

24 August 2012

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 2012**

**OPERATING RESULT**

Desane Group Holdings Limited (“Desane”, “the Company” or “the Group”), wishes to report an after tax profit of \$937,381 for the financial year ended 30 June 2012. The accounts were prepared in accordance with applicable Australian Accounting Standards.

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 **\$45 million**;
- The Group manages an additional **\$21.5 million** of other property assets;
- The Group’s net tangible assets is **81 cents per share**.

**NET TANGIBLE ASSETS**

As at 30 June 2012, the Group’s net tangible assets is **81 cents per share** after accounting for 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 2012 financial year.

**APPENDIX 4E**

The Preliminary Final Report for the year ended 30 June 2012 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 and upgrading program of its Sydney based property assets. During the course of the financial year, Desane invested over \$700,000 in upgrading its existing property assets. The combination of the upgrading expenditure and knowledge of the property market by Desane's property management team has ensured that the Group's properties continue to be **100% leased on a long term basis** to national and international tenants.

### i. LANE COVE (Burns Bay Road)

A formal Development Application has been lodged with the relevant local government authority for the proposed high rise residential development located on the Sydney Harbour shore of Burns Bay. The Development Application comprises of 5 high rise buildings, for a total of approximately



25,000m<sup>2</sup> of residential floorspace. The proposed development has been designed to take advantage of the **sweeping Sydney Harbour and Lane Cove River views**. Taking into consideration local government planning requirements, Desane expects to obtain planning approval for this proposal during the course of this financial year. Desane has a **50% interest** in this property.

### ii. LANE COVE (Orion Road)

This **8,000m<sup>2</sup> five unit industrial complex** is occupied by five large Australian and international corporations, all with **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 **2,400m<sup>2</sup> 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 **2,700m<sup>2</sup> 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 460m<sup>2</sup> of office and 2,240m<sup>2</sup> 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)**

This prime commercial and industrial property, located in the Sydney suburb of Rozelle is fully leased on a long term basis to two blue chip national tenants. Due to the increased demand for this type of property, in close proximity of Sydney's CBD, Desane is in the process of undertaking a due diligence with a view to creating additional leasable floorspace. Desane has a **70% interest** in this property. The property is located in close proximity to the Anzac Bridge and the Sydney Cross City Tunnel, linking the eastern suburbs to the inner western Sydney suburbs.



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



Desane has obtained planning approval from the relevant local government authority to construct a **four storey 4,200m<sup>2</sup> commercial building**, with 62 basement security car parking spaces. Desane has commenced negotiations with a major national company who has expressed an interest in pre-committing to lease the building. The existing building is leased on a short-term basis. 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.

## 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 over **\$45 million** of properties and other assets and it manages an additional **\$21.5 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; Halley & Mellows; Kindercise Gym; Vino Plus; and Premier Products.**



## 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 close 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 2013 financial year.

Yours faithfully,  
**DESANE GROUP HOLDINGS LIMITED**



**JOHN BARTHOLOMEW**  
Company Secretary

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***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 \$45 million of assets and manages a further \$21.5 million of industrial and commercial properties in the Sydney region. Our medium term objective is to continue to grow the Group's property assets.*

Preliminary Final Report of

**Desane Group Holdings Limited  
and Controlled Entities**

**ABN 61 003 184 932**

**for the Financial Year Ended 30 June 2012**

This Preliminary Final Report is provided to the Australian Stock Exchange (ASX) under ASX Listing Rule 4.3A.

Current Reporting Period: Financial year ended 30 June 2012

Previous Corresponding Period: Financial year ended 30 June 2011

# Desane Group Holdings Limited

## APPENDIX 4E – Preliminary final report for the Financial Year Ended 30 June 2012

### 1. Details of the reporting period

Current Period: 1 July 2011 to 30 June 2012  
 Previous Corresponding Period: 1 July 2010 to 30 June 2011

### 2. Results for announcement to the market

			\$A'000
Revenues from ordinary activities	up/down	4% to	2,875
Profit (loss) from ordinary activities after tax attributable to members	up/down	100% to	937
Net profit (loss) for the period attributable to members	up/down	100% to	937
<b>Dividends (distributions)</b>	Amount per security		Franked amount per security
Final Dividend	1¢		0.000¢
Previous Corresponding Period	1¢		0.000¢
Dividend Record Date	14 NOVEMBER 2012		
Dividend Payment date	26 NOVEMBER 2012		
<b>Brief Explanation of any of the figures reported above</b>			
<ul style="list-style-type: none"> <li>• The final dividend of 1 cent per share unfranked (2011 – 1 cent unfranked) has been recommended on ordinary shares.</li> </ul>			

### 3. Statement of consolidated financial performance with notes

Refer to attached 2012 annual report

**Desane Group Holdings Limited**  
**APPENDIX 4E – Preliminary final report**  
**for the Financial Year Ended 30 June 2012**

**4. Statement of consolidated financial position with notes**

Refer to attached 2012 annual report

**5. Statement of consolidated cash flows with notes**

Refer to attached 2012 annual report

**6. Statement of consolidated changes in equity**

Refer to attached 2012 annual report

**7. Details of dividends/distributions**

Refer to 2 above

**8. Details of dividends/distribution reinvestment plan**

The company does not have a dividend reinvestment plan in place.

**9. Net tangible assets per security**

	Current period	Previous corresponding period
Net tangible asset backing per Ordinary share	81 cents	79 Cents

**10. Control gained or lost over entities during the period**

The company has not gained or lost over entities during the period



**Desane Group Holdings Limited**  
**APPENDIX 4E – Preliminary final report**  
**for the Financial Year Ended 30 June 2012**

**11. Details of aggregate share of profits/(losses) of associates and joint venture entities**

<b>Group's share of associates' and joint venture entities':</b>	Current period \$A'000	Previous corresponding period - \$A'000
Profit (loss) from ordinary activities before tax	617	(550)
Income tax on ordinary activities	(169)	238
<b>Profit (loss) from ordinary activities after tax</b>	448	(312)
Extraordinary items net of tax	-	-
<b>Net profit (loss)</b>	448	(312)
Adjustments	-	-
<b>Share of net profit (loss) of associates and joint venture entities</b>	448	(312)

**Desane Group Holdings Limited**  
**APPENDIX 4E – Preliminary final report**  
**for the Financial Year Ended 30 June 2012**

**Material interests in entities which are not controlled entities**

The Group has an interest (that is material to it) in the following entities.

<b>Name of entity</b>	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
Samvoni Pty Ltd / Tuta Properties Pty Ltd	50%	50%	40	(860)
Lilyfield Road Joint Venture	70%	70%	408	548
<b>Total</b>			448	(312)

**12. Other significant information**

Refer to attached 2012 annual report

**13. Accounting standards used by foreign entities**

Not Applicable

**Desane Group Holdings Limited**  
**APPENDIX 4E – Preliminary final report**  
**for the Financial Year Ended 30 June 2012**

**14. Commentary on results**

	Current Period	Previous corresponding period
Earnings per share	3.10¢	0.0¢
Net tangible asset backing per Ordinary share	81 cents	79 cents
Final Dividend per Ordinary Share	1¢	1¢

**14.1 Significant features of operating performance**

Refer to attached 2012 annual report (Directors' report)

**14.2 Segment results**

Refer to attached 2012 annual report

**14.3 Trends in performance**

Refer to attached 2012 annual report

**14.4 Other Factors**

Refer to attached 2012 annual report (Directors' report)

**15. Audit/review of accounts upon which the report is based**

The report is based on accounts which have been audited.

Refer to attached 2012 annual report (Auditors' declaration and report)

**16. Accounts not yet audited or reviewed**

Not Applicable

**Desane Group Holdings Limited**  
**APPENDIX 4E – Preliminary final report**  
**for the Financial Year Ended 30 June 2012**

**17. Qualification of audit/review**

There was no audit qualification

**18. Other information**

**Annual General Meeting**

The annual general meeting will be held as follows:

Place	68-72 Lilyfield Rd ROZELLE
Date	Friday 9 NOVEMBER 2012
Time	10.00 AM
Approximate date the annual report will be available	5 OCTOBER 2012

**Compliance statement**

1. This report has been prepared in accordance with Australian Accounting Standards AASB 101.
2. This report does give a true and fair view of the matters disclosed.
3. The accounts have been audited. Refer to attached 2012 annual report (Auditors' declaration and report).

Sign here:



Date: 23 AUGUST 2012

Print name: JOHN BARTHOLOMEW  
Company Secretary

**This is Annexure A of 62 pages referred to in form 388, Copy of financial statements and reports.**

**John Bartholomew      Date: 23 August 2012**

# **DESANE GROUP HOLDINGS LIMITED**

**ABN 61 003 184 932**

## **FINANCIAL REPORT**

**30 JUNE 2012**

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# **Desane Group Holdings Limited ABN 61 003 184 932**

## **Company Particulars**

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### **Directors & Key Personnel**

John Blair Sheehan – Chairman  
Phil Montrone – Managing Director and Chief Executive Officer  
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](mailto:info@desane.com.au)  
Website: [www.desane.com.au](http://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  
Telephone enquiries within Australia: 1300-556-161  
Telephone enquiries outside Australia: 61-3-9615-4000  
Email: [web.queries@computershare.com.au](mailto:web.queries@computershare.com.au)  
Website: [www.computershare.com](http://www.computershare.com)

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

### **Auditor**

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

### **Solicitors**

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

### **Bankers**

Commonwealth Bank of Australia

### **Securities Exchange Listing**

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

### **Notice of Annual General Meeting**

The Annual General Meeting of Desane Group Holdings Limited will be held at the Staging Connections Theatre Room, 68-72 Lilyfield Road, Rozelle NSW on Friday, 9 November 2012 commencing at 10.00 am.

# **Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities Chairman's Report**

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I present to shareholders the 2012 Desane Group Holdings Limited Annual Report.

It is with pleasure that I can report that the Group's profit before tax, for the financial year ending 30 June 2012, was \$1,326,366. The growth in profit was achieved notwithstanding another year of uncertainty experienced by the Australian economy.

Included in the profit was an upward revaluation of \$725,669 of the Group's investment properties. In this regard, I report that the Group's total assets have increased by 2.43%, and the total value of Group properties have increased by 3.56%. It is gratifying to note that all properties owned by the Group remained fully leased throughout the 2012 financial year. Desane Group Holdings Ltd continues to be in a comfortable financial position, and will take advantage of the continuing firming of the industrial and specialised commercial property market over the next financial year. Accordingly, the Directors have decided to recommend a dividend of 1 cent per share (unfranked).

Concern about the stability of global finance markets will continue to raise questions about the appropriateness of various classes of domestic equities as secure investment vehicles. It is clear that equities sourced from retailing in particular will remain subdued, whilst mining-based equities will continue to reflect the volatility of Asian resource demand and also, the instability of global currency markets. Nevertheless those equities such as Desane Group Holdings Limited, which are based in quality domestic commercial and industrial property, evidence a stability separating this class of equity from more volatile investment vehicles.

The current Green Paper on Planning released by the NSW Government is a response to a widely perceived need for reform of the regulatory framework for development and building. It is anticipated submissions on the Green Paper will seek to encourage respect for property investment endeavours, especially given the pivotal role such activities play in the NSW economy. In my 2011 Annual Report, I drew attention to the growing shortage of quality industrial and commercial properties as a source of investment, and reform of the legislation will hopefully result in more timely responses to market demand. Desane has a valuable portfolio of existing industrial and specialised commercial properties which may be enhanced further through such reform.

The Group's management continues to be diligent in negotiating with Australian major banks the cost of interest charges for the Group, and again this is pleasing to record in the current difficult financial environment, resulting in continuing interest savings for borrowing costs.

I also wish to report that the Group's management lodged, in March 2012, a development application for the 12,000m<sup>2</sup> high-rise residentially zoned waterfront property at Lane Cove which is 50% owned by Desane. While development consent is anticipated later this year, your Board remains of the view the property will only be disposed on terms which maximise the value to shareholders and at a time when the residential unit market is most robust.

Your Board remains confident the Group's strategies will continue to result in solid asset growth in the 2012/2013 financial year, as the industrial and commercial property market continues to firm. I congratulate both the Group Executive and the employees of Desane Group Holdings Limited for the prudent management of the Group as evident from this year's improving financial results.

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.



**PROFESSOR JOHN SHEEHAN**  
Chairman

# **Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities Corporate Governance Statement for the year ended 30 June 2012**

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The objective of the Board of Desane Group Holdings Limited is to create and deliver long-term shareholder value. The Board considers there to be an unambiguous and positive relationship between the creation and delivery of long-term shareholder value and high-quality corporate governance. Accordingly, in pursuing its objective, the Board has committed to corporate governance arrangements that strive to foster the values of integrity, respect, trust and openness among and between board members, management, employees, customers and suppliers.

Desane Group Holdings Limited and its subsidiaries operate as a single economic entity with a unified Board and management. As such, the Board's corporate governance arrangements apply to all entities within the economic group.

Desane Group Holdings Limited is listed on the Australian Securities Exchange (ASX). Accordingly, unless stated otherwise in this document, the Board's corporate governance arrangements comply with the recommendations of the ASX Corporate Governance Council as well as current standards of best practice for the entire financial year ended 30 June 2012.

## **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:

Prof. 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
- Non 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 and diversity policy.

The Board also considers that the current board composition reflects an appropriate balance of skills, expertise and experience to achieve its objective of creating and delivering long-term shareholder value.

## **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.



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

## **Corporate Governance Statement for the year ended 30 June 2012**

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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.

### **Share 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.

### **Board Committees**

To facilitate achieving its objectives, the Board has established four sub-committees comprising board members – the audit committee, remuneration committee, finance and operations committee and the environmental and occupational health and safety committee. Each of these committees has formal terms of reference that outline the committees' roles and responsibilities, and authorities delegated to it by the Board.

#### *Audit Committee*

The role of the audit committee is to assist the Board in monitoring the processes and controls associated with the financial reporting function that ensure the integrity of the company's financial statements. Specifically, the audit committee oversees:

- The appointment, independence, performance and remuneration of the external auditor;
- The integrity of the audit process;
- The effectiveness of the internal controls; and
- Compliance with applicable regulatory requirements.

Information on the Board's procedures for the selection and appointment of the external auditor, and for the rotation of the external audit engagement partners, is available from the company's website.

The audit committee comprises two directors (including the Chair of the Board), all of whom are non-executive/independent directors. Consistent with the ASX's Corporate Governance Principles and recommendations, the Chair of the audit committee is independent and does not hold position of Chair of the Board. In view of the small size and stability of the Board, two directors (including the Chair of the Board) is the maximum number of members to be part of the audit committee.

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

#### *Finance and Operations Committee*

The role of the finance and operations committee is to assist the Board in monitoring:

- Performance of the company's various business activities;
- Compliance by management with limits and benchmarks determined by the Board; and
- Compliance by management with the Board's formal policies and procedures regarding ASX listing rule disclosure requirements.

The finance and operations committee comprises of the entire Board of directors and key personnel (including the Chair) and the meetings are held each month of the financial year ended 30 June 2012. The names and qualifications of the finance and operations committee members and their attendance at meetings of the committee are included in the director's report.

#### *Remuneration Committee*

The role of the remuneration committee is to assist the Board in the general application of the remuneration policy. In doing so, the remuneration committee is responsible for:

- Developing remuneration policies for directors and key personnel, with the assistance of independent external consultants;
- Reviewing key personnel remuneration packages annually and based on these reviews, making recommendations to the Board on remuneration levels for key personnel; and
- Assisting the Chair in reviewing key personnel annually and reporting to the Board on key personnel performance.

In view of the small size and stability of the Board, two directors (including the Chair of the Board) is the maximum number of members to be part of the audit committee.

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

## **Corporate Governance Statement for the year ended 30 June 2012**

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During the year ended 30 June 2012, the remuneration committee comprised an executive and a non-executive/independent director, who also chaired the committee. In view of the small size and stability of the Board, two directors (including the Chair of the Board) is the maximum number of members to be part of the audit committee.

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

There are no schemes for retirement benefits for directors other than statutory superannuation arrangements for non-executive/independent directors.

### *Environmental and Occupational Health and Safety Committee*

The role of the environmental and occupational health and safety committee is to assist the Board in monitoring bi-annually:

- Occupational health and safety issues of the company's various business activities;
- Environmental issues of the company's various business activities; and
- Reporting to the Board any compliance obligations of the company with regards to the Clean Energy ACT 2010 and the recently implemented federal government Carbon Tax.

The environmental and occupational health and safety committee comprises three directors (including the Chair of the Board).

The names and qualifications of the environmental and occupation health and safety committee members 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 accountable to the shareholders for creating and delivering shareholder value through governance of the company's business activities. The discharge of these responsibilities is facilitated by the Board delivering to shareholders timely and balance disclosures about the company's performance.

As part of its corporate governance arrangements, the Board has established a strategy for engaging and communicating with shareholders that includes:

- Bi-annually reporting to all shareholders; and
- Actively encouraging shareholders to attend and participate in the company's Annual General Meeting.

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

The Board has delegated to the Managing Director, Mr Phil Montrone, all authorities appropriate and necessary to achieve the Board's objective to create and deliver long-term shareholder value.

Notwithstanding these delegations of authority by the Board, the Managing Director remains accountable to the Board for authority delegated to him and for the performance of the company's business activities at all times. As noted above, the Board regularly monitors the decisions and actions of the Managing Director as well as the performance of the company's business activities.

A key plan of the Board's role and responsibility is the requirement for all directors to demonstrate honesty, integrity and preparedness to critically evaluate all aspects of the company's operations. Inherent in all of this is the expectation that directors:

- Commit the necessary time and energy to fulfil their responsibilities as directors; and
  - Place the interests of the company before their personal interests.
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# **Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities**

## **Corporate Governance Statement for the year ended 30 June 2012**

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The Chairman is responsible for ensuring individual directors, the Board as a whole and key personnel comply with both the letter and spirit of the Board's governance arrangements. The Chairman discharges their responsibilities in a number of ways, primarily through:

- Setting agendas in collaboration with other directors and key personnel;
- Encouraging critical evaluation and debate among directors;
- Managing board meetings to ensure that all critical matters are given sufficient attention; and
- Communicating with shareholders as and when required.

Independent directors have the right to seek independent professional advice on any matter connected with the discharge of their responsibilities as directors at the company's expense. Written approval must be obtained from the Chairman prior to incurring any expense on behalf of the company.

### **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 strategies 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.

### **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](http://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 2012.

## 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

	2012 \$'000	2011 \$'000
The profit/(loss) of the consolidated group, after providing for income tax amounted to	<u>937</u>	<u>(2)</u>

## Dividends Paid or Recommended

Dividends paid or declared for payment are as follows:

Ordinary dividend of \$0.01 unfranked, per share paid on 25 November 2011, recommended in last year's report	302
Ordinary dividend of \$0.01 unfranked, per share recommended by the directors from retained earnings	<b>302</b>

## Review of Operations

The overall results of the entity for the 2011/2012 year were satisfactory. All properties are now fully leased.

The directors report a full financial year profit of \$937,381. The operating loss for the year ended 30 June 2011 was \$2,065.

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

	Total Revenue		Segment Result	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Property management	131	132	131	132
Property services	152	96	152	96
Property investment – rental	2,342	2,263	885	489
Property investment – net revaluations	726	871	726	871
Project management	250	500	250	500
Interest received	-	3	-	3
Share of net profits and revaluation gains of associate	40	(860)	40	(860)
	<u>3,641</u>	<u>3,005</u>	<u>2,184</u>	<u>1,231</u>
Less: Unallocated expenses			<u>(858)</u>	<u>(865)</u>
Operating profit/(loss)			<b>1,326</b>	366
Income tax attributable to operating profit/(loss)			<u>(389)</u>	<u>(368)</u>
Operating profit/(loss) after income tax attributable to members of Desane Group Holdings Limited			<u>937</u>	<u>(2)</u>

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

## Directors' Report

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### a. Property Investment

This financial year, the property investment division has achieved significant results in its property consolidation and upgrading program of its Sydney based property assets. During the course of the financial year, Desane invested over \$700,000 in upgrading its existing property assets. The combination of the upgrading expenditure and knowledge of the property market by Desane's property management team has ensured that the Group's properties continue to be **100% leased on a long term basis** to national and international tenants.

#### i. LANE COVE (Burns Bay Road)

A formal Development Application has been lodged with the relevant local government authority for the proposed high rise residential development located on the Sydney Harbour shore of Burns Bay. The Development Application comprises of 5 high rise buildings, for a total of approximately 25,000m<sup>2</sup> of residential floorspace. The proposed development has been designed to take advantage of the **sweeping Sydney Harbour and Lane Cove River views**. Taking into consideration local government planning requirements, Desane expects to obtain planning approval for this proposal during the course of this financial year. Desane has a **50% interest** in this property.

#### ii. LANE COVE (Orion Road)

This **8,000m<sup>2</sup> five unit industrial complex** is occupied by five large Australian and international corporations, all with **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 **2,400m<sup>2</sup> 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 **2,700m<sup>2</sup> 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 460m<sup>2</sup> of office and 2,240m<sup>2</sup> 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)

This prime commercial and industrial property, located in the Sydney suburb of Rozelle is fully leased on a long term basis to two blue chip national tenants. Due to the increased demand for this type of property, in close proximity of Sydney's CBD, Desane is in the process of undertaking a due diligence with a view to creating additional leasable floorspace. Desane has a **70% interest** in this property. The property is located in close proximity to the Anzac Bridge and the Sydney Cross City Tunnel, linking the eastern suburbs to the inner western Sydney suburbs.

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

Desane has obtained planning approval from the relevant local government authority to construct a **four storey 4,200m<sup>2</sup> commercial building**, with 62 basement security car parking spaces. Desane has commenced negotiations with a major national company who has expressed an interest in pre-committing to lease the building. The existing building is leased on a short-term basis. 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.

### 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 over **\$45 million** of properties and other assets and it manages an additional **\$21.5 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.

# Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities Directors' Report

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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; Halley & Mellows; Kindercise Gym; Vino Plus; and Premier Products.*

## c. Project Management

As of December 2011, the Desane's property management team has completed its engagement regarding the project management services for the rezoning of the Burns Bay Road, Lane Cove property.

## d. 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 close 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

The directors believe the group is in a strong and stable financial position to expand and grow its current operations, with a net profit after tax of \$937,381 and an increase in net assets from \$23.8 million in 2011 to \$24.4 million in 2012. This increase is largely due to the following factors:

- Medium to long term leases resulting in positive revaluation of property assets.
- Increase in rental income as a result of 100% occupancy.
- Decrease in finance and property costs for 2012.

## Significant Changes in State of Affairs

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

## Events after the Reporting Period

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

## Future Developments, Prospects and Business Strategies

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

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

## Environmental Issues

The consolidated group complies with all relevant legislation and regulations in respect to environmental matters. No matters have arisen during the year in connection with Desane's obligations pursuant to Commonwealth and State environmental regulations. A full report on the effects of the carbon tax on the Group's business operations has been carried out, submitted and reviewed by the Environmental and Occupational Health and Safety Committee. The Board has reviewed the Government's proposed Carbon Tax and has assessed that it will have no material effect for Desane.

# Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities Directors' Report

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## Occupational Health and Safety Regulations

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

## Directors

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

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

## Information on Directors

<b>John B Sheehan (64)</b>	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 in 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 & 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 & Safety Committee.
Directorships held in other listed entities	Nil.
<b>John Bartholomew (68)</b>	Director (non-executive)
Qualifications	Member of the CPA Australia.
Experience	Appointed board member on 24 May 2010. Company Secretary of Desane Group Holdings Limited since 1989. Since 1988, 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 & Options	500,059 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 Member 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

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<b>Phil Montrone (61)</b>	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 served a term as President of the Police Community Youth Clubs Federation of NSW.
Interest in Shares & 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.

## Company Secretary

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

Mr John Bartholomew (68) – Member of the CPA. Over the past 24 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.

## REMUNERATION REPORT

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

### Remuneration Policy

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

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

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

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

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

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



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

## Directors' Report

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	2008 \$'000	2009 \$'000	2010 \$'000	2011 \$'000	2012 \$'000
Dividends paid/payable	563	570	570	302	302
Share price at year end <sup>(1)</sup>	48 cents	49 cents	51 cents	53 cents	40 cents
Revenue	2,851	3,142	3,054	2,991	2,875
Net profit/(loss) <sup>(2)</sup>	743	(2,676)	1,795	(2)	937

<sup>(1)</sup> Adjusted for bonus share issues.

<sup>(2)</sup> Adjusted for AIFRS.

### Details of Remuneration for year ended 30 June 2012

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	Total
	Salary, Fees & Commissions \$'000	Super- annuation \$'000	\$'000	\$'000
<b>Directors</b>				
John B. Sheehan	50	-	-	50
Phil Montrone	190	17	-	207
John Bartholomew	85	-	-	85
Jack Sciarra	104	9	-	113
	429	26	-	455

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

### Options Issued as Part of Remuneration for the Year Ended 30 June 2012

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

# Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities Directors' Report

## Employment Contracts of Directors and Senior Executives

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

## Meetings of Directors

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

Director	Directors' Meetings and Finance & Operations Committee Meetings		Risk Management & Audit Committee Meetings	
	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held
J B Sheehan	12	12	2	2
P Montrone	12	12	2*	2
J Bartholomew	12	12	2	2
J Sciara (CFO)	12*	12	2*	2

Director	Environmental & Occupational Health & Safety Committee Meetings		Remuneration Committee Meetings	
	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
J Sciara (CFO)	2*	2		

\* *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 paid a premium of \$11,249 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 2012.

## Proceedings on Behalf of the 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

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## 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 2012.

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

## Auditor's Independence Declaration

The lead auditor's Independence Declaration for the year ended 30 June 2012, has been received and can be found on page 14 of the Financial Report.

## ASIC Class Order 98/100 Rounding of Amounts

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

This Report of the Directors, incorporating the Remuneration Report, is signed in accordance with a resolution of the Board of Directors, at Sydney, this 23<sup>rd</sup> day of August, 2012.



**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 2012, 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 2012

**Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities**  
**Consolidated Statement of Comprehensive Income**  
**for the year ended 30 June 2012**

	Note	Consolidated Group 2012 \$'000	2011 \$'000
Revenue	2	2,875	2,991
Other income	2a, 2b	-	3
Gain/(loss) on revaluation of investment properties		726	871
Employee benefits expense		(510)	(501)
Depreciation and amortisation expense		(5)	(5)
Finance costs		(1,195)	(1,405)
Other expenses from ordinary activities		(605)	(729)
Share of net profits/(losses) and revaluation gains/(losses) of associates	12	40	(859)
Profit/(loss) before income tax		1,326	366
Income tax expense	4	(389)	(368)
Profit/(loss) from continuing operations		937	(2)
Other comprehensive income		-	-
<b>Total Comprehensive Income</b>		<b>937</b>	<b>(2)</b>
Profit/(loss) attributable to minority equity interest		-	-
Profit/(loss) attributable to members of the parent entity		937	(2)

**Earnings per Share:**

Overall Operations

Basic earnings per share (cents per share)	8	3.10	0.00
Diluted earnings per share (cents per share)	8	3.10	0.00

Continuing Operations

Basic earnings per share (cents per share)		3.10	0.00
Diluted earnings per share (cents per share)		3.10	0.00

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

**Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities**  
**Consolidated Statement of Financial Position as at 30 June 2012**

	Note	Consolidated Group 2012 \$'000	2011 \$'000
<b>Current Assets</b>			
Cash and cash equivalents	9	14	-
Trade and other receivables	10	238	347
Other assets	11	103	107
Non-current assets classified as held for sale	12	9,373	9,333
<b>Total Current Assets</b>		<b>9,728</b>	9,787
<b>Non-current Assets</b>			
Investment properties	13	35,770	34,257
Property, plant and equipment	14	59	475
Other assets	11	92	47
Deferred tax assets	23	-	-
<b>Total Non-current Assets</b>		<b>35,921</b>	34,779
<b>Total Assets</b>		<b>45,649</b>	44,566
<b>Current Liabilities</b>			
Trade and other payables	15	839	603
Borrowings	16	8,116	2,974
Short term provisions	17	370	319
<b>Total Current Liabilities</b>		<b>9,325</b>	3,896
<b>Non-current Liabilities</b>			
Trade and other payables	18	36	124
Borrowings	16	11,371	16,644
Provisions	19	27	36
Deferred tax liability	23	405	16
<b>Total Non-current Liabilities</b>		<b>11,839</b>	16,820
<b>Total Liabilities</b>		<b>21,164</b>	20,716
<b>Net Assets</b>		<b>24,485</b>	23,850
<b>Equity</b>			
Issued capital	20	12,097	12,097
Retained earnings	21	12,388	11,753
<b>Total Equity</b>		<b>24,485</b>	23,850

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

**Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities**  
**Consolidated Statement of Changes in Equity for the year ended 30 June 2012**

**Consolidated Group**

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

	Issued Capital \$'000	Retained Earnings \$'000	Total \$'000
<b>Balance as at 1 July 2011</b>	<b>12,097</b>	<b>11,753</b>	<b>23,850</b>
Shares issued during the year	-	-	-
Profit/(loss) attributable to members of the parent entity	-	937	937
	12,097	12,690	24,787
Dividends paid or provided for	-	(302)	(302)
<b>Balance at 30 June 2012</b>	<b>12,097</b>	<b>12,388</b>	<b>24,485</b>

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

**Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities**  
**Consolidated Statement of Cash Flows for the year ended 30 June 2012**

	Note	Consolidated Group 2012 Inflows (Outflows) \$'000	2011 Inflows (Outflows) \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		3,259	3,290
Payments to suppliers and employees		(1,144)	(1,529)
Interest received		-	3
Finance costs		(1,195)	(1,405)
<b>Net cash provided by (used in) operating activities</b>	30	<b>920</b>	<b>359</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(30)	(12)
Proceeds from the sale of plant and equipment		441	101
Proceeds from sale of property investments		-	2,163
Purchase of property and investments		-	(3,519)
Capital costs of investment properties		(787)	-
<b>Net cash provided by (used in) investing activities</b>		<b>(376)</b>	<b>(1,267)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		-	923
Dividends paid by parent entity		(302)	(570)
(Loans to related parties)/repaid		-	-
Loans from related parties /(repaid)		(258)	(501)
Loans from unrelated entities/(repaid)		145	(27)
Proceeds from borrowings		31	8,489
Repayments of borrowings		(54)	(7,520)
Repayment of rental bonds		(89)	-
<b>Net cash provided by (used in) financing activities</b>		<b>(527)</b>	<b>794</b>
<b>Net increase/(decrease) in cash held</b>		<b>17</b>	<b>(114)</b>
Cash at beginning of financial year		(98)	16
<b>Cash at end of financial year</b>	9, 16	<b>(81)</b>	<b>(98)</b>

*The accompanying notes form part of these 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 2012**

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### **Note 1: Summary of Significant Accounting Policies**

#### **Basis of Preparation**

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 23 August 2012 by the directors of the Company.

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.

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.

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

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

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

#### *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. Principals 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.

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

##### **b. Income Tax**

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

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

## Notes to the Financial Statements for the year ended 30 June 2012

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### Note 1: Summary of Significant Accounting Policies (continued)

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.

#### **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.

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

## Notes to the Financial Statements for the year ended 30 June 2012

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### Note 1: Summary of Significant Accounting Policies (continued)

#### *Depreciation*

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

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

Class of Fixed Asset	Depreciation Rate
Motor vehicles	15%
Plant and equipment	5%-33%

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

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

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

#### **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.

#### **f. Leases**

Finance leases are capitalised by recognising an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

#### **g. 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.

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

## **Notes to the Financial Statements for the year ended 30 June 2012**

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### **Note 1: Summary of Significant Accounting Policies (continued)**

#### **h. Investments in Associates**

Associates are companies in which the Group has significant influence through holding, directly or indirectly, 20% or more of the voting power of the Group. Investments in associates are accounted for in the financial statements by applying the equity method of accounting, whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the associate company. In addition, the Group's share of the profit or loss of the associate company is included in the Group's profit or loss.

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

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group discontinues recognising its share of further losses unless it has incurred legal or constructive obligations or made payments on behalf of the associate. When the associate subsequently makes profits, the Group will resume recognising its share of those profits once its share of the profits equals the share of the losses not recognised.

Investments in associate companies are recognised in the financial statements by applying the equity method of accounting. The equity method of accounting recognises the group's share of post acquisition reserves of its associates. Details of the consolidated group's interest are shown at note 12.

#### **i. 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 proportional method of accounting in the consolidated financial statements.

#### **j. 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.

#### **k. 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.

#### **l. 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.

#### **m. Revenue and Other Income**

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

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

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.

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

## **Notes to the Financial Statements for the year ended 30 June 2012**

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### **Note 1: Summary of Significant Accounting Policies (continued)**

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).

#### **n. Trade and Other Receivables**

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

#### **o. Trade and Other Payables**

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

#### **p. 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.

#### **q. 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.

#### **r. Comparative Figures**

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

#### **s. Rounding of Amounts**

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

#### **t. 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.

##### **(i) Impairment – general**

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

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

## Notes to the Financial Statements for the year ended 30 June 2012

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### Note 1: Summary of Significant Accounting Policies (continued)

#### (ii) *Impairment – carbon price*

There is presently uncertainty in relation to the impacts of the carbon pricing mechanism recently introduced by the Australian Government. This carbon pricing system could potentially affect the assumptions underlying value-in-use calculations used for asset impairment testing purposes. The consolidated entity has not incorporated the effect of any carbon price implementation in its impairment testing at 30 June 2012.

#### u. **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 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 and incorporates Interpretation 121: Income Taxes – Recovery of Revalued Non-Depreciable Assets into AASB 112.

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 are not expected to significantly impact the Group.

- AASB 10: Consolidated Financial Statements, AASB 11: Joint Arrangements, AASB 12: Disclosure of Interests in Other Entities, AASB 127: Separate Financial Statements (August 2011), AASB 128: Investments in Associates and Joint Ventures (August 2011) and AASB 2011-7: Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards [AASB 1, 2, 3, 5, 7, 9, 2009 – 11, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 & 1038 and Interpretations 5, 9, 16 & 17] (applicable for annual reporting periods commencing on or after 1 January 2013).

AASB 10 replaces parts of AASB 127: Consolidated and Separate Financial Statements (March 2008, as amended) and Interpretation 112: Consolidation – Special Purpose Entities. AASB 10 provides a revised definition of control and additional application guidance so that a single control model will apply to all investees. The Group has not yet been able to reasonably estimate the impact of this Standard on its 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 2012

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### Note 1: Summary of Significant Accounting Policies (continued)

AASB 11 replaces AASB 131: Interests in Joint Ventures (July 2004, as amended). AASB 11 requires joint arrangements to be classified as either "joint operations" (where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities or "joint ventures" (where the parties that have joint control of the arrangement have rights to the net assets of the arrangement). Joint ventures are required to adopt the equity method of accounting (proportionate consolidation is no longer allowed).

AASB 12 contains the disclosure requirements applicable to entities that hold an interest in a subsidiary, joint venture, joint operation or associate. AASB 12 also introduces the concept of a "structured entity", replacing the "special purpose entity" concept currently used in Interpretation 112, and requires specific disclosures in respect of any investments in unconsolidated structured entities. This Standard will affect disclosures only and is not expected to significantly impact the Group.

To facilitate the application of AASBs 10, 11 and 12, revised versions of AASB 127 and AASB 128 have also been issued. These Standards are not expected to significantly impact the Group.

- AAST 13: Fair Value Measurement and AASB 2011-8: Amendments to Australian Accounting Standards arising from AASB 13 [AASB 1, 2, 3, 4, 5, 7, 9, 2009-11, 2010-7, 101, 102, 108, 110, 116, 117, 118, 119, 120, 121, 128, 131, 132, 133, 134, 136, 138, 139, 140, 141, 1004, 1023 & 1038 and Interpretations 2, 4, 12, 13, 14, 17, 19, 131, & 132] (applicable for annual reporting periods commencing on or after 1 January 2013).

AASB 13 defines fair value, sets out in a single Standard a framework for measuring fair value, and requires disclosures about fair value measurement.

AASB 13 requires:

- Inputs to all fair value measurements to be categorised in accordance with a fair value hierarchy; and
- Enhanced disclosures regarding all assets and liabilities (including, but not limited to financial assets and financial liabilities) to be measured at fair value.

These Standards are not expected to significantly impact the Group.

- AASB 2011-9: Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049] (applicable for annual reporting periods commencing on or after 1 July 2012).

The main change arising from this Standard is the requirement for entities to group items presented in other comprehensive income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently.

This Standard affects presentation only and is therefore not expected to significantly impact the Group.

- AASB 119: Employee Benefits (September 2011) and AASB 2011-10: Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) [AASB 1, AASB 8, AASB 101, AASB 124, AASB 134, AASB 1049 & AASB 2011-8 and Interpretation 14] (applicable for annual reporting periods commencing on or after 1 January 2013).

These Standards introduce a number of changes to accounting and presentation of defined benefit plans. The Group does not have any defined benefit plans and so is not impacted by the amendment.

AASB 119 (September 2011) also includes changes to the accounting for termination benefits that require an entity to recognise an obligation for such benefits at the earlier of:

- (i) for an offer that may be withdrawn – when the employee accepts;
- (ii) for an offer that cannot be withdrawn – when the offer is communicated to affected employees; and
- (iii) where the termination is associated with a restructuring of activities under AASB 137: Provisions, Contingent Liabilities and Contingent Assets, and if earlier than the first two conditions – when the related restructuring costs are recognised.

The Group has not yet been able to reasonably estimate the impact of these changes to AASB 119.

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.

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**Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities**  
**Notes to the Financial Statements for the year ended 30 June 2012**

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**Note 2: Revenue and Other Income**

	Note	Consolidated Group	
		2012 \$'000	2011 \$'000
<b>Revenue</b>			
Property services		152	96
Property project management		250	500
Property rental income		2,342	2,263
Property management fees		131	132
		<hr/>	<hr/>
<b>Total Revenue</b>		<b>2,875</b>	<b>2,991</b>
<b>Other Income</b>			
a. Dividend revenue from:			
- wholly owned subsidiaries		-	-
- associated entities		-	-
- other corporations		-	-
b. Interest revenue from:			
- associated entities		-	-
- other related parties		-	-
- other persons		-	3
		<hr/>	<hr/>
<b>Total Other Income</b>		<b>-</b>	<b>3</b>



**Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities**  
**Notes to the Financial Statements for the year ended 30 June 2012**

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

Profit/(loss) before income tax from continuing operations includes the following specific expenses:

	Note	Consolidated Group 2012 \$'000	2011 \$'000
<b>a. Expenses</b>			
Auditors' remuneration	6	73	67
Depreciation of plant and equipment		5	5
Finance costs:			
- External		1,177	1,355
- Related entities		18	50
Transfer to/(from) provisions for:			
- Employee entitlements		18	9
Rental expenses relating to operating leases		34	28
Direct property expenditure from investment property generating rental income		166	206

**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
Carrying amount of net assets sold	-	(1,060)
		<hr/>
Net gain on the sale of plant and equipment	-	-
		<hr/>

**Note 4: Income Tax Expense**

a. The components of tax expense comprise:

	Note	Consolidated Group 2012 \$'000	2011 \$'000
Current tax		-	-
Deferred tax	23	389	368
Recoupment of prior year tax losses		-	-
		<hr/>	<hr/>
		389	368
		<hr/>	<hr/>

**Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities**  
**Notes to the Financial Statements for the year ended 30 June 2012**

**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 2012 \$'000	2011 \$'000
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2011: 30%)			
- consolidated group		398	110
Add:			
Tax effect of:			
- other non-allowable items		1	-
- share of net profit of associated entity netted directly		(12)	258
- other items not included in taxable income		2	-
		389	368
Income tax attributable to entity			
		389	368
The applicable weighted average effective tax rates		29%	101%

**Note 5: Key Personnel Compensation**

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

Key Personnel	Position
Prof. John B. Sheehan	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.

**Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities**  
**Notes to the Financial Statements for the year ended 30 June 2012**

**Note 5: Key Personnel Compensation (continued)**

**c. Key Personnel Compensation**

**2012**

Key Personnel	Short Term Benefits	Post Employment Benefits	Long Term Benefit	Total \$'000
	Salary, Fees and Commissions \$'000	Superannuation \$'000	\$'000	
John B. Sheehan	50	-	-	50
John W. Bartholomew	85	-	-	85
Phil Montrone	190	17	-	207
Jack Sciara	104	9	-	113
	429	26	-	455

**2011**

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

**d. Shareholdings**

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

Key Personnel	Balance 30.06.11	Received as Compensation	Options Exercised	Net Change Other*	Balance 30.06.12
John B. Sheehan	132,517	-	-	-	132,517
Phil Montrone	11,097,196	-	-	-	11,097,196
John Bartholomew	490,059	-	-	10,000	500,059
Jack Sciara	78,792	-	-	1,208	80,000
	11,798,564	-	-	11,208	11,809,772

\* Net Change Other refers to shares purchased or sold during the 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 2012**

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**Note 6: Auditors' Remuneration**

	<b>Consolidated Group</b>	
	<b>2012</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>
Remuneration of the auditor for the parent entity:		
<b>DFK – Richard Hill Pty Ltd:</b>		
- auditing or reviewing the financial report	<b>5</b>	<b>8</b>
- taxation services	<b>-</b>	<b>-</b>
<b>GCC Business Assurance Pty Ltd:</b>		
- auditing or reviewing the financial report	<b>65</b>	<b>56</b>
- taxation services	<b>3</b>	<b>3</b>
	<b>73</b>	<b>67</b>

**Note 7: Dividends**

	<b>Consolidated Group</b>	
	<b>2012</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>
Distributions paid		
Ordinary dividend paid of 1 cent per share unfranked (2011: 1 cent unfranked)	<b>302</b>	<b>302</b>
a. Proposed ordinary dividend of 1 cent per share unfranked (2011: 1 cent unfranked)	<b>302</b>	<b>302</b>
b. The group has a total \$nil (2011 - \$nil) franking credits available before the dividends for 2012 are provided.		

**Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities**  
**Notes to the Financial Statements for the year ended 30 June 2012**

**Note 8: Earnings per Share**

	<b>Consolidated Group</b>	
	<b>2012</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>
Reconciliation of earnings used in the calculation of earnings per share		
Operating profit/(loss) after income tax	<u>937</u>	<u>(2)</u>
Reconciliation of weighted average numbers of ordinary shares used in the calculation of earnings per share		
	<b>Consolidated Group</b>	
	<b>2012</b>	<b>2011</b>
Weighted average number of ordinary shares used in the calculation of basic earnings per share	<u>30,199,465</u>	<u>30,199,465</u>
Basic earnings per share (cents per share)	<u>3.10</u>	<u>-</u>
Diluted earnings per share (cents per share)	<u>3.10</u>	<u>-</u>

**Conversion, call, subscription or issue after 30 June 2012**

There has been no:

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

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

**Note 9: Current Assets – Cash**

	<b>Consolidated Group</b>	
	<b>2012</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>
Cash at bank and in hand	14	-
Short term bank deposits	-	-
	<u>14</u>	<u>-</u>

The effective interest rate on cash at bank was nil (2011 – 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	14	-
Less: Bank overdraft (refer to note 16)	<u>(95)</u>	<u>(98)</u>
	<u>(81)</u>	<u>(98)</u>

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

**Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities**  
**Notes to the Financial Statements for the year ended 30 June 2012**

**Note 10: Current Assets – Trade and Other Receivables**

	<b>Consolidated Group</b>	
	<b>2012</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>
Trade receivables	126	159
Other receivables		
- Dividend receivable from associated entity	-	76
- Loan to associated entity	112	112
	<u>238</u>	<u>347</u>

**Note 11: Other Assets**

**(a) Current Assets**

	<b>Consolidated Group</b>	
	<b>2012</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>
Prepayments	103	105
Security deposit	-	2
	<u>103</u>	<u>107</u>

**(b) Non Current Assets**

	<b>Consolidated Group</b>	
	<b>2012</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>
Prepayments	5	-
Security deposit	2	-
Lease incentives	85	47
	<u>92</u>	<u>47</u>

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

	<b>Note</b>	<b>Consolidated Group</b>	
		<b>2012</b>	<b>2011</b>
		<b>\$'000</b>	<b>\$'000</b>
Unit 5/1-3 Nicholas Street, Lidcombe		-	1,575
Sold and settled 31.01.11		-	(1,575)
Unit 4/1-3 Nicholas Street, Lidcombe		-	1,060
Sold and settled 01.10.10		-	(1,060)
		<u>-</u>	<u>-</u>
Investment properties			
Shares in unlisted associated companies – equity accounted	12a	<u>9,373</u>	9,333
		<u>9,373</u>	<u>9,333</u>

**Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities**  
**Notes to the Financial Statements for the year ended 30 June 2012**

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

- a. This represents the carrying value of the investment in the associated company. The associated company's principal asset is an investment property at Lane Cove. The directors' fair market value assessment is based on the size of the site, and the rezoning of the property from industrial special 4(c) to high density residential R4, Development Application (DA) being lodged with Council, as well as an independent valuation which was undertaken in May 2010 by a certified practicing valuation company. This property is rezoned, with a DA in progress and expected to be sold in the 2012/2013 financial year, therefore continues to be classified as a current asset. Refer to paragraph a(i) of the Directors' Report.

Interests are held in the following unlisted associated company:

i.

Name	Principal Activity	Shares	Ownership Interest Consolidated		Carrying Amount of Investment Consolidated	
			2012	2011	2012 \$'000	2011 \$'000
Samvoni Pty Ltd	Owner of investment property at Lane Cove	Ord	50%	50%	<b>9,373</b>	<b>9,333</b>

A controlled entity acquired a 50% ownership and voting interest in Samvoni Pty Ltd.

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

	Consolidated Group	
	2012 \$'000	2011 \$'000
Balance at the beginning of the financial year	<b>9,333</b>	10,192
Share of associated companies operating results after income tax	<b>40</b>	(859)
Dividend revenue from associated company	-	-
Balance at the end of the year	<b>9,373</b>	<b>9,333</b>

- iii. Equity attributable to associates:

	Consolidated Group	
	2012 \$'000	2011 \$'000
Issued capital	-	-
Retained earnings	<b>(4,144)</b>	(4,184)
Asset revaluation reserve	<b>13,517</b>	13,517

**Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities**  
**Notes to the Financial Statements for the year ended 30 June 2012**

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**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:

	<b>Consolidated Group</b>	
	<b>2012</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>
Current assets	<b>18,762</b>	17,661
Non current assets	-	-
	<hr/>	<hr/>
Total assets	<b>18,762</b>	17,661
	<hr/>	<hr/>
Current liabilities	<b>9,389</b>	8,328
Non current liabilities	-	-
	<hr/>	<hr/>
Total liabilities	<b>9,389</b>	8,328
	<hr/>	<hr/>
Net equity	<b>9,373</b>	9,333
	<hr/>	<hr/>
Operating profit/(loss) before income tax and revaluations	<b>57</b>	3
Gain/(loss) from the revaluation of investment property	-	(1,231)
	<hr/>	<hr/>
Operating result before income tax	<b>57</b>	(1,228)
Income tax expense	<b>(17)</b>	369
	<hr/>	<hr/>
Operating result after income tax	<b>40</b>	(859)
	<hr/>	<hr/>

**Capital Commitment**

The associated entity has entered into a contract to purchase 316 Burns Bay Road, Lane Cove and an agreement to purchase the Ausgrid power station adjacent to 318 Burns Bay Road, Lane Cove, totalling \$1,490,000. The Group's 50% share of the capital commitments is \$745,000. The settlement of the commitments have been delayed to the 2013 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 2012**

**Note 13: Non-current Assets – Investment – Properties**

a. The investment properties included in the accounts comprise:

	Note	Consolidated Group 2012 \$'000	2011 \$'000
Investment property – Rozelle Bay Commercial Centre	13ab	5,989	5,695
Investment property – Multimedia Centre Lilyfield Road	13aa	10,574	10,500
Investment property – Orion Road	13ad	10,532	9,808
Investment property – 13 Sirius Road	13ac	3,990	3,842
Investment property – 7 Sirius Road	13ae	4,685	4,412
		<b>35,770</b>	<b>34,257</b>

**Valuation of Investment Properties**

The basis of the director's 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.

- a. The directors' valuation, as at 30 June 2012. The Co-ownership Agreement will be renewed in October 2012. An independent valuation was undertaken in August 2012 by a certified practicing valuation company. The directors based their valuation on current annual rentals and on 8% capitalisation rate.
- b. The directors' valuation, as at 30 June 2012. The directors have assessed that the property's current recovery value exceeds costs.
- c. Directors' valuation, as at 30 June 2012. An independent valuation was undertaken in June 2010 by a certified practicing valuation company. The directors based their valuation on current annual rentals and on an 8.5% capitalisation rate.
- d. The directors' valuation, as at 30 June 2012. An independent valuation was undertaken in June 2010 by a certified practicing valuation company. The directors based their valuation on current annual rentals and on an 8% capitalisation rate.
- e. The directors' valuation as at 30 June 2012. An independent valuation was undertaken in June 2010 by a certified practicing valuation company. The directors based their valuation on current annual rentals and on an 8.5% capitalisation rate.

**Investment Properties**

**2012**

	Acquisition Cost \$'000	Construction Cost \$'000	Interest Capitalised \$'000	Other Capital Costs \$'000	Units Sold/to be Sold \$'000	Revaluation \$'000	Carrying Value 30.06.2012 \$'000
Multimedia Centre Joint Venture, Lilyfield Rd, Rozelle	1,681	5,327	-	116	-	3,450	10,574
Orion Rd, Lane Cove	8,197	908	-	914	-	513	10,532
13 Sirius Rd, Lane Cove	2,900	672	-	585	-	(167)	3,990
7 Sirius Rd, Lane Cove	2,950	741	-	179	-	815	4,685
Rozelle Bay Commercial Centre	4,049	868	1,123	(51)	-	-	5,989
	<b>19,777</b>	<b>8,516</b>	<b>1,123</b>	<b>1,743</b>	-	<b>4,611</b>	<b>35,770</b>

**Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities**  
**Notes to the Financial Statements for the year ended 30 June 2012**

**Note 13: Non-current Assets – Investment – Properties (continued)**

2011

	Acquisition Cost \$'000	Construction Cost \$'000	Interest Capitalised \$'000	Other Capital Costs \$'000	Units Sold/to be Sold \$'000	Revaluation \$'000	Carrying Value \$'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	4,049	868	903	(125)	-	-	5,695
	<u>19,777</u>	<u>8,516</u>	<u>903</u>	<u>1,176</u>	<u>-</u>	<u>3,885</u>	<u>34,257</u>

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

	<b>Consolidated Group</b>	
	<b>2012</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>
Land and Buildings		
Leasehold improvements – at cost	<b>82</b>	82
Less: Accumulated depreciation	<b>(82)</b>	(82)
Total land and buildings	<u>-</u>	<u>-</u>
Plant and equipment *	<b>650</b>	650
Less: Depreciation and disposals	<b>(650)</b>	(209)
	<u>-</u>	<u>441</u>
Office furniture and equipment – at cost	<b>88</b>	88
Less: Accumulated depreciation	<b>(59)</b>	(54)
	<u>29</u>	<u>34</u>
Motor vehicles – at cost	<b>89</b>	59
Less: Accumulated depreciation	<b>(59)</b>	(59)
	<u>30</u>	<u>-</u>
Total non-current assets	<u><b>59</b></u>	<u>475</u>

\* Plant and equipment was disposed at book value (note 25d).

**Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities**  
**Notes to the Financial Statements for the year ended 30 June 2012**

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**Note 14: Non-current Assets – Property, Plant and Equipment (continued)**

***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
<b>Consolidated Group</b>			
Balance at the beginning of year	-	475	475
Additions	-	30	30
Disposals	-	(441)	(441)
Depreciation expense	-	(5)	(5)
Carrying amount at the end of the year	-	59	59

**Note 15: Current Liabilities – Trade and Other Payables**

	Consolidated Group	
	2012	2011
	\$'000	\$'000
<b>Unsecured liabilities</b>		
Trade payables	512	533
Sundry payables and accrued expenses	327	70
	839	603

**Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities**  
**Notes to the Financial Statements for the year ended 30 June 2012**

**Note 16: Borrowings**

**(a) Current**

	Note	Consolidated Group	
		2012 \$'000	2011 \$'000
<b>Unsecured:</b>			
Loan from associated entity Burns Bay Road, Lane Cove	a	148	406
Loan from other parties		145	-
<b>Secured:</b>			
Bank overdraft	d	95	98
Motor vehicle hire purchase liability	e	8	-
<b>Secured Liabilities – Bank Loans</b>			
Finance for investment property – Lilyfield Road Joint Venture	b	5,250	-
47-51 Lilyfield Road, Rozelle	c	2,470	2,470
		8,116	2,974

- 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 2012/2013 financial year. Covenants imposed by mortgagor require total debt not to exceed 65% of the property value.
- d. Bank overdraft secured over 7-9 Orion Road, Lane Cove property.
- e. Motor vehicle finance secured over motor vehicle.

**(b) Non Current**

	Note	Consolidated Group	
		2012 \$'000	2011 \$'000
<b>Secured:</b>			
Motor vehicle hire purchase liability	16v	31	-
<b>Secured Liabilities – Bank Loans</b>			
Finance for Lilyfield Road Joint Venture	16i	-	5,250
Finance for investment property Orion Road	16ii	5,485	5,539
Finance for investment property Sirius Road, Lane Cove	16iii	2,905	2,905
Finance for investment property 7 Sirius Road, Lane Cove	16iv	2,950	2,950
		11,371	16,644

- 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 mortgagor 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 mortgagor 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 mortgagor 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.
- v. Motor vehicle finance secured over motor vehicle.

**Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities**  
**Notes to the Financial Statements for the year ended 30 June 2012**

**Note 16: Borrowings (continued)**

**Maturity Schedule**

	<b>Interest Rates (average)</b>	<b>Consolidated Group 2012 \$'000</b>	<b>2011 \$'000</b>
16 December 2013	6.5% pa	11,340	11,394
31 October 2012	6.0% pa	5,250	5,250
27 September 2012	7.9% pa	2,470	2,470
		<u>19,060</u>	<u>19,114</u>

**Note 17: Current Liabilities – Provisions**

	<b>Consolidated Group 2012 \$'000</b>	<b>2011 \$'000</b>
Dividends	302	302
Employee entitlements*	43	17
Lease incentives	25	-
	<u>370</u>	<u>319</u>

\* Movement represents net increase in provision set aside.

	<b>Consolidated Group 2012 No</b>	<b>2011 No</b>
Number of employees at year end	<u>5</u>	<u>5</u>

**Note 18: Non Current Liabilities – Trade and Other Payables**

	<b>Consolidated Group 2012 \$'000</b>	<b>2011 \$'000</b>
Security deposits	<u>36</u>	124

**Note 19: Non Current Liabilities – Provision**

	<b>Consolidated Group 2012 \$'000</b>	<b>2011 \$'000</b>
Employee long service leave entitlement*	<u>27</u>	<u>36</u>

\* Movement represents 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 2012**

**Note 20: Issued Capital**

			<b>Consolidated Group</b>		
			<b>2012</b>	<b>2011</b>	
			<b>\$'000</b>	<b>\$'000</b>	
30,199,465 (2011: 30,199,465) Ordinary Shares fully paid			<b>12,097</b>	12,097	
			<b>12,097</b>	11,174	
			<b>\$'000</b>	<b>\$'000</b>	
	<b>Note</b>	<b>Consolidated Group 2012 Shares</b>	<b>2011 Shares</b>	<b>Consolidated Group 2012 \$'000</b>	<b>2011 \$'000</b>
Ordinary Shares – fully paid		<b>30,199,465</b>	28,521,997	<b>12,097</b>	11,174
Share purchase plan		-	1,677,468	-	923
Bonus issue		-	-	-	-
		<b>30,199,465</b>	30,199,465	<b>12,097</b>	12,097

**a. Movements in Ordinary Share Capital of the Company**

No shares were issued during 2012 (2011: shares totalling 1,677,468).

**b. Authorised Capital**

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

**c. Capital Management**

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

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

There are no externally imposed capital requirements.

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

There have been no 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 2012**

**Note 21: Retained Earnings**

	<b>Consolidated Group</b>	
	<b>2012</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>
Retained earnings at beginning of financial year	11,753	12,057
Net profit attributable to members of parent entity	937	(2)
Dividends provided for or paid	(302)	(302)
	<hr/>	<hr/>
Retained earnings at end of financial year	<b>12,388</b>	<b>11,753</b>

**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 is scheduled to be renewed 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:

	<b>Consolidated Group</b>	
	<b>2012</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Current Assets</b>		
Cash	4	2
Trade and other receivables	42	68
<b>Non-current Assets</b>		
Investment property	<hr/> 10,574	10,500
<b>Total Assets</b>	<hr/> <b>10,620</b>	<hr/> 10,570
<b>Current Liabilities</b>		
Trade and other payables	59	39
Short-term borrowings	-	-
<b>Non-current Liabilities</b>		
Deferred tax liability	1,824	1,775
Long-term borrowings	<hr/> 5,250	5,250
<b>Total Liabilities</b>	<hr/> <b>7,133</b>	<hr/> 7,064
Equity	<hr/> <b>3,487</b>	<hr/> 3,506
Output	<hr/> <b>890</b>	<hr/> 870
Net operating profit before income tax	507	437
Gain/(loss) from the revaluation of investment property	53	242
Income tax applicable to operating profit	<hr/> (152)	(131)
Net profit/(loss) after income tax of joint venture	<hr/> <b>408</b>	<hr/> 548

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 2012**

**Note 23: Tax**

	Note	Consolidated Group	
		2012 \$'000	2011 \$'000
<b>Non-current</b>			
Deferred tax liability comprises:			
Tax allowances relating to property and equipment		1,103	998
Revaluation of investment properties		1,383	1,166
Deferred tax asset attributable to tax and capital losses		(2,193)	(2,251)
Provisions		(23)	(32)
Other		135	135
		405	16

**Reconciliation**

**Gross Movement**

The overall movement in the deferred tax account is as follows:

Opening balance		16	(353)
Charge to income statement	4	389	368
Closing balance		405	16

**Deferred Tax Liability**

*Tax allowance relating to property and equipment*

Opening balance		998	909
Adjustment to previous year's provision		-	-
Charged to the income statement		105	89
Closing balance		1,103	998

*Revaluation of investment properties*

Opening balance		1,166	762
Net revaluation during the current period		217	403
Transfers on property sale		-	-
Closing balance		1,383	1,166

**Deferred Tax Assets**

*Tax and capital losses*

Opening balance		(2,251)	(2,164)
Tax and capital losses utilised		58	38
Tax and capital losses recognised		-	(125)
Closing balance		(2,193)	(2,251)

*Provisions*

Opening balance		(32)	(7)
Credited to income statement		9	(25)
Closing balance		(23)	(32)

*Other*

Opening balance		135	147
Charged to income statement		-	(12)
Closing balance		135	135



**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 2012, approximately 82% 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 6.5%.

**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.

**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 31. No material losses are anticipated in respect of any of these contingencies.

**Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities**  
**Notes to the Financial Statements for the year ended 30 June 2012**

**Note 24: Financial Instruments (continued)**

**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.

<b>2012</b>						
	<b>Note</b>	<b>Floating Interest Rate \$'000</b>	<b>Fixed Interest Maturing within 1 year \$'000</b>	<b>Fixed Interest Maturing within 1-5 years \$'000</b>	<b>Non Interest Bearing \$'000</b>	<b>Total \$'000</b>
Financial Assets		-	-	-	-	-
Cash and deposits	9	-	-	-	14	14
Receivables	10, 11	-	-	-	433	433
		-	-	-	447	447
Weighted average interest rates		-%	-%	-%	-%	
Financial Liabilities						
Trade and other creditors	15, 18	-	-	-	875	875
Interest bearing liabilities	16	16,684	2,772	31	-	19,487
		16,684	2,772	31	875	20,362
Weighted average interest rate		6.54%	7.94%	10.9%	-%	
Net financial assets (liabilities)		(16,684)	(2,772)	(31)	(428)	(19,915)
<b>2011</b>						
	<b>Note</b>	<b>Floating Interest Rate \$'000</b>	<b>Fixed Interest Maturing within 1 year \$'000</b>	<b>Fixed Interest Maturing within 1-5 years \$'000</b>	<b>Non Interest Bearing \$'000</b>	<b>Total \$'000</b>
Financial Assets						
Cash and deposits	9	-	-	-	-	-
Receivables	10, 11	-	-	-	454	454
		-	-	-	454	454
Weighted average interest rates		-%	-%	-%	-%	
Financial Liabilities						
Trade and other creditors	15, 18	-	-	-	727	727
Interest bearing liabilities	16	16,742	2,876	-	-	19,618
		16,742	2,876	-	727	20,345
Weighted average interest rate		7.38%	8.36%	-%	-%	
Net financial assets (liabilities)		(16,742)	(2,876)	-	(273)	(19,891)

**Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities**  
**Notes to the Financial Statements for the year ended 30 June 2012**

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**Note 24: Financial Instruments (continued)**

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 affected by change in the relevant risk variable that management considers to be reasonably possible. These sensitivities assume that the movement in a particular variable is independent of other variables.

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

There are no financial liabilities maturing over 5 years.

	<b>Consolidated Group Profit \$'000</b>	<b>Equity \$'000</b>
Year ended 30 June 2012	+/- 389	+/- 389

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

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

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

**Note 25: Related Party Transactions**

All transactions are under normal commercial terms and conditions.

The Group's main related parties are as follows:

i. *Key management personnel:*

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

ii. *Joint venture entities accounted for under the proportion method:*

The Group has an interest in one venture. The interest in this joint venture is accounted for in the consolidated financial statements of the Group using the proportion method of accounting. For details of the interest held in joint venture entities, refer to note 22.

iii. *Investment in associated companies accounted for under the equity method:*

The Group has an interest in one associated company. The interest in this associated company is accounted for in the consolidated financial statements of the Group using the equity method of accounting. For details of the interest held in associated entities, refer to note 12.

iv. *Other related parties*

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

**Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities**  
**Notes to the Financial Statements for the year ended 30 June 2012**

**Note 25: Related Party Transactions (continued)**

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:

	<b>Consolidated Group</b>	
	<b>2012</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>
Desane Properties Pty Ltd: Dividend paid	<b>1,100</b>	900
Desane Hire Services Pty Ltd: Dividend paid	-	-
Desane Contracting Pty Ltd: Dividend paid	-	-

**b. Associated Companies**

Loan from Tuta Properties Pty Ltd (associated company)	<b>148</b>	406
Administration fee received from Samvoni Pty Ltd	<b>15</b>	15
Asset management fee received from Tuta Properties Pty Ltd	<b>250</b>	500
Interest paid to Tuta Properties Pty Ltd	<b>17</b>	49
Consulting fees received from Tuta Properties Pty Ltd	<b>125</b>	-

**c. Joint Ventures**

Administration fee received from Lilyfield Road Joint Venture	<b>12</b>	12
Interest received from Lilyfield Road Joint Venture	<b>8</b>	7

**d. Directors**

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

- Phil Montrone
- John Blair Sheehan
- John William Bartholomew

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

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 \$440,500, provided building services to the value of \$77,200 and provided a commercial loan agreement to the value of \$145,000 at 8% pa interest. These transactions were conducted under normal commercial terms and conditions and the interest paid on this \$145,000 commercial loan totalled \$1,000 for 30 June 2012.

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.

**e. Summary of Movements with Associated Companies, Joint Ventures and Related Parties**

	<b>Consolidated Group</b>	
	<b>2012</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Associated Companies</b>		
Opening balance	<b>406</b>	907
Interest	<b>17</b>	49
Repayment	<b>(275)</b>	(550)
	<b>148</b>	406
Closing balance	<b>148</b>	406

**Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities**  
**Notes to the Financial Statements for the year ended 30 June 2012**

**Note 25: Related Party Transactions (continued)**

<b>Related Parties</b>	<b>Consolidated Group</b>	
	<b>2012</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>
Opening balance	150	-
Interest charged	1	-
Interest paid	(1)	-
Repayment	(5)	-
	<hr/>	<hr/>
Closing balance	145	-
	<hr/>	<hr/>

**Note 26: Commitments for Expenditure**

**Capital Expenditure**

	<b>Consolidated Group</b>	
	<b>2012</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>
Not later than one year*	745	-
Later than one year but not more than two years	-	-
	<hr/>	<hr/>
	745	-
	<hr/>	<hr/>

\* See note 12iv.

**Hire Purchase Commitment**

	<b>Consolidated Group</b>	
	<b>2012</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>
Payable of minimum hire purchase payments:		
Not later than one year	8	-
Between one year and five years	31	-
Later than five years	-	-
	<hr/>	<hr/>
	39	-
	<hr/>	<hr/>

**Note 27: Superannuation Commitments**

In the case of 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 \$40,442 (2011 - \$40,135), parent entity \$40,442 (2011 - \$40,135).

**Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities**  
**Notes to the Financial Statements for the year ended 30 June 2012**

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**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 2012, in the controlled entities concerned were:

	<b>2012</b>	2011
	<b>\$'000</b>	\$'000
Desane Hire Services Pty Limited – net assets	<b>(4)</b>	-
Desane Contracting Pty Limited – net assets	<b>(19)</b>	(16)
Desane Properties Pty Limited – net assets	<b>12,854</b>	11,661

**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 2012. 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).

**f. 318-332 Burns Bay Road Property**

First mortgage finance secured over the 318-332 Burns Bay Road property by the associated entity (note 12iv).

**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.

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

## **Notes to the Financial Statements for the year ended 30 June 2012**

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### **Note 29: Operating Segments – Consolidated Group (continued)**

#### 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.

#### 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 2012**

**Note 29: Operating Segments – Consolidated Group (continued)**

<b>2012</b>	<b>Property Investment \$'000</b>	<b>Property Project Management and Resale \$'000</b>	<b>Property Services \$'000</b>	<b>Plant and Equipment \$'000</b>	<b>Other \$'000</b>	<b>Consolidated Group \$'000</b>
External sales	2,342	381	152	-	-	2,875
Other segments	-	-	-	-	-	-
<b>Total revenue</b>	<b>2,342</b>	<b>381</b>	<b>152</b>	<b>-</b>	<b>-</b>	<b>2,875</b>
<b>Segment result</b>	<b>2,806</b>	<b>381</b>	<b>152</b>	<b>-</b>	<b>-</b>	<b>3,339</b>
Unallocated expenses						(858)
Finance costs						(1,195)
Share of net profits of associates						40
Profit/(loss) before income tax						1,326
Income tax expense						(389)
Profit/(loss) after income tax						<u>937</u>

<b>2012</b>	<b>Property Investment \$'000</b>	<b>Property Project Management and Resale \$'000</b>	<b>Property Services \$'000</b>	<b>Plant and Equipment \$'000</b>	<b>Other \$'000</b>	<b>Consolidated Group \$'000</b>
<b>Segment Assets</b>						
2011 opening balance	43,590	-	-	440	536	44,566
<b>Unallocated Assets</b>						-
Deferred tax assets						-
<b>Segment Asset Increases/(Decreases) for the Period</b>						
Acquisitions	-	-	-	-	-	-
Proceeds from sale/depreciation	-	-	-	(440)	-	(440)
Revaluations/(devaluations)	726	-	-	-	-	726
Capital expenditures	787	-	-	-	-	787
Asset held for sale	40	-	-	-	-	40
Net movement in other segments	-	-	-	-	(30)	(30)
	<b>45,143</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>506</b>	<b>45,649</b>
<b>Unallocated Assets</b>						
<b>Deferred Tax Assets</b>						
<b>Total Group Assets</b>						<u>45,649</u>
Equity accounted associates included in asset held for sale	<u>40</u>					



**Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities**  
**Notes to the Financial Statements for the year ended 30 June 2012**

**Note 29: Operating Segments – Consolidated Group (continued)**

<b>2012</b>						
<b>Segment Liabilities</b>	<b>Property Investment \$'000</b>	<b>Property Project Management and Resale \$'000</b>	<b>Property Services \$'000</b>	<b>Plant and Equipment \$'000</b>	<b>Other \$'000</b>	<b>Consolidated Group \$'000</b>
2011 opening balance	19,618	-	-	-	1,082	20,700
<b>Unallocated Liabilities</b>						-
Deferred tax liabilities						16
<b>Segment Liabilities Increases/(Decreases) for the Period</b>						
Repayments	(58)	-	-	-	-	(58)
New borrowings	185	-	-	-	-	185
Loan from associated company	(258)	-	-	-	-	(258)
Net movement in other segments	-	-	-	-	190	190
	<b>19,487</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,272</b>	<b>20,775</b>
<b>Unallocated Liabilities</b>						-
<b>Deferred Tax Liabilities</b>						389
<b>Total Group Liabilities</b>						<b>21,164</b>
Equity accounted associates included in segment liabilities	<b>(258)</b>					
<b>2011</b>						
	<b>Property Investment \$'000</b>	<b>Property Project Management and Resale \$'000</b>	<b>Property Services \$'000</b>	<b>Plant and Equipment \$'000</b>	<b>Other \$'000</b>	<b>Consolidated Group \$'000</b>
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>	<u>(note 29ii) 3</u>	<u>2,994</u>
Segment result	<u>2,263</u>	<u>632</u>	<u>96</u>	<u>-</u>	<u>(note 29ii) 3</u>	<u>3,496</u>
Unallocated expenses						(865)
Finance costs						(1,405)
Share of net profits of associates						(860)
Profit/(loss) before income tax						366
Income tax expense						(368)
Profit/(loss) after income tax						(2)

ii. Revenue – Other is comprised of:

	<b>2011</b>	
	<b>Revenue \$'000</b>	<b>Profit \$'000</b>
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 2012**

**Note 29: Operating Segments – 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
<b>Segment Assets</b>						
2010 opening balance	42,222	-	-	541	599	43,362
<b>Unallocated Assets</b>						-
Deferred tax assets						353
<b>Segment Asset Increases/(Decreases) for the Period</b>						
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)
	43,589	-	-	440	536	44,919
<b>Unallocated Assets</b>						-
<b>Deferred Tax Assets</b>						(353)
<b>Total Group Assets</b>						<u>44,566</u>
Equity accounted associates included in asset held for sale	<u>(860)</u>					
<b>2011</b>						
<b>Segment Liabilities</b>						
2010 opening balance	19,052	-	-	-	1,432	20,484
<b>Unallocated Liabilities</b>						-
Deferred tax liabilities						-
<b>Segment Liabilities Increases/(Decreases) for the Period</b>						
Repayments	(7,520)	-	-	-	-	(7,520)
New borrowings	8,587	-	-	-	-	8,587
Loan from associated company	(501)	-	-	-	-	(501)
Net movement in other segments	-	-	-	-	(350)	(350)
	19,618	-	-	-	1,082	20,700
<b>Unallocated Liabilities</b>						-
<b>Deferred Tax Liabilities</b>						16
<b>Total Group Liabilities</b>						<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 2012**

**Note 30: Cash Flow Information**

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

	<b>Consolidated Group</b>	
	<b>2012</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>
Profit/(loss) after income tax	<b>937</b>	(2)
<b>Non-cash flows in profit/(loss)</b>		
Depreciation and amortisation	<b>5</b>	5
(Gain)/loss on asset revaluation	<b>(726)</b>	(871)
Share of associated companies net (profit)/loss after income tax and dividends	<b>(40)</b>	860
Share of joint venture entity net profit before income tax	-	-
(Profit)/loss on sale of plant and equipment	-	-
<b>Changes in assets and liabilities</b>		
(Increase)/decrease in trade receivables	<b>109</b>	(78)
(Increase)/decrease in other receivables and other assets	<b>(14)</b>	23
(Increase)/decrease in prepayments	<b>6</b>	109
(Decrease)/increase in trade payments and accruals	<b>236</b>	(64)
(Decrease)/increase in other payables	-	-
(Decrease)/increase in provisions	<b>18</b>	9
Increase/(decrease) in deferred taxes payable	<b>389</b>	368
Cash flow from operations	<b>920</b>	359

**Credit Standby Arrangements with Banks**

	<b>Consolidated Group</b>	
	<b>2012</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>
Credit facility	<b>100</b>	100
Amount utilised	<b>(95)</b>	(98)

Bank overdraft facility is arranged with one bank and the general terms and conditions are set and agreed annually. Interest rates are variable and subject to adjustment. Please refer to note 16.

**Loan Facilities with Financial Institutions**

	<b>Consolidated Group</b>	
	<b>2012</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>
Loan facilities	<b>19,060</b>	19,114
Amount utilised	<b>(19,060)</b>	(19,114)

For more details on the loan facilities, please refer to note 16.

**Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities**  
**Notes to the Financial Statements for the year ended 30 June 2012**

**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	
		2012 \$'000	2011 \$'000
<b>STATEMENT OF COMPREHENSIVE INCOME</b>			
<b>Result of Parent Entity</b>			
Profit for the period		242	35
Other comprehensive income		-	-
		<hr/>	<hr/>
Total comprehensive income for the period		242	35
		<hr/>	<hr/>
<b>STATEMENT OF FINANCIAL POSITION</b>			
<b>Current Assets</b>			
Cash		2	6
Trade and other receivables		-	-
Other assets		16	7
<b>Non-current Assets</b>			
Trade and other receivables – loans to controlled entities	ii	12,170	12,150
Investment – controlled entities	i	490	490
Property, plant and equipment		59	35
		<hr/>	<hr/>
<b>Total Assets</b>		<b>12,737</b>	<b>12,688</b>
		<hr/>	<hr/>
<b>Current Liabilities</b>			
Trade and other payables		159	99
Short term provisions		375	651
<b>Non-Current Liabilities</b>			
Trade and other payables		31	-
Provisions		28	36
		<hr/>	<hr/>
<b>Total Liabilities</b>		<b>593</b>	<b>786</b>
		<hr/>	<hr/>
<b>Net Assets</b>		<b>12,144</b>	<b>11,902</b>
		<hr/>	<hr/>
<b>Total Equity</b>			
Issued capital		12,097	12,097
Retained earnings/(accumulated losses)		47	(195)
		<hr/>	<hr/>
<b>Total Equity</b>		<b>12,144</b>	<b>11,902</b>
		<hr/>	<hr/>

**Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities**  
**Notes to the Financial Statements for the year ended 30 June 2012**

**Note 31: Parent Entity Disclosures (continued)**

**i. Controlled Entities**

Investments in controlled entities are unquoted and comprise:

Controlled Entities	Class of Shares	Parent Entity			
		2012	2011	2012	2011
		Holding %	Investment \$'000	Holding %	Investment \$'000
Desane Properties Pty Ltd	Ordinary	100	490	100	490
Desane Contracting Pty Ltd	Ordinary	100	-	100	-
Desane Hire Services Pty Ltd	Ordinary	100	-	100	-
Provision for diminution in value			-		-
			<b>490</b>		<b>490</b>

All controlled entities are incorporated in Australia. Desane Properties Pty Ltd declared a dividend of \$1,100,000 out of retained profits (2011: \$900,000). Desane Hire Services Pty Ltd did not declare a dividend (2011: \$nil). Desane Contracting Pty Ltd did not declare a dividend (2011: \$nil).

Contribution to profit/(loss) after tax:

	2012 \$'000	2011 \$'000
Desane Group Holdings Limited	(858)	(865)
Desane Properties Pty Limited	1,803	868
Desane Contracting Pty Limited	(4)	(3)
Desane Hire Services Pty Limited	(4)	(2)
	<b>937</b>	<b>(2)</b>

**ii. Loans to Controlled Entities**

	2012 \$'000	2011 \$'000
Desane Properties Pty Limited	12,182	11,700
Desane Contracting Pty Limited	17	13
Desane Hire Services Pty Limited	(29)	437
	<b>12,170</b>	<b>12,150</b>

**Guarantees**

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

**Capital Commitments**

At 30 June 2012, Desane Group Holdings Limited had a share of an associate's capital commitment for \$745,000, relating to contracts to purchase property assets (refer to note 12iv).

**Contractual Commitments**

At 30 June 2012, Desane Group Holdings Limited had not entered into any contractual commitments for the acquisition of property, plant and equipment (2011: Nil).

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

## **Notes to the Financial Statements for the year ended 30 June 2012**

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### **Note 32: Events after the Reporting Date**

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.

### **Note 33: Company Details**

#### **Directors & Key Personnel**

John Blair Sheehan – Chairman  
Phil Montrone – Managing Director and Chief Executive Officer  
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  
Telephone enquiries within Australia: 1300-556-161  
Telephone enquiries outside Australia: 61-3-9615-4000  
Email: web.queries@computershare.com.au  
Website: www.computershare.com

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

#### **Auditor**

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

#### **Securities Exchange Listing**

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

### **Note 34: Economic Dependency**

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

## **Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities Directors' Declaration**

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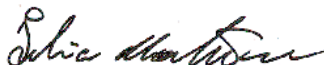
In accordance with a resolution of the directors of Desane Group Holdings Limited, the directors of the company declare that:

1. The financial statements and notes, as set out on pages 16 to 57 are in accordance with the *Corporations Act 2001* and;
  - a. Comply with Australian Accounting Standards, which, as stated in accounting policy note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and
  - b. Give a true and fair view of the financial position as at 30 June 2012 and of the performance for the year ended on that date of the consolidated group;
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
3. The directors have been given the declarations required by a 295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer.

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



**J B Sheehan**  
Director



**P Montrone**  
Director

Sydney  
23 August 2012

## INDEPENDENT AUDITOR'S 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, which comprises the consolidated statement of financial position as at 30 June 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity 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 of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards (IFRS).

#### *Auditor's 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. Those 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 company's preparation 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*, which has been given to the directors of Desane Group Holdings Limited, would be in the same terms if provided to the directors as at the date of this auditor's report.

#### *Auditor's Opinion*

In our opinion:

- a. The financial report of Desane Group Holdings Limited is in accordance with the *Corporations Act 2001*, including;
  - i. Giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
  - ii. Complying with Australian Accounting Standards 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 11 of the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 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 2012 complies with section 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 2012**

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

## Shareholder Information

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The shareholder information set out below was applicable as at 9 August 2012. Shareholder information should be read in conjunction with the 2012 financial report.

### 1. SHAREHOLDING

- a. Distribution of shareholders:

Category (size of holding)		Ordinary
1 -	1,000	25,579
1,001 -	5,000	255,290
5,001 -	10,000	411,168
10,001 -	100,000	6,073,995
100,001 -	and over	<u>23,433,433</u>
		<u>30,199,465</u>

- b. There were 67 holders of less than a marketable parcel of ordinary shares.
- c. The names of the substantial shareholders listed in the holding company's register are:

Shareholder:	Ordinary Shares
Cupara Pty Ltd	9,246,252
Montevans Pty Ltd <M & M Super Fund A/C>	1,241,812
Cordato Partners (Superannuation) Pty Ltd <Cordato Partners S/F A/C>	1,148,025
Shayana Pty Ltd <Hately Super Fund A/C>	1,000,000
Mandel Pty Ltd <Mandel Super Fund A/C>	800,000

- d. Voting Rights

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

- i. 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.

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

### 2. TWENTY LARGEST SHAREHOLDERS

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

	Name	Ordinary Shares	% Held to Issued Capital
1.	Cupara Pty Ltd	9,246,252	30.62
2.	Montevans Pty Ltd <M & M Super Fund A/C>	1,241,812	4.11
3.	Cordato Partners (Superannuation) Pty Ltd <Cordato Partners S/F A/C>	1,148,025	3.80
4.	Shayana Pty Ltd <Hately 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	633,288	2.10
8.	Pebadore Pty Ltd <Weller Family S/Fund A/C>	550,000	1.82
9.	Mr Gim Tong Teo + Madam Beng Hua Kwah	438,828	1.45
10.	Mrs Mitsuko Sunshine Luestner	345,535	1.14
11.	Mrs Rosemary Marion Marfatia	290,000	0.96
12.	Clapsy Pty Ltd <Baron Super Fund A/C>	277,272	0.92
13.	Joe Scarino + Felicia Scardino	267,178	0.88
14.	AD & H Cooper Super Fund Pty Ltd <Athletes Foot Kes S/Fund 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 Super Fund A/C>	250,000	0.83
19.	Ms Yee Lan Teo	247,452	0.82
20.	Dotnric Pty Ltd <Famiglia di Riccardo S/F A/C>	237,535	0.79
		<b>18,700,331</b>	<b>61.92</b>

### 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