

ASX release

23 August 2013

FULL-YEAR RESULTS TO 30 JUNE 2013

The Board of Desane Group Holdings Limited is pleased to announce today the full year results for the financial year ended 30 June 2013.

Highlights

- Net profit after tax of \$1.29 million – an increase of 38% on the previous year
- An increase of 4% in net tangible assets (NTA) on the previous year to 84 cents per share
- An increase in earnings per share (EPS) to 4.3 cents from 3.1 cents on the previous year
- An increase of 7% in operational revenues on the previous year
- A 14% reduction in financing costs on the previous year
- Total assets for the Group of \$47.3 million – an increase of 3.5% on the previous year

Dividend

The Board of Desane Group Holdings Limited has resolved to recommend to shareholders a final dividend of 1 cent per share unfranked for the financial year ended 30 June 2013.

Appendix 4E

In accordance with ASX Listing Rule 4.3A, the following documents are released to the market:

- Appendix 4E – Full Year Results to 30 June 2013
- The Preliminary Final report for the financial year ended 30 June 2013

Operations

For the year ended 30 June 2013, the Group's operations achieved revenues from ordinary activities of \$3.1 million, being a 7% increase on the previous year. This reflects the quality of the Group's industrial property portfolio, our focused service provided to clients and the strength of our relationships with tenants and clients.

As a result, our Company achieved new leases and lease renewals for 3,700m² of floor space with a weighted average lease expiry of 3.5 years. Overall occupancy was maintained at 93%.

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 continues to be a significant Sydney based **commercial and industrial property landlord** and will continue to increase its property holdings as the opportunities arise. The Company has increased its direct ownership of properties and other assets to **\$47.3 million** and it manages an additional **\$25.0 million** of industrial properties located in the Sydney metropolitan area.

i. 7-9 Orion Road, Lane Cove

The Orion Road complex consists of **6,000m² of industrial space** leased to six large Australian and international corporations, all with medium to long term leases. This property is performing well and is continuing to contribute to the Group's profit result through its increased annual net rental income and full long term occupancy.

ii. 13 Sirius Road, Lane Cove

This **2,200m² high-tech property** comprises a two-level commercial/industrial building with 50 basement security parking spaces and is located within 100 metres of two other commercial industrial properties owned by Desane in the Lane Cove West industrial precinct. The continuing ownership of this property by Desane will show rental and capital increases for Desane's property asset portfolio in future years.

iii. 7 Sirius Road, Lane Cove

This **2,800m² commercial/industrial building** is located within 100 metres of two other commercial industrial properties owned by Desane in the Lane Cove West industrial precinct. The property comprises approximately 460m² of office and 2,240m² of high clearance warehouse, with 38 on-site car parking spaces. This property will show rental and capital increases for Desane's portfolio in future years.

iv. **68-72 Lilyfield Road, Rozelle**

This **6,000m² commercial and industrial property** is located in the prime Sydney suburb of Rozelle and is 100% leased on a long term basis. Due to increased demand in the inner-western Sydney suburbs for residential apartments and in view of the close proximity of this property to Sydney's CBD, Desane is in the process of undertaking a master plan in order to obtain approval from the NSW and local planning authorities to rezone the property to high rise residential. 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.

Investments

i. **316-332 Burns Bay Road, Lane Cove**

Since obtaining development approval in December 2012, negotiations for the sale of this property have progressed well. On 26 July 2013, Desane and its co-owners entered into a Deed of Call Option for the sale of this property, receiving an irrevocable \$4 million Call Option fee. The exchange of contracts for \$36 million is scheduled to occur on 23 December 2013, bringing the total sale value of this property to \$40 million. The approved waterfront development comprises 68 one bedroom apartments, 130 two bedroom apartments, 20 three bedroom apartments and one commercial convenience store. The development has been designed to take advantage of the **sweeping Sydney Harbour and Lane Cove River views**. Desane has a **50% interest** in this property.

Developments

i. **47-51 Lilyfield Road, Rozelle**

Desane has obtained planning approval from the relevant local government authority to construct a **four storey 4,200m² commercial building**, with 62 basement security car parking spaces. Desane has subsequently lodged a new Development Application for this property, proposing to increase the number of residential units from 2 to 29 and reducing the commercial component to three ground floor commercial units. The development approval for the proposed residential development is expected to be received before December 2013. 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.

Outlook

It is Desane's view that the Australian commercial and industrial property market is expected to improve significantly over the next three to four years, both in tenant occupancy requirements and rental returns. It is anticipated that there will be a tightening of vacancy rates and a shortage of property availability.

Desane's existing industrial and commercial property portfolio is under continual review, in order that the Company and its shareholders benefit from the strengthening residential market conditions prevailing in Sydney. Where appropriate, Desane will seek the rezoning, to residential, for some of its strategically well placed properties, in order to take advantage of the changing market conditions. Desane will continue to closely monitor the Australian industrial, commercial and residential property market, 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.

Desane's shareholders can look forward to the future performance of the Company with confidence.

FOR FURTHER INFORMATION, PLEASE CONTACT:

Phil Montrone
Managing Director & CEO
Desane Group Holdings Limited
(02) 9555 9922
philmontrone@desane.com.au

John Bartholomew
Company Secretary
Desane Group Holdings Limited
(02) 9555 9922
johnbartholomew@desane.com.au

Preliminary Final Report – Appendix 4E of

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

for the Financial Year Ended 30 June 2013

This full year final report is provided to the Australian Securities Exchange (ASX) under ASX Listing Rule 4.3A.

Current Reporting Period: Financial year ended 30 June 2013

Previous Corresponding Period: Financial year ended 30 June 2012

Desane Group Holdings Limited
APPENDIX 4E – Preliminary Full Year Final Report
for the financial year ended 30 June 2013

Details of the reporting period

Current Period: 1 July 2012 to 30 June 2013
 Previous Corresponding Period: 1 July 2011 to 30 June 2012

Results for announcement to the market

				\$A'000
Revenues from ordinary activities	up/ down	7.12%	to	3,079
Profit (loss) from ordinary activities after tax attributable to members	up/ down	38.2%	to	1,296
Net profit (loss) for the period attributable to members	up/ down	38.2%	to	1,296
Dividends (distributions)	Amount per security		Franked amount per security	
Final Dividend	1 cent		NIL	
Previous Corresponding Period	1 cent		NIL	
Dividend Record Date	14 November 2013			
Dividend Payment Date	26 November 2013			
<p>For a brief explanation of any of the figures reported above, please refer to the attached Directors' Report.</p> <p>This information should be read in conjunction with the 30 June 2013 annual financial report.</p>				

Desane Group Holdings Limited
APPENDIX 4E – Preliminary Full Year Final Report
for the financial year ended 30 June 2013

Earnings per security (EPS)

	Current Period	Previous Corresponding Period
Basic EPS	4.29 cents	3.10 cents
Diluted EPS	4.29 cents	3.10 cents

Net tangible assets per security

	Current Period	Previous Corresponding Period
Net tangible asset backing per Ordinary Share	84 cents	81 cents

Amount per Security

	Amount per Security	Franked Amount per Security at 30% Tax	Amount per Security of Foreign Source Dividend
Final dividend:			
Current year	1 cent	NIL	NIL
Previous year	1 cent	NIL	NIL
Interim dividend:			
Current year	NIL	NIL	NIL
Previous year	NIL	NIL	NIL

Desane Group Holdings Limited
APPENDIX 4E – Preliminary Full Year Final Report
for the financial year ended 30 June 2013

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

Group's share of associates' and joint venture entities:	Current Period \$A'000	Previous Corresponding Period \$A'000
Profit (loss) from ordinary activities before tax	2,251	617
Income tax on ordinary activities	(675)	(169)
Profit (loss) from ordinary activities after tax	1,576	448
Extraordinary items net of tax	-	-
Net profit (loss)	1,576	448
Adjustments	-	-
Share of net profit (loss) of associates and joint venture entities	1,576	448

Desane Group Holdings Limited
APPENDIX 4E – Preliminary Full Year Final Report
for the financial year ended 30 June 2013

Material interests in entities which are not controlled entities

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

Name of Entity	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%	1,399	40
Lilyfield Road Joint Venture	70%	70%	177	408
Total			1,576	448

Commentary on results

	Current Period	Previous Corresponding Period
Earnings per share	4.29 cents	3.10 cents
Net tangible asset backing per Ordinary Share	84.00 cents	81.00 cents
Final dividend per Ordinary Share	1.00 cent	1.00 cent

Desane Group Holdings Limited
APPENDIX 4E – Preliminary Full Year Final Report
for the financial year ended 30 June 2013

Annual General Meeting

Place: 68-72 Lilyfield Road, ROZELLE NSW 2039
Date: 8 November 2013
Time: 10:00am

The 2013 Annual Report will be available approximately 5 October 2013.

Audit Review

The accounts were reviewed by the Company's auditors whose report is attached as part of the Full Year Financial Report for the year ended 30 June 2013.

Attachment

The Full Year Financial Report for the year ended 30 June 2013 is attached.

Signed



John Bartholomew
Company Secretary

23 August 2013

This is Annexure A of 63 pages referred to in form 388, Copy of financial statements and reports.

John Bartholomew Date: 23 August 2013

DESANE GROUP HOLDINGS LIMITED
ABN 61 003 184 932

FINANCIAL REPORT

30 JUNE 2013

CONTENTS	Page No
Company Particulars	1
Chairman's Report	2
Corporate Governance Statement	3 – 6
Directors' Report	7 – 14
Auditor's Independence Declaration	15
Consolidated Statement of Profit or Loss and Comprehensive Income	16
Consolidated Statement of Financial Position	17
Consolidated Statement of Changes in Equity	18
Consolidated Statement of Cash Flows	19
Notes to the Consolidated Financial Statements	20 – 58
Directors' Declaration	59
Independent Audit Report to the Members	60 – 61
Shareholder Information	62 – 63

Directors & Key Personnel

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

Principal Registered Office in Australia

68-72 Lilyfield Road, Rozelle NSW 2039

Other Company Details

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

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 2039 on Friday, 8 November 2013 commencing at 10.00 am.

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

I present to shareholders the 2013 Desane Group Holdings Limited Annual Report.

It is with pleasure that I can report that the Group's net profit after tax, for the financial year ending 30 June 2013, increased **38%** to **\$1,296,074**. The Group's total assets have increased by **3.5%** and the Group's revenue has increased by **7%**. The Group's **net tangible assets (NTA) has increased to 84 cents per security**. The financial result was achieved notwithstanding another year of economic uncertainty in Australia. Accordingly, the Directors have resolved to recommend a dividend of 1 cent per share (unfranked).

The recent reduction by the Reserve Bank of Australia of official interest rates to 2.5% is a historic low which will take time to feed through the economy in general, and especially the equities and property markets. Whilst it can be argued the interest rate cycle may be reaching close to its bottom, such a reduction in rates nevertheless suggests investment in property will be more attractive in view of the current low cash deposit returns. Indeed, investors' interest in property as an alternative form of investment should rise, given the low cost of debt for entry, coupled with an anticipated general community focus shifting to property from the equities market.

Concern about the stability of mining and energy equities will continue to raise questions as to whether the export stage of such activities will be as robust as the earlier developmental stage, and reflect the volatility of Asian resource demand. **Therefore, equities such as Desane Group Holdings Limited, which are based in quality domestic commercial and industrial property, continue to evidence a stability separating this class of equity from more volatile investment vehicles.**

Since my previous report to shareholders, the White Paper on Planning (and draft Bill) were released by the NSW Government, and these twin documents indicate that much work still needs to be done by the NSW Government to achieve the planning reform intended. The White Paper attempts to free up the zoning and development approval processes, however this much needed reform process appears to have focussed primarily on residential expansion of the Sydney metropolitan area. The growing shortage of quality industrial, commercial and retail floor space of significant size remains a brake on the Sydney property market, and prospects for the construction of new floor space is increasingly difficult to identify especially where a rezoning is required.

Importantly, in such an environment, Desane is well positioned by having a valuable portfolio of existing industrial and specialised commercial properties, which will be clearly in strong demand both for leasing, and possible sale at some future juncture.

I also wish to report that Desane and its co-owners entered into a Deed of Call Option for the sale of the 12,000m² high-rise residentially zoned waterfront property at Lane Cove which is 50% owned by Desane, for a staged payment amounting to \$40 million. The completion of the sale of this property will allow the Directors to recommend franked dividends for shareholders in the future.

The Group's management continues to be diligent in negotiating with Australian major banks the cost of interest charges for the Group, and again it is pleasing to note that this financial year the Group achieved a **14% reduction** in the cost of finance this financial year.

Your Board remains confident the Group's strategies will continue to result in solid asset growth in the 2013/2014 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 excellent 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 2013

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 2013.

Board Composition

The Desane Group Holdings Ltd 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 its 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
- None of the director's income or the income of an individual or entity directly or indirectly associated with the director is derived from a contract with any member of the economic entity other than income derived as a director of the entity.

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

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

In view of the small size and stability of the board, it is not considered necessary to have a nomination committee 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 ownership and 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 2013

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 Ownership and 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 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 2013. 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.

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

Corporate Governance Statement for the year ended 30 June 2013

During the year ended 30 June 2013, 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 remuneration 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.
-

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

Corporate Governance Statement for the year ended 30 June 2013

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.

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 2013.

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

	2013 \$'000	2012 \$'000
The profit/(loss) of the consolidated group, after providing for income tax amounted to	<u>1,296</u>	<u>937</u>

Dividends Paid or Recommended

Dividends paid or declared for payment are as follows:

Ordinary dividend of \$0.01 unfranked, per share paid on 26 November 2012, recommended in last year's report		302
Ordinary dividend of \$0.01 unfranked, per share recommended by the directors from retained earnings	302	

Review of Operations

The overall results of the entity for the 2012/2013 year were positive.

The directors report a full financial year profit of \$1,296,074. The operating profit for the year ended 30 June 2012 was \$937,381.

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

	Total Revenue		Segment Result	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Property management	102	131	102	131
Property services	1,020	152	1,020	152
Property investment – rental	1,957	2,342	507	885
Property investment – net revaluations	(830)	726	(830)	726
Project management	-	250	-	250
Interest received	-	-	-	-
Share of net profits and revaluation gains of associate	1,399	40	1,399	40
	<u>3,648</u>	<u>3,641</u>	<u>2,198</u>	<u>2,184</u>
Less: Unallocated expenses			<u>(925)</u>	<u>(858)</u>
Operating profit/(loss)			1,273	1,326
Income tax attributable to operating profit/(loss)			<u>23</u>	<u>(389)</u>
Operating profit/(loss) after income tax attributable to members of Desane Group Holdings Limited			<u>1,296</u>	<u>937</u>

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

Directors' Report

Operations

For the year ended 30 June 2013, the Group's operations achieved revenues from ordinary activities of \$3.1 million, being a 7% increase on the previous year. This reflects the quality of the Group's industrial property portfolio, our focused service provided to clients and the strength of our relationships with tenants and clients.

As a result, our Company achieved new leases and lease renewals for 3,700m² of floor space with a weighted average lease expiry of 3.5 years. Overall occupancy was maintained at 93%.

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 continues to be a significant Sydney based **commercial and industrial property landlord** and will continue to increase its property holdings as the opportunities arise. The Company has increased its direct ownership of properties and other assets to **\$47.3 million** and it manages an additional **\$25.0 million** of industrial properties located in the Sydney metropolitan area.

i. 7-9 Orion Road, Lane Cove

The Orion Road complex consists of **6,000m² of industrial space** leased to six large Australian and international corporations, all with medium to long term leases. This property is performing well and is continuing to contribute to the Group's profit result through its increased annual net rental income and full long term occupancy.

ii. 13 Sirius Road, Lane Cove

This **2,200m² high-tech property** comprises a two-level commercial/industrial building with 50 basement security parking spaces and is located within 100 metres of two other commercial industrial properties owned by Desane in the Lane Cove West industrial precinct. The continuing ownership of this property by Desane will show rental and capital increases for Desane's property asset portfolio in future years.

iii. 7 Sirius Road, Lane Cove

This **2,800m² commercial/industrial building** is located within 100 metres of two other commercial industrial properties owned by Desane in the Lane Cove West industrial precinct. The property comprises approximately 460m² of office and 2,240m² of high clearance warehouse, with 38 on-site car parking spaces. This property will show rental and capital increases for Desane's portfolio in future years.

iv. 68-72 Lilyfield Road, Rozelle

This **6,000m² commercial and industrial property** is located in the prime Sydney suburb of Rozelle and is 100% leased on a long term basis. Due to increased demand in the inner-western Sydney suburbs for residential apartments and in view of the close proximity of this property to Sydney's CBD, Desane is in the process of undertaking a master plan in order to obtain approval from the NSW and local planning authorities to rezone the property to high rise residential. 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.

The following companies are the medium to long term tenants of the properties owned and/or managed by the Group: **Staging Connections, Morpho Australasia; Pentel Australia; Optimed; Halley & Mellows; Kindercise Gym; Artisan Wine Cellars; Premier Products; Bryon Food Science, Marsupial Landscapes; Electronic Security Sales; OMK Group; Novis Healthcare; and Signature Orthopaedics.**

Investments

i. 316-332 Burns Bay Road, Lane Cove

Since obtaining development approval in December 2012, negotiations for the sale of this property have progressed well. On 26 July 2013, Desane and its co-owners entered into a Deed of Call Option for the sale of this property, receiving an irrevocable \$4 million Call Option fee. The exchange of contracts for \$36 million is scheduled to occur on 23 December 2013, bringing the total sale value of this property to \$40 million. The approved waterfront development comprises 68 one bedroom apartments, 130 two bedroom apartments, 20 three bedroom apartments and one commercial convenience store. The development has been designed to take advantage of the **sweeping Sydney Harbour and Lane Cove River views**. Desane has a **50% interest** in this property.

Developments

i. 47-51 Lilyfield Road, Rozelle

Desane has obtained planning approval from the relevant local government authority to construct a **four storey 4,200m² commercial building**, with 62 basement security car parking spaces. Desane has subsequently lodged a new Development Application for this property, proposing to increase the number of residential units from 2 to 29 and reducing the commercial component to three ground floor commercial units. The development approval for the proposed residential development is expected to be received before December 2013. 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.

Outlook

It is Desane's view that the Australian commercial and industrial property market is expected to improve significantly over the next three to four years, both in tenant occupancy requirements and rental returns. It is anticipated that there will be a tightening of vacancy rates and a shortage of property availability.

Desane's existing industrial and commercial property portfolio is under continual review, in order that the Company and its shareholders benefit from the strengthening residential market conditions prevailing in Sydney. Where appropriate, Desane will seek the rezoning, to residential, for some of its strategically well placed properties, in order to take advantage of the changing market conditions. Desane will continue to closely monitor the Australian industrial, commercial and residential property market, 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. This is largely due to the following factors:

- Net profit after tax of \$1.29 million – an increase of 38% on the previous year;
- an increase of 4% in net tangible assets (NTA) on the previous year to 84 cents per share;
- an increase in earnings per share (EPS) to 4.3 cents from 3.1 cents on the previous year;
- an increase of 7% in operational revenues on the previous year;
- a 14% reduction in financing costs on the previous year; and
- total assets for the Group of \$47.3 million – an increase of 3.5% on the previous year.

Significant Changes in State of Affairs

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

Events after the Reporting Period

The associated entity, of which Desane has a 50% interest, has entered into an irrevocable Deed of Call Option with Linley Shores Pty Ltd for the sale of the 316-332 Burns Bay Road Lane Cove NSW property. A Call Option Fee of \$4,000,000 has been paid and released by Linley Shores Pty Ltd. Linley Shores will be entitled to exercise the Call Option at any time before the expiry date and enter into a contract to purchase the property for \$36,000,000. The Deed of Call Option expires on 23 December 2013.

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

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

John B Sheehan (65)	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	103,040 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.
John Bartholomew (69)	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

Phil Montrone OAM (62)	Managing Director (executive)
Experience	Board member since incorporation in 1987. Appointed Managing Director of Desane Group Holdings Limited and its controlled entities in 1987. Deputy Chairperson of the Community Relations Commission for a Multicultural NSW. Chairperson of the Nepean Blacktown Regional Advisory Council. 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	11,069,924 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 (69) – Member of the CPA. Over the past 25 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% (for 2013/2014 - 9.25%), 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	2009 \$'000	2010 \$'000	2011 \$'000	2012 \$'000	2013 \$'000
Dividends paid/payable	570	570	302	302	302
Share price at year end ⁽¹⁾	49 cents	51 cents	53 cents	40 cents	46 cents
Revenue	3,142	3,054	2,991	2,875	3,079
Net profit/(loss) ⁽²⁾	(2,676)	1,795	(2)	937	1,296

⁽¹⁾ Adjusted for bonus share issues.

⁽²⁾ Adjusted for AIFRS.

Details of Remuneration for year ended 30 June 2013

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
Directors				
John B. Sheehan	50	-	-	50
Phil Montrone	213	19	-	232
John Bartholomew	37	-	-	37
Jack Sciarra	108	10	-	118
	408	29	-	437

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

Options Issued as Part of Remuneration for the Year Ended 30 June 2013

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	13	13	2	2
P Montrone	13	13	2	2
J Bartholomew	13	13	2	2
J Sciara (CFO)	13	13	2	2
	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	1	1

* *By invitation*

Indemnifying Officers or Auditor

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

The company paid a premium of \$8,669 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 2013.

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

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 2013.

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

Auditor's Independence Declaration

The lead auditor's Independence Declaration for the year ended 30 June 2013, has been received and can be found on page 15 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 23rd day of August, 2013.



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 2013 there have been no contraventions of:

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

GCC Business & Assurance Pty Ltd.

GCC BUSINESS & ASSURANCE PTY LTD
(Authorised Audit Company)

Graeme Green

GRAEME GREEN
Director

23 August 2013

Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities
Consolidated Statement of Profit or Loss and Comprehensive Income
for the year ended 30 June 2013

	Note	Consolidated Group	
		2013 \$'000	2012 \$'000
Revenue	2	3,079	2,875
Other income	2a, 2b	-	-
Gain/(loss) on revaluation of investment properties		(830)	726
Employee benefits expense		(542)	(510)
Depreciation and amortisation expense		(10)	(5)
Finance costs		(1,029)	(1,195)
Other expenses from ordinary activities		(794)	(605)
Share of net profits/(losses) and revaluation gains/(losses) of associates	12	1,399	40
Profit/(loss) before income tax		1,273	1,326
Income tax expense [deferred income tax (expense)/benefit]	4	23	(389)
Profit/(loss) from continuing operations		1,296	937
Other comprehensive income		-	-
Total Comprehensive Income		1,296	937
Profit/(loss) attributable to minority equity interest		-	-
Profit/(loss) attributable to members of the parent entity		1,296	937

Earnings per Share:

Overall Operations

Basic earnings per share (cents per share)	8	4.29	3.10
Diluted earnings per share (cents per share)	8	4.29	3.10

Continuing Operations

Basic earnings per share (cents per share)		4.29	3.10
Diluted earnings per share (cents per share)		4.29	3.10

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 2013

	Note	Consolidated Group	
		2013 \$'000	2012 \$'000
Current Assets			
Cash and cash equivalents	9	2	14
Trade and other receivables	10	819	238
Other assets	11	118	103
Non-current assets classified as held for sale	12	10,772	9,373
Total Current Assets		11,711	9,728
Non-current Assets			
Investment properties	13	35,368	35,770
Property, plant and equipment	14	50	59
Other assets	11	111	92
Total Non-current Assets		35,529	35,921
Total Assets		47,240	45,649
Current Liabilities			
Trade and other payables	15	835	839
Borrowings	16	11,829	8,116
Short term provisions	17	338	370
Total Current Liabilities		13,002	9,325
Non-current Liabilities			
Trade and other payables	18	22	37
Borrowings	16	8,322	11,371
Provisions	19	34	27
Deferred tax liability	23	381	404
Total Non-current Liabilities		8,759	11,839
Total Liabilities		21,761	21,164
Net Assets		25,479	24,485
Equity			
Issued capital	20	12,097	12,097
Retained earnings	21	13,382	12,388
Total Equity		25,479	24,485

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 2013

Consolidated Group

	Issued Capital \$'000	Retained Earnings \$'000	Total \$'000
Balance as at 1 July 2011	12,097	11,753	23,850
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)
Balance at 30 June 2012	12,097	12,388	24,485

	Issued Capital \$'000	Retained Earnings \$'000	Total \$'000
Balance as at 1 July 2012	12,097	12,388	24,485
Shares issued during the year	-	-	-
Profit/(loss) attributable to members of the parent entity	-	1,296	1,296
	12,097	13,684	25,781
Dividends paid or provided for	-	(302)	(302)
Balance at 30 June 2013	12,097	13,382	25,479

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 2013

	Note	Consolidated Group 2013 Inflows (Outflows) \$'000	2012 Inflows (Outflows) \$'000
Cash flows from operating activities			
Receipts from customers		3,057	3,259
Payments to suppliers and employees		(2,107)	(1,144)
Interest received		-	-
Finance costs		(1,029)	(1,195)
Net cash provided by (used in) operating activities	30	(79)	920
Cash flows from investing activities			
Purchase of property, plant and equipment		(4)	(30)
Proceeds from the sale of plant and equipment		4	441
Proceeds from sale of property investments		-	-
Purchase of property and investments		-	-
Capital costs of investment properties		(429)	(787)
Net cash provided by (used in) investing activities		(429)	(376)
Cash flows from financing activities			
Proceeds from issue of shares		-	-
Dividends paid by parent entity		(302)	(302)
(Loans to related parties)/repaid		-	-
Loans from related parties /(repaid)		11	(258)
Loans from unrelated entities/(repaid)		(66)	145
Proceeds from borrowings		3,198	31
Repayments of borrowings		(2,479)	(54)
Repayment of rental bonds		(13)	(89)
Net cash provided by (used in) financing activities		349	(527)
Net increase/(decrease) in cash held		(159)	17
Cash at beginning of financial year		(81)	(98)
Cash at end of financial year	9, 16	(240)	(81)

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 2013

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 2013 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. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

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

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

Note 1: Summary of Significant Accounting Policies (continued)

b. Income Tax (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.

Note 1: Summary of Significant Accounting Policies (continued)

d. Plant and Equipment (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 reporting 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 every three years by registered valuers who have recognised and appropriate professional qualifications, and recent experience in the location and category of investment property being valued. Changes to fair value are recorded in the 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.

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.

Note 1: Summary of Significant Accounting Policies (continued)

m. Revenue and Other Income (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.

Note 1: Summary of Significant Accounting Policies (continued)

t. Critical Accounting Estimates and Judgements (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 2013.

u. New Accounting Standards for Application in Future Periods

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Group. The Group has decided not to early adopt any of the new and amended pronouncements. The Group's assessment of the new and amended pronouncements that are relevant to the Group but applicable in future reporting periods is set out below:

- AASB 9: Financial Instruments (December 2010) and AASB 2010-7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010).

These Standards are applicable retrospectively and include revised requirements for the classification and measurement of financial instruments, as well as recognition and derecognition requirements for financial instruments.

The key 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;
- Requiring financial assets to be reclassified where there is a change in an entity's business model as they are initially classified based on: (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows; and
- Requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income, except when that would create an accounting mismatch. If such a mismatch would be created or enlarged, the entity is required to present all changes in fair value (including the effects of changes in the credit risk of the liability) in profit or loss.

These Standards were mandatorily applicable for annual reporting periods commencing on or after 1 January 2013. However, AASB 2012-6: Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures (issued September 2012) defers the mandatory application date of AASB 9 from 1 January 2013 to 1 January 2015. In light of this change to the mandatory effective date, the Group is expected to adopt AASB 9 and AASB 2010-7 for the annual reporting period ending 31 December 2015.

- AASB 10: Consolidated Financial Statements, AASB 11: Joint Arrangements, AASB 12: Disclosure of Interests in Other Entities, AASB 127: Separate Financial Statements (August 2011) and AASB 128: Investments in Associates and Joint Ventures (August 2011) (as amended by AASB 2012-10: Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments), and AASB 2011-7: Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards (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. This Standard is not expected to significantly impact the Group's financial statements.

u. New Accounting Standards for Application in Future Periods (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).

This Standard will not have any impact on the Group's financial statements as the Group's interest in joint ventures are currently accounted for correctly.

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's financial statements.

To facilitate the application of AASBs 10, 11 and 12, revised versions of AASB 127 and AASB 128 have also been issued. The revisions made to AASB 127 and AASB 128 are not expected to significantly impact the Group's financial statements.

- AASB 13: Fair Value Measurement and AASB 2011-8: Amendments to Australian Accounting Standards arising from AASB 13 (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 disclosure 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 expected to result in more detailed fair value disclosures, but are not expected to significantly impact the amounts recognised in the Group's financial statements.

- AASB 2011-4: Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements (applicable for annual reporting periods beginning on or after 1 July 2013).

This Standard makes amendments to AASB 124: Related Party Disclosures to remove the individual key management personnel disclosure requirements (including paras Aus29.1 to Aus29.9.3). These amendments serve a number of purposes, including furthering trans-Tasman convergence, removing differences from IFRSs, and avoiding any potential confusion with the equivalent Corporations Act 2001 disclosure requirements.

This Standard is not expected to significantly impact the Group's financial report as a whole because:

- Some of the disclosures removed from AASB 124 will continue to be required under s 300A of the Corporations Act, which is applicable to the Group; and
 - AASB 2011-4 does not affect the related party disclosure requirements in AASB 124 applicable to all reporting entities, and some of these requirements require similar disclosures to those removed by AASB 2011-4.
- AASB 119: Employee Benefits (September 2011) and AASB 2011-10: Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) (applicable for annual reporting periods commencing on or after 1 January 2013).

These Standards introduce a number of changes to the presentation and disclosure of defined benefit plans, including:

- Removal of the "corridor" approach from AASB 119, thereby requiring entities to recognise all changes in a net defined benefit liability/(asset) when they occur; and
 - Disaggregation of changes in a net defined benefit liability/(asset) into service cost, net interest expense and remeasurements and recognition of:
 - Service cost and net interest expense in profit or loss; and
 - Remeasurements in other comprehensive income.
-

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

AASB 119 (September 2011) also includes changes to the criteria for determining when termination benefits should be recognised as an obligation.

- AASB 2012-2: Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities (applicable for annual reporting periods commencing on or after 1 January 2013).

AASB 2012-2 principally amends AASB 7: Financial Instruments: Disclosures to require entities to include information that will enable users of their financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.

This Standard is not expected to significantly impact the Group's financial statements.

- AASB 2012-3: Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities (applicable for annual reporting periods commencing on or after 1 January 2014).

This Standard adds application guidance to AASB 132: Financial Instruments: Presentation to address potential inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.

This Standard is not expected to significantly impact the Group's financial statements.

- AASB 2012-5: Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle (applicable for annual reporting periods commencing on or after 1 January 2013).

This Standard amends a number of Australian Accounting Standards as a consequence of the issuance of Annual Improvements of IFRSs 2009-2011 Cycle by the International Accounting Standards Board, including:

- AASB 1: First-time Adoption of Australian Accounting Standards to clarify the requirements in respect of the application of AASB 1 when an entity discontinues and then resumes applying Australian Accounting Standards;
- AASB 101: Presentation of Financial Statements and AASB 134: Interim Financial Reporting to clarify the requirements for presenting comparative information.
- AASB 116: Property, Plant and Equipment to clarify the accounting treatment of spare parts, stand-by equipment and servicing equipment;
- AASB 132 and Interpretation 2: Members' Shares in Co-operative Entities and Similar Instruments to clarify the accounting treatment of any tax effect of a distribution to holders of equity instruments; and
- AASB 134 to facilitate consistency between the measures of total assets and liabilities an entity reports for its segments in its interim and annual financial statements.

This Standard is not expected to significantly impact the Group's financial statements.

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

Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities
Notes to the Financial Statements for the year ended 30 June 2013

Note 2: Revenue and Other Income

	Note	Consolidated Group	
		2013 \$'000	2012 \$'000
Revenue			
Property services		1,020	152
Property project management		-	250
Property rental income		1,957	2,342
Property management fees		102	131
Total Revenue		3,079	2,875
Other Income			
a. Dividend revenue from:			
- wholly owned subsidiaries		-	-
- associated entities		-	-
- other corporations		-	-
b. Interest revenue from:			
- associated entities		-	-
- other related parties		-	-
- other persons		-	-
Total Other Income		-	-

Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities
Notes to the Financial Statements for the year ended 30 June 2013

Note 3: Profit/(loss) for the Year

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

	Note	Consolidated Group 2013 \$'000	2012 \$'000
a. Expenses			
Auditors' remuneration	6	53	73
Depreciation of plant and equipment		10	5
Finance costs:			
- External		1,006	1,177
- Related entities		23	18
Transfer to/(from) provisions for:			
- Employee entitlements		22	18
Rental expenses relating to operating leases		51	34
Direct property expenditure from investment property generating rental income		231	166

b. Significant Revenue and Expenses

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

Consideration on sale of property	-	-
Carrying amount of net assets sold	-	-
	<hr/>	<hr/>
Net gain on the sale of plant and equipment	-	-

Note 4: Income Tax Expense

a. The components of tax expense comprise:

	Note	Consolidated Group 2013 \$'000	2012 \$'000
Current tax		-	-
Deferred tax	23	(23)	389
Recoupment of prior year tax losses		-	-
		<hr/>	<hr/>
		(23)	389

Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities
Notes to the Financial Statements for the year ended 30 June 2013

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 2013 \$'000	2012 \$'000
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2012: 30%)			
- consolidated group		382	398
Add:			
Tax effect of:			
- other accruals/provisions		11	-
- other non-allowable items		1	1
- share of net profit of associated entity netted directly		(420)	(12)
- other items not included in taxable income		3	2
		<hr/>	<hr/>
Income tax attributable to entity		(23)	389
		<hr/>	<hr/>
The applicable weighted average effective tax rates		(2%)	29%

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 Sciara	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 2013

Note 5: Key Personnel Compensation (continued)

c. Key Personnel Compensation

2013

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	37	-	-	37
Phil Montrone	213	19	-	232
Jack Sciara	108	10	-	118
	408	29	-	437

2012

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	85	-	-	85
Phil Montrone	190	17	-	207
Jack Sciara	104	9	-	113
	429	26	-	455

d. Shareholdings

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

Key Personnel	Balance 30.06.12	Received as Compensation	Options Exercised	Net Change Other*	Balance 30.06.13
John B. Sheehan	132,517	-	-	(29,477)	103,040
Phil Montrone	11,097,196	-	-	(27,272)	11,069,924
John Bartholomew	500,059	-	-	-	500,059
Jack Sciara	80,000	-	-	27,000	107,000
	11,809,772	-	-	(29,749)	11,780,023

* 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 2013

Note 6: Auditors' Remuneration

	Consolidated Group	
	2013	2012
	\$'000	\$'000
Remuneration of the auditor for the parent entity:		
DFK – Richard Hill Pty Ltd:		
- auditing or reviewing the financial report	3	5
- taxation services	-	-
GCC Business Assurance Pty Ltd:		
- auditing or reviewing the financial report	47	65
- taxation services	3	3
	<u>53</u>	<u>73</u>

Note 7: Dividends

	Consolidated Group	
	2013	2012
	\$'000	\$'000
Distributions paid		
Ordinary dividend paid of 1 cent per share unfranked (2012: 1 cent unfranked)	<u>302</u>	302
a. Proposed ordinary dividend of 1 cent per share unfranked (2012: 1 cent unfranked)	<u>302</u>	302
b. The group has a total \$nil (2012 - \$nil) franking credits available before the dividends for 2013 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 2013

Note 8: Earnings per Share

	Consolidated Group	
	2013	2012
	\$'000	\$'000
Reconciliation of earnings used in the calculation of earnings per share		
Operating profit/(loss) after income tax	<u>1,296</u>	<u>937</u>
Reconciliation of weighted average numbers of ordinary shares used in the calculation of earnings per share		
	Consolidated Group	
	2013	2012
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>4.29</u>	<u>3.10</u>
Diluted earnings per share (cents per share)	<u>4.29</u>	<u>3.10</u>

Conversion, call, subscription or issue after 30 June 2013

There has been no:

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

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

Note 9: Current Assets – Cash

	Consolidated Group	
	2013	2012
	\$'000	\$'000
Cash at bank and in hand	2	14
Short term bank deposits	-	-
	<u>2</u>	<u>14</u>

The effective interest rate on cash at bank was nil (2012 – 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	2	14
Less: Bank overdraft (refer to note 16)	<u>(242)</u>	<u>(95)</u>
	<u>(240)</u>	<u>(81)</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 2013

Note 10: Current Assets – Trade and Other Receivables

	Consolidated Group	
	2013	2012
	\$'000	\$'000
Trade receivables	707	126
Other receivables		
- Loan to associated entity	112	112
	<u>819</u>	<u>238</u>

Note 11: Other Assets

(a) Current Assets

	Consolidated Group	
	2013	2012
	\$'000	\$'000
Prepayments	118	103
Security deposit	-	-
	<u>118</u>	<u>103</u>

(b) Non Current Assets

	Consolidated Group	
	2013	2012
	\$'000	\$'000
Prepayments	5	5
Security deposit	2	2
Lease incentives	104	85
	<u>111</u>	<u>92</u>

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

	Note	Consolidated Group	
		2013	2012
		\$'000	\$'000
Investment properties			
Shares in unlisted associated companies – equity accounted	12a	10,772	9,373
		<u>10,772</u>	<u>9,373</u>

Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities
Notes to the Financial Statements for the year ended 30 June 2013

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 DA approval, and that the associated entity has entered into a Deed of Call Option with Linley Shores Pty Ltd for the sale of this property. A Call Option Fee of \$4,000,000 has been paid and released by Linley Shores Pty Ltd in July 2013. Linley Shores will be entitled to exercise the Call Option at any time before the expiry date and enter into a contract to purchase the property for \$36,000,000. The Deed of Call Option expires on 23 December 2013. As the property is expected to be sold in the 2013/2014 financial year, it 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	
			2013	2012	2013 \$'000	2012 \$'000
Samvoni Pty Ltd	Owner of investment property at Lane Cove	Ord	50%	50%	10,772	9,373

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	
	2013 \$'000	2012 \$'000
Balance at the beginning of the financial year	9,373	9,333
Share of associated companies operating results after income tax	1,399	40
Dividend revenue from associated company	-	-
Balance at the end of the year	10,772	9,373

- iii. Equity attributable to associates:

	Consolidated Group	
	2013 \$'000	2012 \$'000
Issued capital	-	-
Retained earnings	(4,785)	(4,144)
Asset revaluation reserve	15,557	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 2013

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

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

	Consolidated Group	
	2013	2012
	\$'000	\$'000
Current assets	21,761	18,762
Non current assets	-	-
	<hr/>	<hr/>
Total assets	21,761	18,762
	<hr/>	<hr/>
Current liabilities	10,989	9,389
Non current liabilities	-	-
	<hr/>	<hr/>
Total liabilities	10,989	9,389
	<hr/>	<hr/>
Net equity	10,772	9,373
	<hr/>	<hr/>
Operating profit/(loss) before income tax and revaluations	(41)	57
Gain/(loss) from the revaluation of investment property	2,039	-
	<hr/>	<hr/>
Operating result before income tax	1,998	57
Income tax expense	(599)	(17)
	<hr/>	<hr/>
Operating result after income tax	1,399	40
	<hr/>	<hr/>

Capital Commitment

The associated entity has entered into a contract to purchase the Ausgrid power station adjacent to 318 Burns Bay Road, Lane Cove. The Group's 50% share of the capital commitments is \$160,000. The settlement of the commitment has been delayed to the 2014 financial year.

Events after the reporting period

The associated entity has entered into a Deed of Call Option with Linley Shores Pty Ltd for the sale of this property. An irrevocable Call Option Fee of \$4,000,000 has been paid and released by Linley Shores Pty Ltd in July 2013. Linley Shores will be entitled to exercise the Call Option at any time before the expiry date and enter into a contract to purchase the property for \$36,000,000. The Deed of Call Option expires on 23 December 2013.

Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities
Notes to the Financial Statements for the year ended 30 June 2013

Note 13: Non-current Assets – Investment – Properties

a. The investment properties included in the accounts comprise:

	Note	Consolidated Group	
		2013 \$'000	2012 \$'000
Investment property – Rozelle Bay Commercial Centre	13ab	6,230	5,989
Investment property – Multimedia Centre Lilyfield Road	13aa	10,638	10,574
Investment property – Orion Road	13ad	10,100	10,532
Investment property – 13 Sirius Road	13ac	4,100	3,990
Investment property – 7 Sirius Road	13ae	4,300	4,685
		35,368	35,770

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 2013. The Co-ownership Agreement is in place. An independent valuation was undertaken in August 2012 by a certified practicing valuation company. The directors have adopted the value as per the valuation report.
- b. The directors' valuation, as at 30 June 2013. The directors have assessed that the property's current recovery value exceeds costs.
- c. The directors' valuation, as at 30 June 2013. An independent valuation was undertaken in June 2013 by a certified practicing valuation company. The directors have adopted the value as per the valuation report.
- d. The directors' valuation, as at 30 June 2013. An independent valuation was undertaken in June 2013 by a certified practicing valuation company. The directors have adopted the value as per the valuation report.
- e. The directors' valuation as at 30 June 2013. An independent valuation was undertaken in June 2013 by a certified practicing valuation company. The directors have adopted the value as per the valuation report.

Investment Properties

2013

	Acquisition Cost \$'000	Construction Cost \$'000	Interest Capitalised \$'000	Other Capital Costs \$'000	Units Sold/to be Sold \$'000	Revaluation \$'000	Carrying Value 30.06.2013 \$'000
Multimedia Centre Joint Venture, Lilyfield Rd, Rozelle	1,681	5,327	-	180	-	3,450	10,638
Orion Rd, Lane Cove	8,197	908	-	1,012	-	(17)	10,100
13 Sirius Rd, Lane Cove	2,900	672	-	585	-	(57)	4,100
7 Sirius Rd, Lane Cove	2,950	767	-	179	-	404	4,300
Rozelle Bay Commercial Centre	4,049	868	1,339	(26)	-	-	6,230
	19,777	8,542	1,339	1,930	-	3,780	35,368

Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities
Notes to the Financial Statements for the year ended 30 June 2013

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

2012

	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	-	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
	<u>19,777</u>	<u>8,516</u>	<u>1,123</u>	<u>1,743</u>	<u>-</u>	<u>4,611</u>	<u>35,770</u>

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

	Consolidated Group	
	2013	2012
	\$'000	\$'000
Office furniture and equipment – at cost	65	88
Less: Accumulated depreciation	(40)	(59)
	<u>25</u>	<u>29</u>
Motor vehicles – at cost	89	89
Less: Accumulated depreciation	(64)	(59)
	<u>25</u>	<u>30</u>
Total non-current assets	<u>50</u>	<u>59</u>

Movements in Carrying Amounts

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

	Leasehold Improvements \$'000	Plant and Equipment \$'000	Total \$'000
Consolidated Group			
Balance at the beginning of year	-	59	59
Additions	-	5	5
Disposals	-	(4)	(4)
Depreciation expense	-	(10)	(10)
Carrying amount at the end of the year	-	<u>50</u>	<u>50</u>

Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities
Notes to the Financial Statements for the year ended 30 June 2013

Note 15: Current Liabilities – Trade and Other Payables

	Consolidated Group	
	2013	2012
	\$'000	\$'000
Unsecured liabilities		
Trade payables	549	512
Sundry payables and accrued expenses	286	327
	<u>835</u>	<u>839</u>

Note 16: Borrowings

(a) Current

	Note	Consolidated Group	
		2013	2012
		\$'000	\$'000
Unsecured:			
Loan from associated entity Burns Bay Road, Lane Cove	a	159	148
Loan from other parties		79	145
Secured:			
Bank overdraft	d	242	95
Motor vehicle hire purchase liability	e	9	8
Secured Liabilities – Bank Loans			
Finance for investment property – Lilyfield Road Joint Venture	b	-	5,250
47-51 Lilyfield Road, Rozelle	c	-	2,470
Finance for investment property Orion Road, Lane Cove	f	5,485	-
Finance for investment property Sirius Road, Lane Cove	g	2,905	-
Finance for investment property 7 Sirius Road, Lane Cove	h	2,950	-
		<u>11,829</u>	<u>8,116</u>

- a. The associate entity has given a first mortgage finance secured over Burns Bay Road, Lane Cove property. This loan will be repaid from the settlement funds from the sale of the property.
- b. First mortgage finance secured over respective joint venture asset.
- c. First mortgage finance secured over 47-51 Lilyfield Road, Rozelle property. 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.
- f. 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.
- g. First mortgagor 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.
- h. 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.
- i. All covenants imposed on secured loan agreements have been met.

Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities
Notes to the Financial Statements for the year ended 30 June 2013

Note 16: Borrowings (continued)

(b) Non Current

	Note	Consolidated Group	
		2013	2012
		\$'000	\$'000
Secured:			
Motor vehicle hire purchase liability	16vi	22	31
Secured Liabilities – Bank Loans			
Finance for investment property - Lilyfield Road Joint Venture	16i	5,250	-
47-51 Lilyfield Road, Rozelle	16ii	3,050	-
Finance for investment property Orion Road	16iii	-	5,485
Finance for investment property Sirius Road, Lane Cove	16iv	-	2,905
Finance for investment property 7 Sirius Road, Lane Cove	16v	-	2,950
		8,322	11,371

- i. First mortgage finance secured over respective joint venture assets (note 13aa).
- ii. First mortgage finance secured over 47-51 Lilyfield Road, Rozelle property. Covenants imposed by the mortgagor require total debt not to exceed 65% of the property value.
- iii. 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.
- iv. 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.
- v. 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.
- vi. Motor vehicle finance secured over motor vehicle.
- vii. All covenants imposed on secured loan agreements have been met.

Maturity Schedule

	Interest Rates (average)	Consolidated Group	
		2013	2012
		\$'000	\$'000
16 December 2013	5.8 % pa	11,340	11,340
30 September 2015	5.8% pa	5,250	5,250
30 September 2015	5.8% pa	3,050	2,470
		19,640	19,060

Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities
Notes to the Financial Statements for the year ended 30 June 2013

Note 17: Current Liabilities – Provisions

	Consolidated Group	
	2013	2012
	\$'000	\$'000
Dividends	302	302
Employee entitlements*	36	43
Lease incentives	-	25
	<u>338</u>	<u>370</u>

* Movement represents provision set aside.

	Consolidated Group	
	2013	2012
	No	No
Number of employees at year end	<u>5</u>	<u>5</u>

Note 18: Non Current Liabilities – Trade and Other Payables

	Consolidated Group	
	2013	2012
	\$'000	\$'000
Security deposits	<u>22</u>	<u>37</u>

Note 19: Non Current Liabilities – Provision

	Consolidated Group	
	2013	2012
	\$'000	\$'000
Employee long service leave entitlement*	<u>34</u>	<u>27</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 2013

Note 20: Issued Capital

	Consolidated Group 2013 \$'000	2012 \$'000
30,199,465 (2012: 30,199,465) Ordinary Shares fully paid	12,097	12,097

	Note	Consolidated Group 2013 Shares	2012 Shares	Consolidated Group 2013 \$'000	2012 \$'000
Ordinary Shares – fully paid		30,199,465	30,199,465	12,097	12,097
Share purchase plan		-	-	-	-
Bonus issue		-	-	-	-
		30,199,465	30,199,465	12,097	12,097

a. Movements in Ordinary Share Capital of the Company

No shares were issued during 2013 (2012: nil).

b. Authorised Capital

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

c. Capital Management

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

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

There are no externally imposed capital requirements.

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

There have been no 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 2013

Note 21: Retained Earnings

	Consolidated Group	
	2013	2012
	\$'000	\$'000
Retained earnings at beginning of financial year	12,388	11,753
Net profit attributable to members of parent entity	1,296	937
Dividends provided for or paid	(302)	(302)
	<hr/>	<hr/>
Retained earnings at end of financial year	13,382	12,388
	<hr/>	<hr/>

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

	Consolidated Group	
	2013	2012
	\$'000	\$'000
Current Assets		
Cash	1	4
Trade and other receivables	80	42
Non-current Assets		
Investment property	10,638	10,574
	<hr/>	<hr/>
Total Assets	10,719	10,620
	<hr/>	<hr/>
Current Liabilities		
Trade and other payables	50	59
Short-term borrowings	-	-
Non-current Liabilities		
Deferred tax liability	1,857	1,824
Long-term borrowings	5,250	5,250
	<hr/>	<hr/>
Total Liabilities	7,157	7,133
	<hr/>	<hr/>
Equity	3,562	3,487
	<hr/>	<hr/>
Output	737	890
	<hr/>	<hr/>
Net operating profit before income tax	253	507
Gain/(loss) from the revaluation of investment property	-	53
Income tax applicable to operating profit	(76)	(152)
	<hr/>	<hr/>
Net profit/(loss) after income tax of joint venture	177	408
	<hr/>	<hr/>

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 2013

Note 23: Tax

	Note	Consolidated Group	
		2013 \$'000	2012 \$'000
Non-current			
Deferred tax liability comprises:			
Tax allowances relating to property and equipment		1,205	1,103
Revaluation of investment properties		1,134	1,383
Deferred tax asset attributable to tax and capital losses		(2,087)	(2,193)
Provisions		(6)	(24)
Other		135	135
		381	404

Reconciliation

Gross Movement

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

Opening balance		404	15
Charge to income statement	4	(23)	389
Closing balance		381	404

Deferred Tax Liability

Tax allowance relating to property and equipment

Opening balance		1,103	998
Adjustment to previous year's provision		-	-
Charged to the income statement		102	105
Closing balance		1,205	1,103

Revaluation of investment properties

Opening balance		1,383	1,166
Net revaluation during the current period		(249)	217
Transfers on property sale		-	-
Closing balance		1,134	1,383

Deferred Tax Assets

Tax and capital losses

Opening balance		(2,193)	(2,251)
Tax and capital losses utilised		106	58
Tax and capital losses recognised		-	-
Closing balance		(2,087)	(2,193)

Provisions

Opening balance		(24)	(32)
Credited to income statement		18	8
Closing balance		(6)	(24)

Other

Opening balance		135	135
Charged to income statement		-	-
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 2013, approximately 95% 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 24d). 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 5.8%.

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 2013

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.

2013		Floating Interest Rate \$'000	Floating Interest Maturing within 1-5 years \$'000	Fixed Interest Maturing within 1 year \$'000	Fixed Interest Maturing within 1-5 years \$'000	Non Interest Bearing \$'000	Total \$'000
	Note						
Financial Assets		-	-	-	-	-	-
Cash and deposits	9	-	-	-	-	2	2
Receivables	10, 11	-	-	-	-	1,048	1,048
		-	-	-	-	1,050	1,050
Weighted average interest rates							
Financial Liabilities							
Trade and other creditors	15, 18	-	-	-	-	857	857
Interest bearing liabilities	16	11,582	8,300	247	22	-	20,151
		11,582	8,300	247	22	857	21,008
Weighted average interest rate							
		6.00%	5.80%	7.78%	10.90%	-%	
Net financial assets (liabilities)		(11,582)	(8,300)	(247)	(22)	193	(19,958)
2012		Floating Interest Rate \$'000	Floating Interest Maturing within 1-5 years \$'000	Fixed Interest Maturing within 1 year \$'000	Fixed Interest Maturing within 1-5 years \$'000	Non Interest Bearing \$'000	Total \$'000
	Note						
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)

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.

	Consolidated Group Profit \$'000	Equity \$'000
Year ended 30 June 2013	+/- 397	+/- 397
- interest rate sensitivity calculated at an average of +/- 2%pa.		

	Consolidated Group Profit \$'000	Equity \$'000
Year ended 30 June 2012	+/- 389	+/- 389
- 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 2013

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:

	Consolidated Group	
	2013	2012
	\$'000	\$'000
Desane Properties Pty Ltd: Dividend paid	1,050	1,100
Desane Hire Services Pty Ltd: Dividend paid	-	-
Desane Contracting Pty Ltd: Dividend paid	-	-

b. Associated Companies

Loan from Tuta Properties Pty Ltd (associated company)	159	148
Administration fee received from Samvoni Pty Ltd	15	15
Asset management fee received from Tuta Properties Pty Ltd	-	250
Interest paid to Tuta Properties Pty Ltd	11	17
Consulting fees received from Tuta Properties Pty Ltd	875	125

c. Joint Ventures

Administration fee received from Lilyfield Road Joint Venture	12	12
Interest received from Lilyfield Road Joint Venture	9	8

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, provided building services to the value of \$8,596 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 \$12,000 for 30 June 2013 and \$65,500 of the loan has been repaid as at 30 June 2013. Trafalgar Contracting Pty Ltd has sub-let a portion of its rental premises to Desane Group Holdings Ltd at market rental rates.

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

	Consolidated Group	
	2013	2012
	\$'000	\$'000
Associated Companies		
Opening balance	148	406
Interest	11	17
Repayment	-	(275)
Closing balance	<u>159</u>	<u>148</u>

Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities
Notes to the Financial Statements for the year ended 30 June 2013

Note 25: Related Party Transactions (continued)

Related Parties	Consolidated Group	
	2013	2012
	\$'000	\$'000
Opening balance	145	150
Interest charged	12	1
Interest paid	(12)	(1)
Repayment	(66)	(5)
	<hr/>	<hr/>
Closing balance	79	145
	<hr/>	<hr/>

Note 26: Commitments for Expenditure

Capital Expenditure

	Consolidated Group	
	2013	2012
	\$'000	\$'000
Not later than one year*	160	745
Later than one year but not more than two years	-	-
	<hr/>	<hr/>
	160	745
	<hr/>	<hr/>

* See note 12iv.

Hire Purchase Commitment

	Consolidated Group	
	2013	2012
	\$'000	\$'000
Payable of minimum hire purchase payments:		
Not later than one year	9	8
Between one year and five years	22	31
Later than five years	-	-
	<hr/>	<hr/>
	31	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 \$44,597 (2012 - \$40,442), parent entity \$44,597 (2012 - \$40,442).

Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities
Notes to the Financial Statements for the year ended 30 June 2013

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 2013, in the controlled entities concerned were:

	2013	2012
	\$'000	\$'000
Desane Hire Services Pty Limited – net assets	-	(4)
Desane Contracting Pty Limited – net assets	(23)	(19)
Desane Properties Pty Limited – net assets	14,024	12,854

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 2013. In addition, the parent entity, together with the other joint venturer, have unconditionally guaranteed, jointly and severally, the secured loan.

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.

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 approximately 31% 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 2013

Note 29: Operating Segments – Consolidated Group (continued)

2013	Property Investment \$'000	Property Project Management and Resale \$'000	Property Services \$'000	Plant and Equipment \$'000	Other \$'000	Consolidated Group \$'000
External sales	1,957	102	1,020	-	-	3,079
Other segments	-	-	-	-	-	-
Total revenue	1,957	102	1,020	-	-	3,079
Segment result	706	102	1,020			1,828
Unallocated expenses						(925)
Finance costs						(1,029)
Share of net profits of associates						1,399
Profit/(loss) before income tax						1,273
Income tax expense						23
Profit/(loss) after income tax						<u>1,296</u>

2013	Property Investment \$'000	Property Project Management and Resale \$'000	Property Services \$'000	Plant and Equipment \$'000	Other \$'000	Consolidated Group \$'000
Segment Assets						
2012 opening balance	45,143	-	-	-	506	45,649
Unallocated Assets						-
Deferred tax assets						-
Segment Asset Increases/(Decreases) for the Period						
Acquisitions	-					-
Proceeds from sale/depreciation	-					-
Revaluations/(devaluations)	(830)					(830)
Capital expenditures	429					429
Asset held for sale	1,399					1,399
Net movement in other segments	-				593	593
	46,141	-	-	-	1,099	47,240
Unallocated Assets						-
Deferred Tax Assets						-
Total Group Assets						<u>47,240</u>
Equity accounted associates included in asset held for sale	<u>1,399</u>					

Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities
Notes to the Financial Statements for the year ended 30 June 2013

Note 29: Operating Segments – Consolidated Group (continued)

2013						
Segment Liabilities	Property Investment \$'000	Property Project Management and Resale \$'000	Property Services \$'000	Plant and Equipment \$'000	Other \$'000	Consolidated Group \$'000
2012 opening balance	19,487	-	-	-	1,272	20,759
Unallocated Liabilities						
Deferred tax liabilities						405
Segment Liabilities Increases/(Decreases) for the Period						
Repayments	(2,544)					(2,544)
New borrowings	3,198					3,198
Loan from associated company	11					11
Net movement in other segments	-				(45)	(45)
	20,152				1,227	21,784
Unallocated Liabilities						
Deferred Tax Liabilities						(23)
Total Group Liabilities						21,761
Equity accounted associates included in segment liabilities	<u>11</u>					
2012						
	Property Investment \$'000	Property Project Management and Resale \$'000	Property Services \$'000	Plant and Equipment \$'000	Other \$'000	Consolidated Group \$'000
External sales	2,342	381	152	-	-	2,875
Other segments	-	-	-	-	-	-
Total revenue	<u>2,342</u>	<u>381</u>	<u>152</u>	<u>-</u>	<u>-</u>	<u>2,875</u>
Segment result	<u>2,806</u>	<u>381</u>	<u>152</u>	<u>-</u>	<u>-</u>	<u>3,339</u>
Unallocated expenses						(858)
Finance costs						(1,195)
Share of net profits of associates						40
Profit/(loss) before income tax						1,326
Income tax expense						<u>(389)</u>
Profit/(loss) after income tax						<u>937</u>

Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities
Notes to the Financial Statements for the year ended 30 June 2013

Note 29: Operating Segments – Consolidated Group (continued)

2012	Property Investment \$'000	Property Project Management and Resale \$'000	Property Services \$'000	Plant and Equipment \$'000	Other \$'000	Consolidated Group \$'000
Segment Assets						
2011 opening balance	43,590	-	-	440	536	44,566
Unallocated Assets						-
Deferred tax assets						-
Segment Asset Increases/(Decreases) for the Period						
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)
	<u>45,143</u>	-	-	-	506	<u>45,649</u>
Unallocated Assets						
Deferred Tax Assets						
Total Group Assets						<u><u>45,649</u></u>
Equity accounted associates included in asset held for sale	<u>40</u>					
2012						
Segment Liabilities						
2011 opening balance	19,618	-	-	-	1,082	20,700
Unallocated Liabilities						-
Deferred tax liabilities						16
Segment Liabilities Increases/(Decreases) for the Period						
Repayments	(58)	-	-	-	-	(58)
New borrowings	185	-	-	-	-	185
Loan from associated company	(258)	-	-	-	-	(258)
Net movement in other segments	-	-	-	-	190	190
	<u>19,487</u>	-	-	-	1,272	<u>20,775</u>
Unallocated Liabilities						-
Deferred Tax Liabilities						389
Total Group Liabilities						<u><u>21,164</u></u>
Equity accounted associates included in segment liabilities	<u>(258)</u>					

Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities
Notes to the Financial Statements for the year ended 30 June 2013

Note 30: Cash Flow Information

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

	Consolidated Group	
	2013	2012
	\$'000	\$'000
Profit/(loss) after income tax	1,296	937
Non-cash flows in profit/(loss)		
Depreciation and amortisation	10	5
(Gain)/loss on asset revaluation	830	(726)
Share of associated companies net (profit)/loss after income tax and dividends	(1,399)	(40)
Share of joint venture entity net profit before income tax	-	-
(Profit)/loss on sale of plant and equipment	-	-
Changes in assets and liabilities		
(Increase)/decrease in trade receivables	(730)	109
(Increase)/decrease in other receivables and other assets	(19)	(14)
(Increase)/decrease in prepayments	(15)	6
(Decrease)/increase in trade payments and accruals	(2)	236
(Decrease)/increase in other payables	-	-
(Decrease)/increase in provisions	(27)	18
Increase/(decrease) in deferred taxes payable	(23)	389
Cash flow from operations	(79)	920

Credit Standby Arrangements with Banks

	Consolidated Group	
	2013	2012
	\$'000	\$'000
Credit facility	250	100
Amount utilised	(242)	(95)

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

	Consolidated Group	
	2013	2012
	\$'000	\$'000
Loan facilities	19,640	19,060
Amount utilised	(19,640)	(19,060)

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 2013

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	
		2013 \$'000	2012 \$'000
STATEMENT OF COMPREHENSIVE INCOME			
Result of Parent Entity			
Profit for the period		125	242
Other comprehensive income		-	-
		<hr/>	<hr/>
Total comprehensive income for the period		125	242
		<hr/>	<hr/>
STATEMENT OF FINANCIAL POSITION			
Current Assets			
Cash		-	2
Trade and other receivables		-	-
Other assets		11	16
Non-current Assets			
Trade and other receivables – loans to controlled entities	ii	12,117	12,170
Investment – controlled entities	i	490	490
Property, plant and equipment		50	59
		<hr/>	<hr/>
Total Assets		12,668	12,737
		<hr/>	<hr/>
Current Liabilities			
Trade and other payables		300	159
Short term provisions		346	375
Non-Current Liabilities			
Trade and other payables		22	31
Provisions		34	28
		<hr/>	<hr/>
Total Liabilities		702	593
		<hr/>	<hr/>
Net Assets		11,966	12,144
		<hr/>	<hr/>
Total Equity			
Issued capital		12,097	12,097
Retained earnings/(accumulated losses)		(131)	47
		<hr/>	<hr/>
Total Equity		11,966	12,144
		<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 2013

Note 31: Parent Entity Disclosures (continued)

i. Controlled Entities

Investments in controlled entities are unquoted and comprise:

Controlled Entities	Class of Shares	Parent Entity			
		2013	2012	2013	2012
		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	-
			<u>490</u>		<u>490</u>

All controlled entities are incorporated in Australia. Desane Properties Pty Ltd declared a dividend of \$1,050,000 out of retained profits (2012: \$1,100,000). Desane Hire Services Pty Ltd did not declare a dividend (2012: \$nil). Desane Contracting Pty Ltd did not declare a dividend (2012: \$nil).

Contribution to profit/(loss) after tax:

	2013 \$'000	2012 \$'000
Desane Group Holdings Limited	(925)	(858)
Desane Properties Pty Limited	2,220	1,803
Desane Contracting Pty Limited	(3)	(4)
Desane Hire Services Pty Limited	4	(4)
	<u>1,296</u>	<u>937</u>

ii. Loans to Controlled Entities

	2013 \$'000	2012 \$'000
Desane Properties Pty Limited	12,097	12,182
Desane Contracting Pty Limited	20	17
Desane Hire Services Pty Limited	-	(29)
	<u>12,117</u>	<u>12,170</u>

Guarantees

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

Capital Commitments

At 30 June 2013, Desane Group Holdings Limited had a share of an associate's capital commitment for \$160,000, relating to contracts to purchase property assets (refer to note 12iv).

Contractual Commitments

At 30 June 2013, Desane Group Holdings Limited had not entered into any contractual commitments for the acquisition of property, plant and equipment (2012: Nil).

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

Notes to the Financial Statements for the year ended 30 June 2013

Note 32: Events after the Reporting Date

The associated entity, of which Desane has a 50% interest, has entered into a Deed of Call Option with Linley Shores Pty Ltd for the sale of the 316-332 Burns Bay Road Lane Cove NSW property. An irrevocable Call Option Fee of \$4,000,000 has been paid and released by Linley Shores Pty Ltd in July 2013. Linley Shores will be entitled to exercise the Call Option at any time before the expiry date and enter into a contract to purchase the property for \$36,000,000. The Deed of Call Option expires on 23 December 2013.

Other than the above, 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

68-72 Lilyfield Road, Rozelle NSW 2039

Other Company Details

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

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 58 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 2013 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 2013

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 2013, 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 and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, 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 2013 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

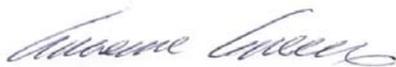
We have audited the remuneration report included on page 11 of the directors' report for the year ended 30 June 2013. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility 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 2013 complies with section 300A of the *Corporations Act 2001*.

GCC Business & Assurance Pty Ltd.

GCC BUSINESS & ASSURANCE PTY LTD
(Authorised Audit Company)



GRAEME GREEN
Director

Sydney
23 August 2013

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

Shareholder Information

The shareholder information set out below was applicable as at 9 August 2013. Shareholder information should be read in conjunction with the 2013 financial report.

1. SHAREHOLDING

- a. Distribution of shareholders:

Category (size of holding)		Ordinary
1 -	1,000	25,579
1,001 -	5,000	242,064
5,001 -	10,000	421,144
10,001 -	100,000	6,350,580
100,001 -	and over	<u>23,160,098</u>
		<u>30,199,465</u>

- b. There were 59 holders of less than a marketable parcel of ordinary shares.
- c. The names of the major 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>	1,360,062
Cordato Partners (Superannuation) Pty Ltd <Cordato Partners S/F A/C>	1,148,025
Shayana Pty Ltd <Hatelly Super Fund A/C>	1,000,000
Mandel Pty Ltd <Mandel Super Fund A/C>	879,140

- 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:

		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>	1,360,062	4.50
3.	Cordato Partners (Superannuation) Pty Ltd <Cordato Partners S/F A/C>	1,148,025	3.80
4.	Shayana Pty Ltd <Hatley Super Fund A/C>	1,000,000	3.31
5.	Mandel Pty Ltd <Mandel Super Fund A/C>	879,140	2.91
6.	TMB Nominees Pty Limited	715,002	2.37
7.	PFPT Management Pty Ltd <Pellarini Super Fund A/C>	679,020	2.25
8.	Pebadore Pty Ltd <Weller Family S/Fund A/C>	600,000	1.99
9.	Mr Yee Teck Teo	520,910	1.72
10.	Hishenk Pty Ltd	400,000	1.32
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.	Mr Roderick Talbot Agar <R Agar Superfund A/C>	250,000	0.83
15.	Oakmount Nominees Pty Ltd <Narromine Super Fund A/C>	250,000	0.83
16.	Ms Yee Lan Teo	247,452	0.82
17.	Dotnric Pty Ltd <Famiglia di Riccardo S/F A/C>	237,535	0.79
18.	Laraine Enterprises Pty Ltd <Super Fund A/C>	227,601	0.75
19.	Homewood Rise Pty Limited	225,000	0.75
20.	Mr George Edward Foster	211,513	0.70
		19,031,962	63.02

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