DESANE
GROUP HOLDINGS LIMITED

25 August 2010

A.B.N. 61 003 184 932

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

# DESANE GROUP HOLDINGS LIMITED
## Preliminary Final Report
## For the year ended 30 June 2010

### OPERATING RESULT

Desane Group Holdings Limited ("**Desane**", the "**Company**" or the **"Group"**) is pleased to report that the net operating accounting result for the financial year ended 30 June 2010, is an **after tax profit of $1,795,064**. The accounts were prepared as required according to International Financial Reporting Standards ("**IFRS**").

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 Company's net tangible asset 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.

### APPENDIX 4E

The Preliminary Final Report for the year ended 30 June 2010 is attached. This report is provided to the Australian Stock Exchange (ASX) under ASX Listing Rule 4.3A.

The financial data prepared by the Company upon which the attached report is based are drawn up in accordance with applicable Accounting Standards and Urgent Issues Group Consensus Views as if that financial data were prepared in compliance with the Act.

## 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 **2,000m$^2$ commercial property** is located directly across the road from Desane's existing multimedia centre. Desane has been granted development approval for a **3,000m$^2$ 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 1,000m$^2$ 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 $40 million** is **achievable**. This property is composed of **12,000m$^2$ of land** and includes approximately **8,000m$^2$ 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.***

# Appendix 4E

## Preliminary final report
## Period ending on or after 30 June 2010

Name of entity

| |
|---|
| DESANE GROUP HOLDINGS LIMITED |

| ABN or equivalent company reference | Half yearly (tick) | Preliminary final (tick) | Financial year ended ('current period') |
|---|---|---|---|
| 61 003 184 932 | | X | 30 JUNE 2010 |

## Results for announcement to the market

| | | | | $A'000 |
|---|---|---|---|---|
| Revenues from ordinary activities | ~~up~~/down | 2.8% | to | 3,054 |
| Profit (loss) from ordinary activities after tax attributable to members | up/~~down~~ | 167% | to | 1,795 |
| Net profit (loss) for the period attributable to members | up/~~down~~ | 167% | to | 1,795 |

| **Dividends (distributions)** | Amount per security | Franked amount per security |
|---|---|---|
| Final Dividend | 2¢ | 0.000¢ |
| Previous Corresponding Period | 2¢ | 0.000¢ |
| Record Date | 15 NOVEMBER 2010 | |

**Brief Explanation of any of the figures reported above**

- The final dividend at 2 cents per share unfranked (2009 – 2 cents unfranked) has been recommended on ordinary shares.

DESANE
GROUP HOLDINGS LIMITED

## Dividends

| | |
|---|---|
| Date the dividend (distribution) is payable | 26 NOVEMBER 2010 |
| Record date to determine entitlements to the dividend (distribution) (ie, on the basis of proper instruments of transfer received by 5.00 pm if securities are not CHESS approved, or security holding balances established by 5.00 pm or such later time permitted by SCH Business Rules if securities are CHESS approved) | 15 NOVEMBER 2010 |
| If it is a final dividend, has it been declared? | NO |

## Amount per security

| | | Amount per security | Franked amount per security | Amount per security of foreign source dividend |
|---|---|---|---|---|
| **Final dividend:** | Current year | 2¢ | 0.000¢ | -¢ |
| | Previous year | 2¢ | 0.000¢ | -¢ |
| **Interim dividend:** | Current year | -¢ | - ¢ | -¢ |
| | Previous year | -¢ | -¢ | -¢ |

## Total dividend (distribution) per security (interim *plus* final)

| | Current Period | Previous corresponding period |
|---|---|---|
| Ordinary securities | 2¢ | 2¢ |
| Preference securities | -¢ | -¢ |

## NTA backing

| | Current period | Previous corresponding period |
|---|---|---|
| Net tangible asset backing per Ordinary security | 81 cents | 77 cents |

## Control gained over entities having material effect

| | |
|---|---|
| Name of entity (or group of entities) | NOT APPLICABLE |
| Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) since the date in the current period on which control was acquired | $- |
| Date from which such profit has been calculated | |
| Profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) for the whole of the previous corresponding period | $- |

## Loss of control of entities having material effect

| | |
|---|---|
| Name of entity (or group of entities) | NOT APPLICABLE |
| Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) for the current period to the date of loss of control | $- |
| Date to which the profit (loss) in item 14.2 has been calculated | |
| Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) while controlled during the whole of the previous corresponding period | $- |
| Contribution to consolidated profit (loss) from ordinary activities and extraordinary items from sale of interest leading to loss of control | $- |

## Details of aggregate share of profits (losses) of associates and joint venture entities

| **Group's share of associates' and joint venture entities':** | Current period $A'000 | Previous corresponding period - $A'000 |
|---|---|---|
| Profit (loss) from ordinary activities before tax | 3,310 | 397 |
| Income tax on ordinary activities | (985) | (582) |
| **Profit (loss) from ordinary activities after tax** | 2,325 | (185) |
| Extraordinary items net of tax | - | - |
| **Net profit (loss)** | 2,325 | (185) |
| Adjustments | - | - |
| **Share of net profit (loss) of associates and joint venture entities** | 2,325 | (185) |

## Material interests in entities which are not controlled entities

The economic entity has an interest (that is material to it) in the following entities. *(If the interest was acquired or disposed of during either the current or previous corresponding period, indicate date of acquisition ("from dd/mm/yy") or disposal ("to dd/mm/yy").)*

| *Name of entity* | Percentage of ownership interest held at end of period or date of disposal | | Contribution to net profit (loss) | |
|---|---|---|---|---|
| **Equity accounted associates and joint venture entities** | Current period | Previous corresponding period | Current period $A'000 | Previous corresponding period - $A'000 |
| Samvoni Pty Ltd / Tuta Properties Pty Ltd | 50% | 50% | 1,926 | 1,076 |
| Lilyfield Road Joint Venture | 70% | 70% | 399 | (1,261) |
| **Total** | | | 2,325 | (185) |
| Other material interests | | | | |
| **Total** | | | 2,325 | (185) |

## Comments by directors

1. The company anticipates that it will pay a dividend next year.

## Annual meeting

The annual meeting will be held as follows:

| | |
|---|---|
| Place | 68-72 Lilyfield Rd ROZELLE |
| Date | 3 NOVEMBER 2010 |
| Time | 10.00 AM |
| Approximate date the annual report will be available | 4 OCTOBER 2010 |

## Compliance statement

1. This report has been prepared in accordance with AASB Standards, other AASB authoritative pronouncements and Urgent Issues Group Consensus Views or other standards acceptable to ASX.

2. This report, and the accounts upon which the report is based (if separate), use the same accounting policies.

3. This report does give a true and fair view of the matters disclosed.

4. This report is based on accounts to which one of the following applies.
   *(Tick one)*

   X The accounts have been audited. A copy of the Auditor's Report is attached.

   ☐ The accounts have been subject to review.

   ☐ The accounts are in the process of being audited or subject to review.

   ☐ The accounts have *not* yet been audited or reviewed.

5. The entity has a formally constituted audit committee.

Sign here: ............................................................ Date: 25 AUGUST 2010
Company Secretary

Print name: JOHN BARTHOLOMEW

**This is Annexure A of 65 pages referred to in form 388, Copy of financial statements and reports.**

**John Bartholomew Date: 25 August 2010**

DESANE GROUP HOLDINGS LIMITED

ABN 61 003 184 932

FINANCIAL REPORT

30 JUNE 2010

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## 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 (until 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.

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 12,000m$^2$ 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

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 of 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 and Mr Gelonesi pass all the criteria to be considered independent directors.

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.

### 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.

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.

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<br>$ | 2009<br>$ |
|---|---|---|
| The profit/(loss) of the consolidated group, after providing for income tax amounted to | 1,795,064 | (2,675,759) |

## Dividends Paid or Recommended

Dividends paid or declared for payment are as follows:

| | 2010 | 2009 |
|---|---|---|
| Ordinary dividend of $0.02 unfranked, per share paid on 27 November 2009, recommended in last year's report | | $ 570,440 |
| Ordinary dividend of $0.02,unfranked, per share recommended by the directors from retained earnings | $ 570,440 | |

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 | 2009 | 2010 | 2009 |
| | $ | $ | $ | $ |
| Equipment hire | - | 100,560 | - | 4,941 |
| Property management | 128,505 | 128,458 | 128,505 | 128,458 |
| Property services | 27,000 | 87,309 | 27,000 | 87,309 |
| Property investment – rental | 2,398,006 | 2,325,495 | 938,721 | 581,915 |
| Property investment – net revaluations | (981,342) | (6,057,531) | (981,342) | (6,057,531) |
| Project management | 500,000 | 500,000 | 500,000 | 500,000 |
| Interest received | 19,058 | 37,194 | 19,058 | 37,194 |
| Share of net profits and revaluation gains of associates | 1,926,234 | 1,076,304 | 1,926,234 | 1,076,304 |
| | 4,017,461 | (1,802,211) | 2,558,176 | (3,641,410) |
| Less: Unallocated expenses | | | (771,989) | (760,096) |
| Operating profit/(loss) | | | 1,786,187 | (4,401,506) |
| Income tax attributable to operating profit/(loss) | | | 8,877 | 1,725,747 |
| Operating profit/(loss) after income tax attributable to members of Desane Group Holdings Limited | | | 1,795,064 | (2,675,759) |

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.

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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.

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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.

b. 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.*

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.

## 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.

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.<br>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. |

| | |
|---|---|
| Phil Montrone (58) | 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. |

## 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.

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 abovementioned 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<br>$ | 2007<br>$ | 2008<br>$ | 2009<br>$ | 2010<br>$ |
|---|---|---|---|---|---|
| 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 and executives. 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 | |
|---|---|---|---|---|
| | Salary, Fees and Commissions $ | Super-annuation $ | Long Service Leave $ | Total $ |
| Directors | | | | |
| John B. Sheehan | 48,000 | - | - | 48,000 |
| Antonio Gelonesi | 32,083 | - | - | 32,083 |
| Phil Montrone | 197,291 | 29,180 | - | 226,471 |
| John Bartholomew | 107,199 | - | - | 107,199 |
| Rick Montrone | 79,996 | 7,200 | 10,010 | 97,206 |
| Jack Sciara | 81,535 | 7,338 | 13,281 | 102,154 |
| | 546,104 | 43,718 | 23,291 | 613,113 |

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

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*

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 | 5,990 |

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 17 of the Directors' Report.

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

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

| | Note | Consolidated Group 2010 $ | Consolidated Group 2009 $ | Parent Entity 2010 $ | Parent Entity 2009 $ |
|---|---|---|---|---|---|
| Revenue | 2 | 3,053,511 | 3,141,822 | - | - |
| Other income | 2a,2b | 19,058 | 37,194 | 900,000 | 800,000 |
| Employee benefits expense | | (480,306) | (488,935) | (480,306) | (488,935) |
| Depreciation and amortisation expense | | (8,023) | (105,165) | (8,023) | (15,465) |
| Profit from sale of investments | | - | - | - | - |
| Gain/(loss) on revaluation of investment properties | | (981,342) | (6,057,531) | - | - |
| Finance costs | | (1,088,680) | (1,363,965) | (6,650) | 6,222 |
| Other expenses from ordinary activities | | (654,265) | (641,230) | (277,010) | (261,918) |
| Share of net profits and revaluation gains of associates | 12 | 1,926,234 | 1,076,304 | - | - |
| Profit/(loss) before income tax | | 1,786,187 | (4,401,506) | 128,011 | 39,904 |
| Income tax expense | 4 | 8,877 | 1,725,747 | - | - |
| Profit/(loss) from continuing operations | | 1,795,064 | (2,675,759) | 128,011 | 39,904 |
| Profit/(loss) attributable to minority equity interest | | - | - | - | - |
| Profit/(loss) attributable to members of the parent entity | | 1,795,064 | (2,675,759) | 128,011 | 39,904 |
| Other Comprehensive Income | | - | - | - | - |
| 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

| | Notes | Consolidated Group 2010 $ | Consolidated Group 2009 $ | Parent Entity 2010 $ | Parent Entity 2009 $ |
|---|---|---|---|---|---|
| **Current Assets** | | | | | |
| Cash | 9 | 16,309 | 46,647 | 16,983 | 19,884 |
| Trade and other receivables | 10 | 269,185 | 1,733,936 | - | - |
| Other assets | 11 | 216,319 | 222,760 | 8,505 | 8,665 |
| Non-current assets classified as held for sale | 12 | 12,355,431 | 10,839,743 | - | - |
| **Total Current Assets** | | 12,857,244 | 12,843,086 | 25,488 | 28,549 |
| **Non-current Assets** | | | | | |
| Trade and other receivables | 13 | - | - | 11,803,008 | 12,175,801 |
| Investment - properties | 14 | 29,867,063 | 30,638,339 | - | - |
| Investment – controlled entities | 15 | - | - | 490,003 | 515,001 |
| Property, plant and equipment | 16 | 569,490 | 661,416 | 28,430 | 11,416 |
| Other assets | 11 | 67,861 | - | - | - |
| Deferred tax assets | 26 | 352,612 | 343,735 | - | - |
| **Total Non-current Assets** | | 30,856,026 | 31,643,490 | 12,321,441 | 12,702,218 |
| **Total Assets** | | 43,714,270 | 44,486,576 | 12,346,929 | 12,730,767 |
| **Current Liabilities** | | | | | |
| Trade and other payables | 17 | 666,175 | 528,067 | 183,980 | 115,306 |
| Borrowings | 18 | 10,446,655 | 6,703,922 | - | - |
| Short term provisions | 19 | 588,654 | 587,798 | 588,654 | 587,798 |
| **Total Current Liabilities** | | 11,701,484 | 7,819,787 | 772,634 | 703,104 |
| **Non-current Liabilities** | | | | | |
| Trade and other payables | 20 | 151,323 | 65,739 | - | 16,728 |
| Borrowings | 18 | 8,605,000 | 14,575,000 | - | - |
| Employee benefits | 21 | 25,626 | 19,837 | 25,626 | 19,837 |
| **Total Non-current Liabilities** | | 8,781,949 | 14,660,576 | 25,626 | 36,565 |
| **Total Liabilities** | | 20,483,433 | 22,480,363 | 798,260 | 739,669 |
| **Net Assets** | | 23,230,837 | 22,006,213 | 11,548,669 | 11,991,098 |
| **Equity** | | | | | |
| Issued capital | 22 | 11,174,398 | 11,174,398 | 11,174,398 | 11,174,398 |
| Retained earnings | 23 | 12,056,439 | 10,831,815 | 374,271 | 816,700 |
| **Total Equity** | | 23,230,837 | 22,006,213 | 11,548,669 | 11,991,098 |

*The accompanying notes form part of these financial statements.*

Consolidated Group

| | Issued Capital $ | Retained Earnings $ | Total $ |
|---|---|---|---|
| Balance at 1 July 2008 | 11,012,933 | 14,078,014 | 25,090,947 |
| Shares issued during the year | 161,465 | - | 161,465 |
| Profit/(loss) attributable to members of parent entity | - | (2,675,759) | (2,675,759) |
| | 11,174,398 | 11,402,255 | 22,576,653 |
| Dividends paid or provided for | - | (570,440) | (570,440) |
| Balance at 30 June 2009 | 11,174,398 | 10,831,815 | 22,006,213 |
| Balance at 1 July 2009 | 11,174,398 | 10,831,815 | 22,006,213 |
| Shares issued during the year | - | - | - |
| Profit/(loss) attributable to members of parent entity | - | 1,795,064 | 1,795,064 |
| | 11,174,398 | 12,626,879 | 23,801,277 |
| Dividends paid or provided for | - | (570,440) | (570,440) |
| Balance at 30 June 2010 | 11,174,398 | 12,056,439 | 23,230,837 |

*The accompanying notes form part of these financial statements.*

Parent Entity

| | | Issued | Retained |
|---|---|---|---|
| | Capital | Earnings | Total |
| | $ | $ | $ |
| Balance at 1 July 2008 | 11,012,933 | 1,347,236 | 12,360,169 |
| Shares issued during the year | 161,465 | - | 161,465 |
| Profit attributable to members of parent entity | - | 39,904 | 39,904 |
| Transfers to retained earnings | - | - | - |
| | 11,174,398 | 1,387,140 | 12,561,538 |
| Dividends paid or provided for | - | (570,440) | (570,440) |
| Balance at 30 June 2009 | 11,174,398 | 816,700 | 11,991,098 |
| Balance at 1 July 2009 | 11,174,398 | 816,700 | 11,991,098 |
| Shares issued during the year | - | - | - |
| Profit attributable to members of parent entity | - | 128,011 | 128,011 |
| Transfers to retained earnings | - | - | - |
| | 11,174,398 | 944,711 | 12,119,109 |
| Dividends paid or provided for | - | (570,440) | (570,440) |
| Balance at 30 June 2010 | 11,174,398 | 374,271 | 11,548,669 |

*The accompanying notes form part of these financial statements.*

| | Notes | Consolidated Group 2010 Inflows (Outflows) $ | Consolidated Group 2009 Inflows (Outflows) $ | Parent Entity 2010 Inflows (Outflows) $ | Parent Entity 2009 Inflows (Outflows) $ |
|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | |
| Receipts from customers | | 4,840,541 | 2,706,460 | - | - |
| Payments to suppliers and employees | | (1,373,517) | (1,554,672) | (681,837) | (723,594) |
| Dividends received | | - | - | - | - |
| Dividend from associated entity | | - | - | 900,000 | 800,000 |
| Interest received | | 19,058 | 37,194 | - | - |
| Finance costs | | (1,088,680) | (1,363,965) | (6,650) | 6,222 |
| **Net cash provided by (used in) operating activities** | 32 | 2,397,402 | (174,983) | 211,513 | 82,628 |
| **Cash flows from investing activities** | | | | | |
| Purchase of property, plant and equipment | | (25,037) | - | (25,037) | - |
| Proceeds from the sale of plant and equipment | | 108,940 | - | - | - |
| Proceeds from sale of property investments | | 1,898,706 | 655,000 | - | - |
| Purchase of property and investments | | (1,698,226) | (561,414) | - | 200 |
| Reduction of other non-current assets | | - | (37,446) | 24,998 | - |
| **Net cash provided by (used in) investing activities** | | 284,383 | 56,140 | (39) | 200 |
| **Cash flows from financing activities** | | | | | |
| Proceeds from issue of shares | | - | 161,465 | - | 161,465 |
| Dividends paid by parent entity | | (570,440) | (563,264) | (570,440) | (563,264) |
| (Loans to related parties)/repaid | | - | - | 356,065 | 340,320 |
| Loans from related parties/(repaid) | | (1,364,267) | - | - | (4,708) |
| Loans from unrelated entities/(repaid) | | 85,584 | 232,405 | - | - |
| Loans to unrelated parties | | - | - | - | - |
| Loans to associated parties | | - | 91,433 | - | - |
| Proceeds from borrowings | | - | 700,869 | - | - |
| Repayment of borrowings | | (863,000) | (500,000) | - | - |
| **Net cash provided by (used in) financing activities** | | (2,713,123) | 122,908 | (214,375) | (66,187) |
| **Net increase/(decrease) in cash held** | | (30,338) | 4,065 | (2,901) | 16,641 |
| Cash at beginning of financial year | | 46,647 | 42,582 | 19,884 | 3,243 |
| **Cash at end of financial year** | 9 | 16,309 | 46,647 | 16,983 | 19,884 |

*The accompanying notes form part of these financial statements.*

## 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 by 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.

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.

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.

Note 1: Statement of Significant Accounting Policies (continued)

*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.

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.

Note 1: Statement of Significant Accounting Policies (continued)

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 23.

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).

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.

Note 1: Statement of Significant Accounting Policies (continued)

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.

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. New Accounting Standards for Application in Future Periods

The AASB has issued new, revised and amended standards and interpretations that have mandatory application dates for future reporting periods. The Group has decided against early adoption of these standards. Details of those future requirements, if applicable, and their impact on the Group will be:

AASB 3: Business Combinations

In March 2008 the Australian Accounting Standards Board revised AASB 3 and as a result, some aspects of business combination accounting have changed. The changes apply only to business combinations which occur from 1 July 2009.

Recognition of acquisition costs – The revised version of AASB 3 requires that all costs associated with a business combination be expensed in the period in which they were incurred. Previously such costs were capitalised as part of the cost of the business combination.

Measurement of contingent considerations – The revised AASB 3 requires that contingent considerations associated with a business combination be included as part of the cost of the business combination. They are recognised at the fair value of the payment calculated having regard to probability of settlement. Any subsequent changes in the fair value or probability of payment are recognised in the statement of comprehensive income except to the extent where they relate to conditions or events existing at acquisition date, in which case the consideration paid is adjusted. The previous version of AASB 3 allowed such changes to be recognised as a cost of the combination impacting goodwill.

Measurement of non-controlling interest – For each business combination, the acquirer must measure any non-controlling interest in the acquiree either at the fair value of the non-controlling interest (the *full goodwill method*) or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. Under the previous version of AASB 3 only the latter option was permitted.

Recognition of contingencies – The revised AASB 3 prohibits entities from recognising contingencies associated with a business combination, unless they meet the definition of a liability.

Note 1: Statement of Significant Accounting Policies (continued)

Business combinations achieved in stages – The revised AASB 3 requires that where a business combination is achieved in stages, any previously held equity interest is to be remeasured to fair value and the resulting gain or loss, being the difference between fair value and historical cost, is to be recognised in the statement of comprehensive income. The previous version of AASB 3 accounted for each exchange transaction separately, using cost and fair value information at the date of each exchange to determine the amount of any goodwill associated with the acquisition. It was therefore possible to compare the cost of each individual investment with the fair value of identifiable net assets acquired at each step.

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 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.

Note 1: Statement of Significant Accounting Policies (continued)

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.

New Accounting Standards for 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 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

Note 1: Statement of Significant Accounting Policies (continued)

- 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 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.

Note 2: Revenue and Other Income

| | Note | Consolidated Group 2010 $ | Consolidated Group 2009 $ | Parent Entity 2010 $ | Parent Entity 2009 $ |
|---|---|---|---|---|---|
| **Revenue** | | | | | |
| Equipment hire | | - | 100,560 | - | - |
| Property services | | 27,000 | 87,309 | - | - |
| Property project management | | 500,000 | 500,000 | - | - |
| Property rental income | | 2,398,006 | 2,325,495 | - | - |
| Property management fees | | 128,505 | 128,458 | - | - |
| Total Revenue | | 3,053,511 | 3,141,822 | - | - |
| **Other Income** | | | | | |
| a. Dividend revenue from: | | | | | |
| - wholly owned subsidiaries | | - | - | 900,000 | 800,000 |
| - associated entities | | - | - | - | - |
| - other corporations | | - | - | - | - |
| b. Interest revenue from: | | | | | |
| - associated entities | | - | - | - | - |
| - other related parties | | 18,792 | 37,012 | - | - |
| - other persons | | 266 | 182 | - | - |
| Total Other income | | 19,058 | 37,194 | 900,000 | 800,000 |

## Note 3: Profit/(loss) for the Year

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

| | Note | Consolidated Group 2010 $ | Consolidated Group 2009 $ | Parent Entity 2010 $ | Parent Entity 2009 $ |
|---|---|---|---|---|---|
| **a. Expenses** | | | | | |
| Auditors' remuneration | 6 | 62,762 | 57,868 | 26,952 | 29,068 |
| Depreciation of plant and equipment | | 8,023 | 15,465 | 8,023 | 15,465 |
| Finance costs: | | | | | |
| - External | | 1,088,680 | 1,363,965 | 6,650 | (6,222) |
| - Related entities | | - | - | - | - |
| Transfer to/(from) provisions for: | | | | | |
| - Employee entitlements | | 6,645 | (2,857) | 6,645 | (2,857) |
| Rental expenses relating to operating leases | | 27,152 | 26,685 | 27,152 | 26,685 |
| Direct property expenditure from investment property generating rental income | | 153,199 | 121,632 | - | - |
| **b. Significant Revenue and Expenses** | | | | | |
| The following significant revenue and expense items are relevant in explaining the financial performance: | | | | | |
| Consideration on sale of property | | 1,547,500 | 480,000 | - | - |
| Carrying amount of net assets sold | | (1,547,500) | (480,000) | - | - |
| Net gain on the sale of plant and equipment | | - | - | - | - |

## Note 4: Income Tax Expense

a. The components of tax expense comprise:

| | Note | Consolidated Group 2010 $ | Consolidated Group 2009 $ | Parent Entity 2010 $ | Parent Entity 2009 $ |
|---|---|---|---|---|---|
| Current tax | | - | - | - | - |
| Deferred tax | 25 | 137,923 | (1,642,920) | - | - |
| Recoupment of prior year tax losses | | (146,800) | (82,827) | - | - |
| | | (8,877) | (1,725,747) | - | - |

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 2010 $ | Consolidated Group 2009 $ | Parent Entity 2010 $ | Parent Entity 2009 $ |
|---|---|---|---|---|---|
| Prima facie tax payable on Profit/(loss) from ordinary activities before income tax at 30% (2009: 30%) | | 535,856 | (1,320,452) | 38,403 | 11,971 |
| Tax effect of permanent differences: | | | | | |
| - accounting profit on sale of properties | | - | - | - | - |
| - other non-allowable items | | 1,864 | 394 | 349 | 394 |
| Income tax after adjusting for permanent differences | | 537,720 | (1,320,058) | 38,752 | 12,365 |
| - unfranked dividend received from controlled entity | | - | - | (270,000) | (240,000) |
| - share of net profit of associated entity netted directly | | (577,870) | (322,891) | - | - |
| - tax losses transferred (from)/to controlled entities | | - | - | 229,298 | 227,661 |
| - tax losses not recognised | | 227,135 | 37,752 | - | - |
| - share of net profit of joint venture netted directly | | (33,386) | (34,664) | - | - |
| - movement in provisions | | (15,676) | (3,059) | 1,950 | (26) |
| - recoupment of prior year tax losses | | (146,800) | (82,827) | - | - |
| Income tax attributable to entity | | (8,877) | (1,725,747) | - | - |
| The applicable weighted average effective tax rates | | (-%) | (39.21%) | -% | -% |

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

| | Short Term Benefits | Post Employment Benefits | Long Term Benefit | |
|---|---|---|---|---|
| Key Personnel | Salary, Fees and Commissions $ | Super-annuation $ | Long Service Leave $ | Total $ |
| John B. Sheehan | 48,000 | - | - | 48,000 |
| Antonio Gelonesi | 32,083 | - | - | 32,083 |
| Phil Montrone | 197,291 | 29,180 | - | 226,471 |
| John W. Bartholomew | 107,199 | - | - | 107,199 |
| Rick D. Montrone | 79,996 | 7,200 | 10,010 | 97,206 |
| Jack Sciara | 81,535 | 7,338 | 13,281 | 102,154 |
| | 546,104 | 43,718 | 23,291 | 613,113 |

Note 5: Key Personnel Compensation (continued)

2009

| | Short Term Benefits | Post Employment Benefits | Long Term Benefit | |
|---|---|---|---|---|
| Key Personnel | Salary, Fees and Commissions $ | Super-annuation $ | Long Service Leave $ | Total $ |
| John B. Sheehan | 48,000 | - | - | 48,000 |
| Antonio Gelonesi | 35,000 | - | - | 35,000 |
| Phil Montrone | 187,670 | 56,892 | - | 244,562 |
| John W. Bartholomew | 102,588 | - | - | 102,588 |
| | 373,258 | 56,892 | - | 430,150 |

d. Shareholdings

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

| 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 | 23,300 | - | - | 28,220 | 51,520 |
| | 11,762,388 | - | - | 8,120 | 11,770,508 |

* 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 2010 $ | Consolidated Group 2009 $ | Parent Entity 2010 $ | Parent Entity 2009 $ |
|---|---|---|---|---|
| Remuneration of the auditor for the parent entity: | | | | |
| **DFK – Richard Hill Pty Ltd:** | | | | |
| - auditing or reviewing the financial report | **5,000** | 5,000 | **5,000** | 5,000 |
| - taxation services | - | - | - | - |
| **GCC Business Assurance Pty Ltd:** | | | | |
| - auditing or reviewing the financial report | **51,772** | 52,868 | **15,962** | 24,068 |
| - taxation services | **5,990** | - | **5,990** | - |
| | **62,762** | 57,868 | **26,952** | 29,068 |

## Note 7: Dividends

| | Consolidated Group | | Parent Entity | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| | $ | $ | $ | $ |
| Distributions paid | | | | |
| Ordinary dividend paid of 2 cents per share fully unfranked (2009: 2 cents unfranked) | 570,440 | 563,264 | 570,440 | 563,264 |
| a. Proposed ordinary dividend of 2 cents per share unfranked (2009: 2 cents unfranked) | 570,440 | 570,440 | 570,440 | 570,440 |

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 | 2009 |
| | $ | $ |
| Reconciliation of earnings used in the calculation of earnings per share | | |
| Operating profit/(loss) after income tax | 1,795,064 | (2,675,759) |

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 | 28,521,997 | 28,521,997 |
| Basic earnings per share (dollars per share) | 0.0629 | (0.0938) |
| Diluted earnings per share (dollars per share) | 0.0629 | (0.0938) |

### Conversion, call, subscription or issue after 30 June 2010

There has been no:

a. conversion to, calls of, or subscription for ordinary shares; or

b. issues of potential ordinary shares;

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

Note 9: Current Assets – Cash

| | Consolidated Group | | Parent Entity | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| | $ | $ | $ | $ |
| Cash at bank and in hand | 16,309 | 46,647 | 16,983 | 19,884 |
| Short term bank deposits | - | - | - | - |
| | 16,309 | 46,647 | 16,983 | 19,884 |

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 | 98,725 | 62,561 | 16,983 | 19,884 |
| Less: Bank overdraft | (82,416) | (15,914) | - | - |
| | 16,309 | 46,647 | 16,983 | 19,884 |

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 | 2009 | 2010 | 2009 |
| | $ | $ | $ | $ |
| Trade receivables | 80,985 | 196,736 | - | - |
| Other receivables | | | | |
| - Dividend receivable from associated entity | 76,000 | 625,000 | - | - |
| - Associated entity | - | 800,000 | - | - |
| - Loan to associated entity | 112,200 | 112,200 | - | - |
| | 269,185 | 1,733,936 | - | - |

## Note 11: Other Assets

### (a) Current Assets

| | Consolidated Group | | Parent Entity | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| | $ | $ | $ | $ |
| Prepayments | 214,394 | 220,835 | 8,505 | 8,665 |
| Security deposit | 1,925 | 1,925 | - | - |
| | 216,319 | 222,760 | 8,505 | 8,665 |

### (b) Non-current Assets

| | Consolidated Group | | Parent Entity | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| | $ | $ | $ | $ |
| Rental incentives | 145,925 | - | - | - |
| Lease incentives | (78,064) | - | - | - |
| | 67,861 | - | - | - |

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

| | Note | Consolidated Group | | Parent Entity | |
|---|---|---|---|---|---|
| | | 2010 | 2009 | 2010 | 2009 |
| | | $ | $ | $ | $ |
| Unit 2/1-3 Nicholas Street, Lidcombe | 12a | 510,000 | 510,000 | - | - |
| Sold and Settled 23.12.2009 | | (510,000) | (5,000) | - | - |
| Unit 3/1-3 Nicholas Street, Lidcombe | 12a | 507,500 | - | - | - |
| Sold and Settled 21.01.2010 | | (507,500) | - | - | - |
| Unit 7/1-3 Nicholas Street, Lidcombe | 12a | 530,000 | 530,000 | - | - |
| Sold and Settled 29.10.2009 | | (530,000) | (35,954) | - | - |
| Unit 5/1-3 Nicholas Street, Lidcombe | 12a | 1,575,000 | 1,574,000 | - | - |
| Less Deposit Taken | | (472,500) | - | - | - |
| Unit 4/1-3 Nicholas Street, Lidcombe | 12a | 1,060,000 | - | - | - |
| Investment properties | | 2,162,500 | 2,573,046 | - | - |
| Shares in unlisted associated companies – equity accounted | 12b | 10,192,931 | 8,266,697 | - | - |
| | | 12,355,431 | 10,839,743 | - | - |

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. Unit 4, 1-3 Nicholas Street, Lidcombe, valued by the Directors at $1,060,000, is for sale.

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:

i.

| Name | Principal Activity | Shares | Ownership Interest Consolidated | | Carrying Amount of Investment Consolidated | |
|---|---|---|---|---|---|---|
| | | | **2010** | 2009 | **2010** | 2009 |
| | | | | | **$** | $ |
| Samvoni Pty Ltd | Owner of investment property at Lane Cove | Ord | **50%** | 50% | **10,192,931** | 8,266,697 |

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** | 2009 | **2010** | 2009 |
| | **$** | $ | **$** | $ |
| Balance at the beginning of the financial year | **8,266,697** | 7,190,393 | **-** | - |
| Share of associated companies operating results after income tax | **1,926,234** | 1,076,304 | **-** | - |
| Dividend revenue from associated company | | - | **-** | - |
| Balance at the end of the year | **10,192,931** | 8,266,697 | **-** | - |

iii. Equity attributable to associates:

| | | | | |
|---|---|---|---|---|
| Issued capital | **5** | 5 | **-** | - |
| Retained earnings | **(4,556,148)** | (3,710,560) | **-** | - |
| Asset revaluation reserve | **14,749,074** | 11,977,252 | **-** | - |

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

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

| | Consolidated Group | |
|---|---|---|
| | 2010 | 2009 |
| | $ | $ |
| Current assets | 18,875,283 | 16,355,230 |
| Non current assets | - | - |
| Total assets | 18,875,283 | 16,355,230 |
| Current liabilities | 8,682,352 | 8,088,533 |
| Non current liabilities | - | - |
| Total liabilities | 8,682,352 | 8,088,533 |
| Net equity | 10,192,931 | 8,266,697 |
| Operating profit/(loss) before income tax | (20,060) | 37,577 |
| Gain from the revaluation of investment property | 2,771,823 | 1,500,000 |
| Operating result before income tax | 2,751,763 | 1,537,577 |
| Income tax expense | (825,529) | (461,273) |
| Operating result after income tax | 1,926,234 | 1,076,304 |

The associated entities have no contingent liabilities nor capital commitments.

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

| | | Consolidated Group | | Parent Entity | |
|---|---|---|---|---|---|
| | | 2010 | 2009 | 2010 | 2009 |
| | Note | $ | $ | $ | $ |
| Loans to controlled entities | 13a, 13b | - | - | 11,803,008 | 12,175,801 |

a. The loan from the parent entity is partly secured by a Deed of Debenture of $2,000,000 over a controlled entity's assets.

b. No interest has been charged on the loans to controlled entities and there are no fixed terms for repayment.

## Note 14: Non-current Assets – Investment – Properties

a. The investment properties included in the accounts comprise:

| | | Consolidated Group | | Parent Entity | |
|---|---|---|---|---|---|
| | | 2010 | 2009 | 2010 | 2009 |
| | Note | $ | $ | $ | $ |
| Investment property Rozelle Bay Commercial Centre | 14ab | 5,347,113 | 5,035,929 | - | - |
| Investment property Multimedia Centre Lilyfield Road | 14aa | 10,234,000 | 10,150,000 | - | - |
| Investment property Orion Road | 14ad | 8,800,000 | 9,505,000 | - | - |
| Investment property 13 Sirius Road | 14ac | 4,400,000 | 4,242,410 | - | - |
| Investment property 7 Sirius Road | 14ae | 1,085,950 | - | - | - |
| Investment property Nicholas Street | | - | 1,705,000 | - | - |
| | | 29,867,063 | 30,638,339 | 490,003 | 515,001 |

### 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).

a. The directors' valuation, as at 30 June 2010. The Co-ownership Agreement expires in July 2011.

b. This property is held at cost, plus capitalised borrowing costs.

c. Directors' valuation, as at 30 June 2010, is based on an independent valuation undertaken in June 2010 by a certified practicing valuation company.

d. The directors' valuation, as at 30 June 2010, is based on an independent valuation undertaken in June 2010 by a certified practicing valuation company.

e. 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.

Note 14: Investments (continued)

Investment Properties

2010

| | Acquisition Cost $ | Construction Cost $ | Interest Capitalised $ | Other Capital Costs $ | Units Sold/ to be Sold $ | Revaluation $ | Carrying Value 30.06.2010 $ |
|---|---|---|---|---|---|---|---|
| Multimedia Centre Joint Venture, Lilyfield Rd, Rozelle | 1,681,322 | 5,303,256 | - | 93,800 | - | 3,155,622 | 10,234,000 |
| Orion Rd, Lane Cove | 8,196,538 | 907,531 | - | 317,510 | - | (621,579) | 8,800,000 |
| 13 Sirius Rd, Lane Cove | 2,900,000 | 671,841 | - | 347,864 | - | 480,295 | 4,400,000 |
| Nicholas St, Lidcombe | 3,050,000 | 3,607,108 | 127,842 | 286,697 | (5,242,500) | (1,829,147) | - |
| Rozelle Bay Commercial Centre | 4,049,035 | 701,101 | 688,662 | (91,685) | - | - | 5,347,113 |
| 7 Sirius Rd, Lane Cove | 467,950 | 618,000 | - | - | - | - | 1,085,950 |
| | 20,344,845 | 11,808,837 | 816,504 | 954,186 | (5,242,500) | 1,185,191 | 29,867,063 |

2009

| | Acquisition Cost $ | Construction Cost $ | Interest Capitalised $ | Other Capital Costs $ | Units Sold/ to be Sold $ | Revaluation $ | Carrying Value 30.06.2009 $ |
|---|---|---|---|---|---|---|---|
| Multimedia Centre Joint Venture, Lilyfield Rd, Rozelle | 1,681,322 | 5,242,136 | - | 93,800 | - | 3,132,742 | 10,150,000 |
| Orion Rd, Lane Cove | 8,196,538 | 907,531 | - | 109,627 | - | 291,304 | 9,505,000 |
| 13 Sirius Rd, Lane Cove | 2,900,000 | 671,841 | - | 311,864 | - | 358,705 | 4,242,410 |
| Nicholas St, Lidcombe | 3,050,000 | 3,607,108 | 127,842 | 255,358 | (3,934,000) | (1,401,308) | 1,705,000 |
| Rozelle Bay Commercial Centre | 4,049,035 | 557,358 | 449,536 | (20,000) | - | - | 5,035,929 |
| | 19,876,895 | 10,985,974 | 577,378 | 750,649 | (3,934,000) | 2,381,443 | 30,638,339 |

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

Investments in controlled entities are unquoted and comprise:

| | | 2010 | | 2009 | |
|---|---|---|---|---|---|
| Controlled Entities | Class of Shares | % Holding | Investment $ | % Holding | Investment $ |
| Desane Properties Pty Ltd | Ordinary | 100 | 490,000 | 100 | 490,000 |
| Desane Contracting Pty Ltd | Ordinary | 100 | 2 | 100 | 25,000 |
| Desane Hire Services Pty Ltd | Ordinary | 100 | 1 | 100 | 1 |
| Provision for diminution in value | | | - | | - |
| | | | 490,003 | | 515,001 |

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 $ | 2009 $ |
|---|---|---|
| Desane Group Holdings Limited | (771,989) | (760,096) |
| Desane Properties Pty Limited | 2,574,137 | (1,917,391) |
| Desane Contracting Pty Limited | (3,233) | (3,213) |
| Desane Hire Services Pty Limited | (3,851) | 4,941 |
| | 1,795,064 | (2,675,759) |

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

| | Consolidated Group | | Parent Entity | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| | $ | $ | $ | $ |
| Land and Buildings | | | | |
| Leasehold improvements – at cost | 82,030 | 82,030 | 82,030 | 82,030 |
| Less: Accumulated depreciation | (82,030) | (82,030) | (82,030) | (82,030) |
| Total land and buildings | - | - | - | - |
| Plant and equipment | 650,000 | 739,700 | - | - |
| Less: Depreciation and disposals | (108,940) | (89,700) | - | - |
| | 541,060 | 650,000 | - | - |
| Office furniture and equipment – at cost | 76,743 | 59,212 | 76,743 | 59,212 |
| Less: Accumulated depreciation | (48,313) | (50,020) | (48,313) | (50,020) |
| | 28,430 | 9,192 | 28,430 | 9,192 |
| Motor vehicles – at cost | 59,300 | 59,300 | 59,300 | 59,300 |
| Less: Accumulated depreciation | (59,300) | (57,076) | (59,300) | (57,076) |
| | - | 2,224 | - | 2,224 |
| Total non-current assets | 569,490 | 661,416 | 28,430 | 11,416 |

*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 | Plant and Equipment | Total |
|---|---|---|---|
| | $ | $ | $ |
| Consolidated Group: | | | |
| Balance at the beginning of year | - | 661,416 | 661,416 |
| Additions | - | 25,037 | 25,037 |
| Disposals | - | (108,940) | (108,940) |
| Depreciation expense | - | (8,023) | (8,023) |
| Carrying amount at the end of the year | - | 569,490 | 569,490 |
| Parent Entity: | | | |
| Balance at the beginning of year | - | 11,416 | 11,416 |
| Additions | - | 25,037 | 25,037 |
| Disposals | - | - | - |
| Depreciation expense | - | (8,023) | (8,023) |
| Carrying amount at the end of the year | - | 28,430 | 28,430 |

Note 17: Current Liabilities – Trade and Other Payables

| | Note | Consolidated Group 2010 $ | Consolidated Group 2009 $ | Parent Entity 2010 $ | Parent Entity 2009 $ |
|---|---|---|---|---|---|
| Unsecured liabilities | | | | | |
| Trade payables | | 611,780 | 490,680 | 165,420 | 96,606 |
| Sundry payables and accrued expenses | | 54,395 | 37,387 | 18,560 | 18,700 |
| | | 666,175 | 528,067 | 183,980 | 115,306 |

Note 18: Borrowings

(a) Current

| | | Consolidated Group | | Parent Entity | |
|---|---|---|---|---|---|
| | | 2010 | 2009 | 2010 | 2009 |
| | Note | $ | $ | $ | $ |
| **Secured liabilities:** | | | | | |
| Finance for investment property – Loan from associated entity | | | | | |
| Burns Bay Road, Lane Cove | a | 906,655 | 2,270,922 | - | - |
| Lilyfield Road Joint Venture | b | 5,250,000 | - | - | - |
| 1-3 Nicholas Street, Lidcombe | c | - | 383,000 | - | - |
| 47-51 Lilyfield Road, Rozelle | d | 2,470,000 | 2,470,000 | - | - |
| 1-3 Nicholas Street, Lidcombe | e | 1,100,000 | 1,580,000 | - | - |
| 1-3 Nicholas Street, Lidcombe | f | 720,000 | - | - | - |
| | | 10,446,655 | 6,703,922 | - | - |

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.

(b) Non Current

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

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.

Note 19: Current Liabilities – Provisions

| | Consolidated Group | | Parent Entity | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| | $ | $ | $ | $ |
| Dividends | 570,440 | 570,440 | 570,440 | 570,440 |
| Employee entitlements* | 18,214 | 17,358 | 18,214 | 17,358 |
| | 588,654 | 587,798 | 588,654 | 587,798 |

* Movement represents net increase in provision set aside.

| | Consolidated Group | | Parent Entity | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| | No | No | No | No |
| Number of employees at year end | 4 | 4 | 4 | 4 |

Note 20: Non Current Liabilities – Trade and Other Payables

| | Consolidated Group | | Parent Entity | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| | $ | $ | $ | $ |
| Loans from controlled entities | - | - | - | 16,728 |
| Security deposits | 151,323 | 65,739 | - | - |
| | 151,323 | 65,739 | - | 16,728 |

Note 21: Non-Current Liabilities – Employee Benefit Provision

| | Consolidated Group | | Parent Entity | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| | $ | $ | $ | $ |
| Employee long service leave entitlement * | 25,626 | 19,837 | 25,626 | 19,837 |

* Movement represents increase in provision set aside.

## Note 22: Issued Capital

| | Parent Entity | |
|---|---|---|
| | 2010 | 2009 |
| | $ | $ |
| 28,521,997 (2009: 28,521,997) Ordinary shares fully paid | 11,174,398 | 11,174,398 |

| | | Parent Entity | | Parent Entity | |
|---|---|---|---|---|---|
| | | 2010 | 2009 | 2010 | 2009 |
| | Note | Shares | Shares | $ | $ |
| Ordinary shares - fully paid | | 28,521,997 | 28,163,187 | 11,174,398 | 11,012,933 |
| Share Purchase Plan | 22ai | - | 358,810 | - | 161,465 |
| Bonus issue | | - | - | - | - |
| | | 28,521,997 | 28,521,997 | 11,174,398 | 11,174,398 |

a. Movements in Ordinary Share Capital of the Company

| Date | Details | Number of Shares | Issue Price Cents | $ |
|---|---|---|---|---|
| 31.12.08 | Share Purchase Plan | 358,810 | $0.45 | 161,465 |

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.

Note 23: Retained Earnings

| | Consolidated Group | | Parent Entity | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| | $ | $ | $ | $ |
| Retained earnings at beginning of financial year | 10,831,815 | 14,078,014 | 816,700 | 1,347,236 |
| Net profit attributable to members of parent entity | 1,795,064 | (2,675,759) | 128,011 | 39,904 |
| Dividends provided for or paid | (570,440) | (570,440) | (570,440) | (570,440) |
| Retained earnings at end of financial year | 12,056,439 | 10,831,815 | 374,271 | 816,700 |

## 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 | |
|---|---|---|---|
| | | 2010 | 2009 |
| | Note | $ | $ |
| **Current Assets** | | | |
| Cash | | - | - |
| Trade and other receivables | | 130,309 | 136,792 |
| Unsecured loans to joint venture partners | | - | - |
| Investment property | | - | - |
| Non-current assets – investment property | | 10,234,000 | 10,150,000 |
| **Total Assets** | | 10,364,309 | 10,286,792 |
| **Current Liabilities** | | | |
| Trade and other payables | | 35,422 | 48,747 |
| Short-term borrowings | | 84,921 | 15,179 |
| **Non-Current Liabilities** | | | |
| Trade and other payables | | - | - |
| Deferred tax liability | | 1,670,014 | 1,628,590 |
| Long-term borrowings | | 5,250,000 | 5,250,000 |
| **Total Liabilities** | | 7,040,357 | 6,942,516 |
| Equity | | 3,323,952 | 3,344,276 |
| Output | | 860,065 | 834,892 |
| Net operating profit before income tax | | 531,191 | 403,997 |
| Gain/(loss) from the revaluation of investment property | | 26,791 | (1,543,910) |
| Income tax applicable to operating profit | | (159,357) | (121,199) |
| Net profit/(loss) after income tax of joint venture | | 398,625 | (1,261,112) |

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

Note 25: Tax Assets

| | | Consolidated Group | |
|---|---|---|---|
| | | 2010 | 2009 |
| | Note | $ | $ |
| Non Current | | | |
| Deferred tax liability comprises: | | | |
| Tax allowances relating to property and equipment | | 908,908 | 833,199 |
| Revaluation of investment properties | | 762,101 | 713,260 |
| Deferred tax asset attributable to tax and capital losses | | (2,163,634) | (2,041,184) |
| Provisions | | (6,699) | (22,375) |
| Other | | 146,712 | 173,365 |
| | | (352,612) | (343,735) |

Reconciliation

| | | | |
|---|---|---|---|
| Gross Movement | | | |
| The overall movement in the Deferred tax account is as follows: | | | |
| Opening balance | | (343,735) | 1,382,012 |
| Charge to income statement | 4 | (8,877) | (1,725,747) |
| Closing balance | | (352,612) | (343,735) |

Note 25: Tax Assets (continued)

| | Consolidated Group | |
|---|---|---|
| | 2010 | 2009 |
| | $ | $ |
| **Deferred Tax Liability** | | |
| *Tax allowance relating to property and equipment* | | |
| Opening balance | 833,199 | 776,821 |
| Adjustment to previous year's provision | - | - |
| Charged to the income statement | 75,709 | 56,378 |
| Closing balance | 908,908 | 833,199 |
| *Revaluation of investment properties* | | |
| Opening balance | 713,260 | 2,451,019 |
| Net revaluation during the current period | 48,841 | (1,737,759) |
| Transfers on property sale | - | - |
| Closing balance | 762,101 | 713,260 |
| **Deferred Tax Assets** | | |
| *Tax and capital losses* | | |
| Opening balance | (2,041,184) | (2,060,438) |
| Capital losses utilised | - | - |
| Adjustment to previous year's provision | - | 19,254 |
| Tax losses recognised | (122,450) | - |
| Closing balance | (2,163,634) | (2,041,184) |
| *Provisions* | | |
| Opening balance | (22,375) | (25,434) |
| Credited to income statement | 15,676 | 3,059 |
| Closing balance | (6,699) | (22,375) |
| *Other* | | |
| Opening balance | 173,365 | 240,044 |
| Charged to income statement | (26,653) | (66,679) |
| Closing balance | 146,712 | 173,365 |

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.

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 29. 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 $ | Fixed Interest Maturing Within 1 Year $ | Fixed Interest Maturing 1-5 Years $ | Non Interest Bearing $ | Total $ |
|---|---|---|---|---|---|---|
| Financial Assets | | | | | | |
| Cash and deposits | 9 | - | - | - | 16,309 | 16,309 |
| Receivables | 10, 11 | - | - | - | 485,504 | 485,504 |
| | | - | - | - | 501,813 | 501,813 |
| Weighted average interest rate | | -% | -% | -% | | |
| Financial Liabilities | | | | | | |
| Trade and other creditors | 17, 20 | - | - | - | 817,498 | 817,498 |
| Interest bearing liabilities | 18 | 13,855,000 | 5,196,655 | - | - | 19,051,655 |
| | | 13,855,000 | 5,196,655 | - | 817,498 | 19,869,153 |
| Weighted average interest rate | | 7.17% | 7.99% | -% | | |
| Net financial assets (liabilities) | | (13,855,000) | (5,196,655) | - | 315,685 | (19,367,340) |

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.

Note 26: Financial Instruments (continued)

| 2009 | Note | Floating Interest Rate $ | Fixed Interest Maturing Within 1 year $ | 1-5 Years $ | Non Interest Bearing $ | Total $ |
|---|---|---|---|---|---|---|
| Financial Assets | | | | | | |
| Cash and deposits | 9 | - | - | - | 46,647 | 46,647 |
| Receivables | 10, 11 | 750,000 | - | - | 1,206,696 | 1,956,695 |
| | | 750,000 | - | - | 1,253,342 | 2,003,342 |
| Weighted average interest rate | | 7.00% | 0.00% | 0.00% | | |
| Financial Liabilities | | | | | | |
| Trade and other creditors | 17, 20 | - | - | - | 593,806 | 593,806 |
| Interest bearing liabilities | 18 | 11,230,000 | 6,703,922 | 3,345,000 | - | 21,278,922 |
| | | 11,230,000 | 6,703,922 | 3,345,000 | 593,806 | 21,872,728 |
| Weighted average interest rate | | 4.95% | 7.91% | 5.96% | | |
| Net financial assets (liabilities) | | (10,480,000) | (6,703,922) | (3,345,000) | 659,537 | (19,869,386) |

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 $ | Consolidated Group Equity $ |
|---|---|---|
| Year ended 30 June 2010 | +/- 277,100 | +/- 277,100 |

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

| | Consolidated Group Profit $ | Consolidated Group Equity $ |
|---|---|---|
| Year ended 30 June 2009 | +/- 209,600 | +/- 209,600 |

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

## 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 | 2009 | 2010 | 2009 |
| | $ | $ | $ | $ |
| Desane Properties Pty Limited: | | | | |
| Dividend paid | 900,000 | 800,000 | - | - |
| Desane Hire Services Pty Limited: | | | | |
| Dividend paid | - | - | - | - |
| Desane Contracting Pty Limited: | | | | |
| Dividend paid | - | - | - | - |

### b. Associated Companies

| | | | | |
|---|---|---|---|---|
| Administration fee received from | | | | |
| Samvoni Pty Ltd | 15,000 | 15,000 | - | - |
| Lilyfield Road Joint Venture | 12,000 | 12,000 | - | - |
| Asset management fee received from | | | | |
| Tuta Properties Pty Ltd | 500,000 | 500,000 | - | - |
| Interest received from Tuta Properties | | | | |
| Pty Ltd (associated company) | 18,792 | 37,012 | - | - |
| Interest paid to Tuta Properties Pty Ltd | 79,549 | 202,406 | - | - |

### 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, Mansfield Holdings 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.

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

### Capital Expenditure

| | Note | Consolidated Group 2010 $ | Consolidated Group 2009 $ | Parent Entity 2010 $ | Parent Entity 2009 $ |
|---|---|---|---|---|---|
| Not later than one year | 28i | 2,655,000 | - | - | - |
| Later than one year but not more than two years | | - | - | - | - |
| | | 2,655,000 | - | - | - |

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.

Employer contributions to the plans; consolidated, $38,596 (2009 - $40,6327) parent entity $38,596 (2009 - $40,632).

Note 30: Contingent Liabilities

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 | 2009 |
|---|---|---|
| | $ | $ |
| Desane Hire Services Pty Limited – net assets | 2,723 | 6,575 |
| Desane Contracting Pty Limited – net assets | (12,275) | 15,956 |
| Desane Properties Pty Limited – net assets | 12,181,720 | 10,595,048 |

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).

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.

Note 31: Segment Reporting – 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.

Note 31: Segment Reporting – Consolidated Group (continued)

2010

| | Property Investment $ | Property Project Management and Resale $ | Property Services $ | Plant and Equipment $ | Other $ | Consolidated Group $ |
|---|---|---|---|---|---|---|
| External sales | 2,398,006 | 628,505 | 27,000 | - | 19,058 | 3,072,569 |
| Other segments | - | - | - | - | - | - |
| | | | | | *(note 31i)* | |
| Total revenue | 2,398,006 | 628,505 | 27,000 | - | 19,058 | 3,072,569 |
| | | | | | *(note 31i)* | |
| Segment result | 1,046,059 | 628,505 | 27,000 | - | 19,058 | 1,720,622 |
| Unallocated expenses | | | | | | (771,989) |
| Finance costs | | | | | | (1,088,680) |
| Share of net profits of associates | | | | | | 1,926,234 |
| Profit/(loss) before income tax | | | | | | 1,786,187 |
| Income tax expense | | | | | | 8,877 |
| Profit/(loss) after income tax | | | | | | 1,795,064 |

i. Revenue - other is comprised of:

| | 2010 Revenue $ | 2010 Profit $ |
|---|---|---|
| Interest received | 19,058 | 19,058 |
| | 19,058 | 19,058 |

## Note 31: Segment Reporting – Consolidated Group (continued)

### 2010

### Segment Assets

| | Property Investment $ | Property Project Management and Resale $ | Property Services $ | Plant and Equipment $ | Other $ | Consolidated Group $ |
|---|---|---|---|---|---|---|
| 2009 opening balance | 41,478,082 | - | - | 650,000 | 2,014,759 | 44,142,841 |
| **Unallocated Assets** | | | | | | |
| Deferred tax assets | | | | | | 343,735 |
| **Segment Asset Increases/ (Decreases) for the Period** | | | | | | |
| Acquisitions | 1,085,950 | - | - | - | - | 1,085,950 |
| Proceeds from sale | (1,430,951) | - | - | (108,940) | - | (1,539,891) |
| Revaluations/(devaluations) | (981,342) | - | - | - | - | (981,342) |
| Capital expenditures | 555,067 | - | - | - | - | 555,067 |
| Asset held for sale | 1,515,688 | - | - | - | - | 1,515,688 |
| Net movement in other segments | - | - | - | - | (1,416,655) | (1,416,655) |
| | 42,222,494 | - | - | 541,060 | 598,104 | 43,705,393 |
| **Unallocated Assets** | | | | | | |
| **Deferred Tax Assets** | | | | | | 8,877 |
| **Total Group Assets** | | | | | | 43,714,270 |
| Equity accounted associates included in asset held for sale | 1,926,234 | | | | | |

### Segment Liabilities

| | Property Investment $ | Property Project Management and Resale $ | Property Services $ | Plant and Equipment $ | Other $ | Consolidated Group $ |
|---|---|---|---|---|---|---|
| 2009 opening balance | 21,278,922 | - | - | - | 1,201,441 | 22,480,363 |
| **Unallocated Liabilities** | | | | | | |
| Deferred tax liabilities | | | | | | - |
| **Segment Liabilities Increases/ (Decreases) for the Period** | | | | | | |
| Repayments | (863,000) | - | - | - | - | (863,000) |
| New borrowings | - | - | - | - | - | - |
| Repayment of associated company loan | (1,364,267) | - | - | - | - | (1,364,267) |
| Net movement in other segments | - | - | - | - | 230,337 | 230,337 |
| | 19,051,655 | - | - | - | 1,431,778 | 20,483,433 |
| **Unallocated Liabilities** | | | | | | |
| **Deferred Tax Liabilities** | | | | | | - |
| **Total Group Liabilities** | | | | | | 20,483,433 |
| Equity accounted associates included in Segment liabilities | (1,364,267) | | | | | |

## Note 31: Segment Reporting – Consolidated Group (continued)

2009

| | Property Investment $ | Property Project Management and Resale $ | Property Services $ | Plant and Equipment $ | Other $ | Consolidated Group $ |
|---|---|---|---|---|---|---|
| External sales | 2,325,495 | 628,458 | 87,309 | - | 137,754 | 3,179,016 |
| Other segments | - | - | - | - | - | - |
| | | | | | *(note 31ii)* | |
| Total revenue | 2,325,495 | 628,458 | 87,309 | - | 137,754 | 3,179,016 |
| | | | | | *(note 31ii)* | |
| Segment result | (4,178,082) | 628,458 | 87,309 | - | 42,135 | (3,420,180) |
| Unallocated expenses | | | | | | (693,665) |
| Finance costs | | | | | | (1,363,965) |
| Share of net profits of associates | | | | | | 1,076,304 |
| Profit/(loss) before income tax | | | | | | (4,401,506) |
| Income tax expense | | | | | | 1,725,747 |
| Profit/(loss) after income tax | | | | | | (2,675,759) |

ii. Revenue - other is comprised of:

| | 2009 Revenue $ | 2009 Profit $ |
|---|---|---|
| Formwork equipment hire | 100,560 | 4,941 |
| Interest received | 37,194 | 37,194 |
| | 137,754 | 42,135 |

## Note 31: Segment Reporting – Consolidated Group (continued)

2009

### Segment Assets

| | Property Investment $ | Property Project Management and Resale $ | Property Services $ | Plant and Equipment $ | Other $ | Consolidated Group $ |
|---|---|---|---|---|---|---|
| 2008 opening balance | 46,552,895 | - | - | 739,700 | 1,298,138 | 48,590,733 |
| Unallocated Assets | | | | | | |
| Deferred tax assets | | | | | | - |
| Segment Asset Increases/ (Decreases) for the Period | | | | | | |
| Acquisitions | - | - | - | - | - | - |
| Proceeds from sale/depreciation | (520,954) | - | - | (89,700) | - | (610,654) |
| Revaluations/(devaluations) | (6,057,531) | - | - | - | - | (6,057,531) |
| Capital expenditures | 582,226 | - | - | - | - | 582,226 |
| Asset held for sale | 921,446 | - | - | - | - | 921,446 |
| Net movement in other segments | - | - | - | - | 716,621 | 716,621 |
| | 41,478,082 | - | - | 650,000 | 2,014,759 | 44,142,841 |
| Unallocated Assets | | | | | | |
| Deferred Tax Assets | | | | | | 343,735 |
| Total Group Assets | | | | | | 44,486,576 |
| Equity accounted associates included in asset held for sale | 1,076,304 | | | | | |

### Segment Liabilities

| | Property Investment $ | Property Project Management and Resale $ | Property Services $ | Plant and Equipment $ | Other $ | Consolidated Group $ |
|---|---|---|---|---|---|---|
| 2008 opening balance | 20,845,647 | - | - | - | 1,272,127 | 22,117,774 |
| Unallocated Liabilities | | | | | | |
| Deferred tax liabilities | | | | | | 1,382,012 |
| Segment Liabilities Increases/ (Decreases) for the Period | | | | | | |
| Repayments | (1,204,131) | - | - | - | - | (1,204,131) |
| New borrowings | 1,405,000 | - | - | - | - | 1,405,000 |
| Loan from associated company | 232,406 | - | - | - | - | 232,406 |
| Net movement in other segments | - | - | - | - | (70,686) | (70,686) |
| | 21,278,922 | - | - | - | 1,201,441 | 23,862,375 |
| Unallocated Liabilities | | | | | | |
| Deferred Tax Liabilities | | | | | | (1,382,012) |
| Total Group Liabilities | | | | | | 22,480,363 |
| Equity accounted associates included in Segment liabilities | 232,406 | | | | | |

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 |
| | $ | $ | $ | $ |
| Profit/(loss) after income tax | 1,795,064 | (2,675,759) | 128,011 | 39,904 |
| Non-cash flows in profit/(loss): | | | | |
| Depreciation and amortisation | 8,023 | 105,165 | 8,023 | 15,465 |
| Gain/(loss) on asset revaluation | 981,342 | 6,057,531 | - | - |
| Share of associated companies net profit after income tax and dividends | (1,926,234) | (1,076,304) | - | - |
| 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 | 847,890 | (681,403) | - | - |
| (Increase)/decrease in other receivables | 549,000 | - | 160 | (249) |
| (Increase)/decrease in prepayments | 6,441 | (138,050) | - | - |
| (Decrease)/increase in trade payables and accruals | 121,100 | (30,218) | 50,114 | 30,364 |
| (Decrease)/increase in other payables | 17,008 | (7,341) | 18,560 | - |
| (Decrease)/increase in provisions | 6,645 | (2,857) | 6,645 | (2,857) |
| Increase/(decrease) in deferred taxes payable | (8,877) | (1,725,747) | - | - |
| Cash flow from operations | 2,397,402 | (174,983) | 211,513 | 82,628 |

## DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 18 to 65 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

Sydney
25 August 2010

GCC Business & Assurance Pty Ltd

ABN 61 105 044 862

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Telephone: (02) 9231 6166
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Suite 807, 109 Pitt Street, Sydney NSW 2000

# 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.

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

*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 12 to 14 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

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 | 45 |
| | 469 |

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%

2. TWENTY LARGEST 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> | 187,817 | 0.66% |
| | | 17,541,802 | 61.51% |

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.