

## Corporate Governance Statement

Desane Group Holdings Limited (“the Company”) and the Board are committed to achieving and demonstrating high standards of corporate governance. The Company’s corporate governance framework was completed in July 2003 in light of the best practice recommendations released by the Australian Stock Exchange Corporate Governance Council (“Council”) in March 2003 and is reviewed on an annual basis by the Company.

The Company’s current framework is largely consistent with the ASX’s recommendations, exceeding them in some areas and, due to the size of the organisation, finding it not practical to meet some other requirements. The Company and its controlled entities together are referred to as the Group in this statement.

The relationship between the Board and senior management is critical to the Group’s long term success. The Directors are responsible to the shareholders for the performance of the Company in both the short and the longer term and seek to balance sometimes competing objectives in the best interests of the Group as a whole. Their focus is to enhance the interests of shareholders and other key stakeholders and to ensure the Group is properly managed and resourced to achieve its strategic objectives.

Day to day management of the Group’s affairs and the implementation of the corporate strategy and policy initiatives are formally delegated by the Board to the Managing Director and the Company Secretary. These delegations are reviewed on a regular basis.

The headings are those mandated by the ASX. All these practices, unless otherwise stated, were in place for the entire year. Any departures from the requirements are noted in italics.

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### LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

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The business of Desane Group Holdings Limited is controlled by the Directors who may exercise all of the powers that the Company’s Constitution, the Corporations Act 2001, the Australian Stock Exchange (ASX) or the ASX Listing Rules do not require to be exercised by the Company in General Meeting.

#### **Board Charter:**

- Review and approve corporate strategies, business plans and budgets;
- Ensure that risk management and compliance systems are effective;
- Setting the Company’s overall remuneration framework and assessing the performance of and compensation for senior management;
- Enhancing and protecting the reputation of the Company;
- Reporting to shareholders.

The Board delegates the executive management of the Company to the Managing Director with regular reporting to the Board and operating within approved budgets. Some matters are delegated jointly to the Chairman and the Managing Director to act on between board meetings.

The Company Secretary reports directly to the Board. Between meetings the Company Secretary is required to keep the Chairman fully informed. The application of the company seal requires the signature of the Company Secretary and a Director or two directors together. The Board reviews and ratifies the use of the company seal at its next meeting.

The Constitution provides for a minimum of three and a maximum of seven directors.

At the Annual General Meeting, one third (by number) of the directors, other than the Managing Director, must retire by rotation. Retiring directors may offer themselves for re-election to the Board at the Annual General Meeting. The Constitution provides that nominations can also be made by a shareholder by lodging a nomination, signed by the nominee, with the Company Secretary not less than 14 and not more than 30 business days before the Annual General Meeting.

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## STRUCTURE THE BOARD TO ADD VALUE

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Details of the Directors' backgrounds and experience are set out in the Directors' Report. The Board believes that all Non-executive Directors are independent and provide an adequate range of skills in relation to the size, geographic concentration and the business of the Company.

To assist in the execution of its responsibilities, the Board has a Risk Management/Audit Committee and a Remuneration Committee. ***In view of the small size and stability of the Board, it is not considered necessary to have a Nomination Committee. Should a Nomination Committee be required, all Non-executive Directors would form this committee.***

Directors have the right to obtain independent advice, at the Company's expense, on any matters that they consider important. Before exercising this right, they are required to discuss the issue with the Chairman and seek his consent which will not be unreasonably withheld.

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## PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING

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The Company requires high ethical standards and integrity in all its dealings. In particular Directors and management are expected to actively and fully comply with all laws and regulations. Fair dealing with the Company's suppliers, advisors, customers, employees and competitors is expected at all levels of the Group.

Comprehensive systems are in place to ensure the protection and proper use of the Company's assets. Policies are in place covering the acquisition and use of assets and the incurring of expenses as well as reporting of unethical or unfair trading.

Policies and procedures are also in place to ensure that confidentiality of information is maintained and that both actual and potential conflicts of interest are identified and managed.

Directors and management are well aware of their obligation to comply with the law in regard to trading in the Company's shares so as not to take advantage of property, information or position, or opportunities from these, for personal gain or to compete with the Company.

### **Share Trading Policy:**

Directors and senior management are prohibited from dealing in the Company's shares –

- 45 days prior to the release of the Company's half-year and annual results to the ASX (except where a prospectus has been issued);
- At any time whilst in possession of price sensitive information;
- All trades must be advised to the Chairman before dealing and confirmed afterwards (except for dividend reinvestment plans and new issues).

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## SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

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The Company ensures the truthful and factual presentation of its financial position through systems of authorisation, reporting and review.

External auditors are appointed by shareholders and the Board takes steps to ensure that there are no actual or potential conflicts of interest in any additional work they are requested to do. In general, such additional work is confined to advice on taxation matters and in providing accounting advice in the normal course of business.

The Board has established an Audit Committee which, in view of the small size of the Board, comprises all the independent, non-executive directors. The Chair of the Committee is required to be a different person to the Chair of the Company. The members of the Audit Committee are appropriately experienced and qualified. Details of the members of the Audit Committee and meetings held during the year are disclosed in the Directors' Report.

The Managing Director and chief financial officer provide a letter of representation in regard to both the half-year and annual accounts. In addition, both executives provide a statement advising compliance with ASX Principles 4 and 7, dealing with the integrity of the accounts and risk management. The representation includes a statement that the information from which the accounts are prepared is accurate, complete and truthful as well as being in accordance with all appropriate standards and regulations. They also acknowledge their role in the prevention and detection of fraud and error.

### **Audit Committee Charter:**

The responsibilities of the Audit Committee include –

- Reviewing the financial reports;
- Monitoring compliance with internal management and financial control systems;
- Reviewing the scope of activities, performance and remuneration of the external auditors;
- Ensuring that any deficiencies identified are subject to prompt remedial action by management;
- Monitoring compliance with the Corporations Act, ASX and related reporting requirements;
- Identifying and monitoring the risks inherent in the Company's business activities.

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## **MAKE TIMELY AND BALANCED DISCLOSURE**

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The Company promotes timely and balanced disclosure of all material matters to ensure a fully informed market. The Company's systems ensure that all such matters are brought to the Board's attention promptly. Where there is legal restraint or where immediate disclosure would compromise the Company's interests, the Directors may limit the extent of the disclosure. Where appropriate, the Directors seek external advice to ensure that announcements do not omit any material information.

All information released to the ASX is posted on the Company's website shortly thereafter. Any information provided to analysts during briefings or presentations to shareholders or the Annual General Meeting is also released to the ASX and displayed on the website.

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## **RESPECT THE RIGHTS OF SHAREHOLDERS**

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The Board ensures that shareholders are fully informed of major developments affecting the Company's affairs and encourages full participation by shareholders at General Meetings and in the election of directors.

All announcements to the ASX are posted on the Company's own website ([www.desane.com.au](http://www.desane.com.au)) which also contains up to date information on all projects, annual reports, news and other corporate information.

The External Auditor attends the Annual General Meeting and shareholders are invited to address questions to the Audit Partner.

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## **RECOGNISE AND MANAGE RISK**

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The Board identifies and establishes processes to manage the significant operating, financial and regulatory risks through the formal adoption of a medium term Strategic Plan (3 to 5 years), annual business plans and budgets. The principal risk of the Company is project development risk for the development division with is assessed on a comprehensive basis before commencement and regularly thereafter. Deviations from the planned outcomes together with forecasts of profitability and cash flows are reviewed monthly at Board meetings. Design and construction risk is managed by ensuring that adequately trained professional persons are engaged throughout the delivery process which is monitored regularly.

Given the small size of the Group and the inability to fully separate accounting roles between employees, the Board has adopted a policy to periodically conduct an internal review of its accounting systems and processes. This review coupled with the comprehensive nature of the monthly reporting systems assists in the risk minimisation process.

The Company has a Risk Management Sub-Committee within the Audit Committee. The Risk Management Committee, in conjunction with management, has formulated a formal Risk Management Policy. The Risk Management Policy formalises the current culture and processes of the Company which is focused on the identification and management of risk through regular board reporting and exception reporting in between.

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## ENCOURAGE ENHANCED PERFORMANCE

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Directors and management are encouraged to participate in continuing education activities to enhance their skills and knowledge.

Directors are invited to join the Board on the basis of their experience and skills in relation to the Company's activities. The Board is fully apprised on an ongoing basis with the operations of the Company and all members are fully conversant with both the business of the Company and the environment in which it operates.

Measures of performance are regularly reviewed, including that of individual officers. The Board does not have specific requirements in relation to age limits, tenure or criteria for independence for the directors. However, each of these factors are considered during the Board's review of its performance annually. Statements in relation to independence of each of the directors are included with the Directors' Report.

No external review of the Board's performance was conducted during the year, however the Board reviewed its operations and effectiveness, including the contribution made by all members, appropriateness of agendas and times spent at meetings. The contributions of all Directors is considered to be of a high level and adequate to discharge their duties in full.

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## REMUNERATE FAIRLY AND RESPONSIBLY

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### **Remuneration Committee Charter:**

The functions and responsibilities include -

- Reviewing the performance of the CEO and senior executives;
- Reviewing and recommending to the Board the remuneration packages of the CEO and senior executives;
- Recommending the Company's remuneration policy;
- Reviewing and recommending the non-executive Directors' fees.

The Board has established a Remuneration Committee which, in view of the small size of the Board, consists of all Non-executive Directors. Executive remuneration and other terms of employment are reviewed annually having regard to performance goals set at the start of the year, relevant comparative information and independent advice.

Senior staff are remunerated on the basis of packages which comprise a base salary, superannuation and fringe benefits. At present, there are no bonuses or incentive schemes in place. Salary sacrifice provisions apply within the limits allowed by taxation law. Overall packages are set at levels that are intended to retain and attract executives who are capable of managing the consolidated entity's operations. Details are fully disclosed in the Remuneration Report contained in the Directors' Report.

The Company does not operate its own superannuation fund and contributions are made to complying funds on the instructions of Directors and employees and in compliance with the relevant legislation.

Fees for Non-executive Directors are determined each year by the Board. Details are disclosed in full in the remuneration report contained in the Directors' Report.

The Board has the power to approve loans to executives at commercial rates if the need arises. Any such loans would be fully disclosed in the Remuneration Report contained in the Director's Report and the financial statements of the Company. There are no loans outstanding at the present time nor were there any loans outstanding during the financial year just concluded.

Details of the members of the Remuneration Committee and of meetings are included in the Directors' Report.

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## **RECOGNISE THE LEGITIMATE INTERESTS OF STAKEHOLDERS**

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The Company recognises its legal and other obligations to non-shareholder stakeholders including employees, customers and the community as a whole. Recognition is given to the impact of natural, social, human and other forms of capital on the performance of the Company.

*There is no formal policy in place which provides the separate measurement and promotion of these issues, except as required by law or as set out above.*