

ASX and Media Release

24 August 2015

FULL YEAR RESULTS TO 30 JUNE 2015

The Board of Desane Group Holdings Limited (“Desane” or the “Group”) is pleased to announce a **\$2.504 million after tax profit** for the full financial year ended 30 June 2015.

2015 Financial Year Highlights

- Net profit after tax (“NPAT”) increased by 102% to \$2.5 million
- Earnings before interest and tax (“EBIT”) increased by 59% to \$4.7 million
- Earnings per share (“EPS”) increased by 68% to 6.91 cents
- Return on equity (“ROE”) across the property investment portfolio of 10%
- Group’s total assets increased to \$61.0 million
- Fully franked special, final and interim dividends totalling 21 cents paid to shareholders
- Capital management strategy implemented
- Financing costs reduced by 19%
- Fully diluted Net Tangible Asset (“NTA”) per share is 74 cents (after the issue of shares resulting from the special dividend initiative).

Dividend

The Board of Desane has resolved to pay to shareholders a final dividend of **2 cents per share fully franked**, for the financial year ended 30 June 2015, in line with the Board’s dividend policy of paying final and interim dividends. The **Record Date** for the final dividend is **Thursday, 12 November 2015** and the final dividend will be paid on **Thursday, 26 November 2015**.

Appendix 4E

In accordance with ASX Listing Rule 4.3A, the following document is released to the market:

- Appendix 4E – Preliminary Final Report for the financial year ended 30 June 2015

Operations

For the year ended 30 June 2015, the Group's operations achieved an increase in **NPAT of 102% to \$2.5 million** and a **7.5% increase** in property rental revenue. This increase in rental revenue reflects the quality of the Group's industrial property portfolio, the property management services provided to clients and the strength of Desane's relationships with existing tenants and clients.

The Group also achieved **100% occupancy** for all properties owned and managed, on a solid **WALE of 3.0 years** across the Group, by signing leases with new long term tenants and concluding a number of lease renewals with existing tenants.

The high occupancy rate and WALE validates the strategic decision Desane's management has made in working with clients operating in the medical and health related industry.

Desane continues to be a significant Sydney based **commercial and industrial property landlord** and will continue to increase its property holdings as market opportunities arise. The value of the Group's directly owned properties and other assets has increased by **17% to \$61.0 million**. The Group manages an additional **\$5.2 million** of industrial properties located in the Sydney metropolitan area. The Group 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.

i. **7-9 Orion Road, Lane Cove**

The Orion Road complex comprises a multi unit industrial estate totalling approximately **6,000m² of office and high clearance warehouse**. Onsite parking is provided for 106 cars.

The well maintained business park is **100% leased** on a **WALE of 3.7 years**.

It is situated on the eastern side of Orion Road, within the high tech industrial precinct of Lane Cove West. Lane Cove West is approximately 10km from Sydney's CBD.

The property is performing well and is continuing to contribute to the Group's profit result through its increased income and strong leasing profile. The **ROE** for this property is **10%**.

ii. 13 Sirius Road, Lane Cove

The Sirius Road property comprises approximately **2,200m² of high tech commercial office/industrial building** over two floors and is located approximately 100 metres from the other two Lane Cove West properties owned by Desane in the high tech industrial precinct. On site parking is provided for 52 cars in an underground basement car park.

The property is **fully leased** on a **WALE of 4.0 years** to two large Australian companies.

The property is performing well and is continuing to show rental and capital appreciation growth for the Group. The **ROE** for this property is **14%**.

iii. 7 Sirius Road, Lane Cove

This **2,700m² commercial office and industrial warehouse building** is also located within the Lane Cove West high tech industrial precinct. Onsite parking is provided for 38 cars.

The property comprises approximately 460m² of high tech office and 2,240m² of high clearance warehouse and is **fully leased** on a **WALE of 5.4 years** to a large Australian medical supply company.

This property should show rental and capital appreciation growth for Desane's portfolio in future years. The **ROE** for this property is **9%**.

iv. 68-72 Lilyfield Road, Rozelle

This **6,000m² high tech multimedia centre** includes approximately 2,800m² of high clearance warehouse. It is located in the highly sought after inner Sydney suburb of Rozelle and is **100% leased** on a **WALE of 1.1 years**. Onsite parking is provided for 85 cars over three levels.

Lease negotiations are progressing with the major tenant for a medium term agreement.

Due to the increased demand in Sydney for well designed modern apartment complexes in desirable inner city locations, Desane is also in the process of obtaining approval from the NSW Department of Planning to rezone the property to a mixed use development.

The property is located 750 metres from the Anzac Bridge with easy access to the CBD, Cross City Tunnel, Harbour Bridge and Harbour Tunnel, linking the site to the eastern, northern and southern suburbs.

The **ROE** for this property is **7%**. Desane has a 70% interest in this property.

Developments

Desane will continue to use its property development expertise to review, rezone and redevelop its existing property holdings. In late 2014, Desane completed the sale of the Lane Cove residential development property which resulted in the **distribution of a 15c fully franked special dividend** to shareholders in FY2015.

Desane is currently working on the following development projects:

- The funds and profits from the Easton Rozelle residential project will be realised in FY2016, generating significant returns for the Group
- The rezoning of the high tech multimedia centre located in the Sydney suburb Rozelle, should provide another significant value-add opportunity for Desane's shareholders in the future

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

Following development approval for an additional 3 apartments in June 2015, the Easton Rozelle development now comprises 32 residential apartments, 3 commercial suites and 45 security parking spaces.

At the date of this report the Group has exchanged pre-sale contracts for 97% of the project, representing a gross realisable value of \$28.6 million. On completion, the development is expected to generate \$31.7 million in sales revenue.

The construction of the project is progressing well and settlements are expected to occur in December 2015.

The site is located 3 kilometres from the Sydney CBD and is close to public transport, Rozelle village high streets, schools and health care centres.

Outlook

Desane expects the Australian commercial and industrial property market to improve significantly over the next three to four years, both in rental returns and capital growth. It is anticipated that there will be a tightening in property yields across the sector as vacancy rates fall and commercial property availability rotates to residential redevelopment.

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

Desane has not engaged in any speculative investment or in any activities outside its expertise of property investment and property services. The Group 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 Group with confidence.

FOR FURTHER INFORMATION, PLEASE CONTACT:

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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 2015

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 2015

Previous Corresponding Period: Financial year ended 30 June 2014

Desane Group Holdings Limited
APPENDIX 4E – Preliminary Full Year Final Report
for the financial year ended 30 June 2015

Details of the reporting period

Current Period: 1 July 2014 to 30 June 2015
 Previous Corresponding Period: 1 July 2013 to 30 June 2014

Results for announcement to the market

				\$A'000
Revenues from ordinary activities	up/ down	16%	to	2,884
Profit (loss) from ordinary activities after tax attributable to members	up/ down	102%	to	2,504
Net profit (loss) for the period attributable to members	up/ down	102%	to	2,504
Dividends (distributions)		Amount per security		Franked amount per security
Interim Dividend paid 31 March 2015		2 cents		100%
Special Dividend paid 30 June 2015		15 cents		100%
Final Dividend – recommended		2 cents		100%
Previous Corresponding Period				
- Special dividend paid 22 July 2014		2 cents		100%
- Ordinary final dividend paid 26 November 2014		2 cents		100%
Final Dividend Dates:				
Ex-Dividend Date			10 November 2015	
Record Date			12 November 2015	
Payment Date			26 November 2015	
The Dividend Reinvestment Plan (DRP) will operate in respect of the final dividend and will be available to eligible shareholders with no discount applied. The DRP Election date will be Monday, 16 November 2015. Please refer to separate announcement regarding the final dividend and the DRP within the next few days.				

Desane Group Holdings Limited
APPENDIX 4E – Preliminary Full Year Final Report
for the financial year ended 30 June 2015

For a brief explanation of any of the figures reported on page 2, please refer to the Directors' Report in the Full Year Financial Report.

This information should be read in conjunction with the 30 June 2015 Full Year Financial Report.

Earnings per security (EPS)

	Current Period	Previous Corresponding Period
Basic EPS	6.91 cents	4.11 cents
Diluted EPS	6.91 cents	4.11 cents

Net tangible assets per security

	Current Period	Previous Corresponding Period
Net tangible asset backing per Ordinary Share	74 cents	84 cents

Desane Group Holdings Limited
APPENDIX 4E – Preliminary Full Year Final Report
for the financial year ended 30 June 2015

Amount per Security

	Amount per Security	Franked Amount per Security at 30% Tax	Amount per Security of Foreign Source Dividend
Dividend:			
Special dividend paid 30 June 2015	15 cents	100%	NIL
Ordinary final dividend recommended	2 cents	100%	NIL
Previous year			
- Special dividend paid 22 July 2014	2 cents	100%	NIL
- Final dividend paid 26 November 2014	2 cents	100%	NIL
Interim dividend:			
Interim dividend paid 31 March 2015	2 cents	100%	NIL
Previous corresponding year	NIL	NIL	NIL

Desane Group Holdings Limited
APPENDIX 4E – Preliminary Full Year Final Report
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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	695	(82)
Income tax on ordinary activities	(228)	33
Profit (loss) from ordinary activities after tax	467	(49)
Extraordinary items net of tax	-	-
Net profit (loss)	467	(49)
Adjustments	-	-
Share of net profit (loss) of associates and joint venture entities	467	(49)

Desane Group Holdings Limited
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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
Equity accounted associates and joint venture entities				
Samvoni Pty Ltd / Tuta Properties Pty Ltd	50%	50%	154	(348)
Lilyfield Road Joint Venture	70%	70%	313	299
Total			467	(49)

Desane Group Holdings Limited
APPENDIX 4E – Preliminary Full Year Final Report
for the financial year ended 30 June 2015

Annual General Meeting

Place: 68-72 Lilyfield Road, ROZELLE NSW 2039
Date: 4 November 2015
Time: 10:00am

The 2015 Annual Report will be available approximately 4 October 2015.

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 2015.

Attachment

The Full Year Financial Report for the year ended 30 June 2015 is attached.

Signed



John Bartholomew
Company Secretary

24 August 2015

This is Annexure A of 64 pages referred to in form 388, Copy of financial statements and reports.

John Bartholomew Date: 24 August 2015

DESANE GROUP HOLDINGS LIMITED
ABN 61 003 184 932

FINANCIAL REPORT

30 JUNE 2015

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Directors & Key Personnel

John Blair Sheehan – Chairman (non-executive director)
Phil Montrone OAM – Managing Director
John William Bartholomew – Director (non-executive) 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 2975, Melbourne VIC 3001
Telephone enquiries within Australia: 1300-556-161
Telephone enquiries outside Australia: 61-3-9415-4000
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 Wednesday, 4 November 2015 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 2015 Desane Group Holdings Limited Annual Report.

It is with pleasure that I can report to shareholders that the Group's net profit after tax, for the financial year ending 30 June 2015, **increased 101.66% to \$2,503,944** and the Group's total assets have **increased by 17.16% to \$61,042,004**. During this period the total value of Group properties **increased by 8.21%**, while the rental income from properties **increased 7.47%**. In addition, I am pleased to also report that the Group's finance costs have been **reduced by 19.16%**. The Group's **net tangible assets (NTA) stand at 74 cents per security** accounting for additional securities issued through the Dividend Reinvestment Plan in lieu of dividend payments.

It will be recalled the Directors rewarded shareholders by paying overall **21 cents** per security, fully franked for the financial year ending 30 June 2015, and the Directors have now resolved to recommend a final dividend of **2 cents** per security, fully franked, to be paid in November 2015.

The Group's pleasing financial result was achieved notwithstanding a year of significant global economic uncertainty, and in particular in the Eurozone and China which obviously can impact on perceptions for various aspects of the Australian economy. As mentioned in my previous report, the stability of resource equities as an investment avenue continues to raise questions as to whether the continued exporting of minerals, such as iron ore and coal will be as robust as initially anticipated, and evidences continuing volatility due in no small part to a significant lowering of Chinese demand for such resources.

Arguably in response to such uncertainty, the recent reduction by the Reserve Bank of Australia of official deposit interest rates to a historic low has clearly impacted upon investment intentions, notably in residential real estate in the Sydney metropolitan area. Flowing from the lowering of official interest rates, the competitive mortgage rates on offer by Australian banks has maintained investor interest in property of all classes as an alternative to other investment avenues, such as general equities and even deposit cash. Investors' interest in commercial and industrial property as one such alternative form of investment has risen significantly, given the previously mentioned low cost of mortgage debt, with a resultant significant firming of capitalisation rates and attendant rise in values of such properties.

Therefore, equities such as Desane Group Holdings Limited, which are based wholly in quality domestic, commercial and industrial property, demonstrate a stability separating this class of equity from more volatile investment vehicles.

In such an environment, Desane remains well positioned by having an increasingly valuable portfolio of existing industrial and specialised commercial properties, which are in strong demand for leasing, and obviously for possible sale at some future juncture.

Since my previous report to shareholders, any comprehensive reform to the existing Environmental Planning and Assessment Act now appears distant, however there remains a crucial need to free up the zoning and development approval processes, especially to accommodate the acknowledged shortage of quality industrial, commercial and retail floor space. Rezoning remains a tortuous journey for any prospective investor and remains a brake on the Sydney property market, especially where a rezoning is required. The prospect of continuing strong overseas demand for new residential properties in the Sydney metropolitan area over the next few years has however raised the question of how conversion to such residential uses of existing centrally located industrial lands will be facilitated in the absence of planning reform.

Your Board remains confident the Group's strategies will continue to result in solid asset growth in the 2015/2016 financial year, as the industrial and commercial property market further strengthens. I wish to 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 rewarding and fruitful 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 2015

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 controlled entities 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 2015.

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 (Chairman – non-executive director)
Mr Phil Montrone OAM (Managing Director)
Mr John Bartholomew (non-executive 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 and Mr Bartholomew pass all the criteria to be considered independent directors.

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

In view of the small size and stability of the board, it is not considered necessary to have a nomination committee 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 2015

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 were held each month of the financial year ended 30 June 2015. The names and qualifications of the finance and operations committee members and their attendance at meetings of the committee are included in the directors' 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 2015

During the year ended 30 June 2015, the remuneration committee comprised two non-executive/independent directors, of which one chaired the committee. In view of the small size and stability of the Board, two directors (including the Chair of the Board) are 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

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 occupational 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 balanced disclosures about the company's performance.

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

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

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

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

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

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

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

Corporate Governance Statement for the year ended 30 June 2015

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 2015.

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

	2015	2014
	\$'000	\$'000
The profit of the consolidated group, after providing for income tax amounted to	<u>2,504</u>	<u>1,212</u>

Dividends Paid or Recognised

Dividends paid or declared for payment are as follows:

Special dividend of \$0.02 franked, per share, paid on 22 July 2014, recommended in last year's report		604
Ordinary dividend of \$0.02 franked, per share, paid on 26 November 2014, recommended in last year's report		604
Interim dividend of \$0.02 franked, per share, paid on 31 March 2015	604	
Special dividend of \$0.15 franked, per share, paid on 30 June 2015	4,530	
Ordinary dividend of \$0.02 franked, per share, recommended by the Directors from retained earnings	725	

Dividend Reinvestment Plan (DRP)

The DRP, which was introduced in May 2015, will continue to operate in respect of the final dividend recommended. Please refer to separate announcement regarding the DRP program.

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

Directors' Report

Review of Operations

The overall results of the entity for the 2014/2015 year were positive, with an increase in profit after tax by 102% to \$2.5 million and being able to reward shareholders with fully franked dividends. The directors report a full financial year profit, after tax, of \$2,503,944. The operating profit, after tax, for the year ended 30 June 2014 was \$1,241,680.

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

	Total Revenue		Segment Result	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Property management	185	191	185	191
Property services	52	206	52	206
Property investment – rental	2,201	2,048	1,052	690
Property investment – net revaluations	3,153	2,240	3,153	2,240
Project management	339	-	339	-
Interest received	107	52	107	52
Share of net profits and revaluation gains of associate	153	(348)	154	(348)
	6,190	4,389	5,042	3,031
Less: Unallocated expenses			(1,167)	(1,070)
Operating profit			3,875	1,961
Income tax (expense)/benefit attributable to operating profit			(1,371)	(719)
Operating profit after income tax attributable to members of Desane Group Holdings Limited			2,504	1,242

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

Directors' Report

Operations

For the year ended 30 June 2015, the Group's operations achieved an increase in **Net Profit After Tax ("NPAT") of 102% to \$2.5 million** and a **7.5% increase** in property rental revenue. This increase in rental revenue reflects the quality of the Group's industrial property portfolio, the property management services provided to clients and the strength of Desane's relationships with existing tenants and clients.

The Group also achieved **100% occupancy** for all properties owned and managed, on a solid **WALE of 3.0 years** across the Group, by signing leases with new long term tenants and concluding a number of lease renewals with existing tenants.

The high occupancy rate and WALE validates the strategic decision Desane's management has made in working with clients operating in the medical and health related industry.

Desane continues to be a significant Sydney based **commercial and industrial property landlord** and will continue to increase its property holdings as market opportunities arise. The value of the Group's directly owned properties and other assets has increased by **17% to \$61.0 million**. The Group manages an additional **\$5.2 million** of industrial properties located in the Sydney metropolitan area. The Group 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.

i. 7-9 Orion Road, Lane Cove

The Orion Road complex comprises a multi unit industrial estate totalling approximately **6,000m² of office and high clearance warehouse**. Onsite parking is provided for 106 cars.

The well maintained business park is **100% leased on a WALE of 3.7 years**.

It is situated on the eastern side of Orion Road, within the high tech industrial precinct of Lane Cove West. Lane Cove West is approximately 10km from Sydney's CBD.

The property is performing well and is continuing to contribute to the Group's profit result through its increased income and strong leasing profile. The **return on equity ("ROE")** for this property is **10%**.

ii. 13 Sirius Road, Lane Cove

The Sirius Road property comprises approximately **2,200m² of high tech commercial office/industrial building** over two floors and is located approximately 100 metres from the other two Lane Cove West properties owned by Desane in the high tech industrial precinct. On site parking is provided for 52 cars in an underground basement car park.

The property is **fully leased on a WALE of 4.0 years** to two large Australian companies.

The property is performing well and is continuing to show rental and capital appreciation growth for the Group. The **ROE** for this property is **14%**.

iii. 7 Sirius Road, Lane Cove

This **2,700m² commercial office and industrial warehouse building** is also located within the Lane Cove West high tech industrial precinct. Onsite parking is provided for 38 cars.

The property comprises approximately 460m² of high tech office and 2,240m² of high clearance warehouse and is **fully leased on a WALE of 5.4 years** to a large Australian medical supply company.

This property should show rental and capital appreciation growth for Desane's portfolio in future years. The **ROE** for this property is **9%**.

iv. 68-72 Lilyfield Road, Rozelle

This **6,000m² high tech multimedia centre** includes approximately 2,800m² of high clearance warehouse. It is located in the highly sought after inner Sydney suburb of Rozelle and is **100% leased** on a **WALE of 1.1 years**. Onsite parking is provided for 85 cars over three levels.

Lease negotiations are progressing with the major tenant for a medium term agreement.

Due to the increased demand in Sydney for well designed modern apartment complexes in desirable inner city locations, Desane is also in the process of obtaining approval from the NSW Department of Planning to rezone the property to a mixed use development.

The property is located 750 metres from the Anzac Bridge with easy access to the CBD, Cross City Tunnel, Harbour Bridge and Harbour Tunnel, linking the site to the eastern, northern and southern suburbs.

The **ROE** for this property is **7%**. Desane has a 70% interest in this property.

Developments

Desane will continue to use its property development expertise to review, rezone and redevelop its existing property holdings. In late 2014, Desane completed the sale of the Lane Cove residential development property which resulted in the **distribution of a 15c fully franked special dividend** to shareholders in FY2015.

Desane is currently working on the following development projects:

- The funds and profits from the Easton Rozelle residential project will be realised in FY2016, generating significant returns for the Company; and
- The rezoning of the high tech multimedia centre located in the Sydney suburb of Rozelle, should provide another significant value-add opportunity for Desane's shareholders in the future.

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

Following development approval for an additional 3 apartments in June 2015, the Easton Rozelle development now comprises 32 residential apartments, 3 commercial suites and 45 security parking spaces.

At the date of this report the Group has exchanged pre-sale contracts for 97% of the project, representing a gross realisable value of \$28.6 million. On completion, the development is expected to generate \$31.7 million in sales revenue.

The construction of the project is progressing well and settlements are expected to occur in December 2015.

The site is located 3 kilometres from the Sydney CBD and is close to public transport, Rozelle village high streets, schools and health care centres.

Outlook

Desane expects the Australian commercial and industrial property market to improve significantly over the next three to four years, both in rental returns and capital growth. It is anticipated that there will be a tightening in property yields across the sector as vacancy rates fall and commercial property availability rotates to residential redevelopment.

Desane's existing industrial and commercial property portfolio is under continual review, in order that the Group and its shareholders benefit from the strength in the residential market prevailing in Sydney. Where appropriate, Desane will seek rezoning approval for some of its strategically well placed properties, in order to take advantage of these 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.

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

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

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 (NPAT) increased by 102% to \$2.5 million;
- Earnings before interest and tax (EBIT) increased by 59% to \$4.7 million;
- Capital management strategy implemented;
- Group's total assets increased to \$61.0 million;
- Financing costs reduced by 19%; and
- Return on equity (ROE) across the investment portfolio of 10%.

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 Group's 50% investment in the associated company ceased in July 2015, as the associated company ceased operations after fulfilling all of its taxation and financial obligations in July 2015.

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.

Environmental Issues

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

Occupational Health and Safety Regulations

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

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

Directors' Report

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	Chairman (non-executive director)
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	123,648 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	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	579,939 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

Managing Director (executive)

Experience Board member since incorporation in 1987. Appointed Managing Director of Desane Group Holdings Limited and its controlled entities in 1987. Advisory Board Member of Multicultural NSW. Chairperson of the Nepean Blacktown Regional Advisory Council. Board Member of the Geographical Names Board. 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 12,434,655 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 – Member of the CPA. 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. 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 9.5% (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 consistent payment of dividends to shareholders.

Year Ended	2011 \$'000	2012 \$'000	2013 \$'000	2014 \$'000	2015 \$'000
Dividends paid/recommended	302	302	302	1,208	5,860
Share price at year end	53 cents	40 cents	46 cents	81 cents	76 cents
Revenue	2,991	2,875	3,079	2,497	2,884
Net profit/(loss) after tax	(2)	937	1,296	1,242	2,504

Details of Remuneration for year ended 30 June 2015

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 (non-executive)	55	-	-	55
Phil Montrone	250	24	-	274
John Bartholomew (non-executive)	40	-	-	40
Chief Financial Officer				
Jack Sciara	150	14	-	164
	495	38	-	533

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

Options Issued as Part of Remuneration for the Year Ended 30 June 2015

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

Employment Contracts of Directors and Senior Executives

The Managing Director and all executives are permanent employees of Desane Group Holdings Limited and are entitled to normal statutory leave benefits only.

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

Directors' Report

Meetings of Directors

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

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

Director	Environmental & Occupational Health & Safety Committee Meetings		Remuneration Committee Meetings	
	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held
J B Sheehan	3	3	1	1
P Montrone	3	3	-	1
J Bartholomew	3	3	1	1
J Sciara (CFO)	3	3	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 \$8,396 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 2015.

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 2015.

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

Auditor's Independence Declaration

The lead auditor's Independence Declaration for the year ended 30 June 2015, has been received and can be found on page 16 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 24th day of August, 2015.



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 2015 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

24 August 2015

Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities
Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the year ended 30 June 2015

	Note	Consolidated Group 2015 \$'000	2014 \$'000
Continuing Operations			
Revenue	2	2,777	2,445
Other income	2a, 2b	107	52
Gain/(loss) on revaluation of investment properties		3,153	2,240
Employee benefits expense		(742)	(623)
Depreciation and amortisation expense		(10)	(10)
Finance costs		(777)	(961)
Other expenses from ordinary activities		(787)	(834)
Share of net profits/(losses) and revaluation gains/(losses) of associates	12	154	(348)
Profit before income tax		3,875	1,961
Income tax (expense)/benefit	4	(1,371)	(719)
Profit from continuing operations		2,504	1,242
Other comprehensive income		-	-
Net Profit (after income tax) for the year ended 30 June 2015		2,504	1,242
Profit attributable to minority equity interest		-	-
Profit attributable to members of the parent entity		2,504	1,242
Earnings per Share:			
Overall Operations			
Basic earnings per share (cents per share)	8	6.91	4.11
Diluted earnings per share (cents per share)	8	6.91	4.11
Continuing Operations			
Basic earnings per share (cents per share)		6.91	4.11
Diluted earnings per share (cents per share)		6.91	4.11

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 2015

	Note	Consolidated Group 2015 \$'000	2014 \$'000
Current Assets			
Cash and cash equivalents	9	4,738	2,412
Trade and other receivables	10	2,682	115
Other current assets	11	197	118
Development property held for sale	13	20,688	-
Investments accounted for using the equity method	12	-	8,709
Total Current Assets		28,305	11,354
Non-current Assets			
Investment properties	13	32,660	40,592
Property, plant and equipment	14	49	40
Other assets	11	28	115
Total Non-current Assets		32,737	40,747
Total Assets		61,042	52,101
Current Liabilities			
Trade and other payables	15	2,076	378
Deferred revenue development property	15	2,574	-
Borrowings	16	15,094	4,155
Provisions	17	762	1,248
Total Current Liabilities		20,506	5,781
Non-current Liabilities			
Trade and other payables	18	25	25
Borrowings	16	11,340	19,653
Provisions	19	13	29
Deferred tax liability	23	2,471	1,100
Total Non-current Liabilities		13,849	20,807
Total Liabilities		34,355	26,588
Net Assets		26,687	25,513
Equity			
Issued capital	20	16,627	12,097
Retained earnings	21	10,060	13,416
Total Equity		26,687	25,513

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 2015

Consolidated Group

	Issued Capital \$'000	Retained Earnings \$'000	Total \$'000
Balance as at 1 July 2014	12,097	13,416	25,513
Shares issued during the year	4,530	-	4,530
Profit attributable to members of the parent entity	-	2,504	2,504
	16,627	15,920	32,547
Dividends paid or recognised for the year	-	(5,860)	(5,860)
Balance at 30 June 2015	16,627	10,060	26,687

	Issued Capital \$'000	Retained Earnings \$'000	Total \$'000
Balance as at 1 July 2013	12,097	13,382	25,479
Shares issued during the year	-	-	-
Profit attributable to members of the parent entity	-	1,242	1,242
	12,097	14,624	26,721
Dividends paid or recognised for the year	-	(1,208)	(1,208)
Balance at 30 June 2014	12,097	13,416	25,513

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 2015

	Note	Consolidated Group 2015 Inflows (Outflows) \$'000	2014 Inflows (Outflows) \$'000
Cash flows from operating activities			
Receipts from customers		3,157	2,689
Payments to suppliers and employees		(1,123)	(1,217)
Dividend from associate entity		8,863	1,715
Interest received		107	52
Finance costs		(777)	(961)
Net cash provided by (used in) operating activities	30	10,227	2,278
Cash flows from investing activities			
Purchase of property, plant and equipment		(18)	-
Proceeds from the sale of plant and equipment		-	-
Proceeds from sale of property investments		-	-
Purchase of property and investments		-	-
Capital costs of investment properties		(9,603)	(2,984)
Net cash provided by (used in) investing activities		(9,621)	(2,984)
Cash flows from financing activities			
Proceeds from issue of shares		4,530	-
Dividends paid by parent entity		(5,860)	(302)
(Loans to related parties)/repaid		-	-
Loans from related parties /(repaid)		(4,147)	3,988
Loans from unrelated entities/(repaid)		-	(80)
Proceeds from borrowings		6,794	-
Repayments of borrowings		(22)	(251)
Retention held		425	-
Rental bonds received		-	3
Net cash provided by (used in) financing activities		1,720	3,358
Net increase/(decrease) in cash held		2,326	2,652
Cash at beginning of financial year		2,412	(240)
Cash at end of financial year	9, 16	4,738	2,412

The accompanying notes form part of these financial statements.

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 consolidated financial statements are presented in Australian dollars, which is the functional currency for the parent company and its controlled entities.

The financial statements were authorised for issue on 24 August 2015 by the directors of the Company.

The financial statements are a general purpose financial report, that have been prepared in accordance with the Corporations Act, 2001, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and the International Financial Reporting Standards as issued by the International Accounting Standards Board. 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 financial 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.

Accounting Policies

a. Principals of Consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent entity controlled by Desane Group Holdings Limited and all of the subsidiaries. Desane Group Holdings Limited controls an entity when it is exposed to or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

A list of controlled entities is contained in note 31 to the financial statements. All controlled entities have a 30 June financial year end.

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 controlled entities 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 controlled entity 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 other 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.

Note 1: Summary of Significant Accounting Policies (continued)

b. Income Tax

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

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. Development Property Held for Sale

Land held for development and sale is measured at the lower of their carrying amount and net realisable value less costs to sell. Cost includes the cost of acquisition, development, borrowing costs and holding costs until the completion of development. Gains and losses are recognised in the statement of comprehensive income on the signing of an unconditional contract of sale if significant risks and rewards and effective control over the property is passed to the purchaser at this point.

The carrying value includes revaluations applied to the asset during the period classified as an investment property.

Note 1: Summary of Significant Accounting Policies (continued)

d. Plant and Equipment

Each class of plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment are measured on a cost basis.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Depreciation

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

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

Class of Fixed Asset	Depreciation Rate
Motor vehicles	15%
Plant and equipment	5%-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 profit and loss and other comprehensive income.

e. Investment Properties

Investment properties, comprising freehold office and industrial complexes, are 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 statement of profit and loss as revenue from non operating activities.

Investment properties under construction are measured at the lower of fair value 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 profit and loss and other comprehensive income in the periods in which it is receivable, as this represents the pattern of service rendered through the provision of the properties. All tenant leases are on an arms length basis.

Note 1: Summary of Significant Accounting Policies (continued)

f. 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.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, as recognised as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight line basis over 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. The assessment will include the consideration of external and internal source of information. 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 profit and loss and other comprehensive income.

h. Investments in Associates

Associates are companies in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the entity but is not control or joint control of those policies.

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, 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 is included in the Group's profit or loss. Details of the consolidated group's interest are shown at note 12.

i. Interests in Joint Arrangements

Joint arrangements represent the contractual sharing of control between parties in a business venture where unanimous decisions about relevant activities are required. Joint venture operations represent arrangements whereby joint operators maintain direct interests in each asset and exposure to each liability of the arrangement. The Group's interests in the assets, liabilities, revenue and expenses of joint operations are included in the respective line items of the consolidated financial statements.

Gains and losses resulting from sales to a joint operation are recognised to the extent of the other party's interest. When the Group makes a purchase from a joint operation, it does not recognise its share of the gains and losses from the joint arrangement until it resells the goods and services to a third party.

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.

Note 1: Summary of Significant Accounting Policies (continued)

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.

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 other 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.

Note 1: Summary of Significant Accounting Policies (continued)

r. Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in the presentation in the financial year. When the Group retrospectively applies an accounting policy and makes a retrospective restatement or reclassifies items in its financial statement, an additional (third) statement of financial position as at the beginning of the preceding period in addition to the minimum comparative financial statement is presented.

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 – property valuations*

The directors' valuations and judgements pertaining to investment properties are set out in note 13.

(ii) *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.

u. New Accounting Standards for Application in Future Periods

Accounting Standards and Interpretations issued by the AASB that are not yet mandatorily applicable to the Group, together with an assessment of the potential impact of such pronouncements on the Group when adopted in future periods, are discussed below:

- AASB 9: *Financial Instruments* and associated Amending Standards (applicable for annual reporting periods commencing on or after 1 January 2018).

This Standard will be applicable retrospectively (subject to the provisions on hedge accounting outlined below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

The key changes that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, upfront accounting for expected credit loss, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the entity elect to change its hedge policies in line with the new hedge accounting requirements of the Standard, the application of such accounting would be largely prospective.

The directors anticipate that the adoption of AASB 9 will have no impact on the Group's financial statements.

- AASB 15: *Revenue from Contracts with Customers* (applicable to annual reporting periods commencing on or after 1 January 2017).

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

Note 1: Summary of Significant Accounting Policies (continued)

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

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- identify the contract(s) with a customer;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

This Standard will require retrospective restatement, as well as enhanced disclosures regarding revenue.

The directors anticipate that the adoption of AASB 15 will have no impact 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 2015

Note 2: Revenue and Other Income

	Note	Consolidated Group	
		2015 \$'000	2014 \$'000
Revenue from Continuing Operations			
Property services		52	206
Property project management		339	-
Property rental income		2,201	2,048
Property management fees		185	191
Total Revenue from Continuing Operations		2,777	2,445
Other Income			
a. Dividend revenue from:			
- other corporations		-	-
b. Interest revenue from:			
- associated entities		-	-
- other related parties		-	-
- other persons		107	52
Total Other Income		107	52
Total Revenue		2,884	2,497

Note 3: Profit/(loss) for the Year

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

	Note	Consolidated Group	
		2015 \$'000	2014 \$'000
Expenses			
Auditors' remuneration	6	66	78
Depreciation of plant and equipment		10	10
Finance costs:			
- External		777	851
- Related entities		-	110
Transfer to/(from) provisions for:			
- Employee entitlements		(18)	8
Rental expenses relating to operating leases		63	62
Direct property expenditure from investment property generating rental income		201	202

Note 4: Income Tax Expense

a. The components of tax expense comprise:

	Note	Consolidated Group	
		2015 \$'000	2014 \$'000
Current tax		-	-
Deferred tax	23	1,371	719

Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities
Notes to the Financial Statements for the year ended 30 June 2015

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 2015 \$'000	2014 \$'000
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2014: 30%)			
- consolidated group		1,162	588
Add:			
Tax effect of:			
- recoupment of prior year losses		250	-
- other accruals/provisions		(29)	(13)
- other non-allowable items		-	-
- share of net profit of associated entity netted directly		(46)	104
- other items not included in taxable income		34	40
		1,371	719
Income tax attributable to entity		1,371	719
The applicable weighted average effective tax rates		(35%)	(37%)

The Group has available income tax losses of \$1,154,681 (2014: \$2,272,365) and capital gains losses of \$4,873,817 (2014: \$4,873,817) as at 30 June 2015. The amount of benefits brought to account or which may be realised in the future, is based on the assumption that no adverse change will occur in the income tax legislation, the anticipation that the Group will derive sufficient future assessable income to enable the benefit to be realised and continue to comply with the conditions of deductibility imposed by the law.

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 director)
Mr Phil Montrone OAM	Managing Director
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 2015

Note 5: Key Personnel Compensation (continued)

c. Key Personnel Compensation

2015

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	55	-	-	55
John W. Bartholomew	40	-	-	40
Phil Montrone	250	24	-	274
Jack Sciara	150	14	-	164
	495	38	-	533

2014

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	216	20	-	236
Jack Sciara	129	12	-	141
	432	32	-	464

d. Shareholdings

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

Key Personnel	Balance 30.06.14	Received as Compensation	Options Exercised	Net Change Other*	Balance 30.06.15
John B. Sheehan	103,040	-	-	20,608	123,648
Phil Montrone	11,069,924	-	-	1,364,731	12,434,655
John Bartholomew	500,059	-	-	79,880	579,939
Jack Sciara	50,000	-	-	83,440	133,440
	11,723,023	-	-	1,548,659	13,271,682

* "Net Change Other" refers to shares purchased or sold during the financial year, including shares received by participating in the Dividend Reinvestment Plan.

Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities
Notes to the Financial Statements for the year ended 30 June 2015

Note 6: Auditors' Remuneration

	Consolidated Group	
	2015	2014
	\$'000	\$'000
Remuneration of the auditor for the parent entity:		
Michael Chau & Associates		
- auditing or reviewing the financial report	5	5
- taxation services	-	-
GCC Business Assurance Pty Ltd:		
- auditing or reviewing the financial report	58	70
- taxation services	3	3
	66	78

Note 7: Dividends

	Consolidated Group	
	2015	2014
	\$'000	\$'000
Dividends paid		
a. Special dividend of \$0.02 franked, per share, paid on 22 July 2014, recommended in last year's report		604
Ordinary dividend of \$0.02 franked, per share, paid on 26 November 2014, recommended in last year's report		604
Interim dividend of \$0.02 franked, per share, paid on 31 March 2015	604	
Special dividend of \$0.15 franked, per share, paid on 30 June 2015	4,530	
Ordinary final dividend of \$0.02 franked, per share, recommended by the Directors from retained earnings to be paid 26 November 2015	725	
b. The group has a total \$1,742,613 (2014 - \$735,000) franking credits available before the dividends for 2015 are provided. The recommended ordinary final dividend of \$0.02 franked, per share, will reduce the Group's available franking credits by \$310,623 to a balance of \$1,431,990 as at 26 November 2015.		

Desane Group Holdings Limited **ABN 61 003 184 932 and Controlled Entities**
Notes to the Financial Statements for the year ended 30 June 2015

Note 8: Earnings per Share

	Consolidated Group	
	2015	2014
	\$'000	\$'000
Reconciliation of earnings used in the calculation of earnings per share		
Operating profit after income tax	<u>2,504</u>	1,242
Reconciliation of weighted average numbers of ordinary shares used in the calculation of earnings per share:		
Ordinary shares on issue as at 30 June 2015 applied to calculate earnings per share.		
	Consolidated Group	
	2015	2014
Weighted average number of ordinary shares used in the calculation of basic earnings per share	<u>36,239,331</u>	30,199,465
Basic earnings per share (cents per share)	<u>6.91</u>	4.11
Diluted earnings per share (cents per share)	<u>6.91</u>	4.11

Conversion, call, subscription or issue after 30 June 2015

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 and Cash Equivalents

	Consolidated Group	
	2015	2014
	\$'000	\$'000
Cash at bank and in hand	654	330
Short term bank deposits	<u>4,084</u>	2,082
	<u><u>4,738</u></u>	<u>2,412</u>

The effective interest rate on cash at bank was nil (2014 – nil).

The effective interest rate on short term bank deposits was an average of 2.65% (2014 – 2.95%). These deposits have an average maturity of 30 days.

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	4,738	2,412
Less: Bank overdraft (refer to note 16)	<u>-</u>	<u>-</u>
	<u><u>4,738</u></u>	<u>2,412</u>

Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities
Notes to the Financial Statements for the year ended 30 June 2015

Note 10: Current Assets – Trade and Other Receivables

	Consolidated Group	
	2015	2014
	\$'000	\$'000
Trade receivables	108	115
Other receivables		
- Easton Rozelle development – purchaser deposits held in trust (note 15)	2,574	-
	<u>2,682</u>	<u>115</u>

Note 11: Other Assets

(a) Current Assets

	Consolidated Group	
	2015	2014
	\$'000	\$'000
Prepayments	197	118

(b) Non Current Assets

	Consolidated Group	
	2015	2014
	\$'000	\$'000
Security deposit	1	1
Lease incentives	27	114
	<u>28</u>	<u>115</u>

Note 12: Current Assets – Investments Accounted for Using Equity Method

	Note	Consolidated Group	
		2015	2014
		\$'000	\$'000
Shares in unlisted associated companies – equity accounted	12a	-	8,709
		<u>-</u>	<u>8,709</u>

Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities
Notes to the Financial Statements for the year ended 30 June 2015

Note 12: Current Assets – Investments Accounted for Using the Equity Method (continued)

- a. This represents the carrying value of the investment in the associated company. The associated company's principal asset was an investment property at Lane Cove. The sale of the investment property was completed on 24 January 2014 at the agreed sale price of \$36 million.

Interests are held in the following unlisted associated company:

i.

Name	Principal Activity	Shares	Ownership Interest Consolidated		Carrying Amount of Investment Consolidated	
			2015	2014	2015 \$'000	2014 \$'000
Samvoni Pty Ltd	Former owner of investment property at Lane Cove	Ord	50%	50%	-	8,709

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	
	2015 \$'000	2014 \$'000
Balance at the beginning of the financial year	8,709	10,772
Share of associated companies operating results after income tax	154	(348)
Dividend paid	(8,863)	(1,715)
Balance at the end of the year	-	8,709

- iii. Equity attributable to associates:

	Consolidated Group	
	2015 \$'000	2014 \$'000
Issued capital	-	-
Retained earnings	-	8,709

Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities
Notes to the Financial Statements for the year ended 30 June 2015

Note 12: Current Assets – Investments Accounted for Using the Equity Method (continued)

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

	Consolidated Group	
	2015	2014
	\$'000	\$'000
Current assets	-	12,093
Non current assets	-	-
	<hr/>	<hr/>
Total assets	-	12,093
	<hr/>	<hr/>
Current liabilities	-	3,384
Non current liabilities	-	-
	<hr/>	<hr/>
Total liabilities	-	3,384
	<hr/>	<hr/>
Net equity	-	8,709
	<hr/>	<hr/>
Operating profit/(loss) before income tax and revaluations	248	(509)
Gain from the revaluation of investment property	-	-
	<hr/>	<hr/>
Operating result before income tax profit/(loss)	248	(509)
Income tax (expense)/tax benefit	(94)	161
	<hr/>	<hr/>
Operating profit/(loss) after income tax	154	(348)
	<hr/>	<hr/>

Capital Commitment

There are no capital commitments to be noted.

Events after the reporting period

The Group's 50% investment in the associated company ceased in July 2015 as the associated company ceased operations after fulfilling all its taxation and financial obligations in July 2015. Refer note 32.

Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities
Notes to the Financial Statements for the year ended 30 June 2015

Note 13: Current Assets – Development Property Held for Sale

Development property:

	Note	Consolidated Group	
		2015 \$'000	2014 \$'000
Development property – Easton Rozelle	13b	20,688	-

Note 13: Non-current Assets – Investment Properties

Investment properties:

	Note	Consolidated Group	
		2015 \$'000	2014 \$'000
Investment property – Easton Rozelle	13b	-	10,383
Investment property – Multimedia Centre Lilyfield Road, Rozelle	13a	12,110	10,742
Investment property – 7-9 Orion Road, Lane Cove	13d	11,400	11,144
Investment property – 13 Sirius Road, Lane Cove	13c	4,150	3,698
Investment property – 7 Sirius Road, Lane Cove	13e	5,000	4,625
		32,660	40,592

Valuation of Development & 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, with the exception of the Easton Rozelle development (note 26), any contractual obligations to construct, develop, perform repairs or enhance an investment property.

- a. The directors' valuation, as at 30 June 2015. The Co-ownership Agreement is in place. An independent valuation was undertaken in April 2015 by a certified practicing valuation company. The directors have based the value as per the valuation report.
- b. The directors' valuation, as at 30 June 2015. An independent valuation was undertaken in June 2014 by a certified practicing valuation company. The directors have based the value as per the valuation report. The Easton Rozelle property has been transferred to development property held for sale upon commencement of the development in July 2014.
- c. The directors' valuation, as at 30 June 2015. An independent valuation was undertaken in June 2013 by a certified practicing valuation company. The directors have based the value as per the valuation report.
- d. The directors' valuation, as at 30 June 2015. An independent valuation was undertaken in June 2013 by a certified practicing valuation company. The directors have based the value as per the valuation report.
- e. The directors' valuation as at 30 June 2015. 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.

Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities
Notes to the Financial Statements for the year ended 30 June 2015

Investment Properties

2015

	Acquisition Cost \$'000	Construction Cost \$'000	Interest Capitalised \$'000	Other Capital Costs \$'000	Units Sold/to be Sold \$'000	Revaluation \$'000	Carrying Value 30.06.2015 \$'000
Multimedia Centre Joint Venture, Lilyfield Rd, Rozelle	1,681	5,327	-	423	-	4,679	12,110
7-9 Orion Rd, Lane Cove	8,197	908	-	1,093	-	1,202	11,400
13 Sirius Rd, Lane Cove	2,900	672	-	878	-	(300)	4,150
7 Sirius Rd, Lane Cove	2,950	1,137	-	242	-	671	5,000
	15,728	8,044	-	2,636	-	6,252	32,660

2014

	Acquisition Cost \$'000	Construction Cost \$'000	Interest Capitalised \$'000	Other Capital Costs \$'000	Units Sold/to be Sold \$'000	Revaluation \$'000	Carrying Value 30.06.2014 \$'000
Easton Rozelle	4,049	2,870	1,493	-	-	1,971	10,383
Multimedia Centre Joint Venture, Lilyfield Rd, Rozelle	1,681	5,327	-	283	-	3,451	10,742
7-9 Orion Rd, Lane Cove	8,197	908	-	1,055	-	984	11,144
13 Sirius Rd, Lane Cove	2,900	672	-	871	-	(745)	3,698
7 Sirius Rd, Lane Cove	2,950	1,137	-	179	-	359	4,625
	19,777	10,914	1,493	2,388	-	6,020	40,592

Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities
Notes to the Financial Statements for the year ended 30 June 2015

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

	Consolidated Group	
	2015	2014
	\$'000	\$'000
Office furniture and equipment – at cost	84	65
Less: Accumulated depreciation	(51)	(45)
	33	20
Motor vehicles – at cost	89	88
Less: Accumulated depreciation	(73)	(68)
	16	20
Total non-current assets	49	40

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	-	40	40
Additions	-	19	19
Disposals	-	-	-
Depreciation expense	-	(10)	(10)
Carrying amount at the end of the year	-	49	49

Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities
Notes to the Financial Statements for the year ended 30 June 2015

Note 15: Current Liabilities – Trade and Other Payables

	Consolidated Group	
	2015	2014
	\$'000	\$'000
Unsecured liabilities		
Trade payables	815	266
Sundry payables and accrued expenses	1,261	112
Deferred revenue development property (Easton Rozelle)	2,574	-
	<u>4,650</u>	<u>378</u>

Note 16: Borrowings

(a) Current

	Note	Consolidated Group	
		2015	2014
		\$'000	\$'000
Unsecured:			
Loan from associated entity Burns Bay Road, Lane Cove	a	-	4,146
Secured:			
Bank overdraft	d	-	-
Motor vehicle hire purchase liability	e	-	9
Secured Liabilities – Bank Loans			
Finance for investment property – Lilyfield Road Joint Venture	b	5,250	-
47-51 Lilyfield Road, Rozelle	c	9,844	-
		<u>15,094</u>	<u>4,155</u>

- a. This loan was repaid from the settlement funds received from the sale of the property and applicable interest was charged as per Division 7A of the Income Tax Act.
- 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 (refer to note 30).
- e. Motor vehicle finance secured over motor vehicle. Finance was repaid in full during the financial year ending 30 June 2015.
- f. All covenants imposed on secured loan agreements have been adhered to, at all times within 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 2015

Note 16: Borrowings (continued)

(b) Non Current

	Note	Consolidated Group	
		2015	2014
		\$'000	\$'000
Secured:			
Motor vehicle hire purchase liability	16vi	-	13
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 7-9 Orion Road, Lane Cove	16iii	5,485	5,485
Finance for investment property 13 Sirius Road, Lane Cove	16iv	2,905	2,905
Finance for investment property 7 Sirius Road, Lane Cove	16v	2,950	2,950
		11,340	19,653

- i. First mortgage finance secured over respective joint venture assets (note 13a).
- 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 7-9 Orion Road, Lane Cove property (note 13d). 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 13c). 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 13e). 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. Finance was repaid in full during the financial year ending 30 June 2015.
- vii. All covenants imposed on secured loan agreements have been met.

Maturity Schedule

	Interest Rates	Consolidated Group	
	(average)	2015	2014
		\$'000	\$'000
16 December 2016	4. 5% pa	11,340	11,340
1 June 2016	4. 5% pa	5,250	5,250
30 June 2016	4. 5% pa	9,844	3,050
		26,434	19,640

Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities
Notes to the Financial Statements for the year ended 30 June 2015

Note 17: Current Liabilities – Provisions

	Consolidated Group	
	2015	2014
	\$'000	\$'000
Dividends	725	1,208
Employee entitlements*	37	40
	<u>762</u>	<u>1,248</u>

* Movement represents net increase in provision set aside.

	Consolidated Group	
	2015	2014
	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	
	2015	2014
	\$'000	\$'000
Security deposits	<u>25</u>	<u>25</u>

Note 19: Non Current Liabilities – Provisions

	Consolidated Group	
	2015	2014
	\$'000	\$'000
Employee long service leave entitlement*	<u>13</u>	<u>29</u>

* Movement represents provision set aside.

The provision for employee entitlements represent amounts accrued for annual leave and long service leave.

The current position for the employee entitlement includes the total amount accrued for annual leave entitlement and long service leave that have been vested due to employees having completed the required period of service.

The non-current portion represents long service leave entitlements that have not yet vested in relation to those employees who have not yet completed the required period of service.

Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities
Notes to the Financial Statements for the year ended 30 June 2015

Note 20: Issued Capital

			Consolidated Group	
			2015	2014
			\$'000	\$'000
36,239,331 (2014: 30,199,465) Ordinary Shares fully paid			16,627	12,097
	Consolidated Group		Consolidated Group	
	2015	2014	2015	2014
	Shares	Shares	\$'000	\$'000
Ordinary Shares Fully Paid				
At beginning of the year	30,199,465	30,199,465	12,097	12,097
Shares Issued During the Year				
Dividend reinvestment plan	6,039,866		4,530	
Share purchase plan	-	-	-	-
Bonus issue	-	-	-	-
Ordinary Shares fully paid at reporting period	36,239,331	30,199,465	16,627	12,097

a. Movements in Ordinary Share Capital of the Company

6,039,866 Ordinary Shares were issued during 2015 (2014: nil) from participation in the Dividend Reinvestment Plan.

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 significant changes in the strategy adopted by management to control and manage 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 2015

Note 21: Retained Earnings

	Consolidated Group	
	2015	2014
	\$'000	\$'000
Retained earnings at beginning of financial year	13,416	13,382
Net profit attributable to members of parent entity	2,504	1,242
Dividends provided for or paid	(5,860)	(1,208)
	<hr/>	<hr/>
Retained earnings at end of financial year	10,060	13,416

Note 22: Interest in Joint Arrangements

In September 1996, a controlled entity entered into a co-ownership agreement called the 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 statement of financial position under the following classifications:

	Consolidated Group	
	2014	2014
	\$'000	\$'000
Current Assets		
Cash	10	13
Trade and other receivables	62	84
Non-current Assets		
Investment property	12,110	10,742
	<hr/>	<hr/>
Total Assets	12,182	10,839
Current Liabilities		
Trade and other payables	94	26
Non-current Liabilities		
Deferred tax liability	2,289	1,889
Long-term borrowings	5,250	5,250
	<hr/>	<hr/>
Total Liabilities	7,633	7,165
Equity	<hr/> 4,549	<hr/> 3,674
Output	<hr/> 825	<hr/> 788
Net operating profit before income tax	447	427
Gain/(loss) from the revaluation of investment property	-	-
Income tax applicable to operating profit	(134)	(128)
	<hr/>	<hr/>
Net profit/(loss) after income tax of joint venture	313	299

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 2015

Note 23: Deferred Taxes

	Note	Consolidated Group	
		2015 \$'000	2014 \$'000
Non-current			
Deferred tax liability comprises:			
Tax allowances relating to property and equipment		1,415	1,308
Revaluation of investment properties		2,752	1,806
Deferred tax asset attributable to tax and capital losses		(1,809)	(2,144)
Provisions		(22)	(5)
Other		135	135
		2,471	1,100

Reconciliation

Gross Movement

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

Opening balance		1,100	381
Charge to statement of profit and loss	4	1,371	719
Closing balance		2,471	1,100

Deferred Tax Liability

Tax allowance relating to property and equipment

Opening balance		1,308	1,205
Adjustment to previous year's provision		-	-
Charged to the statement of profit and loss		107	103
Closing balance		1,415	1,308

Revaluation of investment properties

Opening balance		1,806	1,134
Net revaluation during the current period		946	672
Transfers on property sale		-	-
Closing balance		2,752	1,806

Deferred Tax Assets

Tax and capital losses

Opening balance		(2,144)	(2,087)
Tax and capital losses utilised		335	(57)
Tax and capital losses recognised		-	-
Closing balance		(1,809)	(2,144)

Provisions

Opening balance		(5)	(6)
Credited to statement of profit and loss		(17)	1
Closing balance		(22)	(5)

Other

Opening balance		135	135
Charged to statement of profit and loss		-	-
Closing balance		135	135

Note 24: Financial Instruments

a. Financial Risk Management

The group's financial instruments consist mainly of deposits with banks and 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;
- Obtaining funding from a variety of sources; and
- Investing surplus cash with major financial institutions.

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 2015, approximately 100% 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 4.5%.

b. Credit Risk Exposure

The credit risk on financial assets of the consolidated entity which has been recognised in the statement of financial position is generally the carrying amount, net of any provisions for doubtful debts.

The consolidated group does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the economic entity.

c. Net Fair Values

On Balance Sheet:

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

Off Balance Sheet:

The parent entity and certain controlled entities have potential financial liabilities which may arise from certain contingencies disclosed in note 31. No material losses are anticipated in respect of any of these contingencies.

Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities
Notes to the Financial Statements for the year ended 30 June 2015

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.

2015		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	-	-	4,084	-	654	4,738
Receivables	10, 11	-	-	2,574	-	332	2,906
		-	-	6,658	-	986	7,644
Weighted average interest rates							
		-	-	2.65%	-	-	2.65%
Financial Liabilities							
Trade and other creditors	15, 18	-	-	-	-	4,674	4,674
Interest bearing liabilities	16	-	26,434	-	-	-	26,434
		-	26,434	-	-	4,674	31,108
Weighted average interest rate							
		-	4.50%	4.50%	-	-	4.50%
Net financial assets (liabilities)							
		-	(26,434)	6,658	-	(3,688)	(23,464)
2014		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	-	-	2,082	-	330	2,412
Receivables	10, 11	-	-	-	-	348	348
		-	-	2,082	-	678	2,760
Weighted average interest rates							
Financial Liabilities							
Trade and other creditors	15, 18	-	-	-	-	403	403
Interest bearing liabilities	16	-	19,640	4,155	13	-	23,808
		-	19,640	4,155	13	403	24,211
Weighted average interest rate							
		-	4.95%	6.21%	10.9%	-	-
Net financial assets (liabilities)							
		-	(19,640)	(2,073)	(13)	275	(21,451)

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 in note 24(d).

There are no financial liabilities maturing over 5 years.

	Consolidated Group Profit \$'000	Equity \$'000
Year ended 30 June 2015	+/- 528	+/- 528

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

	Consolidated Group Profit \$'000	Equity \$'000
Year ended 30 June 2014	+/- 392	+/- 392

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

Note 25: Related Party Transactions

All transactions are under normal commercial terms and conditions.

The Group's main related parties are as follows:

i. *Key management personnel:*

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

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

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

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

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

iv. *Other related parties*

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

Desane Group Holdings Limited **ABN 61 003 184 932 and Controlled Entities**
Notes to the Financial Statements for the year ended 30 June 2015

Note 25: Related Party Transactions (continued)

Related parties of Desane Group Holdings Limited (parent entity) fall into the following categories:

a. Controlled Entities

Information relating to controlled entities is set out in note 31. Other transactions between related parties consist of:

	Consolidated Group	
	2015	2014
	\$'000	\$'000
Desane Properties Pty Ltd: Dividend paid	8,863	1,715
Desane Contracting Pty Ltd: Dividend paid	-	-

b. Associated Companies

Loan from Samvoni Pty Ltd (associated company)	-	4,146
Administration fee received from Samvoni Pty Ltd	15	15
Interest paid to Tuta Properties Pty Ltd	-	6
Consulting fees received from Tuta Properties Pty Ltd	24	129
Interest paid to Samvoni Pty Ltd	-	103

c. Joint Ventures

Administration fee received from Lilyfield Road Joint Venture	12	12
Interest received from Lilyfield Road Joint Venture	35	24
Consulting fee received from Lilyfield Road Joint Venture	-	50

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 the Group's Property Asset Manager under a commercial remuneration package. During the year, Trafalgar Contracting Pty Ltd, which is a company owned by Mr Phil Montrone's brother, provided building services to the value of \$122,425. These transactions were conducted under normal commercial terms and conditions. Trafalgar Contracting Pty Ltd has sub-let a portion of its rental premises to Desane Group Holdings Ltd at market rental rates. Cupara Pty Ltd, a company in which Phil Montrone has a significant interest, has entered into a contract to purchase an apartment in the Easton Rozelle development, under normal commercial terms and conditions.

The Managing Director and all executives 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	
	2014	2014
	\$'000	\$'000
Associated Companies		
Opening balance	-	159
Interest	-	6
Repayment	-	(165)
	<hr/>	<hr/>
Closing balance	-	-

Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities
Notes to the Financial Statements for the year ended 30 June 2015

Note 25: Related Party Transactions (continued)

	Consolidated Group	
	2015	2014
	\$'000	\$'000
Associated Companies		
Opening balance	4,147	-
Loan from Samvoni	-	4,043
Interest	-	103
Repayment	(4,147)	-
Closing balance	-	4,146
Related Parties		
Opening balance	-	79
Interest charged	-	1
Interest paid	-	(1)
Repayment	-	(79)
Closing balance	-	-

Note 26: Commitments for Expenditure

Capital Expenditure

	Consolidated Group	
	2015	2014
	\$'000	\$'000
Not later than one year*	1,375	7,500
Later than one year but not more than two years	-	1,000
	1,375	8,500

* Value of remaining building construction contract entered into to construct 47-51 Lilyfield Road, Rozelle project on 30 July 2014.

Hire Purchase Commitment

	Consolidated Group	
	2015	2014
	\$'000	\$'000
Payable of minimum hire purchase payments:		
Not later than one year	-	9
Between one year and five years	-	13
Later than five years	-	-
	-	22

Note 27: Superannuation Commitments

In the case of employees of the holding company, the company contributed 9.50% of each member's salary into the fund nominated by each member. Group companies contribute a minimum amount equal to 9.50% 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 9.50% 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 \$99,987 (2014 - \$75,433), parent entity \$93,208 (2014 - \$75,433).

Note 28: Contingent Liabilities

- a. The parent entity has given a letter of support to each of its two 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 2015, in the controlled entities concerned were:

	2015	2014
	\$'000	\$'000
Desane Contracting Pty Limited – net assets	921	(26)
Desane Properties Pty Limited – net assets	8,188	14,625
	<hr/>	<hr/>

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 2015. In addition, the parent entity, together with the other joint venturer, have unconditionally guaranteed, jointly and severally, the secured loan and bank overdraft.

c. 7-9 Orion Road Property

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

d. 7 Sirius Road Property

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

e. 13 Sirius Road Property

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

Note 29: Operating Segments – Consolidated Group

Segment Information

Identification of Reportable Segments

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

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

Types of Operations & Services by Segment

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

i. Property Project Management and Resale

Property project management and resale of commercial, industrial and residential properties, principally in Sydney.

ii. Property Services

Property and related services.

iii. Property Investment

Rental income from prime real estate investments.

Accounting Policies Adopted

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

Segment Assets

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

Segment Liabilities

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

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;
- Retirement benefit obligations; and
- Administration expenses.

Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities
Notes to the Financial Statements for the year ended 30 June 2015

Note 29: Operating Segments – Consolidated Group (continued)

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.

	Property Investment \$'000	Property Project Management and Resale \$'000	Property Services \$'000	Plant and Equipment \$'000	Other \$'000	Consolidated Group \$'000
External sales	2,201	524	52	-	107	2,884
Other segments	-	-	-	-	-	-
Total revenue	<u>2,201</u>	<u>524</u>	<u>52</u>	<u>-</u>	<u>107</u>	<u>2,884</u>
Segment result	<u>4,982</u>	<u>524</u>	<u>52</u>	<u>-</u>	<u>107</u>	<u>5,665</u>
Unallocated expenses						(1,167)
Finance costs						(777)
Share of net profits of associates						<u>154</u>
Profit/(loss) before income tax						3,875
Income tax expense						<u>(1,371)</u>
Profit/(loss) after income tax						<u>2,504</u>

	Property Investment \$'000	Property Project Management and Resale \$'000	Property Services \$'000	Plant and Equipment \$'000	Other \$'000	Consolidated Group \$'000
2015						
Segment Assets						
2014 opening balance	49,302	-	-	-	2,799	52,101
Unallocated Assets						
Deferred tax assets						
Segment Asset Increases/(Decreases) for the Period						
Acquisitions	-	-	-	-	-	-
Proceeds from sale/depreciation	-	-	-	-	-	-
Revaluations/(devaluations)	3,153	-	-	-	-	3,153
Capital expenditures	9,603	-	-	-	-	9,603
Asset held for sale	(8,709)	-	-	-	-	(8,709)
Net movement in other segments	-	-	-	-	4,894	4,894
	<u>53,349</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,693</u>	<u>61,042</u>
Unallocated Assets						
Deferred Tax Assets						
Total Group Assets						<u>61,042</u>
Equity accounted associates included in asset held for sale	<u>(8,709)</u>					

Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities
Notes to the Financial Statements for the year ended 30 June 2015

Note 29: Operating Segments – Consolidated Group (continued)

2015						
Segment Liabilities	Property Investment \$'000	Property Project Management and Resale \$'000	Property Services \$'000	Plant and Equipment \$'000	Other \$'000	Consolidated Group \$'000
2014 opening balance	23,810	-	-	-	1,678	25,488
Unallocated Liabilities						
Deferred tax liabilities						1,100
Segment Liabilities Increases/(Decreases) for the Period						
Repayments	(22)	-	-	-	-	(22)
New borrowings	6,794	-	-	-	-	6,794
Loan from associated company	(4,146)	-	-	-	-	(4,146)
Net movement in other segments	-	-	-	-	3,770	3,770
	26,436	-	-	-	5,448	32,984
Unallocated Liabilities						
Deferred Tax Liabilities						1,371
Total Group Liabilities						34,355
Equity accounted associates included in segment liabilities	(4,146)					
2014						
	Property Investment \$'000	Property Project Management and Resale \$'000	Property Services \$'000	Plant and Equipment \$'000	Other \$'000	Consolidated Group \$'000
External sales	2,048	191	206	-	52	2,497
Other segments	-	-	-	-	-	-
Total revenue	2,048	191	206	-	52	2,497
Segment result	3,891	191	206	-	52	4,340
Unallocated expenses						(1,070)
Finance costs						(961)
Share of net profits of associates						(348)
Profit/(loss) before income tax						1,961
Income tax expense						(719)
Profit/(loss) after income tax						1,242

Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities
Notes to the Financial Statements for the year ended 30 June 2015

Note 29: Operating Segments – Consolidated Group (continued)

2014	Property Investment \$'000	Property Project Management and Resale \$'000	Property Services \$'000	Plant and Equipment \$'000	Other \$'000	Consolidated Group \$'000
Segment Assets						
2013 opening balance	46,141	-	-	-	1,099	47,240
Unallocated Assets						-
Deferred tax assets						-
Segment Asset Increases/(Decreases) for the Period						
Acquisitions	-					-
Proceeds from sale/depreciation	-					-
Revaluations/(devaluations)	2,240					2,240
Capital expenditures	2,984					2,984
Asset held for sale	(2,063)					(2,063)
Net movement in other segments	-				1,700	1,700
	<u>49,302</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,799</u>	<u>52,101</u>
Unallocated Assets						-
Deferred Tax Assets						-
Total Group Assets						<u><u>52,101</u></u>
Equity accounted associates included in asset held for sale	<u>(2,063)</u>					
2014						
Segment Liabilities						
2013 opening balance	20,152	-	-	-	1,227	21,379
Unallocated Liabilities						-
Deferred tax liabilities						381
Segment Liabilities Increases/(Decreases) for the Period						
Repayments	(330)					(330)
New borrowings	-					-
Loan from associated company	3,988					3,988
Net movement in other segments	-				451	451
	<u>23,810</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,678</u>	<u>25,869</u>
Unallocated Liabilities						-
Deferred Tax Liabilities						719
Total Group Liabilities						<u><u>26,588</u></u>
Equity accounted associates included in segment liabilities	<u>3,988</u>					

Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities
Notes to the Financial Statements for the year ended 30 June 2015

Note 30: Cash Flow Information

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

	Consolidated Group	
	2015	2014
	\$'000	\$'000
Profit/(loss) after income tax	2,504	1,242
Non-cash flows in profit/(loss)		
Depreciation and amortisation	10	10
(Gain)/loss on asset revaluation	(3,153)	(2,240)
Share of associated companies net (profit)/loss after income tax and dividends	(154)	348
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	7	593
(Increase)/decrease in other receivables and other assets	8,863	1,163
(Increase)/decrease in prepayments	9	(5)
(Decrease)/increase in trade payments and accruals	549	(282)
(Decrease)/increase in other payables	665	(175)
(Decrease)/increase in provisions	(19)	905
Increase/(decrease) in deferred taxes payable	1,371	719
Transfer to financing activities	(425)	-
Cash flow from operations	<u>10,227</u>	<u>2,278</u>

Credit Standby Arrangements with Banks

	Consolidated Group	
	2015	2014
	\$'000	\$'000
Credit facility	100	100
Amount utilised	-	-

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	
	2015	2014
	\$'000	\$'000
Loan facilities	29,640	19,640
Amount utilised	(26,434)	(19,640)

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 2015

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	
		2015 \$'000	2014 \$'000
STATEMENT OF COMPREHENSIVE INCOME			
Result of Parent Entity			
Profit for the period		7,994	645
Other comprehensive income		-	-
Total comprehensive income for the period		<u>7,994</u>	<u>645</u>
STATEMENT OF FINANCIAL POSITION			
Current Assets			
Cash		582	2
Trade and other receivables		36	-
Other assets		5	10
Non-current Assets			
Trade and other receivables – loans to controlled entities	ii	18,490	12,251
Investment – controlled entities	i	490	490
Property, plant and equipment		49	40
Total Assets		<u>19,652</u>	<u>12,793</u>
Current Liabilities			
Trade and other payables		817	100
Short term provisions		756	1,248
Non-Current Liabilities			
Trade and other payables		-	13
Provisions		11	29
Total Liabilities		<u>1,584</u>	<u>1,390</u>
Net Assets		<u>18,068</u>	<u>11,403</u>
Total Equity			
Issued capital		16,627	12,097
Retained earnings/(accumulated losses)		1,441	(694)
Total Equity		<u>18,068</u>	<u>11,403</u>

Desane Group Holdings Limited ABN 61 003 184 932 and Controlled Entities
Notes to the Financial Statements for the year ended 30 June 2015

Note 31: Parent Entity Disclosures (continued)

i. Controlled Entities

Investments in controlled entities are unquoted and comprise:

Controlled Entities	Class of Shares	Parent Entity			
		2015	2014	2015	2014
		Holding %	Investment \$'000	Holding %	Investment \$'000
Desane Properties Pty Ltd	Ordinary	100	490	100	490
Desane Contracting Pty Ltd	Ordinary	100	-	100	-
			490		490

All controlled entities are incorporated in Australia. Desane Properties Pty Ltd declared a dividend of \$8,862,898 out of retained profits (2014: \$1,715,052). Desane Contracting Pty Ltd did not declare a dividend (2014: \$nil).

Contribution to profit/(loss) after tax:

	2015 \$'000	2014 \$'000
Desane Group Holdings Limited	(1,167)	(1,070)
Desane Properties Pty Limited	2,724	2,315
Desane Contracting Pty Limited	947	(3)
	2,504	1,242

ii. Loans to Controlled Entities

	2015 \$'000	2014 \$'000
Desane Properties Pty Limited	18,490	12,227
Desane Contracting Pty Limited	-	24
	18,490	12,251

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

There are no capital commitments to note.

Contractual Commitments

At 30 June 2015, Desane Group Holdings Limited had not entered into any contractual commitments for the acquisition of property, plant and equipment or any other affairs (2014: Nil).

Note 32: Events after the Reporting Date

The Group's 50% investment in the associated company ceased in July 2015, as the associated company ceased operations after fulfilling all of its taxation and financial obligations in July 2015.

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 (non-executive director)
Phil Montrone – Managing Director
John William Bartholomew – Director (non-executive) 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 2975, Melbourne VIC 3001
Telephone enquiries within Australia: 1300-556-161
Telephone enquiries outside Australia: 61-3-9415-4000
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 18 to 59 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 2015 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 Managing Director 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
24 August 2015

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 2015, 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 2015 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 2015. 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 2015 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
24 August 2015

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

Shareholder Information

The shareholder information set out below was applicable as at 7 August 2015. Shareholder information should be read in conjunction with the 2015 financial report.

1. SHAREHOLDING

- a. Distribution of shareholders:

Category (size of holding)		Ordinary
1 -	1,000	43,213
1,001 -	5,000	346,695
5,001 -	10,000	513,679
10,001 -	100,000	6,159,453
100,001 -	and over	<u>29,176,291</u>
		<u>36,239,331</u>

- b. There were 56 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	10,246,252
JP Morgan Nominees Australia Limited	3,156,960
Montevans Pty Ltd <M & M Super Fund A/C>	1,767,074
Horrie Pty Ltd	1,609,799
Pebadore Pty Ltd <Weller Family S/Fund A/C>	1,003,795

- 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	10,246,252	28.27
2.	JP Morgan Nominees Australia Limited	3,156,960	8.71
3.	Montevans Pty Ltd <M & M Super Fund A/C>	1,767,074	4.88
4.	Horrie Pty Ltd	1,609,799	4.44
5.	Pebadore Pty Ltd <Weller Family S/Fund A/C>	1,003,795	2.77
6.	PFPT Management Pty Ltd <Pellarini Super Fund A/C>	799,020	2.20
7.	TMB Nominees Pty Limited	732,001	2.02
8.	Clapsy Pty Ltd <Baron Super Fund A/C>	700,000	1.93
9.	Mandel Pty Ltd <Mandel Super Fund A/C>	700,000	1.93
10.	Cordato Partners (Superannuation) Pty Ltd <Cordato Partners S/F A/C>	571,630	1.58
11.	Keiser Investments Pty Ltd <Gann Family Retirement A/C>	458,081	1.26
12.	Dr Susan Jane Winspear + Mr Timothy Charles Winspear <James S/F A/C>	400,000	1.10
13.	Mr David Cooper + Ms Adrienne Witteman <Private Super Fund A/C>	355,008	0.98
14.	Oakmount Nominees Pty Ltd <Narromine Super Fund A/C>	300,000	0.83
15.	Dotnric Pty Ltd <Famiglia di Riccardo S/F A/C>	285,042	0.79
16.	Mrs Rosemary Marion Marfatia	282,617	0.78
17.	John & Judith Pty Ltd <Joju Super Fund A/C>	277,920	0.77
18.	Joe Scardino + Felicia Scardino	272,738	0.75
19.	Whimplecreek Pty Ltd <Stawell Family A/C>	271,814	0.75
20.	Mr Ashim Marfatia + Mrs Rosemary Marfatia <Marfatia Superfund A/C>	258,000	0.71
		24,447,751	67.46

3. SUBSTANTIAL SHAREHOLDERS

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

	Ordinary Number	%
Cupara Pty Ltd	10,246,252	28.27
JP Morgan Nominees Australia Limited	3,156,960	8.71