

23 August 2011

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 2011

OPERATING RESULT

Desane Group Holdings Limited (“Desane”, “the Company” or “the Group”) wishes to report an after tax loss of \$2,065 for the financial year ended 30 June 2011. The accounts were prepared in accordance with applicable Australian Accounting Standards.

The financial year result was affected by the decision to **devalue, by \$1.25 million**, the Group’s property asset held by an associated company. When viewed against a background of continuing difficult trading conditions for property companies in Australia, Desane has performed well.

KEY OPERATIONAL HIGHLIGHTS

- The Group has achieved **100% occupancy** for all the properties it owns and manages;
- The Group has total assets of **\$44.6 million**;
- The Group manages an additional **\$20.5 million** of other property assets;
- The Group’s net tangible assets is **79 cents per share**.

NET TANGIBLE ASSETS

As at 30 June 2011, the Group’s net tangible assets is **79 cents per share** after accounting for deferred tax on the Group’s property investment revaluations. The Group has 30,199,465 shares on issue.

DIVIDEND

The Board of Directors has resolved to recommend to shareholders a **final dividend of 1 cent per share unfranked** for the 2011 financial year.

APPENDIX 4E

The Preliminary Final Report for the year ended 30 June 2011 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 Australian Accounting Standards AASB 101.

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 (Burns Bay Road)

During the course of this financial year, Desane engaged the services of two leading real estate agencies to undertake an expression of interest campaign for the sale of this property. As a result of the expression of interest campaign, it was decided to continue the ownership of the property and to proceed to obtain a development approval for up to 270 residential units. This **12,000m²**



waterfront property is zoned **High Density Residential R4** with a **floor space ratio of 2:1**. Desane's directors are of the view that the outcome of this strategy will improve the value of this asset. The property's existing buildings are fully leased to Australian medical and technology companies. Desane has a 50% interest in this property.

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 (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. The continuing ownership of this property by Desane will show rental and capital increases for Desane's property asset portfolio in future years.



iv. LANE COVE (7 Sirius Road)

This **2,700m² commercial/industrial property** is leased on a long-term basis, to a major tenant. The property is located within 100 metres of the two other commercial industrial properties owned by Desane. The property comprises of 460m² of office and 2,240m² of high clearance warehouse, with 38 on-site car parking spaces. The continuing ownership of this property by Desane will show rental and capital increases for Desane's property asset portfolio in future years.



v. ROZELLE (Lilyfield Road Multimedia Centre)

The **8,000m² Multimedia Centre**, is fully leased on a long term basis to two blue chip national tenants. This property asset is performing well, being in a prime Sydney location. Due to the increased demand for this type of property in close proximity of the Sydney CBD, Desane is in the process of undertaking a due diligence, with a view to creating additional floor space in order to meet clients' requirements. Desane has a 70% joint venture interest in this property. The property is in close proximity to the Anzac Bridge and the Sydney Cross City Tunnel, linking the eastern suburbs to the inner western Sydney suburbs. This property is also located across the road from Desane's proposed Rozelle Bay Commercial Centre. The continuing ownership of this property by Desane will show rental and capital increases for Desane's property asset portfolio in future years.



vi. **ROZELLE BAY COMMERCIAL CENTRE (Lilyfield Road)**



In December 2010, Desane obtained planning approval from the relevant local government authority, to construct a **four storey 4,200m² commercial building**, with 62 basement security car parking spaces. Negotiations for lease pre-commitments with a number of major tenants are progressing well. Once the pre-lease agreements have been formalised, construction of the building will commence. The property is located across the road from Desane's 70% owned Multimedia Centre, 3 kilometres from the Sydney CBD, being at the western exit of the Anzac Bridge and 100 metres from Victoria Road's major bus routes to the Sydney Central Business District. The construction and continuing ownership of this property should make a contribution to Desane's asset growth.

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

The sale of the last remaining industrial unit in this complex in 31 January 2011 completes the disposal of this strata industrial complex.



PROPERTY MANAGEMENT

Desane continues to be a significant Sydney based **commercial and industrial landlord** and plans to continue to increase its property investment holdings as market opportunities arise. The Company currently has **\$44.6 million** of assets and it manages an additional **\$20.5 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; The Wool Exchange; Sagem Australasia; Chamberlain Australia; Pentel; JAV IT Group; Luxury Beverages; Eupharma; Prime BioSeparation; Phebra; ServicePoint Australia; Optimed; Sydney Coach Charter; TMS Group; and Halley & Mellowes.**



FUTURE PROSPECTS

Desane's existing industrial and commercial property portfolio is strategically well placed to take advantage of changing market conditions. Independent property market indicators are forecasting a more stable market environment in future years than that experienced over the past years for commercial and industrial properties located in the Sydney region.

Desane 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 the 2012 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 has \$44.6 million of assets and manages a further \$20.5 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

Full Year Final Report Financial Year Ended 30 June 2011

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	<input type="checkbox"/>	<input checked="" type="checkbox"/>	30 JUNE 2011

Results for announcement to the market

\$A'000		
Revenues from ordinary activities	up/down	2% to 2,991
Profit (loss) from ordinary activities after tax attributable to members	up/down	100% to (2)
Net profit (loss) for the period attributable to members	up/down	100% to (2)
Dividends (distributions)	Amount per security	Franked amount per security
Final Dividend	1¢	0.000¢
Previous Corresponding Period	2¢	0.000¢
Record Date	14 NOVEMBER 2011	
Brief Explanation of any of the figures reported above		
<ul style="list-style-type: none"> The final dividend at 1 cent per share unfranked (2010 – 2 cents unfranked) has been recommended on ordinary shares. 		

Dividends

Date the dividend (distribution) is payable

25 NOVEMBER 2011

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 CHES approved, or security holding balances established by 5.00 pm or such later time permitted by SCH Business Rules if securities are CHES approved)

14 NOVEMBER 2011

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	1¢	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	1¢	2¢
Preference securities	-¢	-¢

NTA backing

	Current period	Previous corresponding period
Net tangible asset backing per Ordinary security	79 cents	81 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	(550)	3,310
Income tax on ordinary activities	238	(985)
Profit (loss) from ordinary activities after tax	(312)	2,325
Extraordinary items net of tax	-	-
Net profit (loss)	(312)	2,325
Adjustments	-	-
Share of net profit (loss) of associates and joint venture entities	(312)	2,325

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").)*

<i>Name of entity</i>	Percentage of ownership interest held at end of period or date of disposal		Contribution to net profit (loss)	
	Current period	Previous corresponding period	Current period \$A'000	Previous corresponding period - \$A'000
Equity accounted associates and joint venture entities				
Samvoni Pty Ltd / Tuta Properties Pty Ltd	50%	50%	(860)	1,926
Lilyfield Road Joint Venture	70%	70%	548	399
Total			(312)	2,325
Other material interests				
Total			(312)	2,325

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	4 NOVEMBER 2011
Time	10.00 AM
Approximate date the annual report will be available	4 OCTOBER 2011

Compliance statement

1. This report has been prepared in accordance with Australian Accounting Standards AASB 101.
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)

<input checked="" type="checkbox"/>	The accounts have been audited. A copy of the Auditor's Report is attached.	<input type="checkbox"/>	The accounts have been subject to review.
<input type="checkbox"/>	The accounts are in the process of being audited or subject to review.	<input type="checkbox"/>	The accounts have <i>not</i> yet been audited or reviewed.
5. The entity has a formally constituted audit committee.

Sign here:  Date: 23 AUGUST 2011
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: 23 August 2011

DESANE GROUP HOLDINGS LIMITED

ABN 61 003 184 932

FINANCIAL REPORT

30 JUNE 2011

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DESANE GROUP HOLDINGS LIMITED ABN 61 003 184 932
Company Particulars

Directors & Key Personnel

John Blair Sheehan – Chairman
Phil Montrone – Managing Director
John William Bartholomew – Director and Company Secretary
Jack Sciara – Chief Financial Officer

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 Friday, 4 November 2011, commencing at 10.00 am.

DESANE GROUP HOLDINGS LIMITED ABN 61 003 184 932 and Controlled Entities Chairman's Report

I present to shareholders the 2011 Desane Group Holdings Limited Annual Report.

The increasing volatility of global finance markets will continue to raise questions about the appropriateness of various classes of equities as a secure investment vehicle. It is clear that equities sourced from manufacturing, retailing, services, and even exploratory mining will be more volatile and indeed more directly reflect the instabilities evident in the aforementioned global markets. Nevertheless those equities such as Desane Group Holdings Limited, which are based in commercial and industrial property holdings are revealing a marked stability which separates this class of equities from those more volatile investment vehicles. The length of time involved in obtaining development consent for development or redevelopment only aggravates the shortage of such properties as a source of investment, and there is little indication that this situation, especially in the Sydney metropolitan area will change for the better. Desane is well placed in this regard, having a valuable portfolio of existing industrial and specialised commercial properties which yet again are revealing a very stable rental income.

As required, the Group's accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS). Pleasingly, the Group's asset value has firmed in the 2011 financial year, a clear response to the increasing shortage of quality industrial and specialised commercial properties such as those held by the Group in its portfolio. It is gratifying to note that the portfolio has remained fully leased throughout the 2011 financial year, and the Group remains in a comfortable financial position, well situated to take advantage of the continuing firming of the specialised commercial property market in particular. Accordingly, the Directors have decided to recommend a **dividend of 1 cent per share** (unfranked).

In my 2010 annual report, I forecast a continuing focus by investment funds in mining stock which would direct funds away from the property sector, and indeed, other sectors in the equities market. There continues to be growing evidence that investment funds are now being rebalanced with a greater level of involvement in either REITs or in direct property ownership. The volatility of production resource equities has seen this rebalancing focussing on property rather than other investment areas such as manufacturing or retailing, as outlined earlier. The very strong position of the Australian currency is obviously impacting upon retailing and manufacturing, however this is being balanced by the continuation of a shortage of office space and quality specialised industrial space in the inner Sydney metropolitan area. It is this area that Desane's property portfolio is based, and hence the property values have continued to be more robust than in other property sectors.

The Group's management has been particularly diligent in negotiating with Australian major banks an overall reduction of interest costs for the Group, and this is pleasing to record in the current financial environment. The result of these significant interest savings in the Group's borrowing costs continues to be reflected in the very restrained operating costs of managing the property portfolio.

I also note that the Group's management is continuing to assess the appropriate manner of realising the greatest value for shareholders in the 12,000m² high-rise residentially zoned waterfront property, located in the Sydney suburb of Lane Cove, which is 50% owned by Desane. As you are aware, our Group's management succeeded in obtaining a rezoning of the site, and consideration is now being given to the site's disposal and the most appropriate manner and time frame in which this is to occur. Whilst the property has been earmarked to be sold, your Board is of the view that the property should be only disposed of at a time in which the Sydney waterfront residential unit market is most robust.

Your Board remains confident that the Group's continuing strategies will result in good asset growth in the 2011/2012 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

DESANE GROUP HOLDINGS LIMITED ABN 61 003 184 932 and Controlled Entities Corporate Governance Statement for the Year Ended 30 June 2011

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 2011.

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)

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 passes all the criteria to be considered an independent director.

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

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

Ethical Standards

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

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

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

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

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.

DESANE GROUP HOLDINGS LIMITED ABN 61 003 184 932 and Controlled Entities

Directors' Report

The Directors present their report, together with the financial statements of the company and its controlled entities for the financial year ended 30 June 2011.

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

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 23 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

	2011 \$'000	2010 \$'000
The profit/(loss) of the consolidated group, after providing for income tax amounted to	<u>(2)</u>	<u>1,795</u>

Dividends Paid or Recommended

Dividends paid or declared for payment are as follows:

Ordinary dividend of \$0.02 unfranked, per share paid on 26 November 2010, recommended in last year's report		\$ 570
Ordinary dividend of \$0.01, unfranked, per share recommended by the directors from retained earnings	\$ 302	

**DESANE GROUP HOLDINGS LIMITED ABN 61 003 184 932 and Controlled Entities
Directors' Report (Continued)**

Review of Operations

The overall results of the entity for the 2010/2011 year were satisfactory. All properties are now fully leased.

The directors report a full financial year loss of \$2,065. The operating profit for the year ended 30 June 2010 was \$1,795,064.

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

	Total Revenue		Segment Result	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Property management	132	129	132	129
Property services	96	27	96	27
Property investment – rental	2,263	2,398	489	939
Property investment – net revaluations	871	(982)	871	(982)
Project management	500	500	500	500
Interest received	3	19	3	19
Share of net profits and revaluation gains of associates	<u>(860)</u>	<u>1,926</u>	<u>(860)</u>	<u>1,926</u>
	<u>3,005</u>	<u>4,017</u>	<u>1,231</u>	<u>2,558</u>
Less: Unallocated expenses			<u>(865)</u>	<u>(772)</u>
Operating profit/(loss)			366	1,786
Income tax attributable to operating profit/(loss)			<u>(368)</u>	<u>9</u>
Operating profit/(loss) after income tax attributable to members of Desane Group Holdings Limited			<u>(2)</u>	<u>1,795</u>

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 (Burns Bay Road)

During the course of this financial year, Desane engaged the services of two leading real estate agencies to undertake an expression of interest campaign for the sale of this property. As a result of the expression of interest campaign, it was decided to continue the ownership of the property and to proceed to obtain a development approval for up to 270 residential units. This **12,000m² waterfront property** is zoned **High Density Residential R4** with a **floor space ratio of 2:1**. Desane's directors are of the view that the outcome of this strategy will improve the value of this asset. The property's existing buildings are fully leased to Australian medical and technology companies. Desane has a 50% interest in this property.

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.

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

The sale of the last remaining industrial unit in this complex in 31 January 2011 completes the disposal of this strata industrial complex.

b. Property Management

Desane continues to be a significant Sydney based **commercial and industrial landlord** and plans to continue to increase its property investment holdings as market opportunities arise. The Company currently has **\$44.6 million** of assets and it manages an additional **\$20.5 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; The Wool Exchange; Sagem Australasia; Chamberlain Australia; Pentel; JAV IT Group; Luxury Beverages; Eupharma; Prime BioSeparation; Phebra; ServicePoint Australia; Optimed; Sydney Coach Charter; TMS Group; and Halley & Mellowes.**

c. Future Prospects

Desane's existing industrial and commercial property portfolio is strategically well placed to take advantage of changing market conditions. Independent property market indicators are forecasting a more stable market environment in future years than that experienced over the past years for commercial and industrial properties located in the Sydney region.

Desane 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

Notwithstanding the after tax devaluation adjustment of \$859,912 incurred by the associated company, the net assets of the consolidated group have increased by \$618,548 to **\$23,849,385** in the 2011 financial year.

This increase is largely due to the following factors:

- Proceeds from share purchase plan for which shares issued raised \$922,607.
- Appreciation of the value of the group's investment properties by \$870,922.
- Share of after tax result of devaluation adjustment in associated company (\$859,912).

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

The following significant changes in the state of affairs of the parent entity occurred during the financial year:

- On 31 December 2010, the company issued an additional 1,677,468 ordinary shares at 55 cents per share to shareholders through the 2010 share purchase plan.

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.

DESANE GROUP HOLDINGS LIMITED ABN 61 003 184 932 and Controlled Entities Directors' Report (Continued)

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. The Board has reviewed the Government's proposed Carbon Tax and has assessed that it will have no material effect for Desane.

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 (62)	Chairman (Non-executive)
Qualifications	Diploma of Town and Country Planning (University of Sydney), Diploma of Urban Studies (Macquarie University), Master of Environmental Law (University of Sydney), Registered Valuer, Chartered Town Planner and Chartered Surveyor. LFAPI, FRICS, FPIA, MRTPI.
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. Past President and Life Fellow of Australian Property Institute, NSW Division. Director of Sarasan Pty Limited (since incorporation in 1991).
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.

**DESANE GROUP HOLDINGS LIMITED ABN 61 003 184 932 and Controlled Entities
Directors' Report (Continued)**

John Bartholomew (67)	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. Over the past 23 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	490,059 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 (60)	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	11,097,196 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.

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.

DESANE GROUP HOLDINGS LIMITED ABN 61 003 184 932 and Controlled Entities Directors' Report (Continued)

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	2007	2008	2009	2010	2011
	\$	\$	\$	\$	\$
Dividends paid/payable	818,234	563,264	570,440	570,440	301,994
Share price at year-end ⁽¹⁾	77 cents	48 cents	49 cents	51 cents	53 cents
Revenue	2,362,543	2,851,075	3,141,822	3,053,511	2,990,840
Net profit/(loss) ⁽²⁾	1,668,366	742,636	(2,675,759)	1,795,064	(2,065)

⁽¹⁾ Adjusted for bonus share issues.

⁽²⁾ Adjusted for AIFRS.

**DESANE GROUP HOLDINGS LIMITED ABN 61 003 184 932 and Controlled Entities
Directors' Report (Continued)**

Details of Remuneration for year ended 30 June 2011

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	50,000	-	-	50,000
Phil Montrone	189,992	24,965	-	214,957
John Bartholomew	92,791	-	-	92,791
Jack Sciara	<u>91,790</u>	<u>8,261</u>	<u>15,603</u>	<u>115,654</u>
	<u>424,573</u>	<u>33,226</u>	<u>15,603</u>	<u>473,402</u>

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

Options Issued as Part of Remuneration for the Year Ended 30 June 2011

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.

**DESANE GROUP HOLDINGS LIMITED ABN 61 003 184 932 and Controlled Entities
Directors' Report (Continued)**

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	12	2	2
P Montrone	12	12	2*	2
J Bartholomew	12	12	2	2
	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

* *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 2011.

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.

**DESANE GROUP HOLDINGS LIMITED ABN 61 003 184 932 and Controlled Entities
Directors' Report (Continued)**

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 2011.

	\$
Taxation services	<u>3,000</u>

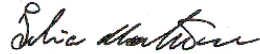
Auditor's Independence Declaration

The lead auditor's Independence Declaration for the year ended 30 June 2011, has been received and can be found on page 16 of the financial 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 23rd day of August, 2011.



J B Sheehan
Director



P Montrone
Director

**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 2011, 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

23 August 2011

Suite 807, 109 Pitt Street, Sydney NSW 2000

DESANE GROUP HOLDINGS LIMITED ABN 61 003 184 932 and Controlled Entities
Consolidated Statement of Comprehensive Income for the Year Ended 30 June 2011

	Note	Consolidated Group	
		2011 \$'000	2010 \$'000
Revenue	2	2,991	3,054
Other income	2a,2b	3	19
Gain/(loss) on revaluation of investment properties		871	(982)
Employee benefits expense		(501)	(480)
Depreciation and amortisation expense		(5)	(8)
Profit from sale of investments		-	-
Finance costs		(1,405)	(1,089)
Other expenses from ordinary activities		(729)	(654)
Share of net profits/(losses) and revaluation gains/(losses) of associates	12	<u>(859)</u>	<u>1,926</u>
Profit/(loss) before income tax		366	1,786
Income tax expense	4	<u>(368)</u>	<u>9</u>
Profit/(loss) from continuing operations		(2)	1,795
Other Comprehensive Income		<u>-</u>	<u>-</u>
Total Comprehensive Income		<u>(2)</u>	<u>1,795</u>
Profit/(loss) attributable to minority equity interest		<u>-</u>	<u>-</u>
Profit/(loss) attributable to members of the parent entity		<u>(2)</u>	<u>1,795</u>
Earnings per Share:			
Overall Operations			
Basic earnings per share (cents per share)	8	0.00	6.29
Diluted earnings per share (cents per share)	8	0.00	6.29
Continuing Operations			
Basic earnings per share (cents per share)		0.00	6.29
Diluted earnings per share (cents per share)		0.00	6.29

The accompanying notes form part of these financial statements.

DESANE GROUP HOLDINGS LIMITED ABN 61 003 184 932 and Controlled Entities
Statement of Financial Position as at 30 June 2011

	Notes	Consolidated Group	
		2011 \$'000	2010 \$'000
Current Assets			
Cash and cash equivalents	9	-	16
Trade and other receivables	10	347	270
Other assets	11	107	216
Non-current assets classified as held for sale	12	<u>9,333</u>	<u>12,356</u>
Total Current Assets		<u>9,787</u>	<u>12,858</u>
Non-current Assets			
Investment - properties	13	34,257	29,867
Property, plant and equipment	14	475	569
Other assets	11	47	68
Deferred tax assets	23	<u>-</u>	<u>353</u>
Total Non-current Assets		<u>34,779</u>	<u>30,857</u>
Total Assets		<u>44,566</u>	<u>43,715</u>
Current Liabilities			
Trade and other payables	15	603	666
Borrowings	16	2,974	10,447
Short term provisions	17	<u>319</u>	<u>589</u>
Total Current Liabilities		<u>3,896</u>	<u>11,702</u>
Non-current Liabilities			
Trade and other payables	18	124	151
Borrowings	16	16,644	8,605
Provisions	19	36	26
Deferred tax liability	23	<u>16</u>	<u>-</u>
Total Non-current Liabilities		<u>16,820</u>	<u>8,782</u>
Total Liabilities		<u>20,716</u>	<u>20,484</u>
Net Assets		<u>23,850</u>	<u>23,231</u>
Equity			
Issued capital	20	12,097	11,174
Retained earnings	21	<u>11,753</u>	<u>12,057</u>
Total Equity		<u>23,850</u>	<u>23,231</u>

The accompanying notes form part of these financial statements.

DESANE GROUP HOLDINGS LIMITED ABN 61 003 184 932 and Controlled Entities
Statement of Changes in Equity for year ended 30 June 2011

Consolidated Group

	Issued Capital \$'000	Retained Earnings \$'000	Total \$'000
Balance at 1 July 2009	11,174	10,832	22,006
Shares issued during the year	-	-	-
Profit/(loss) attributable to members of parent entity	-	<u>1,795</u>	<u>1,795</u>
	11,174	12,627	23,801
Dividends paid or provided for	-	<u>(570)</u>	<u>(570)</u>
Balance at 30 June 2010	<u>11,174</u>	<u>12,057</u>	<u>23,231</u>
Balance at 1 July 2010	11,174	12,057	23,231
Shares issued during the year	923	-	923
Profit/(loss) attributable to members of parent entity	-	<u>(2)</u>	<u>(2)</u>
	12,097	12,055	24,152
Dividends paid or provided for	-	<u>(302)</u>	<u>(302)</u>
Balance at 30 June 2011	<u>12,097</u>	<u>11,753</u>	<u>23,850</u>

The accompanying notes form part of these financial statements.

DESANE GROUP HOLDINGS LIMITED ABN 61 003 184 932 and Controlled Entities
Statement of Cash Flows for the year ended 30 June 2011

	Notes	Consolidated Group	
		2011 Inflows (Outflows) \$'000	2010 Inflows (Outflows) \$'000
Cash flows from operating activities			
Receipts from customers		3,290	4,841
Payments to suppliers and employees		(1,529)	(1,374)
Dividends received		-	-
Interest received		3	19
Finance costs		(1,405)	(1,089)
Net cash provided by (used in) operating activities	30	<u>359</u>	<u>2,397</u>
Cash flows from investing activities			
Purchase of property, plant and equipment		(12)	(25)
Proceeds from the sale of plant and equipment		101	109
Proceeds from sale of property investments		2,163	1,899
Purchase of property and investments		(3,519)	(1,698)
Reduction of other non-current assets		-	-
Net cash provided by (used in) investing activities		<u>(1,267)</u>	<u>285</u>
Cash flows from financing activities			
Proceeds from issue of shares		923	-
Dividends paid by parent entity		(570)	(570)
(Loans to related parties)/repaid		-	-
Loans from related parties/(repaid)		(501)	(1,365)
Loans from unrelated entities/(repaid)		(27)	85
Loans to unrelated parties		-	-
Loans to associated parties		-	-
Proceeds from borrowings		8,489	-
Repayment of borrowings		(7,520)	(863)
Net cash provided by (used in) financing activities		<u>794</u>	<u>(2,713)</u>
Net increase/(decrease) in cash held		<u>(114)</u>	<u>(31)</u>
Cash at beginning of financial year		<u>16</u>	<u>47</u>
Cash at end of financial year	9 & 16	<u><u>(98)</u></u>	<u><u>16</u></u>

The accompanying notes form part of these financial statements.

Note 1: Summary of Significant Accounting Policies

Basis of Preparation

The financial statements are a general purpose financial report, that have 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. The separate financial statements of the parent entity, Desane Group Holdings Limited, have not been presented within this financial report, as permitted by the Corporations Act, 2001. Desane Group Holdings Limited is a listed public company, incorporated and domiciled in Australia.

The financial statements were authorised for issue on 22 August 2011 by the directors of the Company.

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.

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

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Desane Group Holdings Limited. A controlled entity is any entity Desane Group Holdings Limited has the ability and right to govern the operating policies so as to obtain benefits from the entity's activities.

A list of controlled entities is contained in Note 31 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.

Note 1: Summary of Significant Accounting Policies (continued)

b. Income Tax

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

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

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.

Note 1: Summary of Significant Accounting Policies (continued)

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.

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 reporting date.

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

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement of comprehensive income. 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. Each property is independently valued by registered valuers every three years. 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. All tenant leases are on an arms length basis.

Note 1: Summary of Significant Accounting Policies (continued)

f. Impairment of Assets

At each reporting date, the group reviews the carrying values of its tangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less cost to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

g. Investments in Associates

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

h. Interests in Joint Ventures

The consolidated group's share of the assets, liabilities, revenue and expenses of joint venture operations is included in the appropriate items of the consolidated financial statements. Details of the consolidated group's interest are shown at Note 22.

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.

Note 1: Summary of Significant Accounting Policies (continued)

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.

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.

Note 1: Summary of Significant Accounting Policies (continued)

r. 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 (December 2010) (applicable for annual reporting periods commencing on or after 1 January 2013).

This standard is applicable retrospectively and amends 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 2009-12: 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 2009-14: 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 2010-4: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101 & AASB 134 and Interpretation 13] (applicable for annual reporting periods commencing on or after 1 January 2011). This Standard details numerous non-urgent but necessary changes to Accounting Standards arising from IASB's annual improvements project. Key changes include:
 - Clarifying the application of AASB 108 prior to an entity's first Australian-Accounting-Standards financial statements;
 - Adding an explicit statement to AASB 7 that qualitative disclosures should be made in the context of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments;
 - Amending AASB 101 to the effect that disaggregation of changes in each component of equity arising from transactions recognised in other comprehensive income is required to be presented, but is permitted to be presented in the statement of changes in equity or in the notes;
 - Adding a number of examples to the list of events or transactions that require disclosure under AASB 134; and

Note 1: Summary of Significant Accounting Policies (continued)

r. New Accounting Standards for Application in Future Periods (continued)

- Making sundry editorial amendments to various Standards and Interpretations.

This Standard is not expected to impact the Group.

- AASB 2010-5: Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042] (applicable for annual reporting periods beginning on or after 1 January 2011). This Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB. However, these editorial amendments have no major impact on the requirements of the respective amended pronouncements.
- AASB 2010-6: Amendments to Australian Accounting Standards – disclosures on Transfers of Financial Assets [AASB 1 & AASB 7] (applicable for annual reporting periods beginning on or after 1 July 2011). This Standard adds and amends disclosure requirements about transfers of financial assets, especially those in respect of the nature of the financial assets involved and the risks associated with them. Accordingly, this Standard makes amendments to AASB 1: First-time Adoption of Australian Accounting Standards, and AASB 7: Financial Instruments: Disclosures, establishing additional disclosure requirements in relation to transfers of financial assets. This Standard is not expected to impact the Group.
- AASB 2010-7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127] (applies to periods beginning on or after 1 January 2013). This Standard makes amendments to a range of Australian Accounting Standards and Interpretations as a consequence of the issuance of AASB 9: financial Instruments in December 2010. Accordingly, these amendments will only apply when the entity adopts AASB 9. As noted above, the Group has not yet determined any potential impact on the financial statements from adopting AASB 9.
- AASB 2010-8: Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112] (applies to periods beginning on or after 1 January 2012). This Standard makes amendments to AASB 112: Income Taxes. The amendments brought in by this Standard introduce a more practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model under AASB 140: Investment Property. Under the current AASB 112, the measurement of deferred tax liabilities and deferred tax assets depends on whether an entity expects to recover an asset by using it or by selling it. The amendments introduce a presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The amendments brought in by this standard also incorporate Interpretation 121 into AASB 112. The amendments are 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.

DESANE GROUP HOLDINGS LIMITED ABN 61 003 184 932 and Controlled Entities
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Note 2: Revenue and Other Income

		Consolidated Group	
	Note	2011 \$'000	2010 \$'000
Revenue			
Property services		96	27
Property project management		500	500
Property rental income		2,263	2,398
Property management fees		<u>132</u>	<u>129</u>
Total Revenue		<u>2,991</u>	<u>3,054</u>
Other Income			
a. Dividend revenue from:			
- wholly owned subsidiaries		-	-
- associated entities		-	-
- other corporations		-	-
b. Interest revenue from:			
- associated entities		-	-
- other related parties		-	19
- other persons		<u>3</u>	<u>-</u>
Total Other income		<u>3</u>	<u>19</u>

DESANE GROUP HOLDINGS LIMITED ABN 61 003 184 932 and Controlled Entities
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Note 3: Profit/(loss) for the Year

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

		Consolidated Group	
	Note	2011 \$'000	2010 \$'000
a. Expenses			
Auditors' remuneration	6	67	63
Depreciation of plant and equipment		5	8
Finance costs:			
- External		1,405	1,089
- Related entities		-	-
Transfer to/(from) provisions for:			
- Employee entitlements		9	7
Rental expenses relating to operating leases		28	27
Direct property expenditure from investment property generating rental income		206	153

b. Significant Revenue and Expenses

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

Consideration on sale of property	1,060	1,548
Carrying amount of net assets sold	<u>(1,060)</u>	<u>(1,548)</u>
Net gain on the sale of plant and equipment	<u>-</u>	<u>-</u>

Note 4: Income Tax Expense

a. The components of tax expense comprise:

		Consolidated Group	
	Note	2011 \$'000	2010 \$'000
Current tax		-	-
Deferred tax	23	406	138
Recoupment of prior year tax losses		<u>(38)</u>	<u>(147)</u>
		<u>368</u>	<u>(9)</u>

DESANE GROUP HOLDINGS LIMITED ABN 61 003 184 932 and Controlled Entities
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

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 2011 \$	2010 \$
Prima facie tax payable on profit/(loss) from ordinary activities before income tax at 30% (2010: 30%)			
- consolidated group		110	536
Add:			
Tax Effect of:			
- other non-allowable items		-	2
- share of net profit of associated entity netted directly		258	(578)
- tax losses not recognised		45	227
- movement in provisions		<u>25</u>	<u>(16)</u>
		438	171
Less:			
Tax Effect of:			
- share of net profit of joint venture netted directly		(32)	(33)
- recoupment of prior year tax losses		<u>(38)</u>	<u>(147)</u>
Income tax attributable to entity		<u>368</u>	<u>(9)</u>
The applicable weighted average effective tax rates		101%	(-%)

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 John W Bartholomew	Director – Non-executive and Company Secretary
Mr Jack Sciarra	Chief Financial Officer

b. Compensation Practices

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

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

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

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

c. Key Personnel Compensation

2011

Key Personnel	Short Term Benefits	Post Employment Benefits	Long Term Benefit	Total \$'000
	Salary, Fees and Commissions \$'000	Super-annuation \$'000	Long Service Leave \$'000	
John B. Sheehan	50	-	-	50
John W. Bartholomew	93	-	-	93
Phil Montrone	190	25	-	215
Jack Sicara	<u>92</u>	<u>8</u>	<u>16</u>	<u>116</u>
	<u>425</u>	<u>33</u>	<u>16</u>	<u>474</u>

**DESANE GROUP HOLDINGS LIMITED ABN 61 003 184 932 and Controlled Entities
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

Note 5: Key Personnel Compensation (continued)

2010

Key Personnel	Short Term Benefits	Post Employment Benefits	Long Term Benefit	Total \$'000
	Salary, Fees and Commissions \$'000	Super-annuation \$'000	Long Service Leave \$'000	
John B. Sheehan	48	-	-	48
Antonio Gelonesi	32	-	-	32
Phil Montrone	197	29	-	226
John W. Bartholomew	107	-	-	107
Jack Sciara	<u>82</u>	<u>8</u>	<u>13</u>	<u>103</u>
	<u>466</u>	<u>37</u>	<u>13</u>	<u>516</u>

d. Shareholdings

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

Key Personnel	Balance 01.07.10	Received as Compensation	Options Exercised	Net Change Other*	Balance 30.06.11
John B. Sheehan	132,517	-	-	-	132,517
Phil Montrone	10,910,250	-	-	186,946	11,097,196
John Bartholomew	480,059	-	-	10,000	490,059
Jack Sciara	<u>51,520</u>	<u>-</u>	<u>-</u>	<u>27,272</u>	<u>78,792</u>
	<u>11,574,346</u>	<u>-</u>	<u>-</u>	<u>224,218</u>	<u>11,798,564</u>

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

Note 6: Auditors' Remuneration

Consolidated Group
2011 2010
\$'000 \$'000

Remuneration of the auditor for the parent entity:

DFK – Richard Hill Pty Ltd:

- auditing or reviewing the financial report	8	5
- taxation services	-	-

GCC Business Assurance Pty Ltd:

- auditing or reviewing the financial report	56	52
- taxation services	<u>3</u>	<u>6</u>
	<u>67</u>	<u>63</u>

DESANE GROUP HOLDINGS LIMITED ABN 61 003 184 932 and Controlled Entities
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Note 7: Dividends

	Consolidated Group	
	2011 \$'000	2010 \$'000
Distributions paid		
Ordinary dividend paid of 1 cent per share unfranked (2010: 2 cents unfranked)	<u>302</u>	<u>570</u>
a. Proposed ordinary dividend of 1 cent per share unfranked (2010: 2 cents unfranked)	<u>302</u>	<u>570</u>
b. The group has a total \$nil (2010 - \$nil) franking credits available before the dividends for 2011 are provided.		

Note 8: Earnings per Share

	Consolidated Group	
	2011 \$'000	2010 \$'000
Reconciliation of earnings used in the calculation of earnings per share		
Operating profit/(loss) after income tax	<u>(2)</u>	<u>1,795</u>
Reconciliation of weighted average numbers of ordinary shares used in the calculation of earnings per share		

	Consolidated Group	
	2011	2010
Weighted average number of ordinary shares used in the calculation of basic earnings per share	<u>30,199,465</u>	<u>28,521,997</u>
Basic earnings per share (dollars per share)	<u>0.000</u>	<u>0.0629</u>
Diluted earnings per share (dollars per share)	<u>0.000</u>	<u>0.0629</u>

Conversion, call, subscription or issue after 30 June 2011

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.

DESANE GROUP HOLDINGS LIMITED ABN 61 003 184 932 and Controlled Entities
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Note 9: Current Assets – Cash

	Consolidated Group	
	2011	2010
	\$'000	\$'000
Cash at bank and in hand	-	16
Short term bank deposits	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>16</u>

The effective interest rate on cash at bank was nil (2010 – 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	-	99
Less: Bank overdraft (refer to note 16)	<u>(98)</u>	<u>(82)</u>
	<u>(98)</u>	<u>16</u>

The bank overdraft is secured by a first mortgage security over the investment property Orion Road, Lane Cove.

Note 10: Current Assets – Trade and Other Receivables

	Consolidated Group	
	2011	2010
	\$'000	\$'000
Trade receivables	159	82
Other receivables		
- Dividend receivable from associated entity	76	76
- Associated entity	-	-
- Loan to associated entity	<u>112</u>	<u>112</u>
	<u>347</u>	<u>270</u>

DESANE GROUP HOLDINGS LIMITED ABN 61 003 184 932 and Controlled Entities
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Note 11: Other Assets

(a) Current Assets

	Consolidated Group	
	2011	2010
	\$'000	\$'000
Prepayments	105	214
Security deposit	<u>2</u>	<u>2</u>
	<u>107</u>	<u>216</u>

(b) Non-current Assets

	Consolidated Group	
	2011	2010
	\$'000	\$'000
Lease incentives	<u>47</u>	<u>68</u>

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

	Note	Consolidated Group	
		2011	2010
		\$'000	\$'000
Unit 2/1-3 Nicholas Street, Lidcombe Sold and settled 23.12.2009	12a	-	510
Unit 3/1-3 Nicholas Street, Lidcombe Sold and settled 21.01.2010	12a	-	(510)
Unit 7/1-3 Nicholas Street, Lidcombe Sold and settled 29.10.2009	12a	-	508
Unit 5/1-3 Nicholas Street, Lidcombe Sold and settled 31.01.11	12a	-	(508)
Unit 4/1-3 Nicholas Street, Lidcombe Sold and settled 01.10.10	12a	-	530
		1,575	(530)
		(1,575)	1,575
		1,060	(471)
		<u>(1,060)</u>	1,060
Investment properties		-	-
		-	2,164
Shares in unlisted associated companies – equity accounted	12b	<u>9,333</u>	<u>10,192</u>
		<u>9,333</u>	<u>12,356</u>

DESANE GROUP HOLDINGS LIMITED ABN 61 003 184 932 and Controlled Entities
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

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, valued at \$1,575,000, was sold and settled in January 2011. Unit 4, 1-3 Nicholas Street, Lidcombe, valued at \$1,060,000, was sold and settled in October 2010.
- b. This represents the carrying value of the investment in the associated company in which the directors' have valued the company's underlying investment property at Burns Bay Road, Lane Cove at \$32,000,000 as at 30 June 2011. The directors' fair market value assessment is based on the size of the site, or 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 2011/2012 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 company:

Name	Principal Activity	Shares	Ownership Interest Consolidated		Carrying Amount of Investment Consolidated	
			2011	2010	2011 \$'000	2010 \$'000
Samvoni Pty Ltd	Owner of investment property at Lane Cove	Ord	50%	50%	<u>9,333</u>	<u>10,192</u>

A controlled entity acquired a 50% ownership and voting interest in Samvoni Pty Ltd. The underlying investment property was valued by the directors as at 30 June 2011. Refer to note 12b for valuation methodology.

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

	Consolidated Group	
	2011 \$'000	2010 \$'000
Balance at the beginning of the financial year	10,192	8,266
Share of associated companies operating results after income tax	(859)	1,926
Dividend revenue from associated company	-	-
Balance at the end of the year	<u>9,333</u>	<u>10,192</u>

- iii. Equity attributable to associates:

Issued capital	-	-
Retained earnings	(4,184)	(4,557)
Asset revaluation reserve	13,517	14,749

DESANE GROUP HOLDINGS LIMITED ABN 61 003 184 932 and Controlled Entities
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

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	
	2011 \$'000	2010 \$'000
Current assets	17,661	18,875
Non current assets	<u>-</u>	<u>-</u>
Total assets	<u>17,661</u>	<u>18,875</u>
Current liabilities	8,328	8,683
Non current liabilities	<u>-</u>	<u>-</u>
Total liabilities	<u>8,328</u>	<u>8,683</u>
Net equity	<u>9,333</u>	<u>10,192</u>
Operating profit/(loss) before income tax and revaluations	3	(20)
Gain from the revaluation of investment property	<u>(1,231)</u>	<u>2,772</u>
Operating result before income tax	(1,228)	2,752
Income tax expense	<u>369</u>	<u>(826)</u>
Operating result after income tax	<u>(859)</u>	<u>1,926</u>

The associated entities have no contingent liabilities nor capital commitments.

Note 13: Non-current Assets – Investment – Properties

a. The investment properties included in the accounts comprise:

	Note	Consolidated Group	
		2011 \$'000	2010 \$'000
Investment property - Rozelle Bay Commercial Centre	13ab	5,695	5,347
Investment property - Multimedia Centre Lilyfield Road	13aa	10,500	10,234
Investment property - Orion Road	13ad	9,808	8,800
Investment property - 13 Sirius Road	13ac	3,842	4,400
Investment property - 7 Sirius Road	13ae	<u>4,412</u>	<u>1,086</u>
		<u>34,257</u>	<u>29,867</u>

Valuation of Investment Properties

The basis of the directors' valuation of land and buildings is a fair market value as defined in Note 1e. The directors' methodology includes capitalisation of current rental income streams and comparison to market transactions in the surrounding locality. The properties are being independently valued at least every three years. The group has no restrictions on the realisability of an investment property nor any contractual obligations to, construct, develop, perform repairs or enhance an investment property.

- The directors' valuation, as at 30 June 2011. The Co-ownership Agreement expires in October 2012.
- This property is held at cost, plus capitalised borrowing costs. The directors have assessed that the property's current recovery value exceeds costs.
- Directors' valuation, as at 30 June 2011, is based on an independent valuation undertaken in June 2010 by a certified practicing valuation company.
- The directors' valuation, as at 30 June 2011, is based on an independent valuation undertaken in June 2010 by a certified practicing valuation company.
- The directors' valuation as at 30 June 2011. Desane has purchased the property at 7 Sirius Road, Lane Cove, for \$2,950,000. An independent valuation was undertaken in June 2010 by a certified practicing valuation company.

DESANE GROUP HOLDINGS LIMITED ABN 61 003 184 932 and Controlled Entities
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Note 13: Investment Properties (continued)

Investment Properties

2011

	Acquisition Cost \$'000	Construction Cost \$'000	Interest Capitalised \$'000	Other Capital Costs \$'000	Units Sold/ to be Sold \$'000	Revaluation \$'000	Carrying Value 30.06.2011 \$'000
Multimedia Centre Joint Venture, Lilyfield Rd, Rozelle	1,681	5,327	-	95	-	3,397	10,500
Orion Rd, Lane Cove	8,197	908	-	459	-	244	9,808
13 Sirius Rd, Lane Cove	2,900	672	-	568	-	(298)	3,842
7 Sirius Rd, Lane Cove	2,950	741	-	179	-	542	4,412
Rozelle Bay Commercial Centre	<u>4,049</u>	<u>868</u>	<u>903</u>	<u>(125)</u>	-	-	<u>5,695</u>
	<u>19,777</u>	<u>8,516</u>	<u>903</u>	<u>1,176</u>	-	<u>3,885</u>	<u>34,257</u>

2010

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

DESANE GROUP HOLDINGS LIMITED ABN 61 003 184 932 and Controlled Entities
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Note 14: Non-Current Assets – Property, Plant and Equipment

	Consolidated Group	
	2011 \$'000	2010 \$'000
Land and Buildings		
Leasehold improvements – at cost	82	82
Less: Accumulated depreciation	<u>(82)</u>	<u>(82)</u>
Total land and buildings	<u>-</u>	<u>-</u>
Plant and equipment	650	650
Less: Depreciation and disposals	<u>(209)</u>	<u>(109)</u>
	<u>441</u>	<u>541</u>
Office furniture and equipment – at cost	88	76
Less: Accumulated depreciation	<u>(54)</u>	<u>(48)</u>
	<u>34</u>	<u>28</u>
Motor vehicles – at cost	59	59
Less: Accumulated depreciation	<u>(59)</u>	<u>(59)</u>
	<u>-</u>	<u>-</u>
Total non-current assets	<u><u>475</u></u>	<u><u>569</u></u>

Movements in Carrying Amounts

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

	Leasehold Improvements \$'000	Plant and Equipment \$'000	Total \$'000
Consolidated Group:			
Balance at the beginning of year	-	569	569
Additions	-	12	12
Disposals	-	(101)	(101)
Depreciation expense	<u>-</u>	<u>(5)</u>	<u>(5)</u>
Carrying amount at the end of the year	<u><u>-</u></u>	<u><u>475</u></u>	<u><u>475</u></u>

Note 15: Current Liabilities – Trade and Other Payables

	Note	Consolidated Group	
		2011 \$'000	2010 \$'000
Unsecured liabilities			
Trade payables		533	612
Sundry payables and accrued expenses		<u>70</u>	<u>54</u>
		<u><u>603</u></u>	<u><u>666</u></u>

DESANE GROUP HOLDINGS LIMITED ABN 61 003 184 932 and Controlled Entities
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Note 16: Borrowings

(a) Current

	Note	Consolidated Group	
		2011 \$'000	2010 \$'000
Bank Overdraft		98	-
Loan from associated entity Burns Bay Road, Lane Cove	a	406	907
Secured liabilities – Bank Loans			
Finance for investment property – Lilyfield Road Joint Venture	b	-	5,250
47-51 Lilyfield Road, Rozelle	c	2,470	2,470
1-3 Nicholas Street, Lidcombe	d	-	1,100
1-3 Nicholas Street, Lidcombe	e	-	720
		<u>2,974</u>	<u>10,447</u>

- a. The associate entity has given a first mortgage finance secured over Burns Bay Road, Lane Cove property. This loan will be repaid from the settlement funds from the sale of the property.
- b. First mortgage finance secured over respective joint venture asset.
- c. First mortgage finance secured over 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 2011/2012 financial year. Covenants imposed by mortgagor require total debt not to exceed 65% of the property value.
- d. First mortgage finance secured over Unit 5, 1-3 Nicholas Street, Lidcombe. This loan has been repaid from the settlement funds from the sale of the property in the 2010/2011 financial year.
- e. First mortgage finance secured over Unit 4, 1-3 Nicholas Street, Lidcombe. This loan has been repaid from the settlement funds from the sale of the property in the 2010/2011 financial year.

DESANE GROUP HOLDINGS LIMITED ABN 61 003 184 932 and Controlled Entities
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

(b) Non Current

		Consolidated Group	
	Note	2011	2010
		\$'000	\$'000
Secured Liabilities – Bank Loans			
Finance for Lilyfield Road Joint Venture	16i	5,250	-
Finance for investment property Orion Road	16ii	5,539	5,700
Finance for investment property Sirius Road, Lane Cove	16iii	2,905	2,905
Finance for investment property 7 Sirius Road, Lane Cove	16iv	<u>2,950</u>	<u>-</u>
		<u>16,644</u>	<u>8,605</u>

- i. First mortgage finance secured over respective joint venture assets (note 13aa).
- ii. First mortgage finance secured over Orion Road, Lane Cove property (note 13ad). Covenants imposed by the bank require total debt not to exceed 65% of the property value and the net rental is required to exceed interest expense by at least 1.5 times.
- iii. First mortgage finance secured over 13 Sirius Road, Lane Cove property (note 13ac). Covenants imposed by the bank require total debt not to exceed 65% of the property value and the net rental is required to exceed interest expense by at least 1.5 times.
- iv. First mortgage finance secured over 7 Sirius Road, Lane Cove property (note 13ae). Covenants imposed by the bank require total debt not to exceed 65% of the property value and the net rental is required to exceed interest expense by at least 1.5 times.

Note 17: Current Liabilities – Provisions

	Consolidated Group	
	2011	2010
	\$'000	\$'000
Dividends	302	570
Employee entitlements*	<u>17</u>	<u>19</u>
	<u>319</u>	<u>589</u>

* Movement represents net increase in provision set aside.

	Consolidated Group	
	2011	2010
	No	No
Number of employees at year end	<u>5</u>	<u>4</u>

Note 18: Non Current Liabilities – Trade and Other Payables

	Consolidated Group	
	2011	2010
	\$'000	\$'000
Security deposits	<u>124</u>	<u>151</u>
	<u>124</u>	<u>151</u>

Note 19: Non-Current Liabilities – Provision

	Consolidated Group	
	2011	2010
	\$'000	\$'000
Employee long service leave entitlement *	<u>36</u>	<u>26</u>

* Movement represents increase in provision set aside.

DESANE GROUP HOLDINGS LIMITED ABN 61 003 184 932 and Controlled Entities
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Note 20: Issued Capital

	Consolidated Group	
	2010 \$'000	2009 \$'000
30,199,465 (2010: 28,521,997) Ordinary shares fully paid	<u>12,097</u>	<u>11,174</u>

	Consolidated Group		Consolidated Group	
	2011 Shares	2010 Shares	2011 \$'000	2010 \$'000
Ordinary shares - fully paid	28,521,997	28,521,997	11,174	11,174
Share Purchase Plan	22ai 1,677,468	-	923	-
Bonus issue	-	-	-	-
	<u>30,199,465</u>	<u>28,521,997</u>	<u>12,097</u>	<u>11,174</u>

a. Movements in Ordinary Share Capital of the Company

Date	Details	Number of Shares	Issue Price Cents	\$'000
31.12.10	Share Purchase Plan	1,677,468	\$0.55	923

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 1,677,468 (nil - 2010) were issued during 2011 under the Share Purchase Plan at \$0.55.

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.

DESANE GROUP HOLDINGS LIMITED ABN 61 003 184 932 and Controlled Entities
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Note 21: Retained Earnings

	Consolidated Group	
	2011	2010
	\$'000	\$'000
Retained earnings at beginning of financial year	12,057	10,832
Net profit attributable to members of parent entity	(2)	1,795
Dividends provided for or paid	<u>(302)</u>	<u>(570)</u>
Retained earnings at end of financial year	<u><u>11,753</u></u>	<u><u>12,057</u></u>

Note 22: 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 October 2012. Voting is by unanimous resolution by all joint venture members. The share of net assets employed in the joint venture, is included in the controlled entity's balance sheet under the following classifications:

	Consolidated Group	
Note	2011	2010
	\$'000	\$'000
Current Assets		
Cash	2	-
Trade and other receivables	68	130
Non-current assets		
Investment property	<u>10,500</u>	<u>10,234</u>
Total Assets	<u><u>10,570</u></u>	<u><u>10,364</u></u>
Current Liabilities		
Trade and other payables	39	35
Short-term borrowings	-	85
Non-Current Liabilities		
Deferred tax liability	1,775	1,670
Long-term borrowings	<u>5,250</u>	<u>5,250</u>
Total Liabilities	<u><u>7,064</u></u>	<u><u>7,040</u></u>
Equity	<u><u>3,506</u></u>	<u><u>3,324</u></u>
Output	<u><u>870</u></u>	<u><u>860</u></u>
Net operating profit before income tax	437	531
Gain/(loss) from the revaluation of investment property	242	27
Income tax applicable to operating profit	<u>(131)</u>	<u>(159)</u>
Net profit/(loss) after income tax of joint venture	<u><u>548</u></u>	<u><u>399</u></u>

Refer note 13aa for details of valuation methodology. The joint venture has no contingent liabilities or commitments.

DESANE GROUP HOLDINGS LIMITED ABN 61 003 184 932 and Controlled Entities
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Note 23: Tax

		Consolidated Group	
	Note	2011 \$'000	2010 \$'000
Non Current			
Deferred tax liability comprises:			
Tax allowances relating to property and equipment		998	909
Revaluation of investment properties		1,166	762
Deferred tax asset attributable to tax and capital losses		(2,251)	(2,164)
Provisions		(32)	(7)
Other		<u>135</u>	<u>147</u>
		<u><u>16</u></u>	<u><u>(353)</u></u>
Reconciliation			
Gross Movement			
The overall movement in the deferred tax account is as follows:			
Opening balance		(353)	(344)
Charge to income statement	4	<u>369</u>	<u>(9)</u>
Closing balance		<u><u>16</u></u>	<u><u>(353)</u></u>
Deferred Tax Liability			
<i>Tax allowance relating to property and equipment</i>			
Opening balance		909	833
Adjustment to previous year's provision		-	-
Charged to the income statement		<u>89</u>	<u>76</u>
Closing balance		<u>998</u>	<u>909</u>
<i>Revaluation of investment properties</i>			
Opening balance		762	713
Net revaluation during the current period		404	49
Transfers on property sale		<u>-</u>	<u>-</u>
Closing balance		<u>1,166</u>	<u>762</u>
Deferred Tax Assets			
<i>Tax and capital losses</i>			
Opening balance		(2,164)	(2,041)
Capital losses utilised		-	-
Adjustment to previous year's provision		-	-
Tax and capital losses recognised		<u>(87)</u>	<u>(123)</u>
Closing balance		<u>(2,251)</u>	<u>(2,164)</u>
<i>Provisions</i>			
Opening balance		(7)	(22)
Credited to income statement		<u>(25)</u>	<u>15</u>
Closing balance		<u>(32)</u>	<u>(7)</u>
<i>Other</i>			
Opening balance		147	173
Charged to income statement		<u>(12)</u>	<u>(26)</u>
Closing balance		<u>135</u>	<u>147</u>

Note 24: 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.

DESANE GROUP HOLDINGS LIMITED ABN 61 003 184 932 and Controlled Entities
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Note 24: Financial Instruments (continued)

c. Net Fair Values

On Balance Sheet:

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

Off Balance Sheet:

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

d. Carrying Amount and Net Fair Values

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

2011		Floating Interest Rate \$'000	Fixed Interest Within 1 year \$'000	Maturing 1-5 Years \$'000	Non Interest Bearing \$'000	Total \$'000
	Note					
Financial Assets						
Cash and deposits	9				-	-
Receivables	10, 11				<u>454</u>	<u>454</u>
					<u>454</u>	<u>454</u>
Weighted average interest rate						
		-%	-%	-%	-%	
Financial Liabilities						
Trade and other creditors	15, 18	-	-	-	727	727
Interest bearing liabilities	16	<u>16,742</u>	<u>2,876</u>	-	-	<u>19,618</u>
		<u>16,742</u>	<u>2,876</u>	-	<u>727</u>	<u>20,345</u>
Weighted average interest rate						
		7.38%	8.36%	-%	-%	
Net financial assets (liabilities)						
		<u>(16,742)</u>	<u>(2,876)</u>	-	<u>(273)</u>	<u>(19,891)</u>

DESANE GROUP HOLDINGS LIMITED ABN 61 003 184 932 and Controlled Entities
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Note 24: Financial Instruments (continued)

2010	Note	Floating Interest Rate \$'000	Fixed Interest Within 1 Year \$'000	Maturing 1-5 Years \$'000	Non Interest Bearing \$'000	Total \$'000
Financial Assets						
Cash and deposits	9	-	-	-	16	16
Receivables	10, 11	-	-	-	486	486
		<u>-</u>	<u>-</u>	<u>-</u>	<u>502</u>	<u>502</u>
Weighted average interest rate						
		-%	-%	-%		
Financial Liabilities						
Trade and other creditors	15, 18	-	-	-	817	817
Interest bearing liabilities	16	13,855	5,197	-	-	19,052
		<u>13,855</u>	<u>5,197</u>	<u>-</u>	<u>817</u>	<u>19,869</u>
Weighted average interest rate						
		7.17%	7.99%	-%		
Net financial assets (liabilities)						
		<u>(13,855)</u>	<u>(5,197)</u>	<u>-</u>	<u>316</u>	<u>(19,367)</u>

Sensitivity Analysis

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

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.

	Consolidated Group			
		Profit \$'000		Equity \$'000
Year ended 30 June 2011	+/-	392	+/-	392

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

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

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

DESANE GROUP HOLDINGS LIMITED ABN 61 003 184 932 and Controlled Entities
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Note 25: 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 note 31. Other transactions between related parties consist of:

	Consolidated Group	
	2011	2010
	\$'000	\$'000
Desane Properties Pty Limited: Dividend paid	900	900
Desane Hire Services Pty Limited: Dividend paid	-	-
Desane Contracting Pty Limited: Dividend paid	-	-
b. Associated Companies		
Loan from Tuta Properties Pty Ltd (associated company)	406	907
Administration fee received from Samvoni Pty Ltd	15	15
Asset management fee received from Tuta Properties Pty Ltd	500	500
Interest received from Tuta Properties Pty Ltd	-	19
Interest paid to Tuta Properties Pty Ltd	49	80
c. Joint Ventures		
Administration fee received from Lilyfield Road Joint Venture	12	12
Interest received from Lilyfield Road Joint Venture	7	4
d. 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

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

During the year, Cupara Pty Limited, of which Phil Montrone is a director, purchased one factory unit in the Nicholas Street, Lidcombe complex. The purchase price was \$1,575,000 being market value at date of sale. Interest on excess deposit received before settlement was paid to Cupara Pty Ltd for the amount of \$14,854. Rick Montrone, who is Mr. Phil Montrone's son, is employed as a property manager for the group under a commercial remuneration package. During the year, Trafalgar Contracting Pty Ltd/Trafalgar Hire Pty Ltd, which are companies owned by Mr. Phil Montrone's brother, purchased plant and equipment to the value of \$100,560 and provided building services to the value of \$259,124. These transactions were conducted under normal commercial terms and conditions.

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 transactions, no director has entered into a material contract since the end of the previous financial year and there were no material contracts involving directors' interests existing at year-end. 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 26: Commitments for Expenditure

Capital Expenditure

	Consolidated Group	
	2011	2010
	\$'000	\$'000
Not later than one year	-	2,655
Later than one year but not more than two years	<u>-</u>	<u>-</u>
	<u>-</u>	<u>2,655</u>

Note 27: 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, \$40,135 (2010 - \$38,596) parent entity \$40,135 (2010 - \$38,596).

Note 28: 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.

The shareholders' funds as at 30 June 2011, in the controlled entities concerned were:

	2011 \$'000	2010 \$'000
Desane Hire Services Pty Limited – net assets	-	3
Desane Contracting Pty Limited – net assets	(16)	(12)
Desane Properties Pty Limited – net assets	<u>11,661</u>	<u>11,692</u>

b. Lilyfield Road Joint Venture

First mortgage security over the property of the Joint Venture has been provided to finance borrowings of \$7,500,000 as at 30 June, 2011. In addition, the parent entity together with the other Joint Venturer have unconditionally guaranteed, jointly and severally, the secured loan and bank overdraft.

c. Orion Road Property

The parent entity has guaranteed the repayment of the first mortgage finance secured over the Orion Road property (note 16).

d. 7 Sirius Road Property

The parent entity has guaranteed the repayment of the first mortgage finance secured over the 7 Sirius Road property (note 16).

e. 13 Sirius Road Property

The parent entity has guaranteed the repayment of the first mortgage finance secured over the 13 Sirius Road property (note 16).

Note 29: 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 29: 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.

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.

DESANE GROUP HOLDINGS LIMITED ABN 61 003 184 932 and Controlled Entities
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Note 29: Segment Reporting – Consolidated Group (continued)

2011

	Property Investment \$'000	Property Project Management and Resale \$'000	Property Services \$'000	Plant and Equipment \$'000	Other \$'000	Consolidated Group \$'000
External sales	2,263	632	96	-	3	2,994
Other segments	-	-	-	-	-	-
Total revenue	<u>2,263</u>	<u>632</u>	<u>96</u>	<u>-</u>	(note 29ii) <u>3</u>	<u>2,994</u>
Segment result	<u>2,765</u>	<u>632</u>	<u>96</u>	<u>-</u>	(note 29ii) <u>3</u>	3,496
Unallocated expenses						(865)
Finance costs						(1,405)
Share of net profits of associates						<u>(860)</u>
Profit/(loss) before income tax						366
Income tax expense						<u>(368)</u>
Profit/(loss) after income tax						<u>(2)</u>

ii. Revenue - Other is comprised of:

	2011	
	Revenue \$'000	Profit \$'000
Interest received	<u>3</u>	<u>3</u>

DESANE GROUP HOLDINGS LIMITED ABN 61 003 184 932 and Controlled Entities
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Note 29: Segment Reporting – Consolidated Group (continued)

2011

Segment Assets

	Property Investment \$'000	Property Project Management and Resale \$'000	Property Services \$'000	Plant and Equipment \$'000	Other \$'000	Consolidated Group \$'000
2010 opening balance	42,222	-	-	541	599	43,362
Unallocated Assets						-
Deferred tax assets						353
Segment Asset Increases/ (Decreases) for the Period						
Acquisitions	2,661					2,661
Proceeds from sale/depreciation	(2,163)			(101)		(2,263)
Revaluations/(devaluations)	871					871
Capital expenditures	858					858
Asset held for sale	(860)					(860)
Net movement in other segments					(63)	(63)
	<u>43,589</u>	-	-	440	536	44,919
Unallocated Assets						-
Deferred Tax Assets						(353)
Total Group Assets						<u>44,566</u>
Equity accounted associates included in asset held for sale	<u>(860)</u>					

Segment Liabilities

	Property Investment \$'000	Property Project Management and Resale \$'000	Property Services \$'000	Plant and Equipment \$'000	Other \$'000	Consolidated Group \$'000
2010 opening balance	19,052	-	-	-	1,432	20,484
Unallocated Liabilities						-
Deferred tax liabilities						-
Segment Liabilities Increases/ (Decreases) for the Period						
Repayments	(7,520)					(7,520)
New borrowings	8,587					8,587
Loan from associated company	(501)					(501)
Net movement in other segments					(350)	(350)
	<u>19,618</u>	-	-	-	1,082	20,700
Unallocated Liabilities						-
Deferred Tax Liabilities						16
Total Group Liabilities						<u>20,716</u>
Equity accounted associates included in Segment liabilities	<u>(501)</u>					

DESANE GROUP HOLDINGS LIMITED ABN 61 003 184 932 and Controlled Entities
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Note 29: Segment Reporting – Consolidated Group (continued)

2010

	Property Investment \$'000	Property Project Management and Resale \$'000	Property Services \$'000	Plant and Equipment \$'000	Other \$'000	Consolidated Group \$'000
External sales	2,398	629	27	-	19	3,073
Other segments	-	-	-	-	-	-
Total revenue	<u>2,398</u>	<u>629</u>	<u>27</u>	<u>-</u>	(note 29i) <u>19</u>	<u>3,073</u>
Segment result	<u>1,046</u>	<u>629</u>	<u>27</u>	<u>-</u>	(note 29i) <u>19</u>	1,721
Unallocated expenses						(772)
Finance costs						(1,089)
Share of net profits of associates						<u>1,926</u>
Profit/(loss) before income tax						1,786
Income tax expense						<u>9</u>
Profit/(loss) after income tax						<u>1,795</u>

i. Revenue - Other is comprised of:

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

DESANE GROUP HOLDINGS LIMITED ABN 61 003 184 932 and Controlled Entities
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Note 29: Segment Reporting – Consolidated Group (continued)

2010

Segment Assets

	Property Investment \$'000	Property Project Management and Resale \$'000	Property Services \$'000	Plant and Equipment \$'000	Other \$'000	Consolidated Group \$'000
2009 opening balance	41,478	-	-	650	2,015	44,143
Unallocated Assets						
Deferred tax assets						344
Segment Asset Increases/ (Decreases) for the Period						
Acquisitions	1,086	-	-	-	-	1,086
Proceeds from sale	(1,431)	-	-	(109)	-	(1,540)
Revaluations/(devaluations)	(982)	-	-	-	-	(982)
Capital expenditures	555	-	-	-	-	555
Asset held for sale	1,516	-	-	-	-	1,516
Net movement in other segments	-	-	-	-	(1,416)	(1,416)
	42,222	-	-	541	598	43,706
Unallocated Assets						
Deferred Tax Assets						9
Total Group Assets						
						<u>43,715</u>
Equity accounted associates included in asset held for sale	<u>1,926</u>					

Segment Liabilities

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

DESANE GROUP HOLDINGS LIMITED ABN 61 003 184 932 and Controlled Entities
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Note 30: Cash Flow Information

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

	Consolidated Group	
	2011	2010
	\$'000	\$'000
Profit/(loss) after income tax	(2)	1,795
Non-cash flows in profit/(loss):		
Depreciation and amortisation	5	8
(Gain)/loss on asset revaluation	(871)	982
Share of associated companies net profit/(loss) after income tax and dividends	860	(1,926)
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	(78)	916
(Increase)/decrease in other receivables and other assets	23	480
(Increase)/decrease in prepayments	109	6
(Decrease)/increase in trade payables and accruals	(64)	121
(Decrease)/increase in other payables	-	17
(Decrease)/increase in provisions	9	7
Increase/(decrease) in deferred taxes payable	<u>368</u>	<u>(9)</u>
Cash flow from operations	<u><u>359</u></u>	<u><u>2,397</u></u>

DESANE GROUP HOLDINGS LIMITED ABN 61 003 184 932 and Controlled Entities
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Note 31: Parent Entity Disclosures

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

	Note	Parent Entity	
		2011 \$'000	2010 \$'000
STATEMENT OF COMPREHENSIVE INCOME			
Result of the parent entity			
Profit for the period		35	128
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income for the period		<u><u>35</u></u>	<u><u>128</u></u>
STATEMENT OF FINANCIAL POSITION			
Current Assets			
Cash		6	17
Trade and other receivables		-	-
Other assets		7	9
Non-current Assets			
Trade and other receivables – Loans to controlled entities	ii	12,150	11,803
Investment – controlled entities	i	490	490
Property, plant and equipment		<u>35</u>	<u>28</u>
Total Assets		<u><u>12,688</u></u>	<u><u>12,347</u></u>
Current Liabilities			
Trade and other payables		99	183
Short-term provisions		651	589
Non-Current Liabilities			
Trade and other payables		-	-
Provisions		<u>36</u>	<u>26</u>
Total Liabilities		<u><u>786</u></u>	<u><u>798</u></u>
Net Assets		<u><u>11,902</u></u>	<u><u>11,549</u></u>
Total Equity			
Issued capital		12,097	11,174
Retained earnings/(accumulated losses)		<u>(195)</u>	<u>375</u>
Total Equity		<u><u>11,902</u></u>	<u><u>11,549</u></u>

DESANE GROUP HOLDINGS LIMITED ABN 61 003 184 932 and Controlled Entities
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Note 31: Parent Entity Disclosures (continued)

Controlled Entities

i) Investments in controlled entities are unquoted and comprise:

Controlled Entities	Class of Shares	2011		Parent Entity		2010	
		% Holding	Investment \$'000	% Holding	Investment \$'000	% Holding	Investment \$'000
Desane Properties Pty Ltd	Ordinary	100	490	100	490	100	490
Desane Contracting Pty Ltd	Ordinary	100	-	100	-	100	-
Desane Hire Services Pty Ltd	Ordinary	100	-	100	-	100	-
Provision for diminution in value			-		-		-
			<u>490</u>		<u>490</u>		<u>490</u>

All controlled entities are incorporated in Australia. Desane Properties Pty Ltd declared a dividend of \$900,000 out of retained profits (2010: \$900,000). Desane Hire Services Pty Ltd did not declare a dividend (2010: \$nil). Desane Contracting Pty Ltd did not declare a dividend (2010: \$nil).

Contribution to profit/(loss) after tax:

	2011 \$'000	2010 \$'000
Desane Group Holdings Limited	(865)	(772)
Desane Properties Pty Limited	868	2,574
Desane Contracting Pty Limited	(3)	(3)
Desane Hire Services Pty Limited	<u>(2)</u>	<u>(4)</u>
	<u>(2)</u>	<u>1,795</u>

ii) Loans to controlled entities:

	2011 \$'000	2010 \$'000
Desane Properties Pty Limited	11,700	11,256
Desane Contracting Pty Limited	13	12
Desane Hire Services Pty Limited	<u>437</u>	<u>535</u>
	<u>12,150</u>	<u>11,803</u>

DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 17 to 60 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 2011 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
23 August 2011

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 2011, 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 23 August 2011, would be in the same terms it provided to the directors as at the date of this auditor's report.

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 2011 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 on page 14 of the report of the directors for the year ended 30 June 2011. 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 2011, 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
23 August 2011

Shareholder Information

The shareholder information set out below was applicable as at 5 July 2011. Shareholder information should be read in conjunction with the 2011 financial report.

1. SHAREHOLDING

a. Distribution of shareholders:

Category (size of holding)	Ordinary
1 - 1,000	64
1,001 - 5,000	103
5,001 - 10,000	59
10,001 - 100,000	170
100,001 - and over	<u>50</u>
	<u>446</u>

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

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

Ordinary shares	61.41%
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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	9,246,252	30.62%
2. Cordato Partners (Superannuation) Pty Ltd <Cordato Partners S/Fund A/C>	1,148,025	3.80%
3. Montevans Pty Ltd <M & M Super Fund A/C>	1,108,972	3.67%
4. Shayana Pty Ltd <Hateley Super Fund A/C>	1,000,000	3.31%
5. Mandel Pty Ltd <Mandel Super Fund A/C>	800,000	2.65%
6. PFPT Management Pty Ltd <Pellarini Super Fund A/C>	679,020	2.25%
7. TMB Nominees Pty Limited	556,874	1.84%
8. Pebadore Pty Ltd <Weller Family S/Fund A/C>	550,000	1.82%
9. Mr Gim Tong Teo & Madam Beng Hua Kwah	408,828	1.35%
10. Mansfield Holdings Pty Ltd	367,754	1.22%
11. Mrs Mitsuko Sunshine Luestner	345,535	1.14%
12. Mrs Rosemary Marion Marfatia	290,000	0.96%
13. Joe Scardino & Felicia Scardino	267,178	0.88%
14. Mr Arthur David Cooper & Mrs Helen Therese Cooper <Athlete's Foot Key ESSF A/C>	266,045	0.88%
15. Mr Ian Garnsey Everingham & Mrs Christine Mary Everingham <Rosebank Staff S/Fund A/C>	266,045	0.88%
16. Paul Moynihan Pty Limited <Moynihan Family S/F A/C>	266,044	0.88%
17. Mr Roderick Talbot Agar <R Agar Superfund A/C>	250,000	0.83%
18. Oakmount Nominees Pty Ltd <Narromine Superfund A/C>	250,000	0.83%
19. Ms Yee Lan Teo	247,452	0.82%
20. Dr Sten Harald Starner	<u>231,212</u>	<u>0.77%</u>
	<u>18,545,236</u>	<u>61.41%</u>

DESANE GROUP HOLDINGS LIMITED and Controlled Entities

Shareholder Information (Continued)

3. SUBSTANTIAL SHAREHOLDERS

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

	Ordinary Number	%
Cupara Pty Ltd	9,246,252	30.62%

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.