

5 October 2010

A.B.N. 61 003 184 932

The Manager Companies
Australian Stock Exchange (Sydney) Limited
Level 5
20 Bridge Street
SYDNEY NSW 2000

Dear Sir/Madam,

Desane 2010 Annual Report and Notice of Annual General Meeting

Please find attached the Desane Group Holdings Limited 2010 Annual Report.

The following documents are also being sent to shareholders:

- Letter to shareholders;
- 30 June 2010 Financial Year Report to Shareholders;
- Notice of Annual General Meeting; and
- Proxy Form.

Yours faithfully,
DESANE GROUP HOLDINGS LIMITED



JOHN BARTHOLOMEW
Company Secretary

ABOUT DESANE:

Desane Group Holdings Limited is a significant Sydney based landlord. The areas we specialise in are property investment, property services and property management. Desane owns \$43.7 million of properties and other assets and manages a further \$21.3 million of industrial and commercial properties in the Sydney region. Our medium term objective is to continue to grow the Group's property assets.

5 October 2010

Dear Shareholder

Notice of Annual General Meeting & Proxy Form

Please find enclosed Desane's 30 June 2010 Financial Year Report to Shareholders, together with the 2010 Notice of Annual General Meeting and Proxy Form.

The Annual General Meeting will be held at the Staging Connections Theatre Room at 68-72 Lilyfield Road, Rozelle NSW on Wednesday, 3 November 2010 at 10.00 am. There is ample street parking and a bus stop across the road from the meeting address.

Shareholders who have requested the printed 2010 Annual Report will receive the report under separate cover.

The Directors wish to thank you for your continuing support of Desane and look forward to meeting you at the Annual General Meeting.

Yours faithfully,
DESANE GROUP HOLDINGS LIMITED



JOHN BARTHOLOMEW
Company Secretary

5 October 2010

A.B.N. 61 003 184 932

DESANE GROUP HOLDINGS LIMITED

30 June 2010 Financial Year Report to Shareholders

Dear Shareholder,

As you have elected not to receive a printed annual report, I am pleased to provide you an operational review of the Company's 30 June 2010 financial result together with the Company's concise property portfolio review. Desane's full Annual Report for 2010 can be viewed and downloaded by visiting our Company's website at www.desane.com.au.

Also, please find enclosed a Notice of Annual General Meeting and a proxy form. The Directors look forward to reporting to shareholders at this year's annual general meeting on Desane's progress over the last 12 months. We look forward to seeing you at the Annual General Meeting. **If you are unable to attend the meeting, you are encouraged to fill out and return your proxy form.**

OPERATING RESULT

The Board is pleased to advise that Desane Group Holdings Limited has reported an **after tax net operating profit of \$1,795,064** for the financial year ended 30 June 2010.

When viewed against a background of continuing difficult trading conditions for commercial and industrial property owners and the moderate property devaluation sentiments that have prevailed during the financial year, the Group's profit result is a pleasing one. A major contributor to the profit result is the fact that the Group has achieved **100% occupancy** for all the properties it owns and manages.

NET TANGIBLE ASSETS

The Group's net tangible assets as at 30 June 2010 stands at **81 cents per share**, after accounting for deferred tax on the Group's property investment revaluations. Desane's total property and other assets now stand at **\$43.7 million**.

DIVIDEND

The Board of Directors has resolved to recommend to shareholders a **final dividend of 2 cents per share unfranked** for the 2010 financial year. The Board is pleased to advise that it expects future dividends to be at least partially franked.

PROPERTY PORTFOLIO

This financial year, the property investment division has achieved significant results in its property consolidation program of its Sydney based property assets. The Group's properties are **100% leased** on a medium to long term basis to national and international tenants.

i. LANE COVE (13 Sirius Road)

This **2,400m² high-tech property** is leased to two major Australian corporations on a **long term** basis. The building comprises of a two-level commercial/industrial property with 50 basement security parking spaces. This property will continue to show significant rental increases and profit returns to the Group in future years.



ii. LANE COVE (Orion Road)

This **8,000m² five unit industrial complex** is occupied by five large Australian and international corporations, all with medium to long term leases. This property is performing well and will continue to show significant rental increases and profit returns to the Company in future years.



iii. LANE COVE (7 Sirius Road)

This **2,800m² commercial/industrial property**, with 38 on-site car parking spaces, was acquired in January 2010. Following the acquisition, a seven-year lease was formalised with a national tenant. The growth in the value of this asset will be evident in the Group's 2011 balance sheet.



iv. ROZELLE (Lilyfield Road Multimedia Centre)

The **8,000m² Multimedia Centre** is located 3 kilometres from the Sydney CBD, in Rozelle's Bay Precinct and is fully leased to a blue chip national tenant. An agreement with the tenant to extend their lease until January 2013 was recently formalised. This property is performing well, being in a prime Sydney location. The close proximity of the property to the Anzac Bridge and the Sydney Cross City Tunnel, linking the eastern suburbs to Sydney's Bays Precinct, should ensure continuing capital improvements for this property. Desane has a 70% co-ownership interest in this property.



v. ROZELLE BAY COMMERCIAL CENTRE (Lilyfield Road)

This prime inner Sydney **2,000m² commercial property** is located directly across the road from Desane's existing multimedia centre. Desane has been granted development approval for a **3,000m² four storey mixed commercial building**, with 56 basement security car parking spaces. While negotiating with a number of companies interested in leasing this property, Desane is seeking development approval for an additional 1,000m² from the local government authority. Once the approval is formalised, Desane will proceed to formalise the negotiations to lease the building.



vi. LANE COVE (Burns Bay Road)

In February 2010 the NSW Department of Planning approved the Lane Cove Local Environmental Plan and the rezoning of this property to **High Density Residential R4 with a floor space ratio of 2:1**. This should allow for approximately 250 to 300 apartments to be constructed. Desane is progressing to prepare a sale program for this property and believes the target value of **\$35 million to \$40 million is achievable**. This property is composed of **12,000m² of land** and includes approximately **8,000m² of industrial building**. The property is fully leased to Australian medical and technology companies. Desane has a **50% interest** in this property.



vii. JG EVANS BUSINESS CENTRE, LIDCOMBE (Nicholas Street)

To date, Desane has completed the sale of **five** of the seven industrial units. The remaining two industrial units are in the process of being sold, with settlement occurring in the 2011 financial year. The sale of the remaining units will bring to a completion the stated sale programme for this property.



PROPERTY MANAGEMENT

Desane continues to be a significant Sydney based **commercial and industrial landlord** and plans to continue to increase its property holdings as market opportunities arise. The Company currently has over **\$43.7 million** of properties and other assets and it manages an additional **\$21.3 million** of commercial and industrial properties located in the Sydney metropolitan area.

The Company has retained the property management rights in the properties it owns in joint venture with other corporations. The property management division is continuing to perform well.

The following companies are the medium to long term tenants of the properties owned and/or managed by the Group: **Staging Connections; Arrow Scientific; Talman Computers; The Wool Exchange; Sagem Australasia; Chamberlain Australia; Pentel; JAV IT Group; M-Wave Computers; Supreme Foods; Luxury Beverages; Eupharma; Prime BioSeparation; Phebra; ServicePoint Australia; Optimed; Sydney Coach Charter; Lin & Barrett Lingerie; and TMS Group.**



FUTURE PROSPECTS

Independent property market indicators are forecasting a more stable market environment than that experienced over the past two years for commercial and industrial properties located in the Sydney region. **Desane is well placed to take advantage of the predicted market conditions.** It will continue to closely monitor the Australian property market in order to take advantage of future investment opportunities. It is intended that the Group will not only deal directly in properties but will also continue to be involved in joint venture projects with local and overseas corporations and institutions and may acquire equity in established enterprises which are considered to be of sound potential.

The Company has not engaged in any speculative investment and has not engaged in any activities outside its expertise of property investment and property services and continues to develop its skills and systems to meet its long-term objectives.

The Board looks forward to a successful and rewarding year for Desane's shareholders in 2011 financial year.

Yours faithfully,
DESANE GROUP HOLDINGS LIMITED



JOHN BARTHOLOMEW
Company Secretary

ABOUT DESANE:

Desane Group Holdings Limited is a significant Sydney based landlord. The areas we specialise in are property investment, property services and property management. Desane owns \$43.7 million of properties and other assets and manages a further \$21.3 million of industrial and commercial properties in the Sydney region. Our medium term objective is to continue to grow the Group's property assets.

Notice of Annual General Meeting

A.B.N. 61 003 184 932

NOTICE IS HEREBY GIVEN that the ANNUAL GENERAL MEETING of Desane Group Holdings Limited will be held at the **Staging Connections Theatre Room** at **68-72 Lilyfield Road, Rozelle NSW** at **10.00 am** on **Wednesday, 3 November 2010**.

ITEMS OF BUSINESS

1. To receive, consider and adopt the financial report of the company and the consolidated group, for the year ended 30 June 2010 and the reports by the directors and auditors thereon.

ORDINARY RESOLUTIONS

2. To declare a final dividend of 2 cents per share (unfranked) as recommended by Directors.
3. To re-elect a director, Mr John Bartholomew, who was the replacement for Antonio Gelonesi when he resigned as a Director on 24 May 2010. Mr Bartholomew being eligible, offers himself for re-election.

Information about Mr Bartholomew is set out in the 2010 Annual Report.

4. To receive, consider, and pass as an ordinary resolution the remuneration report of the company and of the consolidated group for the year ended 30 June 2010 and that:
 - The non executive chairman's remuneration for 2010/2011 be \$50,000 per annum.
 - The non executive director's remuneration for 2010/2011 remains at \$37,000 per annum.

Note: In accordance with s250R(3) of the *Corporations Act 2001*, the vote on the resolution is only advisory and will not bind the Directors of Desane Group Holdings Limited.

5. General: To transact any business which may be lawfully brought forward.

By Order of the Board,



J W Bartholomew
Company Secretary
30 September 2010

Voting

Individual members who are registered securityholders of the company as at 6.00 pm on Monday, 1 November 2010 will be entitled to vote in person or by proxy. Each registered securityholder has one vote by either a show of hands or a poll.

Proxies

A member entitled to attend and vote is entitled to appoint a proxy to attend and vote in their stead. That person need not be a member of the company, but should be a natural person over the age of 18 years. Forms must be lodged at the registered office of the company no later than 10.00 am, Monday, 1 November 2010.

All Correspondence to:
Desane Group Holdings Limited
PO Box 331
LEICHHARDT NSW 2040 Australia
Enquiries 61 2 9569 0344
Facsimile 61 2 9550 9363
Email info@desane.com.au

Mark this box with an 'X' if you have made any changes to your address details (see reverse)



APPOINTMENT OF PROXY

I/We being a member/s of Desane Group Holdings Limited and entitled to attend and vote hereby appoint:

the Chairman of the Meeting (mark with an 'X') **OR**

Write here the name of the person you are appointing if this person is **someone other than** the Chairman of the Meeting.

or failing the person named, or if no person is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the Annual General Meeting of Desane Group Holdings Limited to be held at the Staging Connections Theatre Room at 68-72 Lilyfield Road, Rozelle NSW on Wednesday, 3 November 2010, at 10.00 am and at any adjournment of that meeting.

Voting directions to your proxy – please insert in the appropriate box to indicate your directions

	For	Against	Abstain*
Item 1 To adopt the financial and other reports	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 2 To declare a final dividend	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 3 To re-elect John Bartholomew as a director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 4 To approve directors' remuneration (non-binding resolution)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

*If you mark the "Abstain" box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will **not** be counted in computing the required majority on a poll.

IMPORTANT:

If the Chairman of the Meeting is appointed as your proxy, or may be appointed by default and you do **not** wish to direct your proxy how to vote as your proxy in respect of an Item, please place a mark in the box. By marking this box, you acknowledge that the Chairman of the Meeting may exercise your proxy even if he has an interest in the outcome of these Items and that votes cast by the Chairman for those Items other than as proxy holder will be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote, the Chairman will not cast your votes on the Item and your votes will not be counted in calculating the required majority if a poll is called on the resolution.

Please note that the Chairman intends to vote undirected proxies in favour of each of the Items of business.

PLEASE SIGN HERE

This section **MUST** be signed in accordance with the instructions overleaf to enable your directions to be implemented.

Individual or Securityholder 1

Individual / Sole Director and Sole Company Secretary / Authorised Officer

Securityholder 2

Director

Securityholder 3

Director / Company Secretary

/ /

Contact Name

Contact Daytime Telephone

Date

HOW TO COMPLETE THE PROXY FORM

1 YOUR ADDRESS

This is your name and address as it appears on the company's share register. If this information is incorrect, please notify the share registry direct (*Computershare Registry Services Pty Ltd, GPO Box 1903, Adelaide SA 5001*). Securityholders sponsored by a broker should advise their broker of any changes. **Please note you cannot change ownership of your shares using this form.**

2 APPOINTMENT OF A PROXY

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box. If the person you wish to appoint as your proxy is someone other than the Chairman of the Meeting, please write the name of that person. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a securityholder of the Company.

3 VOTE ON ITEMS OF BUSINESS

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage of number of securities you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

4 APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the meeting and vote on a poll.

To appoint a second proxy you must:

- (a) obtain an additional Proxy Form from the Company on (02) 9569 0344 or you may copy this form.
- (b) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
- (c) return both forms together in the same envelope.

5 SIGNATORIES

You must sign this form in the spaces provided and as follows:

Individual Holding: Where the holding is in one name, the holder must sign.

Joint Holdings: Where the holding is in more than one name, all of the securityholders must sign.

Companies: If the company has a sole director who is also a sole secretary, this form must be signed by that director. If the company has a sole director and no secretary that director may also sign alone. In the case of any other company, this form must be signed by either 2 directors or a director and secretary. This form may also be signed by an authorised officer of the company. Please indicate the office held by signing in the appropriate place.

Power of Attorney &

Authorised Persons If the person signing this form is doing so under power of attorney, or in the case of a company, as an authorised officer of the company, the power of attorney or other authority (or a certified copy of it) must be attached to this form when you return it.

If a representative of a company is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission. A form of the certificate may be obtained from the share registry of Desane Group Holdings Limited or at www.computershare.com.

6 LODGEMENT OF A PROXY

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below no later than 10.00 am, Monday, 1 November 2010. Any Proxy Form received after that time will not be valid for the scheduled meeting.

DOCUMENTS MAY BE LODGED AS FOLLOWS:

IN PERSON TO: Desane Group Holdings Limited, Level 1, 89 Moore Street, Leichhardt NSW 2040 Australia
BY MAIL TO: Desane Group Holdings Limited, PO Box 331, Leichhardt NSW 2040 Australia
BY FAX TO: 61 2 9550 9363



DESANE
GROUP HOLDINGS LIMITED



Front cover: Artist's impression
of Lane Cove residential development

View of Burns Bay from proposed
Lane Cove residential development

DESANE

GROUP HOLDINGS LIMITED

ABN 61 003 184 932

FINANCIAL REPORT 30 JUNE 2010

CONTENTS	Page No
Chairman's Report	2
Corporate Governance Statement	3 - 5
Directors' Report	6 - 21
Auditor's Independence Declaration	22
Consolidated Statement of Comprehensive Income	23
Statement of Financial Position	24
Statement of Changes in Equity	25
Statement of Cash Flows	26
Notes to the Financial Statements	27 - 70
Directors' Declaration	71
Independent Audit Report to the Members	72 - 73
Shareholder Information	74 - 75
Company Particulars	76

CHAIRMAN'S REPORT

Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities

I present to shareholders the 2010 Desane Group Holdings Limited Annual Report.

As required, the Group's accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS). Notwithstanding the continuing albeit muted impact of the global financial crisis (GFC) on Australia's economic outlook, investment in property in certain sectors has clearly strengthened over the past 12 months. Pleasingly, the Group's asset value has remained steady in the 2010 financial year. It is also gratifying that the Group's operating profit, after tax, has increased significantly this financial year and the Directors have therefore decided to recommend a **dividend of 2 cents per share** (unfranked).

In my 2009 annual report, I forecast a continuing focus by investment funds in mining stock which in particular would direct funds away from the property sector. There is now growing evidence that investment funds are now being rebalanced towards a greater level of involvement in the property sector, in either REITs or in direct property ownership. This trend is not surprising given that resource stocks are somewhat volatile, being subject not only to the impact of the GFC, but also the strong impact of Chinese and Indian modernisation and the concomitant demand for iron ore and coal. Such demand is however subject to significant variations over which Australia has little control. Alternatively, while it is accepted that Australian property values have decreased in recent years, the impact of growing supply constraint, especially in retail, commercial and industrial property sectors, indicates that property values have been rather more robust than originally anticipated.

The commercial and industrial properties held by the Group remain **fully let** and are well sought after by prospective tenants often seeking to relocate to areas which are closer to the Sydney CBD, such as Rozelle and Lane Cove West. The Group's management has been diligent in negotiating with Australian major banks an overall reduction of interest costs and extending the overall loan terms. This has resulted in significant interest savings in the Group's borrowing costs. This has occurred at the same time as rental income to the Group has remained high. There is now strong evidence that those parts of Sydney in which the individual properties in the Group portfolio are located are sought after by prospective purchasers and tenants.

I am also pleased to report that in February 2010, the 12,000m² industrial waterfront complex, located in the Sydney suburb of Lane Cove, which is 50% owned by Desane, was officially rezoned by the NSW Department of Planning to High Density Residential R4. This property has been earmarked to be sold during the course of the 2011 financial year. The successful sale of this property should result in an increase in net tangible assets for the Group. I would like to congratulate our Group's management in achieving the rezoning.

Your Board remains confident that the Group's continuing strategies will result in good asset growth in the 2010/2011 financial year, as the property market continues to firm. Your Board congratulates both the Group Executive and the employees of Desane Group Holdings Limited for the prudent and diligent management of the day to day operation of the Group as evident from this year's financial result.

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



JOHN SHEEHAN
Chairman



CORPORATE GOVERNANCE STATEMENT for the Year Ended 30 June 2010

Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities

Unless disclosed below, all the best practice recommendations of the ASX Corporate Governance Council have been applied for the entire financial year ended 30 June 2010.

However, the company's framework is largely consistent with the ASX's recommendations, exceeds them in some areas and, due to the size of the organisation, is not practical to meet some other requirements.

Board Composition

The Desane Board of Directors is responsible for the overall Corporate Governance of the economic entity including its strategy, direction and oversight of the Company's operations on behalf of the shareholders. The skills, experience and expertise relevant to the position of each director who is in office at the date of the annual report and their term of office are detailed in the directors' report.

The names of the directors of the company are:

Mr John Sheehan	(non executive Chairman)
Mr Phil Montrone	(Managing Director/CEO)
Mr John Bartholomew	(Director – appointed 24 May 2010)
Mr Antonio Gelonesi	(non executive Director – resigned 24 May 2010)

When determining whether a non-executive director is independent the director must not fail any of the following materiality thresholds:

- Less than 10% of company shares are held by the director or any entity or individual directly or indirectly associated with the director;
- No sales are made to or purchases made from any entity or individual directly or indirectly associated with the director; and
- None of the director's income or the income of an individual or entity directly or indirectly associated with the director is derived from a contract with any member of the economic entity other than income derived as a director of the entity.

Mr Sheehan passes all the criteria to be considered an independent director.

Each director has the right to seek independent professional advice in carrying out his duties at Desane's expense. However, written approval of the Chairman must be obtained prior to incurring any expense on behalf of the company.

In view of the small size and stability of the board, it is not considered necessary to have a nomination committee.

Ethical Standards

The Board acknowledges and emphasises the importance of all directors and employees maintaining the highest standards of corporate governance practice and ethical conduct.

A code of conduct has been established requiring directors and employees to:

- Act honestly and in good faith;
- Exercise due care and diligence in fulfilling the functions of office;
- Avoid conflicts and make full disclosure of any possible conflict of interest;
- Comply with the law;
- Encourage the reporting and investigating of unlawful and unethical behaviour; and
- Comply with the share trading policy outlined in the code of conduct.

Directors are obliged to be independent in judgement and ensure all reasonable steps are taken to ensure due care is taken by the Board in making sound decisions.

CORPORATE GOVERNANCE STATEMENT for the Year Ended 30 June 2010 (Continued)

Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities

Trading Policy

The company's policy regarding directors and employees trading in its securities is set by the board of directors. The policy restricts directors and employees from acting on material information until it has been released to the market and adequate time has been given for this to be reflected in the securities' prices.

Audit Committee

The names and qualifications of those appointed to the audit committee and their attendance at meetings of the committee are included in the directors' report.

Performance Evaluation

The Board has adopted a self-evaluation process to measure its own performance and the performance of its committees. This review is on a continuing basis and the performance of individual directors is assessed by the Chairman, having regard to the broader Board review findings and after feedback received from the directors and management.

Due to the size and composition of the board, a formalised annual evaluation of the board was not deemed necessary. The performance criteria and goals of the board are subject to continual review. The contributions of all directors are considered to be of a high level and adequate to discharge their duties in full.

Board Roles and Responsibilities

The Board is first and foremost accountable to provide value to its shareholders through delivery of timely and balanced disclosures.

The Board is responsible for ensuring its actions are in accordance with key corporate governance principles.

Shareholder Rights

Shareholders are entitled to vote on significant matters impacting on the business, which include the election and remuneration of directors, changes to the constitution and receipt of annual and interim financial statements. Shareholders are strongly encouraged to attend and participate in the annual general meeting of Desane Group Holdings Limited, to lodge questions

to be responded by the Board and/or the Managing Director, and are able to appoint proxies.

Risk Management

The Board considers the identification and management of key risks associated with the business as vital to maximise shareholder wealth. A continuing assessment of the business's risk profile is undertaken and reviewed by the Board covering all aspects of the business from the operational level through to strategic level risks. The Managing Director has been delegated the task of implementing internal controls to identify and manage risks for which the Board provides oversight. The effectiveness of these controls is continually being monitored and reviewed. The current economic environment has emphasised the importance of managing and reassessing its key business risks.

Remuneration Policy

The remuneration policy, which sets the terms and conditions for the chief executive officer and other senior executives, was developed by the remuneration committee, and was approved by the board. All executives receive a base salary, superannuation, fringe benefits and retirement benefits. The remuneration committee reviews executive packages annually by reference to company performance, executive performance, comparable information from industry sectors and other listed companies and independent advice. The amount of remuneration for all directors and the highest paid executive, including all monetary and non-monetary components, are detailed in Note 5 to the financial report. All remuneration paid to executives is valued at the cost to the company and expensed.

The board expects that the remuneration structure implemented will result in the company being able to attract and retain the highest calibre executives to run the economic entity. This structure should reward them for performance which results in long term growth and shareholder value.

CORPORATE GOVERNANCE STATEMENT for the Year Ended 30 June 2010 (Continued)

Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities

Remuneration Committee

The names of the members of the remuneration committee and their attendance at meetings of the committee are detailed in the directors' report.

There are no schemes for retirement benefits other than statutory superannuation for non executive directors.

Other Information

Further information relating to the company's corporate governance practices and policies has been made publicly available on the company's website at www.desane.com.au.

DIRECTORS' REPORT

Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities

The Directors present their report, together with the financial statements of the company and its controlled entities for the financial year ended 30 June 2010.

Directors

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

Phil Montrone
John Blair Sheehan
John William Bartholomew – appointed 24 May 2010
Antonio Gelonesi – resigned 24 May 2010

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

Company Secretary

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

Mr John W Bartholomew (66) – Associate of the CPA. Over the past 22 years, Mr Bartholomew has performed various roles for Desane Group Holdings Limited, in the property investment, property management and financial management of the Desane Group of companies. Mr Bartholomew was appointed Company Secretary on 18 November 1989 for the Desane Group of companies.



Principal Activities

The principal activities of the consolidated group during the financial year were:

- Property investment
- Property project management and resale
- Property services

There were no significant changes in the nature of the consolidated group's principal activities during the financial year.

Operating Results

	2010 \$'000	2009 \$'000
The profit/(loss) of the consolidated group, after providing for income tax amounted to	<u>1,795</u>	<u>(2,676)</u>

Dividends Paid or Recommended

Dividends Paid or Recommended

Dividends paid or declared for payment are as follows:

Ordinary dividend of \$0.02 unfranked, per share paid on 27 November 2009, recommended in last year's report	\$	570
Ordinary dividend of \$0.02 unfranked, per share recommended by the directors from retained earnings	\$	570

DIRECTORS' REPORT (continued)

Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities

Review of Operations

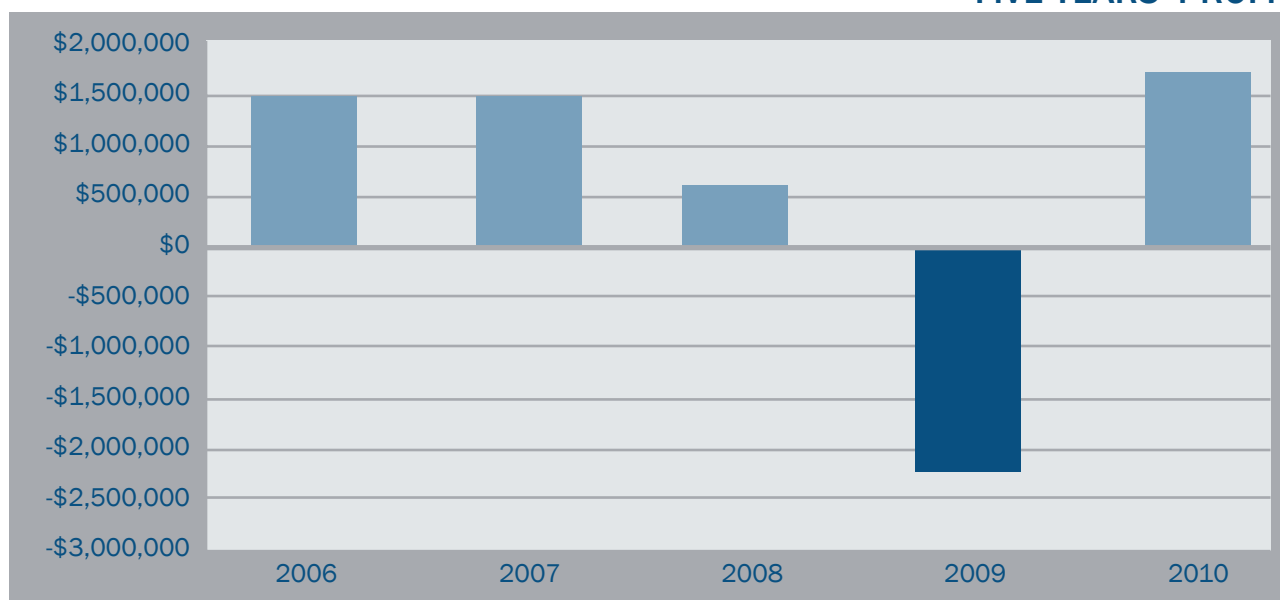
The overall results of the entity for the 2009/2010 year were satisfactory. All properties are now fully leased and this has impacted favourably on the current profits.

The directors report a full financial year profit of \$1,795,064. The operating loss for the year ended 30 June 2009 was \$2,675,759.

A summary of consolidated revenues and results by significant industry segments is set out below:

	Total Revenue		Segment Result	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Equipment hire	-	101	-	5
Property management	129	129	129	129
Property services	27	87	27	87
Property investment – rental	2,398	2,325	939	582
Property investment – net revaluations	(982)	(6,058)	(982)	(6,058)
Project management	500	500	500	500
Interest received	19	37	19	37
Share of net profits and revaluation gains of associates	<u>1,926</u>	<u>1,076</u>	<u>1,926</u>	<u>1,076</u>
	<u>4,017</u>	<u>(1,803)</u>	<u>2,558</u>	<u>(3,642)</u>
Less: Unallocated expenses			<u>(772)</u>	<u>(760)</u>
Operating profit/(loss)			<u>1,786</u>	<u>(4,402)</u>
Income tax attributable to operating profit/(loss)			<u>9</u>	<u>1,726</u>
Operating profit/(loss) after income tax attributable to members of Desane Group Holdings Limited			<u>1,795</u>	<u>(2,676)</u>

FIVE YEARS' PROFIT





PROPERTY PORTFOLIO



LILYFIELD ROAD, ROZELLE

DIRECTORS' REPORT (continued)

Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities

a. Property Investment

This financial year, the property investment division has achieved significant results in its property consolidation program of its Sydney based property assets. The Group's properties are **100% leased** on a medium to long term basis to national and international tenants.

i. Lane Cove (13 Sirius Road)

This **2,400m² high-tech property** is leased to two major Australian corporations on a **long term** basis. The building comprises of a two-level commercial/industrial property with 50 basement security parking spaces. This property will continue to show significant rental increases and profit returns to the Group in future years.



ii. Lane Cove (7-9 Orion Road)

This **8,000m² five unit industrial complex** is occupied by five large Australian and international corporations, all with medium to long term leases. This property is performing well and will continue to show significant rental increases and profit returns to the Company in future years.



DIRECTORS' REPORT (continued)

Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities

iii. Lane Cove (7 Sirius Road)

This **2,800m² commercial/industrial property**, with 38 on-site car parking spaces, was acquired in January 2010. Following the acquisition, a seven-year lease was formalised with a national tenant. The growth in the value of this asset will be evident in the Group's 2011 balance sheet.



iv. Lane Cove (318-332 Burns Bay Road)

In February 2010 the NSW Department of Planning approved the Lane Cove Local Environmental Plan and the rezoning of this property to **High Density Residential R4 with a floor space ratio of 2:1**. This should allow for approximately 250 to 300 apartments to be constructed. Desane is progressing to prepare a sale program for this property and believes the target value of **\$35 million to \$40 million** is achievable. This property is composed of **12,000m² of land** and includes approximately **8,000m² of industrial building**. The property is fully leased to Australian medical and technology companies. Desane has a 50% interest in this property.



Artist's impression of
the residential development

DIRECTORS' REPORT (continued)

Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities

v. **Rozelle Bay Commercial Centre (47-51 Lilyfield Road)**

This prime inner Sydney **2,000m² commercial property** is located directly across the road from Desane's existing multimedia centre. Desane has been granted development approval for a **3,000m² four storey mixed commercial building**, with 56 basement security car parking spaces. While negotiating with a number of companies interested in leasing this property, Desane is seeking development approval for an additional 1,000m² from the local government authority. Once the approval is formalised, Desane will proceed to formalise the negotiations to lease the building with the prospective tenants.



vi. **Rozelle Multimedia Centre (68-72 Lilyfield Road)**

The **8,000m² Multimedia Centre** is located 3 kilometres from the Sydney CBD, in Rozelle's Bay Precinct and is fully leased to a blue chip national tenant. An agreement with the tenant to extend their lease until January 2013 was recently formalised. This property is performing well, being in a prime Sydney location. The close proximity of the property to the Anzac Bridge and the Sydney Cross City Tunnel, linking the eastern suburbs to Sydney's Bays Precinct, should ensure continuing capital improvements for this property. Desane has a 70% co-ownership interest in this property.



DIRECTORS' REPORT (continued)

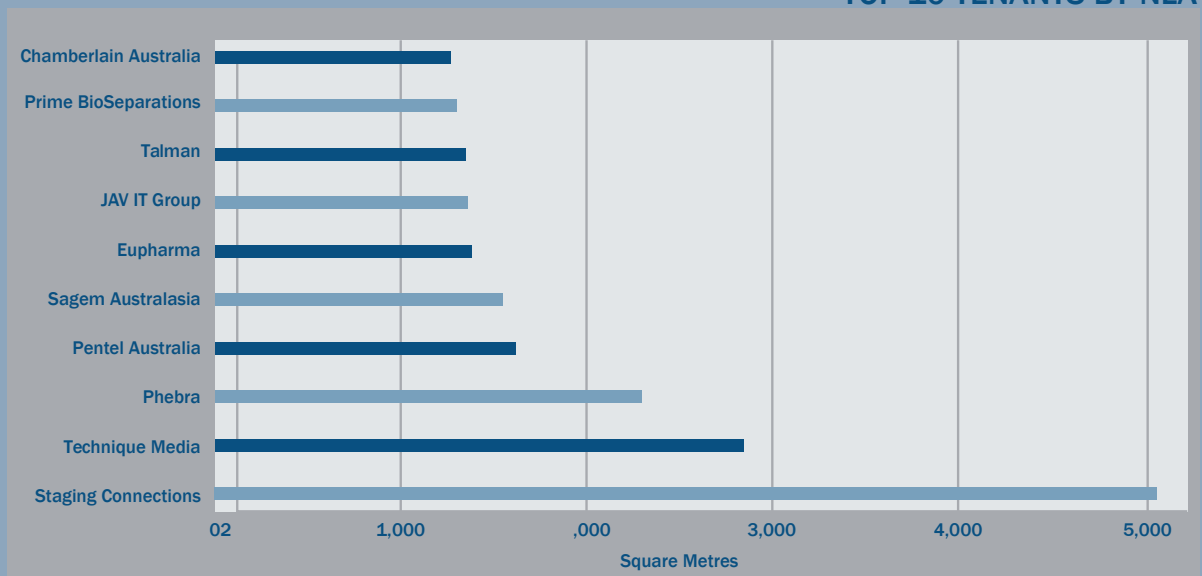
Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities

vii. *JG Evans Business Centre, Lidcombe (1-3 Nicholas Street)*

To date, Desane has completed the sale of five of the seven industrial units. The remaining two industrial units are in the process of being sold, with settlement occurring in the 2011 financial year. The sale of the remaining units will bring to a completion the stated sale programme for this property.



TOP 10 TENANTS BY NLA



DIRECTORS' REPORT (continued)

Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities

b. Property Investment

Desane continues to be a significant Sydney based **commercial and industrial landlord** and plans to continue to increase its property holdings as market opportunities arise. The Company currently has over **\$43.7 million** of properties and other assets and it manages an additional **\$21.3 million** of commercial and industrial properties located in the Sydney metropolitan area.

The Company has retained the property management rights in the properties it owns in joint venture with other corporations. The property management division is continuing to perform well.

The following companies are some of the medium to long term tenants of the properties owned and/or managed by the Group:



c. Future Prospects

Independent property market indicators are forecasting a more stable market environment than that experienced over the past two years for commercial and industrial properties located in the Sydney region. Desane is well placed to take advantage of the predicted market conditions. It will continue to closely monitor the Australian property market in order to take advantage of future investment opportunities. It is intended that the Group will not only deal directly in properties but will also continue to be involved in joint venture projects with local and overseas corporations and institutions and may acquire equity in established enterprises which are considered to be of sound potential.

The Company has not engaged in any speculative investment and has not engaged in any activities outside its expertise of property investment and property services and continues to develop its skills and systems to meet its long-term objectives.

Financial Position

Since incorporation, the group has continued to invest in quality properties to secure its long term success.

The directors believe the group is in a strong and stable financial position to expand and grow its current operations.

Significant Changes in State of Affairs

In the opinion of the directors, there are no significant changes in the state of affairs of the consolidated group that occurred during the financial year under review not otherwise disclosed in this report or the consolidated accounts.

DIRECTORS' REPORT (continued)

Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities

After Balance Date Events

At the date of this report and in the opinion of the directors, no matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the consolidated group, the results of those operations, or the state of affairs of the consolidated group in future financial years.

Future Developments, Prospects and Business Strategies

The company's medium-term objective is to own and manage **\$100 million of properties** which have strong long-term tenants. Where appropriate, Desane will enter into joint ventures with other property investors. Desane's property investment activities will be supported by the company's expanding cash flow from the property rental and the property service operations.

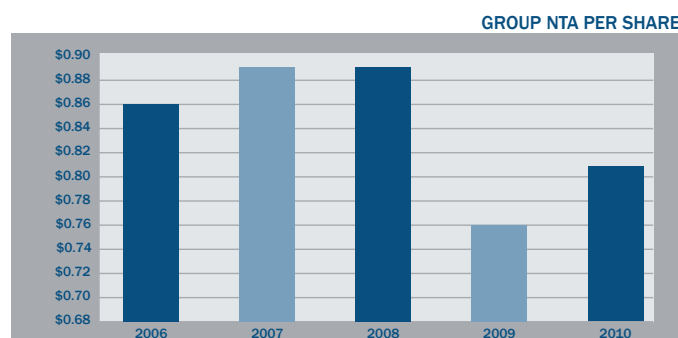
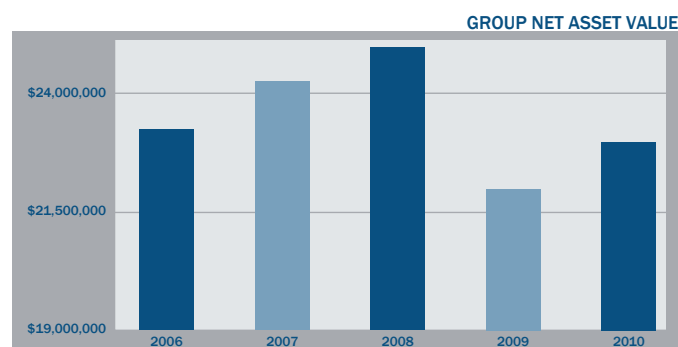
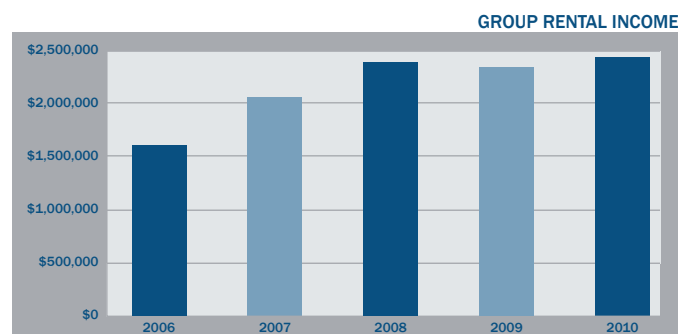
The current strategy of continuous improvement and an adherence to quality control in existing markets are expected to assist in the achievement of the group's long term goals.

Environmental Issues

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. No matters have arisen during the year in connection with Desane's obligations pursuant to Commonwealth and State occupational health and safety regulations.



DIRECTORS' REPORT (continued)

Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities

Information on Directors

John B Sheehan (61) Chairman (Non-Executive)

Qualifications Diploma of Town and Country Planning (University of Sydney), Diploma of Urban Studies (Macquarie University), Master of Environmental Law (University of Sydney), Registered Valuer, Chartered Town Planner and Chartered Surveyor. LFAPI, FRICS, MRTPI, MPIA

Experience Appointed Chairman 1992. Board member since incorporation in 1987. Currently Chairman of all controlled entities of Desane Group Holdings Limited. Currently serving at the University of Technology Sydney, as Deputy Director, Asia-Pacific Centre for Complex Real Property Rights and also as Adjunct Professor, Faculty of Design, Architecture and Building. Chairman, Joint Australian Property Institute NSW & QLD, Carbon Property Rights Committee. Director of Sarasan Pty Limited (since incorporation in 1991). Past President and Life Fellow of Australian Property Institute, NSW Division.

Interest in Shares and Options 132,517 Ordinary Shares in Desane Group Holdings Limited.

Special Responsibilities Mr Sheehan is a Member of the Risk Management and Audit Committee, Chairman of the Remuneration Committee and Chairman of the Environmental, Occupational Health and Safety Committee.

Directorships held in other listed entities

Nil.

John Bartholomew (66) Director (Non-Executive)

Qualifications Associate Member of the CPA Australia

Experience Appointed board member on 24 May 2010. Company Secretary of Desane Group Holdings Limited since 1989. Past financial controller of Desane Group Holdings Limited. Over the past 22 years, Mr Bartholomew has performed various roles for Desane Group Holdings Limited, in the property investment, property management and financial management of the Desane Group of Companies.

Interest in Shares and Options 480,059 ordinary shares in Desane Group Holdings Limited.

Special Responsibilities Mr Bartholomew is the Chairman of the Risk Management and Audit Committee, member of the Remuneration Committee and Environmental, Occupational Health and Safety Committee.

Directorships held in other listed entities

Nil.



DIRECTORS' REPORT (continued)

Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities

Phil Montrone (59)

Managing Director (Executive)

Experience

Board member since incorporation in 1987. Appointed Managing Director of Desane Group Holdings Limited and its controlled entities in 1987. Director of Cupara Pty Ltd. Director of Mansfield Holdings Pty Ltd. Past Director of the Co-operative Federation of NSW Ltd. Served a term as Board Member of the Sydney Bicentennial Park Authority and President of the Police Community Youth Clubs Federation of NSW.

Interest in Shares and Options

10,910,250 Ordinary Shares in Desane Group Holdings Limited.

Special Responsibilities

Mr Montrone is a Member of the Environmental, Occupational Health and Safety Committee.

Directorships held in other listed entities

Nil.



Antonio Gelonesi (48)

Director (Non-executive)

Qualifications

Bachelor of Science (Sydney)

Experience

Board member of Desane Group Holdings Limited from 1995 to 24 May 2010. Executive Chairman of GreenHouse Capital Limited. Non Executive Chairman of Immogenics Australia Limited. Non Executive Chairman of EnviroCapitalCorp Asia. Associate Director of Deloitte Denmark, Global Climate Change Strategy. Former Treasurer of Banca Monte Paschi and Credit Lyonnais. Twenty six (26) years' banking and finance experience.

Interest in Shares and Options

164,932 Ordinary Shares in Desane Group Holdings Limited as at 24 May 2010.

Special Responsibilities

Mr Gelonesi served as Chairman of the Risk Management and Audit Committee, Member of the Remuneration Committee and Environmental, Occupational Health and Safety Committee.

Directorships held in other listed entities

Nil.

Current Status

Resigned as Director (Non-executive) as at 24th May 2010.



DIRECTORS' REPORT (continued)

Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities

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 by providing a fixed remuneration component. 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.

The board's policy for determining the nature and amount of remuneration for board members and senior executives of the consolidated group is as follows:

- The remuneration policy, setting the terms and conditions for the executive director and other senior executives, was developed by the Remuneration Committee and approved by the board.
- All executives receive a base salary (which is based on factors such as length of service and experience), superannuation and fringe benefits.
- The Remuneration Committee reviews executive packages annually by reference to the consolidated group's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.

At present, there are no bonuses or incentive schemes in place. The Board may, however, exercise its discretion in relation to approving incentives and bonuses, and can recommend changes to the committee's recommendations. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long term growth and shareholder wealth.

The executive director and executives receive a superannuation guarantee contribution required by the government, which is currently 9%, and do not receive any other retirement benefits. They can, however, choose to sacrifice part of their salary to increase payments towards superannuation.

All remuneration paid to directors and executives is valued at the cost to the company and expensed.

The board policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities. The remuneration committee determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. Fees for non-executive directors are not linked to the performance of the economic entity. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the company and are able to participate in bonus issues.

DIRECTORS' REPORT (continued)

Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities

Performance-based Remuneration

The remuneration policy does not provide for a performance based component of the executive director and executives' remuneration.

Company Performance, Shareholder Wealth and Director and Executive Remuneration

The company believes the above mentioned remuneration policies have been effective in increasing shareholder wealth over the past 10 years.

The following table shows the gross revenue, profits and dividends for the last five financial years for the listed entity, as well as the share price at the end of the respective financial years. Analysis of the actual figures shows an increase in revenues, as well as maintenance of the dividends paid to shareholders.

Year Ended	2006 \$	2007 \$	2008 \$	2009 \$	2010 \$
Dividends paid/payable	681,862	818,234	563,264	570,440	570,440
Share price at year-end ⁽¹⁾	84.5 cents	77 cents	48 cents	49 cents	51 cents
Revenue	1,924,258	2,362,543	2,851,075	3,141,822	3,053,511
Net profit/(loss) ⁽²⁾	1,687,301	1,668,366	742,636	(2,675,759)	1,795,064

⁽¹⁾ Adjusted for bonus share issues.

⁽²⁾ Adjusted for AIFRS.

Details of Remuneration for year ended 30 June 2010

At present, there are no bonuses or incentive schemes in place for the directors, executives and non-executive employees. The remuneration for each director and the executive officer of the consolidated entity receiving the highest remuneration during the year was as follows:

	Short Term Benefits	Post Employment Benefits	Long Term Benefit	Total
	Salary, Fees and Commissions \$'000	Super- annuation \$'000	Long Service Leave \$'000	\$'000
Directors				
John B. Sheehan	48	-	-	48
Antonio Gelonesi	32	-	-	32
Phil Montrone	194	29	3	226
John Bartholomew	107	-	-	107
Non-Executive Employees				
Rick Montrone	80	7	2	89
Jack Sciarra	<u>82</u>	<u>8</u>	<u>2</u>	<u>92</u>
	<u>543</u>	<u>44</u>	<u>7</u>	<u>594</u>

There are no equity or share based payments nor termination benefits.

DIRECTORS' REPORT (continued)

Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities

Options Issued as Part of Remuneration for the Year Ended 30 June 2010

The remuneration policy does not provide for the issue of options to directors and executives as part of their remuneration.

Employment Contracts of Directors and Senior Executives

The Managing Director and all executives (with the exception of Mr Bartholomew who is employed under contract) are permanent employees of Desane Group Holdings Limited and are entitled to normal statutory leave benefits only. Mr Bartholomew's contract is for no fixed term and no notice is required to terminate.

Meetings of Directors

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

Director	Directors' Meetings		Audit Committee	
	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held
J B Sheehan	12	13	3	3
P Montrone	13	13	3*	3
J Bartholomew	12	13	3	3
A Gelonesi	10	13	2	3
	Environmental & Occupational Health & Safety Committee		Remuneration Committee	
	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held
J B Sheehan	2	2	1	1
P Montrone	2	2	1	1
J Bartholomew	2	2	1	1
A Gelonesi	1*	2	1	1

* *By Invitation*

DIRECTORS' REPORT (continued)

Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities

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 has paid a premium of \$13,558 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 2010.

Proceedings on Behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings. The company was not a party to any such proceedings during the year.

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 2010.

	\$
Taxation services	<u>5,990</u>

DIRECTORS' REPORT (continued)

Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities

Auditor's Independence Declaration

The lead auditor's Independence Declaration for the year ended 30 June 2010, has been received and can be found on page 22 of the Directors' Report.

Rounding of Amounts

The company is an entity to which ASIC Class Order 98/1000 applies and accordingly, amounts in the financial statements and directors' report have been rounded to the nearest thousand dollars.

This Report of the Directors, incorporating the Remuneration Report, is signed in accordance with a resolution of the Board of Directors, at Sydney, this 25th day of August, 2010.



J B Sheehan
Director



P Montrone
Director

AUDITOR'S INDEPENDENCE DECLARATION

Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities

GCC Business & Assurance Pty Ltd

ABN 61 105 044 862

GPO Box 4566, Sydney NSW 2001

Telephone: (02) 9231 6166

Facsimile: (02) 9231 6155

Suite 807, 109 Pitt Street, Sydney NSW 2000

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

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2010, there have been:

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

GCC Business & Assurance Pty Ltd.

GCC BUSINESS & ASSURANCE PTY LTD
(Authorised Audit Company)



CHANG CHOW
Director

25 August 2010

Suite 807, 109 Pitt Street, Sydney NSW 2000

CONSOLIDATED STATEMENT of COMPREHENSIVE INCOME for the Year Ended 30 June 2010

Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities

	Note	Consolidated Group		Parent Entity	
		2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Revenue	2	3,054	3,142	-	-
Other income	2a,2b	19	37	900	800
Employee benefits expense		(480)	(489)	(480)	(489)
Depreciation and amortisation expense		(8)	(105)	(8)	(15)
Profit from sale of investments		-	-	-	-
Gain/(loss) on revaluation of investment properties		(982)	(6,058)	-	-
Finance costs		(1,089)	(1,364)	(7)	6
Other expenses from ordinary activities		(654)	(641)	(277)	(262)
Share of net profits and revaluation gains of associates	12	<u>1,926</u>	<u>1,076</u>	<u>-</u>	<u>-</u>
Profit/(loss) before income tax		1,786	(4,402)	128	40
Income tax expense	4	<u>9</u>	<u>1,726</u>	<u>-</u>	<u>-</u>
Profit/(loss) from continuing operations		1,795	(2,676)	128	40
Profit/(loss) attributable to minority equity interest		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Profit/(loss) attributable to members of the parent entity		<u>1,795</u>	<u>(2,676)</u>	<u>128</u>	<u>40</u>
Other Comprehensive Income		<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
Earnings per Share:					
Overall Operations					
Basic earnings per share (cents per share)	8	6.29	(9.38)		
Diluted earnings per share (cents per share)	8	6.29	(9.38)		
Continuing Operations					
Basic earnings per share (cents per share)		6.29	(9.38)		
Diluted earnings per share (cents per share)		6.29	(9.38)		

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION as at 30 June 2010

Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities

	Notes	Consolidated Group		Parent Entity	
		2010	2009	2010	2009
		\$'000	\$'000	\$'000	\$'000
Current Assets					
Cash and cash equivalents	9	16	47	17	20
Trade and other receivables	10	270	1,734	-	-
Other assets	11	216	222	9	9
Non-current assets classified as held for sale	12	<u>12,356</u>	<u>10,840</u>	<u>-</u>	<u>-</u>
Total Current Assets		<u>12,858</u>	<u>12,843</u>	<u>26</u>	<u>29</u>
Non-current Assets					
Trade and other receivables	13	-	-	11,803	12,176
Investment - properties	14	29,867	30,638	-	-
Investment - controlled entities	15	-	-	490	515
Property, plant and equipment	16	569	662	28	11
Other assets	11	68	-	-	-
Deferred tax assets	25	<u>353</u>	<u>344</u>	<u>-</u>	<u>-</u>
Total Non-current Assets		<u>30,857</u>	<u>31,644</u>	<u>12,321</u>	<u>12,702</u>
Total Assets		<u>43,715</u>	<u>44,487</u>	<u>12,347</u>	<u>12,731</u>
Current Liabilities					
Trade and other payables	17	666	528	183	115
Borrowings	18	10,447	6,704	-	-
Short term provisions	19	<u>589</u>	<u>588</u>	<u>589</u>	<u>588</u>
Total Current Liabilities		<u>11,702</u>	<u>7,820</u>	<u>772</u>	<u>703</u>
Non-current Liabilities					
Trade and other payables	20	151	66	-	17
Borrowings	18	8,605	14,575	-	-
Employee benefits	21	<u>26</u>	<u>20</u>	<u>26</u>	<u>20</u>
Total Non-current Liabilities		<u>8,782</u>	<u>14,661</u>	<u>26</u>	<u>37</u>
Total Liabilities		<u>20,484</u>	<u>22,481</u>	<u>798</u>	<u>740</u>
Net Assets		<u>23,231</u>	<u>22,006</u>	<u>11,549</u>	<u>11,991</u>
Equity					
Issued capital	22	11,174	11,174	11,174	11,174
Retained earnings	23	<u>12,057</u>	<u>10,832</u>	<u>375</u>	<u>817</u>
Total Equity		<u>23,231</u>	<u>22,006</u>	<u>11,549</u>	<u>11,991</u>

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY for the year ended 30 June 2010

Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities

Consolidated Group

	Issued Capital \$'000	Retained Earnings \$'000	Total \$'000
Balance at 1 July 2008	11,013	14,078	25,091
Shares issued during the year	161	-	161
Profit/(loss) attributable to members of parent entity	-	(2,676)	(2,676)
	11,174	11,402	22,576
Dividends paid or provided for	-	(570)	(570)
Balance at 30 June 2009	<u>11,174</u>	<u>10,832</u>	<u>22,006</u>
Balance at 1 July 2009	11,174	10,832	22,006
Shares issued during the year	-	-	-
Profit/(loss) attributable to members of parent entity	-	1,795	1,795
	11,174	12,627	23,801
Dividends paid or provided for	-	(570)	(570)
Balance at 30 June 2010	<u>11,174</u>	<u>12,057</u>	<u>23,231</u>

Parent Entity

	Capital \$'000	Issued Earnings \$'000	Retained Total \$'000
Balance at 1 July 2008	11,013	1,347	12,360
Shares issued during the year	161	-	161
Profit attributable to members of parent entity	-	40	40
Transfers to retained earnings	-	-	-
	11,174	1,387	12,561
Dividends paid or provided for	-	(570)	(570)
Balance at 30 June 2009	<u>11,174</u>	<u>817</u>	<u>11,991</u>
Balance at 1 July 2009	11,174	817	11,991
Shares issued during the year	-	-	-
Profit attributable to members of parent entity	-	128	128
Transfers to retained earnings	-	-	-
	11,174	945	12,119
Dividends paid or provided for	-	(570)	(570)
Balance at 30 June 2010	<u>11,174</u>	<u>375</u>	<u>11,549</u>

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS for The Year Ended 30 June 2010

Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities

	Notes	Consolidated Group		Parent Entity	
		2010 Inflows (Outflows) \$'000	2009 Inflows (Outflows) \$'000	2010 Inflows (Outflows) \$'000	2009 Inflows (Outflows) \$'000
Cash flows from operating activities					
Receipts from customers		4,841	2,707	-	-
Payments to suppliers and employees		(1,374)	(1,555)	(682)	(723)
Dividends received		-	-	-	-
Dividend from associated entity		-	-	900	800
Interest received		19	37	-	-
Finance costs		(1,089)	(1,364)	(7)	6
Net cash provided by (used in) operating activities	32	<u>2,397</u>	<u>(175)</u>	<u>211</u>	<u>83</u>
Cash flows from investing activities					
Purchase of property, plant and equipment		(25)	-	(25)	-
Proceeds from the sale of plant and equipment		109	-	-	-
Proceeds from sale of property investments		1,899	655	-	-
Purchase of property and investments		(1,698)	(561)	-	-
Reduction of other non-current assets		-	(38)	25	-
Net cash provided by (used in) investing activities		<u>285</u>	<u>56</u>	<u>-</u>	<u>-</u>
Cash flows from financing activities					
Proceeds from issue of shares		-	161	-	161
Dividends paid by parent entity		(570)	(563)	(570)	(563)
(Loans to related parties)/repaid		-	-	356	340
Loans from related parties/(repaid)		(1,365)	-	-	(4)
Loans from unrelated entities/(repaid)		85	233	-	-
Loans to unrelated parties		-	-	-	-
Loans to associated parties		-	91	-	-
Proceeds from borrowings		-	701	-	-
Repayment of borrowings		(863)	(500)	-	-
Net cash provided by (used in) financing activities		<u>(2,713)</u>	<u>123</u>	<u>(214)</u>	<u>(66)</u>
Net increase/(decrease) in cash held		(31)	4	(3)	17
Cash at beginning of financial year		<u>47</u>	<u>43</u>	<u>20</u>	<u>3</u>
Cash at end of financial year	9	<u><u>16</u></u>	<u><u>47</u></u>	<u><u>17</u></u>	<u><u>20</u></u>

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS for The Year Ended 30 June 2010

Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities

Note 1: Statement of Significant Accounting Policies

The financial report is a general purpose financial report that has been prepared in accordance with the Australian Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act, 2001.

The financial report covers the economic entity of Desane Group Holdings Limited and controlled entities, and Desane Group Holdings Limited as an individual parent entity. Desane Group Holdings Limited is a listed public company, incorporated and domiciled in Australia.

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.

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.

Basis of Preparation

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

Reporting Basis and Conventions

The financial report has been prepared on an accruals basis and is based on historical costs modified where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Accounting Policies

a. Principles of Consolidation

A controlled entity is any entity Desane Group Holdings Limited has the power to control the financial and operating policies so as to obtain benefits from the entity's activities.

A list of controlled entities is contained in Note 15 to the financial statements. All controlled entities have a 30 June financial year end. Control will generally exist when the parent owns, directly or indirectly through controlled entities, more than half of the voting power of an entity.

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 subsidiaries 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.

Minority equity interests in the equity and results of the entities that are controlled are shown as a separate item in the consolidated financial report.

b. Income Tax

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

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.

NOTES TO THE FINANCIAL STATEMENTS for The Year Ended 30 June 2010 (continued)

Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities

Note 1: Statement of Significant Accounting Policies (continued)

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 subsidiaries 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 subsidiaries 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. Non-current Assets Classified as Held for Sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. They are measured at the lower of their carrying amount and fair value less costs to sell. Profits are brought to account on the settlement of a contract of sale.

d. 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.

NOTES TO THE FINANCIAL STATEMENTS for The Year Ended 30 June 2010 (continued)

Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities

Note 1: Statement of Significant Accounting Policies (continued)

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	5-20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet 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 income statement. When revalued assets are not sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

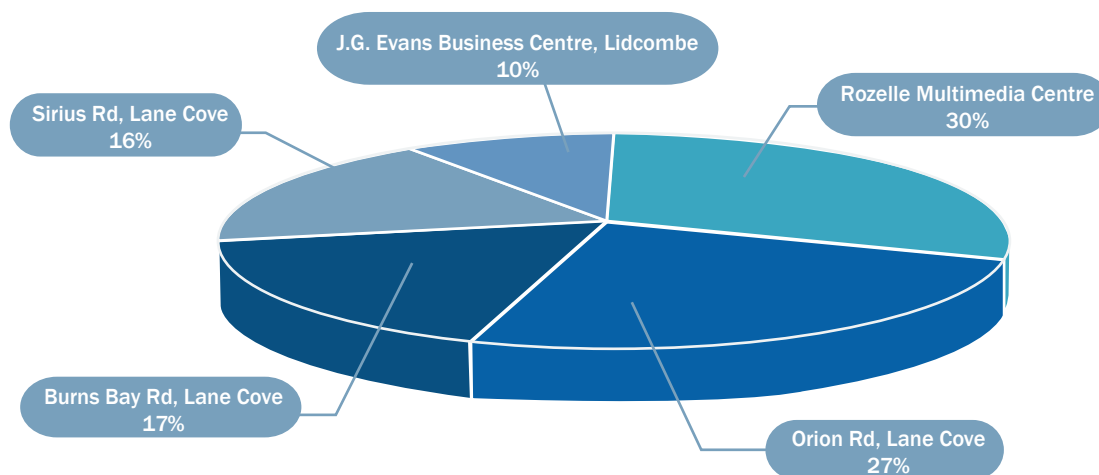
e. Investment Property

Investment property, comprising freehold office and industrial complexes, is held to generate long-term rental yields. All tenant leases are on an arm's length basis. The fair value model is applied to all investment property and each property is reviewed at each balance sheet date. The fair value is defined as the price at which the property could be exchanged between knowledgeable, willing parties in an arms length transaction. Changes to fair value are recorded in the income statement as revenue from non operating activities.

Investment properties under construction are measured at the lower of cost 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.

NET INCOME CONTRIBUTION BY PROPERTY



NOTES TO THE FINANCIAL STATEMENTS for The Year Ended 30 June 2010 (continued)

Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities

Note 1: Statement of Significant Accounting Policies (continued)

Rental revenue from the leasing of investment properties is recognised in the statement of comprehensive income in the periods in which it is receivable, as this represents the pattern of service rendered through the provision of the properties.

f. 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. 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 statement of comprehensive income.

g. Investments in Associates

Investments in associate companies are recognised in the financial statements by applying the equity method of accounting. The equity method of accounting recognises the group's share of post acquisition reserves of its associates.

h. Interests in Joint Ventures

The consolidated group's share of the assets, liabilities, revenue and expenses of joint venture operations is included in the appropriate items of the consolidated financial statements. Details of the consolidated group's interest are shown at Note 24.

The consolidated group's interest in joint venture entities is brought to account using the equity method of accounting in the consolidated financial statements.

i. Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be

settled within one year have been measured at the amounts expected to be paid when the liabilities are settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

j. 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.

k. 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.

l. Revenue and Other income

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

Revenue from investment properties is recognised on an accruals basis or straight-line basis in accordance with lease agreements.

Revenue from sale of properties held for resale and non-current property or other assets is brought to account on the settlement of a contract of sale.

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).

NOTES TO THE FINANCIAL STATEMENTS for The Year Ended 30 June 2010 (continued)

Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities

Note 1: Statement of Significant Accounting Policies (continued)

m. 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 borrowing costs are expensed in the period in which they are incurred, or written off over 5 years or over the period of the loan, whichever is the lesser.

n. Goods and Services Tax (GST)

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

o. Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in the presentation in the financial year.

p. Rounding of Amounts

The parent entity has applied the relief available to it under ASIC Class Order 98/1000 and accordingly, amounts in the financial report and directors' report have been rounded off to the nearest \$1,000.

q. Critical Accounting Estimates and Judgements

The directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

r. Adoption of New and Revised Accounting Standards

During the current year the Group adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory.

The adoption of these standards has impacted the recognition, measurement and disclosure of certain transactions. The following is an explanation of the impact of the adoption of these standards and interpretations has had on the financial statements of Desane Group Holdings Limited.

AASB 8: Operating Segments

In February 2007 the Australian Accounting Standards Board issued AASB 8 which replaced AASB 114: Segment Reporting. As a result, some of the required operating segment disclosures have changed with the addition of a possible impact on the impairment testing of goodwill allocated to the cash generating units (CGUs) of the entity. Below is an overview of the key changes and the impact on the Group's financial statements.

Identification and measurement of segments – AASB 8 requires the 'management approach' to the identification measurement and disclosure of operating segments. The 'management approach' requires that operating segments be identified on the basis of internal reports that are regularly reviewed by the entity's chief operating decision maker, for the purpose of allocating resources and assessing performance. This could also include the identification of operating

NOTES TO THE FINANCIAL STATEMENTS for The Year Ended 30 June 2010 (continued)

Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities

Note 1: Statement of Significant Accounting Policies (continued)

segments which sell primarily or exclusively to other internal operating segments. Under AASB 114, segments were identified by business and geographical areas, and only segments deriving revenue from external sources were considered.

The adoption of the 'management approach' to segment reporting has resulted in the identification of reportable segments largely consistent with the prior year.

Under AASB 8, operating segments are determined based on management reports using the 'management approach', whereas under AASB 114 financial results of such segments were recognised and measured in accordance with Australian Accounting Standards. This has resulted in changes to the presentation of segment results, with inter-segment sales and expenses such as depreciation and impairment now being reported for each segment rather than in aggregate for total group operations, as this is how they are reviewed by the chief operating decision maker.

AASB 101: Presentation of Financial Statements

In September 2007 the Australian Accounting Standards Board revised AASB 101 and as a result, there have been changes to the presentation and disclosure of certain information within the financial statements. Below is an overview of the key changes and the impact on the Group's financial statements.

Terminology changes – The revised version of AASB 101 contains a number of terminology changes, including the amendment of the names of the primary financial statements.

Reporting changes in equity – The revised AASB 101 requires all changes in equity arising from transactions with owners, in their capacity as owners, to be presented separately from

non-owner changes in equity. Owner changes in equity are to be presented in the statement of changes in equity, with non-owner changes in equity presented in the statement of comprehensive income. The previous version of AASB 101 required that owner changes in equity and other comprehensive income be presented in the statement of changes in equity.

Statement of comprehensive income – The revised AASB 101 requires all income and expenses to be presented in either one statement, the statement of comprehensive income, or two statements, a separate income statement and a statement of comprehensive income. The previous version of AASB 101 required only the presentation of a single income statement.

Other comprehensive income – The revised version of AASB 101 introduces the concept of 'other comprehensive income' which comprises of income and expenses that are not recognised in profit or loss as required by other Australian Accounting Standards. Items of other comprehensive income are to be disclosed in the statement of comprehensive income. Entities are required to disclose the income tax relating to each component of other comprehensive income. The previous version of AASB 101 did not contain an equivalent concept.

s. New Accounting Standards of Application in Future Periods

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods. The Group has decided against early adoption of these standards. A discussion of those future requirements and their impact on the Group follows:

- AASB 9: Financial Instruments and AASB 2009-11: Amendments to Australian Accounting Standards arising from AASB [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and

NOTES TO THE FINANCIAL STATEMENTS for The Year Ended 30 June 2010 (continued)

Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities

Note 1: Statement of Significant Accounting Policies (continued)

Interpretations 10 & 12] (applicable for annual reporting periods commencing on or after 1 January 2013).

These standards are applicable retrospectively and amend the classification and measurement of financial assets. The Group has not yet determined the potential impact on the financial statements.

The changes made to accounting requirements include:

- Simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
 - Simplifying the requirements for embedded derivatives;
 - Removing the tainting rules associated with held-to-maturity assets;
 - Removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
 - Allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument; and
 - Reclassifying financial assets where there is a change in an entity's business model for managing the financial assets and the characteristics of the contractual cash flows.
- AASB 2009-4: Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB2 and AASB 138 and AASB Interpretations 9 & 16] (applicable for annual reporting periods commencing from 1 July 2009) and AASB 2009-5: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5,8,101,117,118,136 & 139] (applicable for

annual reporting periods commencing from 1 July 2010). These standards detail numerous non-urgent but necessary changes to accounting standards arising from the IAASB's annual improvements project. No changes are expected to materially affect the Group.

- AASB 2009-8: Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions [AASB2] (applicable for annual reporting periods commencing on or after 1 January 2010). These amendments clarify the accounting for group cash-settled share-based payment transactions in the separate or individual financial statements of the entity receiving the goods or services when the entity has no obligation to settle the share-based payment transaction. The amendments incorporate the requirements previously included in the Interpretation 8 and Interpretation 11 and as a consequence, these two Interpretations are superseded by the amendments. These amendments are not expected to materially impact the Group
- AASB 2009-9: Amendments to Australian Accounting Standards – Additional Exemptions for First-time Adopters [AASB 1] (applicable for annual reporting periods commencing on or after 1 January 2010). These amendments specify requirements for entities using the full cost method in place of the retrospective application of Australian Accounting Standards for oil and gas assets, and exempt entities with existing leasing contracts from reassessing the classification of those contracts in accordance with Interpretation 4 when the application of their previous accounting policies would have given the same outcome. These amendments are not expected to materially impact the Group.
- AASB 2009-10: Amendments to Australian Accounting Standards – Classification of Rights issues [[AASB 132] (applicable for annual reporting periods commencing on or after 1 February 2010). These amendments clarify that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount in any

NOTES TO THE FINANCIAL STATEMENTS for The Year Ended 30 June 2010 (continued)

Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities

Note 1: Statement of Significant Accounting Policies (continued)

currency are equity instruments if the entity offers the rights, options or warrants pro-rata to all existing owners of the same class of its own non-derivative equity instruments. These amendments are not expected to materially impact the Group

- AASB 2009-12: Amendments to Australian Accounting Standards - [AASB 5, 8, 110,112,119,133,137,139,1023 & 1031 and Interpretations 2,4,16,1039 & 1052] (applicable for annual reporting periods commencing on or after 1 January 2011). This standard makes a number of editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of International Financial Reporting Standards by the IASB. The standard also amends AASB 8 to require entities to exercise judgment in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. These amendments are not expected to materially impact the Group
- AASB 2009-13: Amendments to Australian Accounting Standards arising from Interpretation 19 [AASB 1] (applicable for annual reporting periods commencing on or after 1 July 2010). This standard makes amendments to AASB 1 arising from the issue of Interpretation 19. The amendments allow first-time adopter to apply the transitional provisions in Interpretation 19. This standard is not expected to impact the Group.
- AASB 2009-14: Amendments to Australian Interpretation - prepayments of a minimum Funding Requirement [AASB Interpretation 14] (applicable for annual reporting periods commencing on or after 1 January 2011). This standard amends Interpretation 14 to address unintended consequences that can arise from the previous accounting requirements when an entity prepays future contributions into a

defined benefit pension plan. This standard is not expected to impact the Group.

- AASB Interpretation 19: Extinguishing Financial Liabilities with Equity Instruments (applicable for annual reporting periods commencing on or after 1 July 2010). This interpretation deals with how a debtor would account for the extinguishment of a liability through the issue of equity instruments. The Interpretation state that the issue of equity should be treated as the consideration paid to extinguish the liability, and the equity instruments issued should be recognised at their fair value unless fair value cannot be measured reliably in which case they should be measured at the fair value of the liability extinguished. The interpretation deals with situations where either partial or full settlement of the liability has occurred. This Interpretation is not expected to impact the Group

The group does not anticipate early adoption of any of the above reporting requirements and does not expect these requirements to have any material effect on the Group's financial statements.

NOTES TO THE FINANCIAL STATEMENTS for The Year Ended 30 June 2010 (continued)

Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities

Note 2: Revenue and Other income

	Note	Consolidated Group		Parent Entity	
		2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Revenue					
Equipment hire		-	101	-	-
Property services		27	87	-	-
Property project management		500	500	-	-
Property rental income		2,398	2,325	-	-
Property management fees		<u>129</u>	<u>129</u>	<u>-</u>	<u>-</u>
Total Revenue		<u>3,054</u>	<u>3,142</u>	<u>-</u>	<u>-</u>
Other Income					
a. Dividend revenue from:					
- wholly owned subsidiaries		-	-	900	800
- associated entities		-	-	-	-
- other corporations		-	-	-	-
b. Interest revenue from:					
- associated entities		-	-	-	-
- other related parties		19	37	-	-
- other persons		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other income		<u>19</u>	<u>37</u>	<u>900</u>	<u>800</u>

NOTES TO THE FINANCIAL STATEMENTS for The Year Ended 30 June 2010 (continued)

Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities

Note 3: Profit/(loss) for the Year

Profit/(loss) before income tax has been determined after;

	Note	Consolidated Group		Parent Entity	
		2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
a. Expenses					
Auditors' remuneration	6	63	58	27	29
Depreciation of plant and equipment		8	15	8	15
Finance costs:					
- External		1,089	1,364	7	(6)
- Related entities		-	-	-	-
Transfer to/(from) provisions for:					
- Employee entitlements		7	(2)	7	(2)
Rental expenses relating to operating leases		27	27	27	27
Direct property expenditure from investment property generating rental income		153	122	-	-

b. Significant Revenue and Expenses

The following significant revenue and expense items are relevant in explaining the financial performance:

Consideration on sale of property		1,547	480	-	-
Carrying amount of net assets sold		<u>(1,547)</u>	<u>(480)</u>	<u>-</u>	<u>-</u>
Net gain on the sale of plant and equipment		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Note 4: Income Tax Expense

a. The components of tax expense comprise:

	Note	Consolidated Group		Parent Entity	
		2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Current tax		-	-	-	-
Deferred tax	25	138	(1,643)	-	-
Recoupment of prior year tax losses		<u>(147)</u>	<u>(83)</u>	<u>-</u>	<u>-</u>
		<u>(9)</u>	<u>(1,726)</u>	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS for The Year Ended 30 June 2010 (continued)

Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities

Note 4: Income Tax Expense (continued)

- b. The prima facie tax on profit/(loss) from ordinary activities before income tax is reconciled to income tax as follows:

	Note	Consolidated Group		Parent Entity	
		2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Prima facie tax payable on Profit/(loss) from ordinary activities before income tax at 30% (2009: 30%)		536	(1,320)	38	12
Tax effect of permanent differences:					
- accounting profit on sale of properties		-	-	-	-
- other non-allowable items		2	-	-	-
Income tax after adjusting for permanent differences		538	(1,320)	38	12
- unfranked dividend received from controlled entity		-	-	(270)	(240)
- share of net profit of associated entity netted directly		(578)	(323)	-	-
- tax losses transferred (from)/to controlled entities		-	-	230	228
- tax losses not recognised		227	38	-	-
- share of net profit of joint venture netted directly		(33)	(35)	-	-
- movement in provisions		(16)	(3)	2	-
- recoupment of prior year tax losses		(147)	(83)	-	-
Income tax attributable to entity		(9)	(1,726)	-	-
The applicable weighted average effective tax rates		(-%)	(39.21%)	-%	-%

NOTES TO THE FINANCIAL STATEMENTS for The Year Ended 30 June 2010 (continued)

Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities

Note 5: Key Personnel Compensation

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

Key Personnel	Position
Mr John B. Sheehan	Chairman - Non-executive
Mr Phil Montrone	Managing Director – Executive
Mr Antonio Gelonesi	Director – Non-executive
Mr John W Bartholomew	Director – Non-executive and Company Secretary
Mr Jack Sciara	Chief Financial Officer
Mr Rick D. Montrone	Property Manager

- 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

2010

Key Personnel	Short Term Benefits	Post Employment Benefits	Long Term Benefit	Total \$'000
	Salary, Fees and Commissions \$'000	Super-annuation \$'000	Long Service Leave \$'000	
John B. Sheehan	48	-	-	48
Antonio Gelonesi	32	-	-	32
Phil Montrone	194	29	3	226
John W. Bartholomew	107	-	-	107
Rick D. Montrone	80	7	2	89
Jack Sciara	82	8	2	92
	<u>543</u>	<u>44</u>	<u>7</u>	<u>594</u>

NOTES TO THE FINANCIAL STATEMENTS for The Year Ended 30 June 2010 (continued)

Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities

Note 5: Key Personnel Compensation (continued)

2009

Key Personnel	Short Term Benefits	Post Employment Benefits	Long Term Benefit	Total \$'000
	Salary, Fees and Commissions \$'000	Super-annuation \$'000	Long Service Leave \$'000	
John B. Sheehan	48	-	-	48
Antonio Gelonesi	35	-	-	35
Phil Montrone	185	57	3	245
John W. Bartholomew	<u>103</u>	-	-	<u>103</u>
	<u>371</u>	<u>57</u>	<u>3</u>	<u>431</u>

d. Shareholdings

Number of shares held by parent entity directors, specified executives and non-executive employees.

Key Personnel	Balance 01.07.09	Received as Compensation	Options Exercised	Net Change Other*	Balance 30.06.10
John B. Sheehan	132,517	-	-	-	132,517
Antonio Gelonesi **	164,932	-	-	-	164,932
Phil Montrone	10,910,250	-	-	-	10,910,250
John Bartholomew	500,159	-	-	(20,100)	480,059
Rick D. Montrone	31,230	-	-	-	31,230
Jack Sciara	<u>23,300</u>	-	-	<u>28,220</u>	<u>51,520</u>
	<u>11,762,388</u>	-	-	<u>8,120</u>	<u>11,770,508</u>

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

** Shares held by Antonio Gelonesi from 1 July 2009 until date of resignation on 24 May 2010.

Note 6: Auditors' Remuneration

	Consolidated Group		Parent Entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Remuneration of the auditor for the parent entity:				
DFK – Richard Hill Pty Ltd:				
- auditing or reviewing the financial report	5	5	5	5
- taxation services	-	-	-	-
GCC Business Assurance Pty Ltd:				
- auditing or reviewing the financial report	52	53	16	24
- taxation services	<u>6</u>	-	<u>6</u>	-
	<u>63</u>	<u>58</u>	<u>27</u>	<u>29</u>

NOTES TO THE FINANCIAL STATEMENTS for The Year Ended 30 June 2010 (continued)

Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities

Note 7: Dividends

	Consolidated Group		Parent Entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Distributions paid				
Ordinary dividend paid of 2 cents per share unfranked (2009: 2 cents unfranked)	<u>570</u>	<u>563</u>	<u>570</u>	<u>563</u>
a. Proposed ordinary dividend of 2 cents per share unfranked (2009: 2 cents unfranked)	<u>570</u>	<u>570</u>	<u>570</u>	<u>570</u>
b. The group has a total \$nil (2009 - \$nil) franking credits (franked to 30%) available before the dividends for 2010 are provided.				

Note 8: Earnings per Share

	Consolidated Group	
	2010 \$'000	2009 \$'000
Reconciliation of earnings used in the calculation of earnings per share		
Operating profit/(loss) after income tax	<u>1,795</u>	<u>(2,676)</u>
Reconciliation of weighted average numbers of ordinary shares used in the calculation of earnings per share		
	Consolidated Group	
	2010	2009
Weighted average number of ordinary shares used in the calculation of basic earnings per share	<u>28,521,997</u>	<u>28,521,997</u>
Basic earnings per share (dollars per share)	<u>0.0629</u>	<u>(0.0938)</u>
Diluted earnings per share (dollars per share)	<u>0.0629</u>	<u>(0.0938)</u>

Conversion, call, subscription or issue after 30 June 2010

There has been no:

- conversion to, calls of, or subscription for ordinary shares; or
- issues of potential ordinary shares;

since the reporting date and before the completion of these accounts.

NOTES TO THE FINANCIAL STATEMENTS for The Year Ended 30 June 2010 (continued)

Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities

Note 9: Current Assets - Cash

	Consolidated Group		Parent Entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Cash at bank and in hand	16	47	17	20
Short term bank deposits	-	-	-	-
	<u>16</u>	<u>47</u>	<u>17</u>	<u>20</u>

The effective interest rate on cash at bank was nil (2009 – nil)

Reconciliation of cash

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

Cash as above	98	63	17	20
Less: Bank overdraft	<u>(82)</u>	<u>(16)</u>	<u>-</u>	<u>-</u>
	<u>16</u>	<u>47</u>	<u>17</u>	<u>20</u>

The bank overdraft is secured by a first mortgage security over the investment property of the joint venture (note 24).

Note 10: Current Assets - Trade and Other Receivables

	Consolidated Group		Parent Entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Trade receivables	82	197	-	-
Other receivables				
- Dividend receivable from associated entity	76	625	-	-
- Associated entity	-	800	-	-
- Loan to associated entity	<u>112</u>	<u>112</u>	<u>-</u>	<u>-</u>
	<u>270</u>	<u>1,734</u>	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS for The Year Ended 30 June 2010 (continued)

Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities

Note 11: Other Assets

(a) Current Assets

	Consolidated Group		Parent Entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Prepayments	214	220	9	9
Security deposit	<u>2</u>	<u>2</u>	<u>-</u>	<u>-</u>
	<u>216</u>	<u>222</u>	<u>9</u>	<u>9</u>

(b) Non-current Assets

	Consolidated Group		Parent Entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Rental incentives	146	-	-	-
Lease incentives	<u>(78)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>68</u>	<u>-</u>	<u>-</u>	<u>-</u>

Note 12: Current Assets - Non-current assets classified as held for sale

	Note	Consolidated Group		Parent Entity	
		2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Unit 2/1-3 Nicholas Street, Lidcombe	12a	510	510	-	-
Sold and Settled 23.12.2009		(510)	(5)	-	-
Unit 3/1-3 Nicholas Street, Lidcombe	12a	507	-	-	-
Sold and Settled 21.01.2010		(507)	-	-	-
Unit 7/1-3 Nicholas Street, Lidcombe	12a	530	530	-	-
Sold and Settled 29.10.2009		(530)	(36)	-	-
Unit 5/1-3 Nicholas Street, Lidcombe	12a	1,575	1,575	-	-
Less Deposit Taken		(471)	-	-	-
Unit 4/1-3 Nicholas Street, Lidcombe	12a	<u>1,060</u>	<u>-</u>	<u>-</u>	<u>-</u>
Investment properties		2,164	2,574	-	-
Shares in unlisted associated companies - equity accounted	12b	<u>10,192</u>	<u>8,266</u>	<u>-</u>	<u>-</u>
		<u>12,356</u>	<u>10,840</u>	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS for The Year Ended 30 June 2010 (continued)

Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities

Note 12: Current Assets - Non-current assets classified as held for sale (continued)

- a. Unit 2, 1-3 Nicholas Street, Lidcombe, was sold and settled in December 2009 for \$510,000. Unit 3, 1-3 Nicholas Street, Lidcombe, was sold and settled in January 2010 for \$507,500. Unit 7, 1-3 Nicholas Street, Lidcombe, was sold and settled in October 2009 for \$530,000. Unit 5, 1-3 Nicholas Street, Lidcombe, is valued at \$1,575,000, based on the directors' valuation as at 30 June 2010 is being sold. A deposit of \$472,500 has been received on exchange of contracts. Subsequent to 30 June 2010, contracts have been exchanged and a deposit received for the sale of Unit 4, 1-3 Nicholas Street, Lidcombe, for a consideration of \$1,060,000, being the book value at balance date.
- b. The carrying value of the investment in the associated company. The directors' valuation of \$34,000,000 as at 30 June 2010, of the company's underlying investment property at Burns Bay Road, Lane Cove. The directors' fair market value assessment is based on the size of the site, the current available lettable area, the alternative commercial uses available for the property and rezoning of the property from industrial special 4(c) to high density residential R4, as well as an independent valuation which was undertaken in May 2010 by a certified practicing valuation company. This property is rezoned and expected to be sold in the 2010/2011 financial year, therefore classified as a current asset. Refer to paragraph a(vi) of the Directors' Report.

Interests are held in the following unlisted associated companies:

Name	Principal Activity	Shares	Ownership Interest Consolidated		Carrying Amount of Investment Consolidated	
			2010	2009	2010 \$'000	2009 \$'000
Samvoni Pty Ltd	Owner of investment property at Lane Cove	Ord	50%	50%	<u>10,192</u>	<u>8,266</u>

A controlled entity acquired a 50% ownership and voting interest in Samvoni Pty Ltd. The underlying investment property was valued by the directors as at 30 June 2009. Refer to note 12b for valuation methodology.

- ii. Movements during the year in equity accounted investment in associated companies:

	Consolidated Group		Parent Entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Balance at the beginning of the financial year	8,266	7,190	-	-
Share of associated companies operating results after income tax	1,926	1,076	-	-
Dividend revenue from associated company	-	-	-	-
Balance at the end of the year	<u>10,192</u>	<u>8,266</u>	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS for The Year Ended 30 June 2010 (continued)

Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities

Note 12: Current Assets - Non-current assets classified as held for sale (continued)

	Consolidated Group		Parent Entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
iii. Equity attributable to associates:				
Issued capital	-	-	-	-
Retained earnings	(4,557)	(3,711)	-	-
Asset revaluation reserve	14,749	11,977	-	-

iv. Summarised presentation of share of aggregate assets, liabilities and performance of associates:

	Consolidated Group	
	2010 \$'000	2009 \$'000
Current assets	18,875	16,354
Non current assets	-	-
Total assets	18,875	16,354
Current liabilities	8,683	8,088
Non current liabilities	-	-
Total liabilities	8,683	8,088
Net equity	10,192	8,266
Operating profit/(loss) before income tax	(20)	37
Gain from the revaluation of investment property	2,772	1,500
Operating result before income tax	2,752	1,537
Income tax expense	(826)	(461)
Operating result after income tax	1,926	1,076

The associated entities have no contingent liabilities nor capital commitments.

Note 13: Non-current Assets - Trade and Other Receivables

	Note	Consolidated Group		Parent Entity	
		2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Loans to controlled entities	13a, 13b	-	-	11,803	12,176

- The loan from the parent entity is partly secured by a Deed of Debenture of \$2,000,000 over a controlled entity's assets.
- No interest has been charged on the loans to controlled entities and there are no fixed terms for repayment.

NOTES TO THE FINANCIAL STATEMENTS for The Year Ended 30 June 2010 (continued)

Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities

Note 14: Non-current Assets - Investment - Properties

a. The investment properties included in the accounts comprise:

	Note	Consolidated Group		Parent Entity	
		2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Investment property 47-51 Rozelle Bay Commercial Centre	14ab	5,347	5,036	-	-
Investment property 68-72 Multimedia Centre Lilyfield Road	14aa	10,234	10,150	-	-
Investment property 7-9 Orion Road	14ad	8,800	9,505	-	-
Investment property 13 Sirius Road	14ac	4,400	4,242	-	-
Investment property 7 Sirius Road	14ae	1,086	-	-	-
Investment property 1-3 Nicholas Street		-	1,705	-	-
		<u>29,867</u>	<u>30,638</u>	<u>-</u>	<u>-</u>

Valuation of Investment Properties

The basis of the directors' valuation of land and buildings is a fair market value as defined in Note 1e. The directors' methodology includes capitalisation of current rental income streams and comparison to market transactions in the surrounding locality. The properties are being independently valued 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 repairs or enhance an investment property other than 13 Sirius Road (see note 14ac).

- The directors' valuation, as at 30 June 2010. The Co-ownership Agreement expires in July 2011.
- This property is held at cost, plus capitalised borrowing costs.
- Directors' valuation, as at 30 June 2010, is based on an independent valuation undertaken in June 2010 by a certified practicing valuation company.
- The directors' valuation, as at 30 June 2010, is based on an independent valuation undertaken in June 2010 by a certified practicing valuation company.
- Desane has exchanged contracts to purchase the property 7 Sirius Road, Lane Cove for \$2,950,000. Stamp Duty and the 10% deposit have been paid and released. Contracts were exchanged on 22 January 2010 with 12 months' delayed settlement. Since exchange of contracts Desane has undertaken refurbishment works costing approximately \$618,000 and has entered into a lease agreement with a tenant.

NOTES TO THE FINANCIAL STATEMENTS for The Year Ended 30 June 2010 (continued)

Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities

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

Investment Properties

2010

	Acquisition Cost \$'000	Construction Cost \$'000	Interest Capitalised \$'000	Capital Costs \$'000	Other Units Sold/ to be Sold \$'000	Revaluation \$'000	Carrying Value 30.06.2010 \$'000
68-72 Multimedia Centre Joint Venture, Lilyfield Rd, Rozelle	1,681	5,303	-	94	-	3,156	10,234
7-9 Orion Rd, Lane Cove	8,197	908	-	317	-	(622)	8,800
13 Sirius Rd, Lane Cove	2,900	672	-	348	-	480	4,400
1-3 Nicholas St, Lidcombe	3,050	3,607	128	287	(5,243)	(1,829)	-
47-51 Rozelle Bay Commercial Centre	4,049	701	689	(92)	-	-	5,347
7 Sirius Rd, Lane Cove	468	618	-	-	-	-	1,086
	<u>20,345</u>	<u>11,809</u>	<u>817</u>	<u>954</u>	<u>(5,243)</u>	<u>1,185</u>	<u>29,867</u>

2009

	Acquisition Cost \$'000	Construction Cost \$'000	Interest Capitalised \$'000	Other Capital Costs \$'000	Units Sold/ to be Sold \$'000	Revaluation \$'000	Carrying Value 30.06.2009 \$'000
68-72 Multimedia Centre Joint Venture, Lilyfield Rd, Rozelle	1,681	5,241	-	94	-	3,134	10,150
7-9 Orion Rd, Lane Cove	8,197	908	-	110	-	290	9,505
13 Sirius Rd, Lane Cove	2,900	672	-	312	-	358	4,242
1-3 Nicholas St, Lidcombe	3,050	3,607	128	255	(3,934)	(1,401)	1,705
47-51 Rozelle Bay Commercial Centre	4,049	558	449	(20)	-	-	5,036
	<u>19,877</u>	<u>10,986</u>	<u>577</u>	<u>751</u>	<u>(3,934)</u>	<u>2,381</u>	<u>30,638</u>

NOTES TO THE FINANCIAL STATEMENTS for The Year Ended 30 June 2010 (continued)

Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities

Note 15: Non-current Assets - Investments - Controlled Entities

Investments in controlled entities are unquoted and comprise:

Controlled Entities	Class of Shares	2010		% Holding	2009	
		% Holding	Investment \$'000		Investment \$'000	
Desane Properties Pty Ltd	Ordinary	100	490	100	490	
Desane Contracting Pty Ltd	Ordinary	100	-	100	25	
Desane Hire Services Pty Ltd	Ordinary	100	-	100	-	
Provision for diminution in value			-		-	
			<u>490</u>		<u>515</u>	

All controlled entities are incorporated in Australia. Desane Properties Pty Ltd declared a dividend of \$900,000 out of retained profits (2009: \$800,000). Desane Hire Services Pty Ltd did not declare a dividend (2009: \$nil). Desane Contracting Pty Ltd did not declare a dividend (2009: \$nil).

Contribution to profit after tax:

	2010 \$'000	2009 \$'000
Desane Group Holdings Limited	(772)	(760)
Desane Properties Pty Limited	2,574	(1,918)
Desane Contracting Pty Limited	(3)	(3)
Desane Hire Services Pty Limited	<u>(4)</u>	<u>5</u>
	<u>1,795</u>	<u>(2,676)</u>

NOTES TO THE FINANCIAL STATEMENTS for The Year Ended 30 June 2010 (continued)

Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities

Note 16: Non-Current Assets - Property, Plant and Equipment

	Consolidated Group		Parent Entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Land and Buildings				
Leasehold improvements – at cost	82	82	82	82
Less: Accumulated depreciation	<u>(82)</u>	<u>(82)</u>	<u>(82)</u>	<u>(82)</u>
Total land and buildings	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Plant and equipment	650	740	-	-
Less: Depreciation and disposals	<u>(109)</u>	<u>(90)</u>	<u>-</u>	<u>-</u>
	<u>541</u>	<u>650</u>	<u>-</u>	<u>-</u>
Office furniture and equipment – at cost	76	59	76	59
Less: Accumulated depreciation	<u>(48)</u>	<u>(50)</u>	<u>(48)</u>	<u>(50)</u>
	<u>28</u>	<u>9</u>	<u>28</u>	<u>9</u>
Motor vehicles – at cost	59	59	59	59
Less: Accumulated depreciation	<u>(59)</u>	<u>(57)</u>	<u>(59)</u>	<u>(57)</u>
	<u>-</u>	<u>2</u>	<u>-</u>	<u>2</u>
Total non-current assets	<u>569</u>	<u>662</u>	<u>28</u>	<u>11</u>

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:

	Leasehold Improvements \$'000	Plant and Equipment \$'000	Total \$'000
Consolidated Group:			
Balance at the beginning of year	-	662	662
Additions	-	24	24
Disposals	-	(109)	(109)
Depreciation expense	<u>-</u>	<u>(8)</u>	<u>(8)</u>
Carrying amount at the end of the year	<u>-</u>	<u>569</u>	<u>569</u>
Parent Entity:			
Balance at the beginning of year	-	11	11
Additions	-	25	25
Disposals	-	-	-
Depreciation expense	<u>-</u>	<u>(8)</u>	<u>(8)</u>
Carrying amount at the end of the year	<u>-</u>	<u>28</u>	<u>28</u>

NOTES TO THE FINANCIAL STATEMENTS for The Year Ended 30 June 2010 (continued)

Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities

Note 17: Current Liabilities - Trade and Other Payables

	Note	Consolidated Group		Parent Entity	
		2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Unsecured liabilities					
Trade payables		612	490	165	97
Sundry payables and accrued expenses		<u>54</u>	<u>38</u>	<u>18</u>	<u>18</u>
		<u>666</u>	<u>528</u>	<u>183</u>	<u>115</u>

Note 18: Borrowings

(a) Current

	Note	Consolidated Group		Parent Entity	
		2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Secured liabilities:					
Finance for investment property – Loan from associated entity					
Burns Bay Road, Lane Cove	a	907	2,271	-	-
Lilyfield Road Joint Venture	b	5,250	-	-	-
1-3 Nicholas Street, Lidcombe	c	-	383	-	-
47-51 Lilyfield Road, Rozelle	d	2,470	2,470	-	-
1-3 Nicholas Street, Lidcombe	e	1,100	1,580	-	-
1-3 Nicholas Street, Lidcombe	f	<u>720</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>10,447</u>	<u>6,704</u>	<u>-</u>	<u>-</u>

- a. The associate entity has given a first mortgage finance secured over Burns Bay Road, Lane Cove property. This loan will be repaid from the settlement funds from the sale of the property.
- b. First mortgage finance secured over respective joint venture asset.
- c. First mortgage finance secured over Unit 3, 1-3 Nicholas Street, Lidcombe. Unit 3, 1-3 Nicholas Street, Lidcombe has been sold and mortgage repaid in full.
- d. First mortgage finance secured over 47-51 Lilyfield Road, Rozelle property. Desane has received confirmation from the present mortgagor that they intend to offer renewal of this loan when it matures in the 2010/2011 financial year.
- e. First mortgage finance secured over Unit 5, 1-3 Nicholas Street, Lidcombe. This loan will be repaid from the settlement funds from the sale of the property in the 2010/2011 financial year.
- f. First mortgage finance secured over Unit 4, 1-3 Nicholas Street, Lidcombe. This loan will be repaid from the settlement funds from the sale of the property in the 2010/2011 financial year.

NOTES TO THE FINANCIAL STATEMENTS for The Year Ended 30 June 2010 (continued)

Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities

Note 18: Borrowings (continued)

(b) Non Current

	Note	Consolidated Group		Parent Entity	
		2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Secured Liabilities					
Finance for Lilyfield Road Joint Venture	18i	-	5,250	-	-
Finance for investment property Orion Road	18ii	5,700	5,700	-	-
Finance for investment property Sirius Road, Lane Cove	18iii	2,905	2,905	-	-
Finance for investment property Lidcombe	18iv	-	720	-	-
		<u>8,605</u>	<u>14,575</u>	<u>-</u>	<u>-</u>

- i. First mortgage finance secured over respective joint venture assets (note 14aa).
- ii. First mortgage finance secured over Orion Road, Lane Cove property (note 14ad).
- iii. First mortgage finance secured over 13 Sirius Road, Lane Cove property (note 14ac).
- iv. First mortgage finance secured over Unit 4, 1-3 Nicholas Street, Lidcombe.

NOTES TO THE FINANCIAL STATEMENTS for The Year Ended 30 June 2010 (continued)

Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities

Note 19: Current Liabilities - Provisions

	Consolidated Group		Parent Entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Dividends	570	570	570	570
Employee entitlements*	<u>19</u>	<u>18</u>	<u>19</u>	<u>18</u>
	<u>589</u>	<u>588</u>	<u>589</u>	<u>588</u>

* Movement represents net increase in provision set aside.

	Consolidated Group		Parent Entity	
	2010 No	2009 No	2010 No	2009 No
Number of employees at year end	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>

Note 20: Non Current Liabilities - Trade and Other Payables

	Consolidated Group		Parent Entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Loans from controlled entities	-	-	-	17
Security deposits	<u>151</u>	<u>66</u>	<u>-</u>	<u>-</u>
	<u>151</u>	<u>66</u>	<u>-</u>	<u>17</u>

Note 21: Non-Current Liabilities - Employee Benefit Provision

	Consolidated Group		Parent Entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Employee long service leave entitlement *	<u>26</u>	<u>20</u>	<u>26</u>	<u>20</u>

* Movement represents increase in provision set aside.

NOTES TO THE FINANCIAL STATEMENTS for The Year Ended 30 June 2010 (continued)

Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities

Note 22: Issued Capital

		Parent Entity			
		2010		2009	
		\$'000		\$'000	
28,521,997 (2009: 28,521,997) Ordinary shares fully paid		<u>11,174</u>		<u>11,174</u>	
		Parent Entity		Parent Entity	
		2010	2009	2010	2009
Note	Shares	Shares	Shares	\$'000	\$'000
Ordinary shares - fully paid	28,521,997	28,163,187	11,174	11,013	
Share Purchase Plan	22ai -	358,810	-	161	
Bonus issue	-	-	-	-	
	<u>28,521,997</u>	<u>28,521,997</u>	<u>11,174</u>	<u>11,174</u>	

a. Movements in Ordinary Share Capital of the Company

Date	Details	Number of Shares	Issue Price Cents	\$'000
31.12.08	Share Purchase Plan	358,810	\$0.45	161

Ordinary Shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

- i. Shares totalling 358,810 (888,720 – 2008) were issued during 2009 under the Share Purchase Plan at \$0.45.

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 includes 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 changes in the strategy adopted by management to control the capital of the Group since the prior year.

NOTES TO THE FINANCIAL STATEMENTS for The Year Ended 30 June 2010 (continued)

Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities

Note 23: Retained Earnings

	Consolidated Group		Parent Entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Retained earnings at beginning of financial year	10,832	14,078	817	1,347
Net profit attributable to members of parent entity	1,795	(2,676)	128	40
Dividends provided for or paid	<u>(570)</u>	<u>(570)</u>	<u>(570)</u>	<u>(570)</u>
Retained earnings at end of financial year	<u>12,057</u>	<u>10,832</u>	<u>375</u>	<u>817</u>

NOTES TO THE FINANCIAL STATEMENTS for The Year Ended 30 June 2010 (continued)

Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities

Note 24: Interest in Joint Venture

In September 1996, a controlled entity entered into a co-ownership agreement called Lilyfield Road Joint Venture to purchase and develop a property for industrial use. The controlled entity has a 70% interest in the property assets and a 70% interest in the output (being commercial rentals) of this joint venture. The co-ownership agreement was renewed in November 2008 and is now scheduled to terminate in July 2011. Voting is by unanimous resolution by all joint venture members. The share of net assets employed in the joint venture, is included in the controlled entity's balance sheet under the following classifications:

	Consolidated Group	
Note	2010 \$'000	2009 \$'000
Current Assets		
Cash	-	-
Trade and other receivables	130	137
Unsecured loans to joint venture partners	-	-
Investment property	-	-
Non-current assets – investment property	<u>10,234</u>	<u>10,150</u>
Total Assets	<u><u>10,364</u></u>	<u><u>10,287</u></u>
Current Liabilities		
Trade and other payables	35	49
Short-term borrowings	85	15
Non-Current Liabilities		
Trade and other payables	-	-
Deferred tax liability	1,670	1,629
Long-term borrowings	<u>5,250</u>	<u>5,250</u>
Total Liabilities	<u><u>7,040</u></u>	<u><u>6,943</u></u>
Equity	<u><u>3,324</u></u>	<u><u>3,344</u></u>
Output	<u><u>860</u></u>	<u><u>835</u></u>
Net operating profit before income tax	531	404
Gain/(loss) from the revaluation of investment property	27	(1,544)
Income tax applicable to operating profit	<u>(159)</u>	<u>(121)</u>
Net profit/(loss) after income tax of joint venture	<u><u>399</u></u>	<u><u>(1,261)</u></u>

Refer note 14aa for details of valuation methodology. The joint venture has no contingent liabilities or commitments.

NOTES TO THE FINANCIAL STATEMENTS for The Year Ended 30 June 2010 (continued)

Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities

Note 25: Tax Assets

	Note	Consolidated Group 2010 \$'000	2009 \$'000
Non Current			
Deferred tax liability comprises:			
Tax allowances relating to property and equipment		909	833
Revaluation of investment properties		762	713
Deferred tax asset attributable to tax and capital losses		(2,164)	(2,041)
Provisions		(7)	(22)
Other		<u>147</u>	<u>173</u>
		<u>(353)</u>	<u>(344)</u>
Reconciliation			
Gross Movement			
The overall movement in the Deferred tax account is as follows:			
Opening balance		(344)	1,382
Charge to income statement	4	<u>(9)</u>	<u>(1,726)</u>
Closing balance		<u>(353)</u>	<u>(344)</u>

NOTES TO THE FINANCIAL STATEMENTS for The Year Ended 30 June 2010 (continued)

Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities

Note 25: Tax Assets (continued)

	Consolidated Group	
	2010	2009
	\$'000	\$'000
Deferred Tax Liability		
<i>Tax allowance relating to property and equipment</i>		
Opening balance	833	777
Adjustment to previous year's provision	-	-
Charged to the income statement	<u>76</u>	<u>56</u>
Closing balance	<u>909</u>	<u>833</u>
<i>Revaluation of investment properties</i>		
Opening balance	713	2,451
Net revaluation during the current period	49	(1,738)
Transfers on property sale	<u>-</u>	<u>-</u>
Closing balance	<u>762</u>	<u>713</u>
Deferred Tax Assets		
<i>Tax and capital losses</i>		
Opening balance	(2,041)	(2,060)
Capital losses utilised	-	-
Adjustment to previous year's provision	-	19
Tax losses recognised	<u>(123)</u>	<u>-</u>
Closing balance	<u>(2,164)</u>	<u>(2,041)</u>
<i>Provisions</i>		
Opening balance	(22)	(26)
Credited to income statement	<u>15</u>	<u>4</u>
Closing balance	<u>(7)</u>	<u>(22)</u>
<i>Other</i>		
Opening balance	173	240
Charged to income statement	<u>(26)</u>	<u>(67)</u>
Closing balance	<u>147</u>	<u>173</u>

NOTES TO THE FINANCIAL STATEMENTS for The Year Ended 30 June 2010 (continued)

Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities

Note 26: Financial Instruments

a. Financial Risk Management

The group's financial instruments consist mainly of 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; and
- obtaining funding from a variety of sources.

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 2010 approximately 68% of the Group's debt is with a floating interest rate and the 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 26d). 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.

An associated entity which is equity accounted has financed an investment property at an average interest rate of 7.5%.

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.

NOTES TO THE FINANCIAL STATEMENTS for The Year Ended 30 June 2010 (continued)

Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities

Note 26: Financial Instruments (continued)

c. Net Fair Values

On Balance Sheet:

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

Off Balance Sheet:

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.

2010	Note	Floating Interest Rate \$'000	Fixed Interest Maturing Within 1 Year \$'000	1-5 Years \$'000	Non Interest Bearing \$'000	Total \$'000
Financial Assets						
Cash and deposits	9	-	-	-	16	16
Receivables	10, 11	-	-	-	486	486
		<u>-</u>	<u>-</u>	<u>-</u>	<u>502</u>	<u>502</u>
Weighted average interest rate						
		-%	-%	-%		
Financial Liabilities						
Trade and other creditors	17, 20	-	-	-	817	817
Interest bearing liabilities	18	13,855	5,197	-	-	19,052
		<u>13,855</u>	<u>5,197</u>	<u>-</u>	<u>817</u>	<u>19,869</u>
Weighted average interest rate						
		7.17%	7.99%	-%		
Net financial assets (liabilities)		<u>(13,855)</u>	<u>(5,197)</u>	<u>-</u>	<u>(315)</u>	<u>(19,367)</u>

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 above.

There are no financial liabilities maturing over 5 years.

NOTES TO THE FINANCIAL STATEMENTS for The Year Ended 30 June 2010 (continued)

Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities

Note 26: Financial Instruments (continued)

2009	Note	Floating Interest Rate \$'000	Fixed Interest Within 1 year \$'000	Fixed Interest Maturing 1-5 Years \$'000	Non Interest Bearing \$'000	Total \$'000
Financial Assets						
Cash and deposits	9	-	-	-	47	47
Receivables	10, 11	<u>750</u>	<u>-</u>	<u>-</u>	<u>1,206</u>	<u>1,956</u>
		<u>750</u>	<u>-</u>	<u>-</u>	<u>1,253</u>	<u>2,003</u>
Weighted average interest rate						
		7.00%	0.00%	0.00%		
Financial Liabilities						
Trade and other creditors	17, 20	-	-	-	594	594
Interest bearing liabilities	18	<u>11,230</u>	<u>6,704</u>	<u>3,345</u>	<u>-</u>	<u>21,279</u>
		<u>11,230</u>	<u>6,704</u>	<u>3,345</u>	<u>594</u>	<u>21,873</u>
Weighted average interest rate						
		4.95%	7.91%	5.96%		
Net financial assets (liabilities)						
		<u>(10,480)</u>	<u>(6,704)</u>	<u>(3,345)</u>	<u>659</u>	<u>(19,870)</u>

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 balance date would have been effected 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.

	Consolidated Group	
	Profit \$'000	Equity \$'000
Year ended 30 June 2010	+/- 277	+/- 277

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

	Consolidated Group	
	Profit \$'000	Equity \$'000
Year ended 30 June 2009	+/- 209	+/- 209

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

NOTES TO THE FINANCIAL STATEMENTS for The Year Ended 30 June 2010 (continued)

Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities

Note 27: Related Party Transactions

All transactions are under normal commercial terms and conditions.

Related parties of Desane Group Holdings Limited fall into the following categories:

a. Ultimate Parent Company

Information relating to controlled entities is set out in notes 13 and 14. Other transactions between related parties consist of:

	Consolidated Group		Parent Entity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Desane Properties Pty Limited:				
Dividend paid	900	800	-	-
Desane Hire Services Pty Limited:				
Dividend paid	-	-	-	-
Desane Contracting Pty Limited:				
Dividend paid	-	-	-	-
b. Associated Companies				
Administration fee received from Samvoni Pty Ltd	15	15	-	-
Lilyfield Road Joint Venture	12	12	-	-
Asset management fee received from Tuta Properties Pty Ltd	500	500	-	-
Interest received from Tuta Properties Pty Ltd (associated company)	19	37	-	-
Interest paid to Tuta Properties Pty Ltd	80	202	-	-
c. Directors				

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

- Phil Montrone
- John Blair Sheehan
- John William Bartholomew – appointed 24 May 2010
- Antonio Gelonesi – resigned 24 May 2010

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

During the year, Cupara Pty Limited, of which Phil Montrone is a director, purchased one factory unit in the Nicholas Street, Lidcombe complex. The purchase price was \$1,575,000 being market value at date of sale.

The Managing Director and all executives (with the exception of Mr Bartholomew who is employed under contract) are permanent employees of Desane Group Holdings Limited.

NOTES TO THE FINANCIAL STATEMENTS for The Year Ended 30 June 2010 (continued)

Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities

Note 27: Related Party Transactions (continued)

Other than the above transaction, 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. The directors participate in bonus and other share issues under the same terms and conditions as other shareholders. Particulars of directors' interests in ordinary shares and options are disclosed in the Directors' Report.

Note 28: Commitments for Expenditure

	Note	Consolidated Group		Parent Entity	
		2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Not later than one year	28i	2,655	-	-	-
Later than one year but not more than two years		-	-	-	-
		<u>2,655</u>	<u>-</u>	<u>-</u>	<u>-</u>

- i. Purchase of 7 Sirius Road, Lane Cove to be settled by January 2011. Finance has been secured.

Note 29: Superannuation Commitments

In the case of the employees of the holding company, the company contributed 9% of each member's salary into the fund nominated by each member. Group companies contribute a minimum amount equal to 9% of each member's salary, plus the cost of the insurance coverage, if required, to insure the provision of all benefits to the Fund. The benefits provided by the accumulation fund are based on the contributions and income thereon held by the Fund on behalf of the member. The 9% contribution made by group companies is legally enforceable.

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

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

NOTES TO THE FINANCIAL STATEMENTS for The Year Ended 30 June 2010 (continued)

Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities

Note 30: Contingent Liabilities

Employer contributions to the plans; consolidated, \$38,596 (2009 - \$40,632) parent entity \$38,596 (2009 - \$40,632).

- a. The parent entity has given a letter of support to each of its four controlled entities, to the effect that it will not require repayment of the loan funds advanced in the coming year (note 13).

The shareholders' funds as at 30 June 2010, in the controlled entities concerned were:

	2010 \$'000	2009 \$'000
Desane Hire Services Pty Limited – net assets	3	7
Desane Contracting Pty Limited – net assets	(12)	16
Desane Properties Pty Limited – net assets	<u>12,182</u>	<u>10,595</u>

- b. **Lilyfield Road Joint Venture**

First mortgage security over the property of the Joint Venture has been provided to finance borrowings of \$7,500,000 as at 30 June, 2010. In addition, the parent entity together with the other Joint Venturer have unconditionally guaranteed, jointly and severally, the secured loan and bank overdraft.

- c. **Lidcombe Property**

The parent entity has guaranteed the repayment of the first mortgage finance secured over the Lidcombe property (note 18).

- d. **Orion Road Property**

The parent entity has guaranteed the repayment of the first mortgage finance secured over the Orion Road property (note 18).

- e. **7 Sirius Road Property**

Purchase of 7 Sirius Road, Lane Cove to be settled by January 2011 (refer note 14(ae)). The parent entity has guaranteed the repayment of the proposed first mortgage finance secured over the 7 Sirius Road property (note 28).

- f. **13 Sirius Road Property**

The parent entity has guaranteed the repayment of the first mortgage finance secured over the 13 Sirius Road property (note 18).

NOTES TO THE FINANCIAL STATEMENTS for The Year Ended 30 June 2010 (continued)

Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities

Note 31: Operating Segments - Consolidated Group

Segment Information

Identification of Reportable Segments

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

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

Types of Operations & Services by Segment

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

- i. Property Project Management and Resale
Property project management and resale of commercial, industrial and residential properties, principally in Sydney.
- ii. Property Services
Property and related services.
- iii. Property Investment
Rental income from prime real estate investments.

Accounting Policies Adopted

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

Segment Assets

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

Segment Liabilities

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

NOTES TO THE FINANCIAL STATEMENTS for The Year Ended 30 June 2010 (continued)

Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities

Note 31: Operating Segments - Consolidated Group (continued)

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; and
- Retirement benefit obligations.

Comparative Information

This is the first reporting period in which AASB 8 has been adopted. Comparative information has been restated to conform to the requirements of this standard.

Major Customers

The Group has one major customer from whom it receives significant property rental income. This customer makes up 25% of the total property rental income.

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 arms-length basis.

NOTES TO THE FINANCIAL STATEMENTS for The Year Ended 30 June 2010 (continued)

Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities

Note 31: Operating Segments - Consolidated Group (continued)

2010

Consolidated Group	Property	Property Project Management	Property	Plant and		
	Investment	and Resale	Services	Equipment	Other	
	\$'000	\$'000	\$'000	\$'000	\$'000	
External sales	2,398	629	27	-	19	3,073
Other segments	-	-	-	-	-	-
Total revenue	<u>2,398</u>	<u>629</u>	<u>27</u>	-	(note 31i) <u>19</u>	<u>3,073</u>
Segment result	<u>1,046</u>	<u>629</u>	<u>27</u>	-	(note 31i) <u>19</u>	1,721
Unallocated expenses						(772)
Finance costs						(1,089)
Share of net profits of associates						<u>1,926</u>
Profit/(loss) before income tax						1,786
Income tax expense						<u>9</u>
Profit/(loss) after income tax						<u>1,795</u>

i. Revenue - Other is comprised of:

	2010	
	Revenue \$'000	Profit \$'000
Interest received	<u>19</u>	<u>19</u>
	<u>19</u>	<u>19</u>

NOTES TO THE FINANCIAL STATEMENTS for The Year Ended 30 June 2010 (continued)

Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities

Note 31: Operating Segments - Consolidated Group (continued)

2010

Segment Assets

	Property Investment \$'000	Property Project Management and Resale \$'000	Property Services \$'000	Plant and Equipment \$'000	Other \$'000	Consolidated Group \$'000
2009 opening balance	41,478	-	-	650	2,015	44,143
Unallocated Assets						
Deferred tax assets						344
Segment Asset Increases/ (Decreases) for the Period						
Acquisitions	1,086	-	-	-	-	1,086
Proceeds from sale	(1,431)	-	-	(109)	-	(1,540)
Revaluations/(devaluations)	(982)	-	-	-	-	(982)
Capital expenditures	555	-	-	-	-	555
Asset held for sale	1,516	-	-	-	-	1,516
Net movement in other segments	-	-	-	-	(1,416)	(1,416)
	42,222	-	-	541	599	43,706
Unallocated Assets						
Deferred Tax Assets						9
Total Group Assets						<u>43,715</u>
Equity accounted associates included in asset held for sale	<u>1,926</u>					

Segment Liabilities

	Property Investment \$'000	Property Project Management and Resale \$'000	Property Services \$'000	Plant and Equipment \$'000	Other \$'000	Consolidated Group \$'000
2009 opening balance	21,279	-	-	-	1,201	22,480
Unallocated Liabilities						
Deferred tax liabilities						-
Segment Liabilities Increases/ (Decreases) for the Period						
Repayments	(863)	-	-	-	-	(863)
New borrowings	-	-	-	-	-	-
Repayment of associated company loan	(1,364)	-	-	-	-	(1,364)
Net movement in other segments	-	-	-	-	231	231
	19,052	-	-	-	1,432	20,484
Unallocated Liabilities						
Deferred Tax Liabilities						-
Total Group Liabilities						<u>20,484</u>
Equity accounted associates included in Segment liabilities	<u>(1,364)</u>					

NOTES TO THE FINANCIAL STATEMENTS for The Year Ended 30 June 2010 (continued)

Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities

Note 31: Operating Segments - Consolidated Group (continued)

2009	Property Investment \$'000	Property Project Management and Resale \$'000	Property Services \$'000	Plant and Equipment \$'000	Other \$'000	Consolidated Group \$'000
External sales	2,325	629	87	-	138	3,179
Other segments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue	<u>2,325</u>	<u>629</u>	<u>87</u>	<u>-</u>	<u>138</u>	<u>3,179</u>
					<i>(note 31ii)</i>	
Segment result	<u>(4,179)</u>	<u>629</u>	<u>87</u>	<u>-</u>	<u>42</u>	(3,421)
Unallocated expenses						(693)
Finance costs						(1,364)
Share of net profits of associates						<u>1,076</u>
Profit/(loss) before income tax						(4,402)
Income tax expense						<u>1,726</u>
Profit/(loss) after income tax						<u>(2,676)</u>

ii. Revenue - Other is comprised of:

	2009	
	Revenue \$'000	Profit \$'000
Formwork equipment hire	101	5
Interest received	<u>37</u>	<u>37</u>
	<u>138</u>	<u>42</u>

NOTES TO THE FINANCIAL STATEMENTS for The Year Ended 30 June 2010 (continued)

Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities

Note 31: Operating Segments - Consolidated Group (continued)

2009

Segment Assets

	Property Investment \$'000	Property Project Management and Resale \$'000	Property Services \$'000	Plant and Equipment \$'000	Other \$'000	Consolidated Group \$'000
2008 opening balance	46,553	-	-	740	1,298	48,591
Unallocated Assets						
Deferred tax assets						-
Segment Asset Increases/ (Decreases) for the Period						
Acquisitions	-	-	-	-	-	-
Proceeds from sale/depreciation	(520)	-	-	(90)	-	(610)
Revaluations/(devaluations)	(6,058)	-	-	-	-	(6,058)
Capital expenditures	582	-	-	-	-	582
Asset held for sale	921	-	-	-	-	921
Net movement in other segments	-	-	-	-	717	717
	41,478	-	-	650	2,015	44,143
Unallocated Assets						
Deferred Tax Assets						344
Total Group Assets						<u>44,487</u>
Equity accounted associates included in asset held for sale	<u>1,076</u>					

NOTES TO THE FINANCIAL STATEMENTS for The Year Ended 30 June 2010 (continued)

Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities

Note 31: Operating Segments - Consolidated Group (continued)

2009

Segment Liabilities

	Property Investment \$'000	Property Project Management and Resale \$'000	Property Services \$'000	Plant and Equipment \$'000	Other \$'000	Consolidated Group \$'000
2008 opening balance	20,846	-	-	-	1,272	22,118
Unallocated Liabilities						
Deferred tax liabilities						1,382
Segment Liabilities Increases/ (Decreases) for the Period						
Repayments	(1,204)	-	-	-	-	(1,204)
New borrowings	1,405	-	-	-	-	1,405
Loan from associated company	232	-	-	-	-	232
Net movement in other segments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(71)</u>	<u>(71)</u>
	21,279	-	-	-	1,201	23,862
Unallocated Liabilities						
Deferred Tax Liabilities						(1,382)
Total Group Liabilities						<u>22,480</u>
Equity accounted associates included in						
Segment liabilities	<u>232</u>					

NOTES TO THE FINANCIAL STATEMENTS for The Year Ended 30 June 2010 (continued)

Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities

Note 32: Cash Flow Information

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

	Consolidated Group		Parent Entity	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Profit/(loss) after income tax	1,795	(2,676)	128	40
Non-cash flows in profit/(loss):				
Depreciation and amortisation	8	105	8	15
(Gain)/loss on asset revaluation	982	6,058	-	-
Share of associated companies net profit after income tax and dividends	(1,926)	(1,076)	-	-
Share of joint venture entity net profit before income tax	-	-	-	-
(Profit)/loss on sale of plant and equipment	-	-	-	-
Changes in assets and liabilities:				
(Increase)/decrease in trade receivables	916	(682)	-	-
(Increase)/decrease in other receivables and other assets	480	-	-	-
(Increase)/decrease in prepayments	6	(138)	-	-
(Decrease)/increase in trade payables and accruals	121	(30)	50	31
(Decrease)/increase in other payables	17	(7)	18	-
(Decrease)/increase in provisions	7	(3)	7	(3)
Increase/(decrease) in deferred taxes payable	(9)	(1,726)	-	-
Cash flow from operations	<u>2,397</u>	<u>(175)</u>	<u>211</u>	<u>83</u>

DIRECTORS' DECLARATION

Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 23 to 70 are in accordance with the *Corporations Act 2001* and:
 - a. Comply with Accounting Standards and the Corporations Regulations 2001; and
 - b. Give a true and fair view of the financial position as at 30 June 2010 and of the performance for the year ended on that date of the company and consolidated group;
2. The Managing Director and Chief Financial Officer have each declared that:
 - a. The financial records of the company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
 - b. The financial statements and notes for the financial year comply with the Accounting Standards; and
 - c. The financial statements and notes for the financial year give a true and fair view;
3. 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.

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



J B Sheehan
Director



P Montrone
Director



From left to right:

John Bartholomew
Company Secretary
& Non-Executive Director

Phil Montrone
Managing Director

John Sheehan
Chairman

Sydney
25 August 2010

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF DESANE GROUP HOLDINGS LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Desane Group Holdings Limited (the company) and Desane Group Holdings Limited and Controlled Entities (the consolidated entity), which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with the Accounting Standard AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Statements (IFRS) ensures that the financial report comprising the financial statements and notes, complies with IFRS.

Audit Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, provided to the directors of Desane Group Holdings Limited on 25 August 2010, would be in the same terms it provided to the directors as at the date of this auditor's report.



Suite 807, 109 Pitt Street, Sydney NSW 2000

Auditors' Opinion

In our opinion:

- a. the financial report of Desane Group Holdings Limited and Desane Group Holdings Limited and Controlled Entities is in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2010 and of their performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 17 to 19 of the report of the directors for the year ended 30 June 2010. 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.

Auditor's Opinion

In our opinion the Remuneration Report of Desane Group Holdings Limited for the year ended 30 June 2010, complies with s 300A of the *Corporations Act 2001*.

GCC Business & Assurance Pty Ltd.

GCC BUSINESS & ASSURANCE PTY LTD
(Authorised Audit Company)



CHANG CHOW
Director

Sydney
25 August 2010

SHAREHOLDER INFORMATION

Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities

The shareholder information set out below was applicable as at 13 August 2010. Shareholder information should be read in conjunction with the 2010 financial report.

1. SHAREHOLDING

a. Distribution of shareholders:

Category (size of holding)	Ordinary
1 - 1,000	65
1,001 - 5,000	109
5,001 - 10,000	62
10,001 - 100,000	188
100,001 - and over	<u>45</u>
	<u>469</u>

b. There were 55 holders of less than a marketable parcel of ordinary shares.

c. The percentage of the total holding of the twenty largest holders of each class of shares was:

Ordinary shares	61.51%
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2. TWENTY LARGST SHAREHOLDERS

The names of the 20 largest holders of each class of shares listed below:

Name	Ordinary Shares	% Held to Issued Capital
1. Cupara Pty Ltd	9,218,980	32.32%
2. Montevans Pty Ltd (M & M Super Fund A/C)	998,700	3.50%
3. Shayana Pty Ltd (Hateley Super Fund A/C)	900,000	3.16%
4. Mandel Pty Ltd (Mandel Super Fund A/C)	735,000	2.58%
5. Cordato Partners (Superannuation) Pty Ltd	730,293	2.56%
6. PFPT Management Pty Ltd (Pellarini Super Fund A/C)	679,020	2.38%
7. TMB Nominees Pty Limited	529,602	1.86%
8. Mansfield Holdings Pty Ltd	423,482	1.48%
9. Pebadore Pty Ltd (Weller Family S/Fund A/C)	400,000	1.40%
10. Cordato Partners (Superannuation) Pty Ltd	390,460	1.37%
11. Mrs Mitsuko Sunshine Luestner	345,535	1.21%
12. Mrs Rosemary Marion Marfatia	270,000	0.95%
13. Mr Arthur David Cooper & Mrs Helen Therese Cooper <Athlete's Foot Key ESSF A/C>	266,045	0.93%
14. Mr Ian Garnsey Everingham & Mrs Christine Mary Everingham <Rosebank Staff S/F A/C>	266,045	0.93%
15. Paul Moynihan Pty Limited <Moynihan Family S/F A/C>	266,044	0.93%
16. Joe Scardino & Felicia Scardino	257,178	0.90%
17. Mr Roderick Talbot Agar <R Agar Superfund A/C>	250,000	0.88%
18. Laraine Enterprises Pty Ltd (Super Fund A/C)	227,601	0.80%
19. Clapsy Pty Ltd <Baron Super Fund A/C>	200,000	0.70%
20. Balmain Securities Pty Ltd <Wessociates Superfund A/C>	<u>187,817</u>	<u>0.66%</u>
	<u>17,541,802</u>	<u>61.51%</u>

SHAREHOLDER INFORMATION (continued)

Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities

3. SUBSTANTIAL SHAREHOLDERS

An extract of the Company's Register of Substantial Shareholders is set out below:

	Ordinary Number	%
Cupara Pty Ltd	9,218,980	32.32%

4. VOTING RIGHTS

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

a. Ordinary Shares

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

COMPANY PARTICULARS

Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities

Directors & Key Personnel

John Blair Sheehan – Chairman
Phil Montrone – Managing Director
John William Bartholomew – Director (as from 24 May 2010) and Company Secretary
Antonio Gelonesi – Non-Executive Director (resigned 24 May 2010)
Jack Sciara – Chief Financial Officer
Rick Montrone – Property Manager

Principal Registered Office in Australia

Level 1, 89 Moore Street, Leichhardt NSW 2040

Other Company Details

Postal Address: PO Box 331, Leichhardt NSW 2040
Telephone: (02) 9569-0344
Facsimile: (02) 9550-9363
E-mail Address: info@desane.com.au
Website : www.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 1903, Adelaide SA 5001
Enquiries within Australia: 1300-556-161
Enquiries outside Australia: 61-3-9615-4000
Email: web.queries@computershare.com.au
Website: www.computershare.com

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

Auditor

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

Solicitors

Cordato Partners
Level 5, 49 York Street, Sydney NSW 2000

Bankers

Commonwealth Bank of Australia

Stock Exchange Listing

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

Notice of Annual General Meeting

The Annual General Meeting of Desane Group Holdings Limited will be held at the Staging Connections Theatre Room, 68-72 Lilyfield Road, Rozelle NSW on Wednesday, 3 November 2010, commencing at 10.00 am.

