

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

(i) Impairment – property valuations

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

date, using generally accepted market practices.

The critical assumptions underlying management's estimates of fair values are those relating to the passing rent, market rent, occupancy, capitalisation rate, direct comparison to market sales evidence, terminal yield and discount rate. If there is any change in direct comparison to market sales evidence, these assumptions or economic conditions, the fair value of the property investments may differ. Assumptions used in valuation of property investments are disclosed in note 14.

(ii) Impairment – general

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

v. New and Amended Policies Adopted by the Group

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

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

The Group has adopted this standard for the year ended 30 June 2023.

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

AASB 2022-6 amends AASB101 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.

The Group has adopted the amendment for the current year ended 30 June 2023 (note 17).

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2023

Note 2: Revenue and Other Income

	Consolidated Group	
	2023	2022
	\$'000	\$'000
Revenue from Continuing Operations		
Property rental income	1,964	1,752
Property management fees and services	40	44
Total Revenue from Continuing Operations	2,004	1,796
Other Revenue		
a. Interest revenue from:		
- other persons	984	747
Total Other Revenue	984	747
Total Revenue	2,988	2,543
Other Income		
Property investment – net revaluations	2,504	7,179
Total Other Income	2,504	7,179

Note 3: Profit for the Year

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

		Consolidated Group	
	Note	2023	2022
		\$'000	\$'000
Expenses			
Auditors' remuneration	6	89	85
Depreciation of plant and equipment		44	49
Finance costs:			
- External		677	164
Transfer to/(from) provisions for:			
- Employee entitlements		(66)	9
Direct property expenditure from investment property generating rental income		889	665

Note 4: Income Tax Expense

a. The components of tax expense comprise:

		Consolidated Group	
	Note	2023	2022
		\$'000	\$'000
Deferred Tax	22	588	1,988
		588	1,988



NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2023

Note 4: Income Tax Expense (cont)

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

	Note	Consolidated Group	
		2023 \$'000	2022 \$'000
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2022: 30%)			
- consolidated group		572	1,990
Add:			
Tax effect of:			
- adjustment for prior year tax provision		-	-
- other accruals/provisions		27	(29)
- other non-allowable items		1	1
- other items not included in taxable income		(12)	26
Income tax attributable to entity		<u>588</u>	<u>1,988</u>
The applicable weighted average effective tax rates		30.8%	30.0%

The Group has approximately \$4.4m in available carried forward tax losses as at 30 June 2023. The amount of benefits brought to account or which may be realised in the future, is based on the assumption that no adverse change will occur in the income tax legislation, the anticipation that the Group will derive sufficient future assessable income to enable the benefit to be realised and continue to comply with the conditions of deductibility imposed by the law.

Note 5: Key Personnel Compensation

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

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

b. Compensation Practices

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

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

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

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

c. Key Personnel Compensation

2023

Key Personnel	Salary & Fees \$'000	Superannuation \$'000	Short Term Incentives \$'000	Total \$'000
John B. Sheehan	88	-	-	88
Peter Krejci	58	6	-	64
Phil Montrone	260	27	-	287
Rick Montrone	423	44	-	467
Jack Sciarra	214	22	-	236
	<u>1,043</u>	<u>99</u>	<u>-</u>	<u>1,142</u>

2022

Key Personnel	Salary & Fees \$'000	Superannuation \$'000	Short Term Incentives \$'000	Total \$'000
John B. Sheehan	84	-	-	84
Peter Krejci	55	5	-	60
Phil Montrone	217	22	-	239
Rick Montrone	375	37	-	412
Jack Sciarra	180	18	-	198
	<u>911</u>	<u>82</u>	<u>-</u>	<u>993</u>

d. Shareholdings

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

Key Personnel	Balance 30.06.22 '000	Net Change Other * '000	Balance 30.06.23 '000
John B. Sheehan	179	-	179
Phil Montrone	14,596	-	14,596
Rick Montrone	304	-	304
Peter Krejci	-	-	-
Jack Sciarra	228	(25)	203
	<u>15,307</u>	<u>(25)</u>	<u>15,282</u>

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

Note 6: Auditors' Remuneration

	Consolidated Group	
Remuneration of the auditor for the parent entity:	2023 \$'000	2022 \$'000
GCC Business Assurance Pty Ltd		
- auditing or reviewing the financial report	85	82
- taxation services	4	3
	<u>89</u>	<u>85</u>

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2023

Note 7: Dividends

	Consolidated Group	
	2023 \$'000	2022 \$'000
Dividends paid		
a. No dividend was declared for full year ended 30 June 2023	-	-
b. The Group has \$nil (2022 - \$nil) franking credits available.		

Note 8: Earnings per Share

	Consolidated Group	
	2023 \$'000	2022 \$'000
Reconciliation of earnings used in the calculation of earnings per share		
Operating profit after income tax	1,317	4,644
Reconciliation of weighted average numbers of ordinary shares used in the calculation of earnings per share		
	Consolidated Group	
	2023	2022
Weighted average number of ordinary shares used in the calculation of basic earnings per share	40,909,990	40,909,990
Basic earnings per share (cents per share)	3.22	11.35
Diluted earnings per share (cents per share)	3.22	11.35

Conversion, call, subscription or issue after 30 June 2023

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

Note 9: Current Assets – Cash and Cash Equivalents

	Consolidated Group	
	2023 \$'000	2022 \$'000
Cash at bank and in hand	696	199
Interest bearing short term deposits	2,000	1,860
	2,696	2,059

The effective interest rate on cash at bank was 1.0% (2022 – nil).

The effective interest rate on short term bank deposits was an average of 3.0% (2022 – 0.85%). These deposits have a weighted average maturity of 90 days.

Reconciliation of cash

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

	Consolidated Group	
	2023 \$'000	2022 \$'000
Cash as above	2,696	2,059
Less: Bank overdraft (refer to note 17)	-	-
	2,696	2,059

Note 10: Current Assets – Trade and Other Receivables

	Consolidated Group	
	2023 \$'000	2022 \$'000
Trade receivables	376	371

Note 11: Current Assets – Inventory (Development Property)

	Consolidated Group	
	2023 \$'000	2022 \$'000
(a) Current		
322 Norton Street, Leichhardt – acquisition cost	-	-
322 Norton Street, Leichhardt – development costs	-	-
	-	-
(b) Non Current		
322 Norton Street, Leichhardt – acquisition cost	3,379	3,379
322 Norton Street, Leichhardt – development costs	1,003	976
	4,382	4,355

Note 12: Other Assets

	Consolidated Group	
	2023 \$'000	2022 \$'000
(a) Current Assets		
Prepayments and GST receivables	500	399
	500	399
(b) Non Current Assets		
Formation costs	2	2
Lease payment plan	132	135
	134	137

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2023

Note 13: Other Financial Assets

	Consolidated Group	
	2023 \$'000	2022 \$'000
(a) Current		
Held-to-maturity investments		
Fixed interest securities	10,690	11,151
	<u>10,690</u>	<u>11,151</u>
(b) Non Current		
Held-to-maturity investments		
Fixed interest securities	180	2,162
	<u>180</u>	<u>2,162</u>

The effective interest rate on fixed interest securities is an average of 7% pa. These securities have a weighted average maturity of 365 days.

Note 14: Non-current Assets – Properties

Investment properties:

	Note	Consolidated Group	
		2023 \$'000	2022 \$'000
13 Sirius Road, Lane Cove NSW	14a	8,715	8,641
7 Sirius Road, Lane Cove NSW	14b	10,528	10,528
91 Thornton Drive, Penrith NSW	14c	10,000	9,500
159 Allen Street, Leichhardt NSW	14d	23,022	23,004
16 Industrial Avenue, Wacol QLD	14e	16,000	15,331
270-278 Norton Street, Leichhardt NSW	14f	9,208	7,664
		<u>77,473</u>	<u>74,668</u>

Valuation overview

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

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

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

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

- a. The directors' valuation, as at 30 June 2023. An independent valuation was undertaken in December 2020 by a certified practicing valuation company. The directors have based the value on the valuation report, together with current direct comparison market sales evidence.
- b. The directors' valuation as at 30 June 2023. An independent valuation was undertaken in December 2020 by a certified practicing valuation company. The directors have based the value on the valuation report, together with current direct comparison market sales evidence.
- c. The directors' valuation, as at 30 June 2023. An independent valuation was undertaken in December 2021 by a certified practicing valuation company. The directors have based the value on the valuation report, together with current direct comparison market sales evidence.
- d. The directors' valuation as at 30 June 2023. An independent valuation was undertaken in December 2021 by a certified practicing valuation company. The directors have based the value on the valuation report, together with current direct comparison market sales evidence.
- e. The directors' valuation as at 30 June 2023. An independent valuation was undertaken in March 2022 by a certified practicing valuation company. The directors have based the value on the valuation report, together with current direct comparison market sales evidence.

- f. The directors' valuation as at 30 June 2023. An independent valuation was undertaken in January 2023 by a certified practicing valuation company. The directors have based the value on the valuation report, together with current direct comparison market sales evidence.

Operational Overview

Rental income from investment properties is recognised in the consolidated statement of profit or loss.

Direct operating expenses from investment properties generating rental income and from investment properties not generating rental income are recognised in the consolidated statement of profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2023

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

Investment Properties

2023

	Acquisition Cost \$'000	Construction Cost \$'000	Other Capital Costs \$'000	Revaluation \$'000	Carrying Value 30.06.2023 \$'000
13 Sirius Rd, Lane Cove NSW	2,900	672	1,313	3,830	8,715
7 Sirius Rd, Lane Cove NSW	2,950	1,137	340	6,101	10,528
91 Thornton Dr, Penrith NSW	4,149	-	885	4,966	10,000
159 Allen St, Leichhardt NSW	22,280	-	603	139	23,022
16 Industrial Ave, Wacol QLD	10,073	-	268	5,659	16,000
270 - 278 Norton St, Leichhardt NSW	7,688	-	70	1,450	9,208
	50,040	1,809	3,479	22,145	77,473

2022

	Acquisition Cost \$'000	Construction Cost \$'000	Other Capital Costs \$'000	Revaluation \$'000	Carrying Value 30.06.2022 \$'000
13 Sirius Rd, Lane Cove NSW	2,900	672	1,239	3,830	8,641
7 Sirius Rd, Lane Cove NSW	2,950	1,137	340	6,101	10,528
91 Thornton Dr, Penrith NSW	4,149	-	824	4,527	9,500
159 Allen St, Leichhardt NSW	22,280	-	585	139	23,004
16 Industrial Ave, Wacol QLD	10,073	-	214	5,044	15,331
270 - 278 Norton St, Leichhardt NSW	7,642	-	22	-	7,664
	49,994	1,809	3,224	19,641	74,668

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

	Consolidated Group	
	2023 \$'000	2022 \$'000
Suite 4, 26-32 Pirrama Road, Pyrmont – land and buildings	1,834	1,834
Less: Accumulated depreciation	-	-
	1,834	1,834
Capital works – Suite 4	352	352
Less: Accumulated depreciation	(62)	(49)
	290	303
Depreciable plant and equipment	21	21
Less: Accumulated depreciation	(10)	(9)
	11	12
Leasehold improvements	104	104
Less: Accumulated depreciation	(12)	(10)
	92	94
Office furniture and equipment – at cost	145	128
Less: Accumulated depreciation	(104)	(92)
	41	36
Motor vehicle – at cost	106	69
Less: Accumulated depreciation	(48)	(37)
	58	32
In-house software	23	23
Less: Accumulated depreciation	(18)	(13)
	5	10
Total non-current assets	2,331	2,321

Movements in Carrying Amounts

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

	Land and Buildings \$'000	Capital Works \$'000	Leasehold Improvements \$'000	Plant & Equipment \$'000	Total \$'000
Consolidated Group					
Balance at the beginning of year	1,834	303	94	90	2,321
Additions	-	-	-	54	54
Disposals/write offs	-	-	-	-	-
Depreciation expense	-	(13)	(3)	(28)	(44)
Carrying amount at the end of the year	1,834	290	91	116	2,331



NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2023

Note 16: Trade and Other Payables

	Consolidated Group	
	2023 \$'000	2022 \$'000
(a) Current		
Unsecured liabilities		
Trade payables	264	881
	<u>264</u>	<u>881</u>
(b) Non Current		
Unsecured liabilities		
Trade payables - rental bonds held	2	22
	<u>2</u>	<u>22</u>

Note 17: Borrowings

	Note	Consolidated Group	
		2023 \$'000	2022 \$'000
(a) Current			
Secured:			
Bank overdraft	a	-	-

Secured Liabilities – Bank Loans

	Note	Consolidated Group	
		2023 \$'000	2022 \$'000
Finance for property 13 Sirius Road, Lane Cove	17i	2,950	-
Finance for property 7 Sirius Road, Lane Cove	17ii	2,950	-
Finance for property 16 Industrial Avenue, Wacol	17iii	8,000	-
		<u>13,900</u>	<u>-</u>

(b) Non Current**Secured Liabilities – Bank Loans**

	Note	Consolidated Group	
		2023 \$'000	2022 \$'000
Finance for property 13 Sirius Road, Lane Cove	17i	-	2,950
Finance for property 7 Sirius Road, Lane Cove	17ii	-	2,950
Finance for property 16 Industrial Avenue, Wacol	17iii	-	8,000
		<u>-</u>	<u>13,900</u>

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

- i. First mortgage finance secured over 13 Sirius Road, Lane Cove property (note 14a). Covenants imposed by mortgagor require total debt not to exceed 50% of the property value and the EBITDA is required to exceed interest expense by at least 2.0 times. As the interest cover covenant is below the required 2.0 times, the loan has been reclassified as current liability for accounting purposes only. The maturity of the loan is 27 July 2024.
- ii. First mortgage finance secured over 7 Sirius Road, Lane Cove property (note 14b). Covenants imposed by mortgagor require total debt not to exceed 50% of the property value and the EBITDA is required to exceed interest expense by at least 2.0 times. As the interest cover covenant is below the required 2.0 times, the loan has been reclassified as current liability for accounting purposes only. The maturity of the loan is 27 July 2024.
- iii. First mortgage finance secured over 16 Industrial Avenue, Wacol property (note 14e). Covenants imposed by mortgagor require total debt not to exceed 50% of the property value and the EBITDA is required to exceed interest expense by at least 2.0 times. As the interest cover covenant is below the required 2.0 times, the loan has been reclassified as current liability for accounting purposes only. The maturity of the loan is 31 March 2027.

Maturity Schedule	Interest Rates (average)	Consolidated Group	
		2023 \$'000	2022 \$'000
27 July 2024	6.05% pa	5,900	5,900
31 March 2027	6.05% pa	8,000	8,000
		<u>13,900</u>	<u>13,900</u>

Note 18: Current Liabilities - Provisions

	Consolidated Group	
	2023 \$'000	2022 \$'000
Doubtful debt	-	64
Employee entitlements*	104	172
	<u>104</u>	<u>236</u>

* Movement represents provision set aside.

	Consolidated Group	
	2023 No	2022 No
Number of employees at year end	7	5

Note 19: Non Current Liabilities – Provisions

	Consolidated Group	
	2023 \$'000	2022 \$'000
Employee long service leave entitlement*	53	50

* Movement represents provision set aside.

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2023

Note 20: Issued Capital

	Consolidated Group	
	2023 \$'000	2022 \$'000
40,909,990 (2022: 40,909,990) Ordinary Shares fully paid	21,213	21,213

	Consolidated Group		Consolidated Group	
	2023 Shares	2022 Shares	2023 \$'000	2022 \$'000
Ordinary Shares Fully Paid				
At beginning of the year	40,909,990	40,909,990	21,213	21,213
Ordinary Shares fully paid at reporting period	40,909,990	40,909,990	21,213	21,213

a. Movements in Ordinary Share Capital of the Company

No shares were issued during 2023: nil (2022: nil).

b. Authorised Capital

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

c. Capital Management

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

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

There are no externally imposed capital requirements.

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

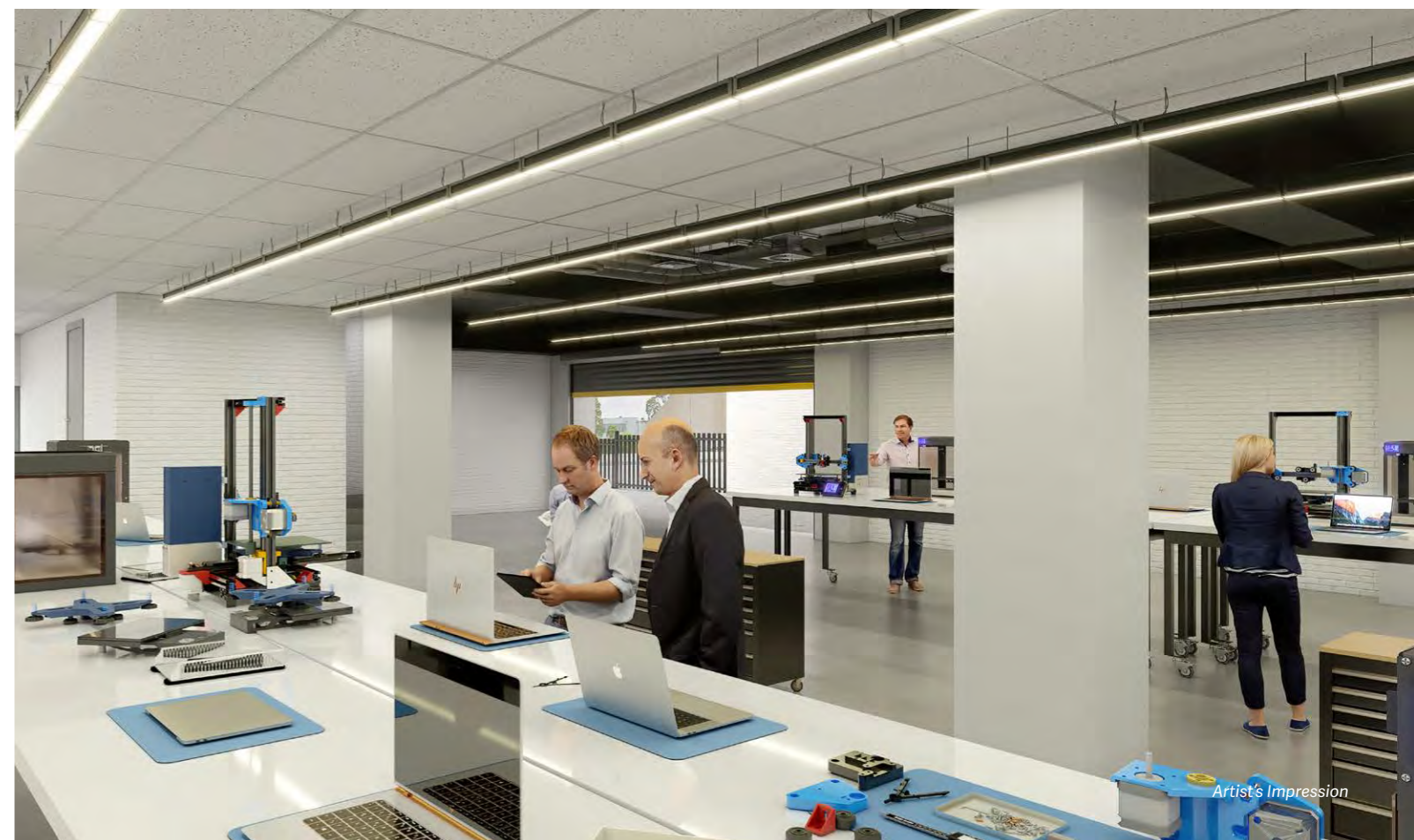
There have been no significant changes in the strategy adopted by management to control and manage the capital of the Group since the prior year.

Note 21: Retained Earnings

	Consolidated Group	
	2023 \$'000	2022 \$'000
Retained earnings at beginning of financial year	42,207	37,563
Net profit attributable to members of parent entity	1,317	4,644
Retained earnings at end of financial year	43,524	42,207

Note 22: Deferred Taxes

	Note	Consolidated Group	
		2023 \$'000	2022 \$'000
Non-current			
Deferred tax liability comprises:			
Tax allowances relating to property and equipment		14,457	14,405
Revaluation of investment properties		6,644	5,892
Deferred tax asset attributable to tax and capital losses		(1,314)	(1,072)
Provisions		(85)	(111)
		19,702	19,114



NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2023

Note 22: Deferred Taxes (cont)

	Note	Consolidated Group	
		2023 \$'000	2022 \$'000
Reconciliation			
Gross Movement			
The overall movement in the deferred tax account is as follows:			
Opening balance		19,114	17,126
Charge to statement of profit and loss	4	588	1,988
Closing balance		19,702	19,114
Deferred Tax Liability			
<i>Tax allowance relating to property, plant and equipment</i>			
Opening balance		14,405	14,348
Charged to the statement of profit and loss		52	57
Closing balance		14,457	14,405
<i>Revaluation of investment properties</i>			
Opening balance		5,892	3,739
Net revaluation during the current period		752	2,153
Closing balance		6,644	5,892
Deferred Tax Assets			
<i>Tax and capital losses</i>			
Opening balance		(1,072)	(879)
Prior year adjustment		-	-
Tax and capital losses utilised		(242)	(193)
Closing balance		(1,314)	(1,072)
<i>Provisions</i>			
Opening balance		(111)	(82)
Credited to statement of profit and loss		26	(29)
Closing balance		(85)	(111)

Included in the deferred tax liability balance of \$19.7m, is an amount of approximately \$13.9m of capital gains tax deferred pertaining to the involuntary sale of the Rozelle property in September 2018 as part of the compulsory acquisition by Roads and Maritime Services which triggered a CGT event.

Note 23: Financial Instruments**a. Financial Risk Management**

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

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

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

Liquidity Risk

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

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

Interest Rate Risk

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

Interest rate risk is managed using a mix of fixed and floating rate debt. At 30 June 2023, approximately 100% of the Group's debt is with a floating interest rate and any balance is fixed interest rate debt.

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

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

b. Credit Risk Exposure

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

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

c. Net Fair Values**On Statement of Financial Position:**

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2023

Note 23: Financial Instruments (cont)

Off Statement of Financial Position:

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

d. Carrying Amount and Net Fair Values

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

2023	Note	Floating Interest Rate	Floating Interest Maturing within 1-5 years	Fixed Interest Maturing within 1 year	Fixed Interest Maturing within 1-5 years	Non Interest Bearing	Total
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Assets							
Cash and deposits	9	-	-	2,696	-	-	2,696
Receivables	10, 12	-	-	-	-	1,009	1,009
Other financial assets	13	-	-	10,690	180	-	10,870
		-	-	13,386	180	1,009	14,575
Weighted average interest rates		-	-	7.0%	7.0%	-	5.8%
Financial Liabilities							
Trade and other creditors	16	-	-	-	-	266	266
Interest bearing liabilities	17	13,900	-	-	-	-	13,900
		13,900	-	-	-	266	14,166
Weighted average interest rate		6.05%	-	-	-	-	6.05%
Net financial assets (liabilities)		(13,900)	-	13,386	180	743	409

2022

Note	Floating Interest Rate	Floating Interest Maturing within 1-5 years	Fixed Interest Maturing within 1 year	Fixed Interest Maturing within 1-5 years	Non Interest Bearing	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Assets						
Cash and deposits	9	-	-	2,059	-	2,059
Receivables	10, 12	-	-	-	907	907
Other financial assets	13	-	-	11,151	2,162	13,313
		-	-	13,210	2,162	16,279
Weighted average interest rates		-	-	6.3%	7.0%	6.3%
Financial Liabilities						
Trade and other creditors	16	-	-	-	903	903
Interest bearing liabilities	17	-	13,900	-	-	13,900
		-	13,900	-	903	14,803
Weighted average interest rate		-	2.4%	-	-	2.4%
Net financial assets (liabilities)		-	(13,900)	13,210	2,162	4



Artist's Impression

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2023

Note 23: Financial Instruments (cont)

Sensitivity Analysis

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

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

There are no financial liabilities maturing over 5 years.

	Consolidated Group	
	Profit \$'000	Equity \$'000
Year ended 30 June 2023	+/- 278	+/- 278

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

	Consolidated Group	
	Profit \$'000	Equity \$'000
Year ended 30 June 2022	+/- 278	+/- 278

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

Held to Maturity Investments

There is an inherent risk associated with investments in fixed interest securities, however, the risks are mitigated by ensuring funds invested are secured with a first registered mortgage security, the term of the investment is for a period of 12 months or less, and the secured property asset has a loan-to-value-ratio (LVR) of less than 65% based on an independent valuation completed by a registered and qualified property valuer.

Note 24: Related Party Transactions

All transactions are under normal commercial terms and conditions.

The Group's main related parties are as follows:

i. *Key management personnel:*

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

ii. *Other related parties:*

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

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

a. Controlled Entities

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

	Consolidated Group	
	2023 \$'000	2022 \$'000
Desane Properties Pty Ltd: Dividend paid	1,300	1,200

b. Directors

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

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

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

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

Trafalgar Contracting Pty Ltd, which is a company owned by Mr Phil Montrone's brother, has provided maintenance and project management services totalling \$68,635 at properties owned by the Group on an arm's length basis. Trafalgar Contracting Pty Ltd has also entered into a lease, at arm's length, for premises at 159 Allen Street, Leichhardt.

Mr Jack Sciarra provided professional tax services to the Group for the amount of \$4,900 on an arm's length basis. Mr Jack Sciarra'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 \$41,715 on market terms, for the design and production of 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.

Note 25: Commitments for Expenditure

There are no contractual commitments.

Note 26: Superannuation Commitments

In the case of employees of the holding company and controlled entities, the company contributed 10.5% of each member's salary into the fund nominated by each member. Group companies contribute a minimum amount equal to 10.5% of each member's salary, plus the cost of the insurance coverage, if required, to insure the provision of all benefits to the Fund. The benefits provided by the accumulation fund are based on the contributions and income thereon held by the Fund on behalf of the member. The 10.5% contribution made by group companies is legally enforceable.

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2023

Note 26: Superannuation Commitments (cont)

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

Employer contributions to the plans; consolidated \$119,670 (2022 - \$103,456), parent entity \$75,501 (2022 - \$65,694).

Note 27: Contingent Liabilities

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

The shareholders' funds as at 30 June 2023, in the controlled entities concerned were:

	Consolidated Group	
	2023	2022
	\$'000	\$'000
159 Allen Street Leichhardt Pty Ltd - net assets	(575)	(321)
Desane Contracting Pty Limited – net assets	-	(2,415)
Desane Properties Pty Limited – net assets	56,121	54,544

b. 7 Sirius Road Property

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

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:

c. 13 Sirius Road Property

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

i. Property Development

Development projects (residential, commercial or industrial).

d. 16 Industrial Avenue Property

The parent entity has guaranteed the repayment of the first mortgage finance secured over the 16 Industrial Avenue property (note 17).

ii. Property Investment

Rental income from prime real estate investments.

iii. Property Project Management and Resale

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

iv. Property Services

Property and related services.

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.

Accounting Policies Adopted

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

Reportable segments disclosed are based on aggregating operating systems where the segments are considered to have similar economic characteristics and are also similar

Segment Assets

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

Segment Liabilities

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

Unallocated Items

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

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

Geographical Segments

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

Inter-segment Transactions

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

2023	Property Investment \$'000	Property Development \$'000	Property Services \$'000	Plant & Equipment \$'000	Other \$'000	Consolidated Group \$'000
External sales	1,964	-	40	-	984	2,988
Other segments	-	-	-	-	-	-
Total revenue	1,964	-	40	-	984	2,988
Segment result	2,865	-	40	-	984	3,889
Unallocated expenses						(1,307)
Finance costs						(677)
Profit/(loss) before income tax						1,905
Income tax expense						(588)
Profit/(loss) after income tax						1,317

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2023

Note 28: Operating Segments – Consolidated Group (cont)

2023	Property Investment \$'000	Property Development \$'000	Property Services \$'000	Plant & Equipment \$'000	Other \$'000	Consolidated Group \$'000
Segment Assets						
2022 opening balance	74,668	4,355	-	2,321	16,279	97,623
Unallocated Assets						-
Deferred tax assets						
Segment Asset Increases/(Decreases) for the Period						
Acquisitions	-	-	-	54	-	54
Revaluations/(devaluations)	2,504	-	-	-	-	2,504
Capital expenditures	301	27	-	-	-	328
Depreciation and capital allowance	-	-	-	(44)	-	(44)
Net movement in other segments	-	-	-	(1,703)	(1,703)	(1,703)
	<u>77,473</u>	<u>4,382</u>	<u>-</u>	<u>2,331</u>	<u>14,576</u>	<u>98,762</u>
Unallocated Assets						
Deferred Tax Assets						
Total Group Assets						<u>98,762</u>
2023 Segment Liabilities						
2022 opening balance	13,900	-	-	-	1,189	15,089
Unallocated Liabilities						
Deferred tax liabilities					19,114	19,114
Segment Liabilities						
Increases/(Decreases) for the Period						
Net movement in other segments	-	-	-	-	(766)	(766)
	<u>13,900</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,537</u>	<u>33,437</u>
Unallocated Liabilities						
Deferred Tax Liabilities						588
Total Group Liabilities						<u>34,025</u>

2022	Property Investment \$'000	Property Development \$'000	Property Services \$'000	Plant & Equipment \$'000	Other \$'000	Consolidated Group \$'000
External sales	1,752	-	44	-	747	2,543
Other segments	-	-	-	-	-	-
Total revenue	<u>1,752</u>	<u>-</u>	<u>44</u>	<u>-</u>	<u>747</u>	<u>2,543</u>
Segment result	<u>7,682</u>		<u>44</u>	<u>-</u>	<u>747</u>	<u>8,473</u>
Unallocated expenses						(1,677)
Finance costs						(164)
Profit/(loss) before income tax						6,632
Income tax expense						(1,988)
Profit/(loss) after income tax						<u>4,644</u>
2022 Segment Assets						
2021 opening balance	67,350	4,009	-	2,367	13,919	87,645
Unallocated Assets						
Deferred tax assets						
Segment Asset						
Increases/(Decreases) for the Period						
Acquisitions	(56)	-	-	3	-	(53)
Revaluations/(devaluations)	7,179	-	-	-	-	7,179
Capital expenditures	195	-	-	-	-	195
Development expenditures	-	346	-	-	-	346
Depreciation and capital allowance	-	-	-	(49)	-	(49)
Net movement in other segments	-	-	-	-	2,360	2,360
	<u>74,668</u>	<u>4,355</u>	<u>-</u>	<u>2,321</u>	<u>16,279</u>	<u>97,623</u>
Unallocated Assets						
Deferred Tax Assets						
Total Group Assets						<u>97,623</u>

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2023

Note 28: Operating Segments – Consolidated Group (cont)

2022 Segment Liabilities	Property Investment \$'000	Property Development \$'000	Property Services \$'000	Plant & Equipment \$'000	Other \$'000	Consolidated Group \$'000
2021 opening balance	5,900	-	-	-	5,843	11,743
Unallocated Liabilities						
Deferred tax liabilities					17,126	17,126
Segment Liabilities						
Increases/(Decreases) for the Period						
New Borrowings	8,000	-	-	-	-	8,000
Net movement in other segments	-	-	-	-	(4,654)	(4,654)
	13,900	-	-	-	18,315	32,215
Unallocated Liabilities						
Deferred Tax Liabilities						1,988
Total Group Liabilities						34,203

Note 29: Cash Flow Information

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

	Consolidated Group	
	2023 \$'000	2022 \$'000
Profit/(loss) after income tax	1,317	4,644
Non-cash flows in profit/(loss)		
Depreciation and amortisation	44	49
(Gain)/loss on asset revaluation	(2,504)	(7,179)
Changes in assets and liabilities		
(Increase)/decrease in trade receivables	(5)	(73)
(Increase)/decrease in prepayments	(101)	(13)
(Decrease)/increase in trade payments and accruals	(616)	241
(Decrease)/increase in other payables	-	(4,069)
(Decrease)/increase in provisions	(66)	9
Increase/(decrease) in deferred taxes payable	588	1,988
Transfer to financing activities	(35)	4,071
Cash flow from operations	(1,378)	(332)

Credit Standby Arrangements with Banks

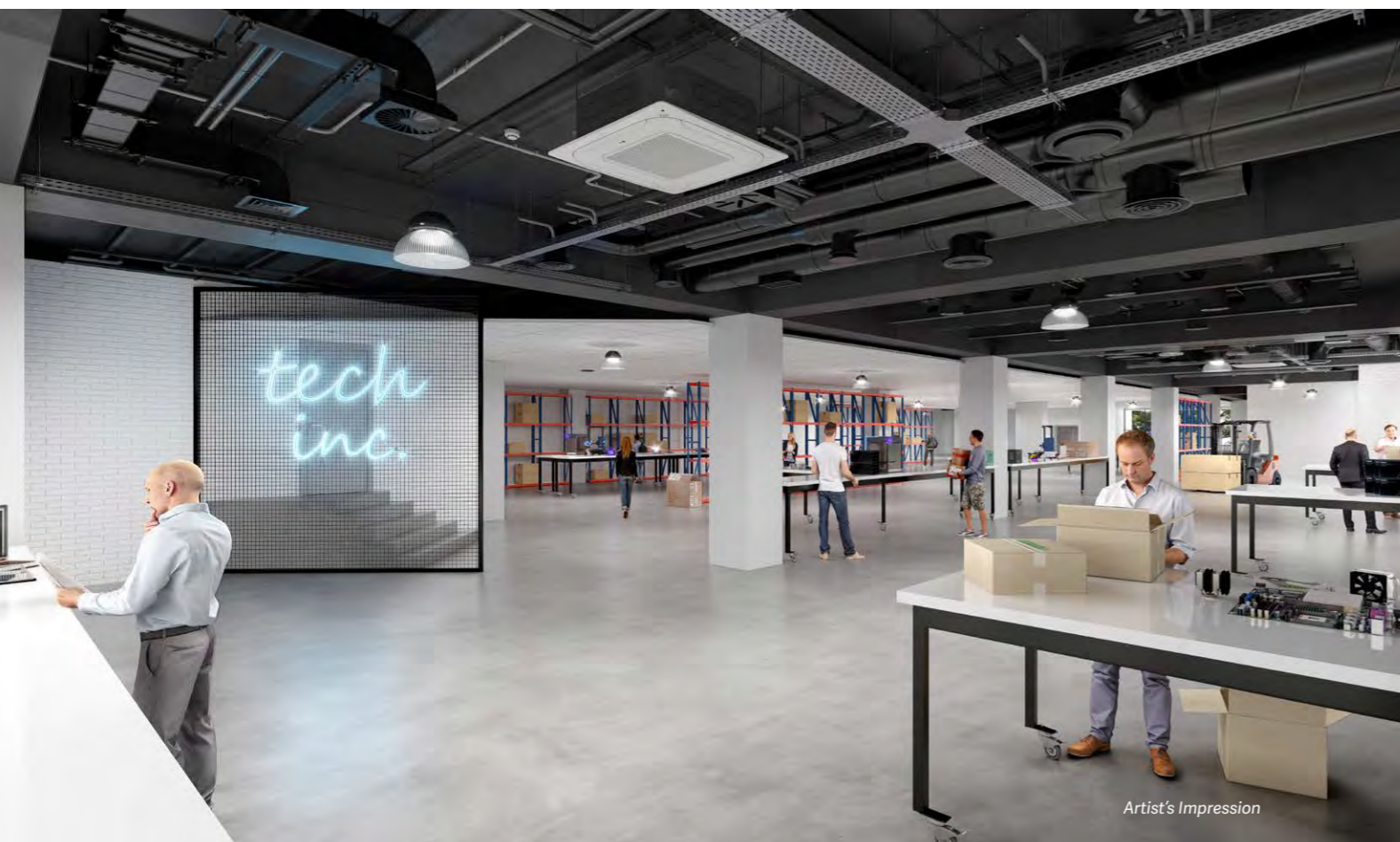
	Consolidated Group	
	2023 \$'000	2022 \$'000
Credit facility	100	100
Amount utilised	-	-

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

Loan Facilities with Financial Institutions

	Consolidated Group	
	2023 \$'000	2022 \$'000
Loan facilities	13,900	13,900
Amount utilised	(13,900)	(13,900)

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



Artist's Impression

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2023

Note 30: Parent Entity Disclosures

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

	Note	Parent Entity	
		2023 \$'000	2022 \$'000
STATEMENT OF COMPREHENSIVE INCOME			
Result of Parent Entity			
Profit for the period		46	39
Other comprehensive income		-	-
Total profit and comprehensive income for the period		46	39
STATEMENT OF FINANCIAL POSITION			
Current Assets			
Cash		7	9
Other assets		36	50
Non-current Assets			
Trade and other receivables – loans to controlled entities	ii	9,258	11,714
Investment – controlled entities	i	490	490
Property, plant and equipment		105	78
Total Assets		9,896	12,341
Current Liabilities			
Trade and other payables		19	28
Short term provisions		197	211
Total Liabilities		216	239
Net Assets		9,680	12,102
Total Equity			
Issued capital		21,213	21,213
Retained earnings/(accumulated losses)		(11,533)	(9,111)
Total Equity		9,680	12,102

i. Controlled Entities

Investments in controlled entities are unquoted and comprise:

	Class of Shares	Holding %	Parent Entity		
			2023 Investment \$'000	2022 Holding %	2022 Investment \$'000
Desane Properties Pty Ltd	Ordinary	100	490	100	490
159 Allen Street Leichhardt Pty Ltd	Ordinary	100	-	100	-
			490		490

All controlled entities are incorporated in Australia. Desane Properties Pty Ltd declared a dividend of \$1,300,000 out of retained profits (2022: \$1,200,000). Desane Contracting Pty Ltd declared a dividend of \$nil (2022: \$nil). 159 Allen Street Leichhardt Pty Ltd declared a dividend of \$nil (2022: \$nil).

Contribution to profit/(loss) after tax:

	2023 \$'000	2022 \$'000
Desane Group Holdings Limited	(1,254)	(1,161)
Desane Properties Pty Limited	2,878	6,338
Desane Contracting Pty Limited	(53)	(516)
159 Allen Street Leichhardt Pty Ltd	(254)	(17)
	1,317	4,644
ii. Loans to Controlled Entities		
	2023 \$'000	2022 \$'000
Desane Properties Pty Limited	(14,536)	(13,667)
Desane Contracting Pty Limited	-	1,998
159 Allen Street Leichhardt Pty Ltd	23,794	23,383
	9,258	11,714

Guarantees

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

Capital Commitments

Desane Group Holdings has no capital commitments to note.

Contractual Commitments

At 30 June 2023, Desane Group Holdings Limited had not entered into any contractual commitments for the acquisition of property, plant and equipment or any other affairs (2022: Nil).

Note 31: Events after the Reporting Date

There were no material events subsequent to reporting date.

Note 32: Economic Dependency

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

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 44-83 are in accordance with the *Corporations Act 2001* and;
 - a. Comply with Australian Accounting Standards, which, as stated in accounting policy note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and
 - b. Give a true and fair view of the financial position as at 30 June 2023 and of the performance for the year ended on that date of the consolidated group;
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
3. The directors have been given the declarations required by a 295A of the *Corporations Act 2001* from the Managing Director and Chief Financial Officer.

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



J B Sheehan
Director
Sydney



P Montrone
Director
Sydney

21 August 2023



06.

Independent Auditor's Report



16 INDUSTRIAL AVE

INDEPENDENT AUDITOR'S REPORT

GCC Business & Assurance Pty Ltd

ABN 61 105 044 862

GPO Box 4566, Sydney NSW 2001
Telephone: (02) 9231 6166
Facsimile: (02) 9231 6155

Suite 807, 109 Pitt Street, Sydney NSW 2000

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DESANE GROUP HOLDINGS LIMITED
REPORT ON THE AUDIT OF CONSOLIDATED FINANCIAL STATEMENTS

Report on the Financial Report

Opinion

We have audited the financial report of Desane Group Holdings Limited and Controlled Entities (the Group), which comprises the consolidated statement of financial position as at 30 June 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*; including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2023 and of its financial performance for the year then ended; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

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

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the year ended 30 June 2023. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide an opinion on these matters.

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Description of Key Audit Matter	How Our Audit Addressed the Key Audit Matter														
<p>1. Valuation of Investment Properties – non current refer note 1(e) and note 14 to the consolidated financial statements.</p> <table border="1"> <tr> <td></td> <td style="text-align: right;">\$,000</td> </tr> <tr> <td>159 Allen Street, Leichhardt NSW</td> <td style="text-align: right;">23,022</td> </tr> <tr> <td>16 Industrial Avenue, Wacol QLD</td> <td style="text-align: right;">16,000</td> </tr> <tr> <td>7 Sirius Road, Lane Cove</td> <td style="text-align: right;">10,528</td> </tr> <tr> <td>13 Sirius Road, Lane Cove</td> <td style="text-align: right;">8,715</td> </tr> <tr> <td>91 Thornton Drive, Penrith</td> <td style="text-align: right;">10,000</td> </tr> <tr> <td>270-278 Norton Street, Leichhardt</td> <td style="text-align: right;">9,208</td> </tr> </table> <p>The properties were valued by the directors based on the methodologies used in independent valuations undertaken by licensed valuers.</p> <p>During the year an independent valuation was undertaken on the 270-278 Norton Street property in January 2023.</p> <p>Commercial property valuations are sensitive to the key assumptions applied in valuations. In particular, rates of capitalisation of net rental income, the inputs to determine discounted cash flow outcomes, interest rates and in appropriately assessing market sales evidence in the property sector and location under review.</p>		\$,000	159 Allen Street, Leichhardt NSW	23,022	16 Industrial Avenue, Wacol QLD	16,000	7 Sirius Road, Lane Cove	10,528	13 Sirius Road, Lane Cove	8,715	91 Thornton Drive, Penrith	10,000	270-278 Norton Street, Leichhardt	9,208	<p>Our procedures included, but were not limited to the following:</p> <ol style="list-style-type: none"> We confirmed that the independent valuation was undertaken in accordance with both International Financial Reporting Standards (IFRS) 13 and the Australian Property Institute Standards to determine the fair value of the applicable property. We considered the valuation methods used by the directors to ensure their approach and methodologies accorded with the industry norm for valuations of this nature and that all commonly accepted valuation methods had been considered. We checked the continued reliability of the underlying assumptions used in the valuations to supporting lease agreements and other documents. We compared the inputs in the valuations, including capitalisation rates, discount rates and rental yields to historical data and available industry data for their current relevance and applicability. The relative sensitivity of the inputs, in light of prevailing economic conditions, were discussed with the directors. We reviewed the Directors' and management's assessment and evidence of comparable market sales for reasonableness. The professional membership of the independent valuers was confirmed. We considered the adequacy of the disclosures in the financial statements. <p>We confirmed that the directors' valuations were in accordance with generally acceptable market valuations with the key assumptions being within the range of current market data. We found the disclosures in the financial statements to be adequate.</p>
	\$,000														
159 Allen Street, Leichhardt NSW	23,022														
16 Industrial Avenue, Wacol QLD	16,000														
7 Sirius Road, Lane Cove	10,528														
13 Sirius Road, Lane Cove	8,715														
91 Thornton Drive, Penrith	10,000														
270-278 Norton Street, Leichhardt	9,208														

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INDEPENDENT AUDITOR'S REPORT

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Facsimile: (02) 9231 6155

Suite 807, 109 Pitt Street, Sydney NSW 2000

Description of Key Audit Matter	How Our Audit Addressed the Key Audit Matter								
<p>2. Fixed Interest Securities</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: right;">\$,000</td> <td></td> </tr> <tr> <td style="text-align: right;">Current</td> <td style="text-align: right;">11,151</td> </tr> <tr> <td style="text-align: right;">Non current</td> <td style="text-align: right;"><u>2,162</u></td> </tr> <tr> <td></td> <td style="text-align: right;"><u>13,313</u></td> </tr> </table> <p>(Refer note 23)</p> <p>The fixed interest securities represent loan advances to predominantly property investment businesses via designated facilitating financial institutions.</p> <p>Desane's due diligence protocols include requirement of an independent valuation of the underlying property, executed loan agreements, fixed first registered mortgage security and satisfactory loan to the value of the property ratio.</p>	\$,000		Current	11,151	Non current	<u>2,162</u>		<u>13,313</u>	<p>Our procedures included, but were not limited to the following:</p> <ol style="list-style-type: none"> 1. We confirmed all balances with the financial institutions concerned. 2. We checked the allocation between current and non current in the financial statements. 3. We contacted management at each financial institution to assess recoverability of the loans. 4. We verified key documentation including independent valuations, loan agreements and first mortgage registrations. 5. We assessed the reasonableness of loan to valuation ratio. Balances appear fairly stated at 30 June 2023.
\$,000									
Current	11,151								
Non current	<u>2,162</u>								
	<u>13,313</u>								

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2023, but does not include the financial report and our auditor's report. Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon. In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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Auditor's Responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on the Remuneration

We have audited the remuneration report included in pages 33 to 35 of the directors' report for the year ended 30 June 2023. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with s 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

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INDEPENDENT AUDITOR'S REPORT

GCC Business & Assurance Pty Ltd

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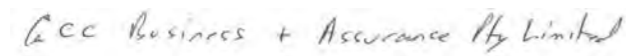
Suite 807, 109 Pitt Street, Sydney NSW 2000

Responsibilities

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

Auditor's Opinion

In our opinion, the remuneration report of Desane Group Holdings Limited, for the year ended 30 June 2023, complies with s 300A of the *Corporations Act 2001*.

**GCC BUSINESS & ASSURANCE PTY LTD**
(Authorised Audit Company)**GRAEME GREEN**
DirectorSydney
21 August 2023

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07.

Shareholder Information



SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 1 August 2023.

1. SHAREHOLDING

Distribution of equitable securities:

Category (size of holding)	Number of Ordinary Shares*	Number of Holders of Ordinary Shares	% of Issued Capital
1 - 1,000	30,503	126	0.07
1,001 - 5,000	324,235	122	0.79
5,001 - 10,000	402,378	52	0.98
10,001 - 100,000	4,614,254	125	11.28
100,001 - and over	35,538,620	57	86.87
Rounding			0.01
Total	40,909,990	482	100.00

There were 94 holders of less than a marketable parcel of ordinary shares.

* The number of Ordinary Shares on issue as at 30 June 2023 was 40,909,990.



SHAREHOLDER INFORMATION

2. TWENTY LARGEST QUOTED EQUITY SECURITY HOLDERS

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

Name	Ordinary Shares	% Held to Issued Capital
1. Cupara Pty Ltd	11,270,878	27.55
2. J P Morgan Nominees Australia Pty Limited	4,390,617	10.73
3. Montevans Pty Ltd <M & M Super A/C>	2,610,400	6.38
4. Horrie Pty Ltd <Horrie Superannuation A/C>	2,210,294	5.40
5. Glencairn Pty Limited	1,470,000	3.59
6. PFPT Management Pty Ltd <Pellarini Super Fund A/C>	938,831	2.29
7. Cordato Partners (Superannuation) Pty Ltd <Cordato Partners S/F A/C>	790,409	1.93
8. National Nominees Limited	769,893	1.88
9. Dotnric Pty Ltd <Famiglia di Riccardo S/F A/C>	593,579	1.45
10. John & Judith Pty Ltd <Joju Superannuationfund A/C>	582,677	1.42
11. Keiser Investments Pty Ltd <Gann Family Retirement A/C>	556,158	1.36
12. Hillmorton Custodians Pty Ltd <The Lennox Unit A/C>	552,051	1.35
13. Mansfield Holdings Pty Ltd	400,632	0.98
14. Mr Peter Howells	400,000	0.98
15. Oakmount Nominees Pty Ltd <Narromine Super Fund A/C>	330,000	0.81
16. Woodtrone Pty Ltd <Woodtrone Superannuation A/C>	303,721	0.74
17. Waratah Property Services (No 1) Pty Ltd <Rayner Family S/F A/C>	302,005	0.74
18. Whimplecreek Pty Ltd <Stawell Family A/C>	280,000	0.68
19. Joe Scardino & Felicia Scardino	273,555	0.67
20. BNP Paribas Nominees Pty Ltd <IB AU Noms Retailclient DRP>	270,526	0.66
	29,296,226	71.61

3. SUBSTANTIAL SHAREHOLDERS

Substantial holders in the Company are set out below:

	Ordinary Number	%
Cupara Pty Ltd	10,246,252	28.27
Greig & Harrison Pty Ltd	4,624,331	11.30
Phoenix Portfolios Pty Ltd	4,560,206	12.36
Montevans Pty Ltd <M & M Super A/C>	2,729,374	6.67

4. VOTING RIGHTS

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

Ordinary Shares

No restrictions. Every member present or by proxy shall have one vote per share and upon a poll, each share shall have one vote.

There are no other classes of equity securities.



08. Corporate Directory



CORPORATE DIRECTORY

Directors & Key Personnel

Prof. John Blair Sheehan AM – Chairman
(non-executive director)

Phil Montrone OAM – Managing Director

Rick Montrone – Director

Peter Krejci – Director (non-executive)

Jack Sciara – Company Secretary and Chief Financial
Officer

Principal Registered Office in Australia

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

Other Company Details

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

Share Register

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

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

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

Auditor

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

Bankers

Commonwealth Bank of Australia

Securities Exchange Listing

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

Notice of Annual General Meeting

The Annual General Meeting of Desane Group Holdings
Limited will be held at:

Doltone House – Tribeca, Ground Floor, 26-32 Pirrama Road,
Pyrmont NSW on Wednesday 25 October 2023 commencing
at 10.00 am.



DESANE
GROUP HOLDINGS LIMITED

DESANE GROUP HOLDINGS LTD
Suite 4, 26-32 Pirrama Road, Pyrmont NSW 2009 (02) 9555-9922
info@desane.com.au
www.desane.com.au