

22 February 2011

A.B.N. 61 003 184 932

The Manager Companies  
Australian Stock Exchange (Sydney) Limited  
20 Bridge Street  
SYDNEY NSW 2000

**DESANE GROUP HOLDINGS LIMITED**  
**Half Yearly Report**  
**For the six months ended 31 December 2011**

Dear Sir/Madam,

**OPERATING PROFIT**

Desane Group Holdings Limited (“**Desane**” or the “**Company**”) wishes to report an **after tax operating profit of \$233,397** for the six months ending 31 December 2011.

**The key drivers of the result were:**

- **100% occupancy** of all properties owned and or managed by the Group;
- **3.5% increase** in revenue;
- **9% reduction** in borrowings;
- **11.6% reduction** in cost of borrowings;
- Asset values maintained during the reporting period; and
- Diligent Group cost management.

**NET TANGIBLE ASSETS**

The net tangible asset backing per security for the half year to 31 December 2011 is **80 cents per security**. The Group’s total assets now stand at **\$44.2 million**.

**DIVIDEND**

In keeping with past practice, the Directors have not declared an interim dividend. However, the Board expects that a final dividend for the year ending 30 June 2012 will be at least equal, if not greater, than the final dividend paid to shareholders for the 2011 financial year.

**APPENDIX 4D**

The Interim Financial Report for the year ended 31 December 2011 is attached. This report is provided to the Australian Stock Exchange Limited (ASX) under ASX Listing Rule 4.3A.

The financial data prepared by the Company upon which the attached report is based are drawn up in accordance with applicable Accounting Standards AASB134 Interim Financial Reporting and the Corporations Regulations 2001.

## PROPERTY PORTFOLIO

All of the properties owned and managed by Desane, are **100% leased** to national and international tenants.

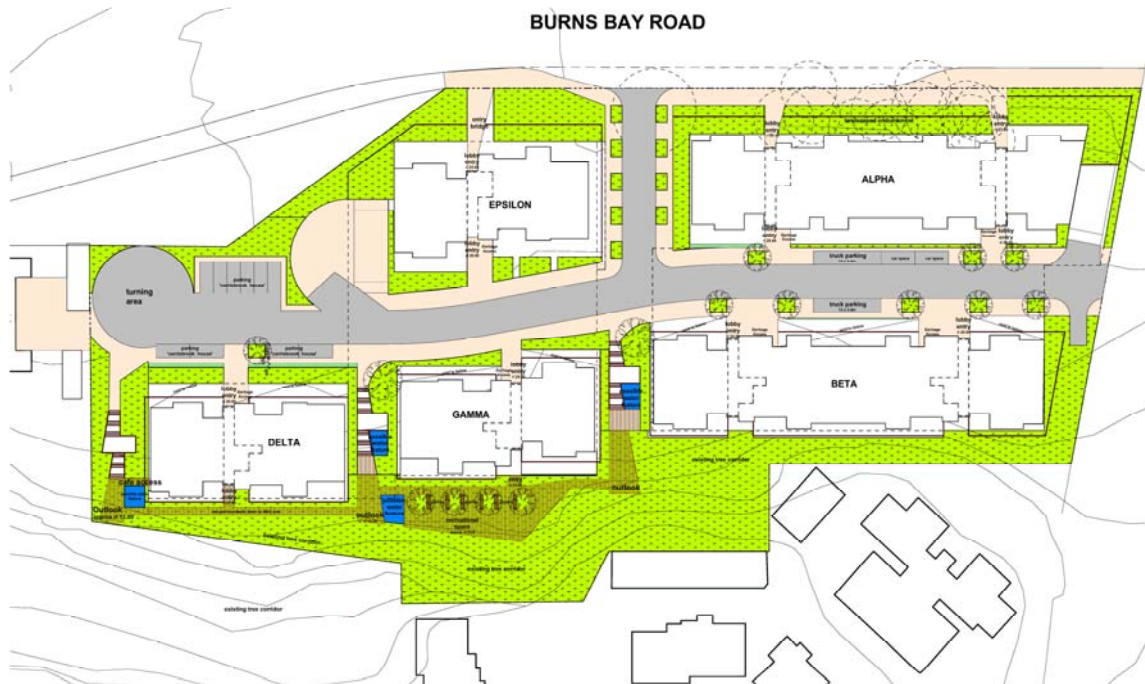
### i. LANE COVE (Burns Bay Road)

To undertake the task of obtaining Development Approval for this **12,700m<sup>2</sup> residential waterfront development property**, Desane and its co-owners have engaged the services of well-known Sydney-based architectural firm Mosca Pserras Architects. The firm is well known for designing quality high rise residential developments throughout the Sydney metropolitan area. Coupled with Desane's proven management



expertise in obtaining development consents, Desane's directors are confident that a development approval for **up to 25,000m<sup>2</sup> of high-rise residential floorspace** can be achieved. A development submission is expected to be lodged with the local planning authority by late February/early March 2012. Desane has a **50% interest** in this property.

#### *Proposed high-rise residential development architectural block plan layout*



## ii. LANE COVE (Orion Road)

This **8,000m<sup>2</sup> industrial complex** is 100% leased to five large Australian and international corporations. This well located industrial complex is performing well and will continue to show significant rental and capital increases for the Company in the future.



## iii. LANE COVE (13 Sirius Road)

This **2,400m<sup>2</sup> high-tech property** is leased to two major Australian corporations. The building is a two-level commercial property with 50 basement security parking spaces. This property will continue to show significant rental and capital increases for the Company in future years.



## iv. LANE COVE (7 Sirius Road)

This **2,700m<sup>2</sup> industrial and commercial property** is located in the Lane Cove West industrial precinct. The property is located within 100 metres of the two other industrial properties owned by Desane. The property comprises of 460m<sup>2</sup> of office and 2,240m<sup>2</sup> high clearance warehouse, with 38 parking spaces. The property is leased to a major Australian company on a long term basis. Desane expects rental and capital growth in future years from the ownership of this property.



## v. ROZELLE (Lilyfield Road Multimedia Centre)

The **8,000m<sup>2</sup> Multimedia Centre**, is fully leased to two blue chip national tenants. This asset is performing well, being in a prime Sydney location. Due to the increased demand for this type of property in close proximity of the Sydney CBD, Desane is in the process of undertaking a due diligence, with a view to creating additional floor space. Desane has a **70% joint venture interest** in this property. The property is in close proximity to the Anzac Bridge and the Sydney Cross City Tunnel, linking the eastern suburbs to the inner western Sydney suburbs. This property is also located across the road from Desane's proposed Rozelle Bay Commercial Centre.



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

Desane has obtained planning approval from the relevant local government authority to construct a **four storey 4,200m<sup>2</sup> commercial building**, with 62 basement security car parking spaces. Desane has commenced negotiations with a major national company who has expressed an interest in pre-committing to lease the building. The existing building is leased on a short-term basis. The property is located across the road from Desane's 70% owned Multimedia Centre, 3 kilometres from the Sydney CBD, being at the western exit of the Anzac Bridge and 100 metres from Victoria Road's major bus routes to the Sydney Central Business District.

**PROPERTY MANAGEMENT**

Desane continues to be a significant Sydney based **commercial and industrial landlord** and will continue to increase its property holdings as the opportunities arise. The Company currently has **\$44.2 million** of properties and other assets and it manages an additional **\$20.5 million** of industrial properties in the Sydney metropolitan area.

The Company has retained the property management rights in the properties it owns in joint venture with other corporations. The property management division is continuing to perform well.

**FUTURE PROSPECTS**

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

Desane's existing property portfolio is strategically well placed to take advantage of the changing market conditions. Desane will continue to closely monitor the Australian property market in order to take advantage of future investment opportunities. It is intended that the Group will not only deal directly in properties but will also continue to be involved in joint venture projects with local and overseas corporations and institutions and may acquire equity in established enterprises which are considered to be of sound potential.

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

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

Yours faithfully,  
**DESANE GROUP HOLDINGS LIMITED**



**JOHN BARTHOLOMEW**  
Company Secretary

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***ABOUT DESANE:***

*Desane Group Holdings Limited is a significant Sydney based landlord. The areas we specialise in are property investment, property services and property management. Desane owns \$44.2 million of properties and other assets and manages a further \$20.5 million of industrial and commercial properties in the Sydney region.*

# Appendix 4D

## Half yearly report

### Results for Announcement to the Market

Name of entity

DESANE GROUP HOLDINGS LIMITED

ABN or equivalent company reference	Half yearly (tick)	Preliminary final (tick)	Half year/financial year ended ('current period')
61 003 184 932	<input checked="" type="checkbox"/>	<input type="checkbox"/>	31 DECEMBER 2011

			\$A'000	
Revenues from ordinary activities	up/down	3.5%	to 1,509	
Profit (loss) from ordinary activities after tax attributable to members	up/down	55.6%	to 233	
Profit (loss) from extraordinary items after tax attributable to members	gain (loss) of	-	-	
Net profit (loss) for the period attributable to members	up/down	55.6%	to 233	
<b>Dividends (distributions)</b>	Amount per security	Franked amount per security		
Interim dividend	NIL	NIL		
Previous corresponding period ( <i>half yearly report</i> )	NIL	NIL		
<sup>+</sup> Record date for determining entitlements to the dividend, (in the case of a trust, distribution) <table border="1" style="margin-left: auto; margin-right: auto;"> <tr> <td>NOT APPLICABLE</td> </tr> </table>				NOT APPLICABLE
NOT APPLICABLE				
For a brief explanation of any of the figures reported above please refer to the attached Directors' Report.				

**This information should be read in conjunction with the 30 June 2011 annual financial report.**

<b>Earnings per security (EPS)</b>	Current period	Previous corresponding period
Basic EPS	0.77 cents	1.74 cents
Diluted EPS	0.77 cents	1.74 cents

<b>NTA backing</b>	Current period	Previous corresponding period
Net tangible asset backing per <sup>+</sup> ordinary security	80 cents	82 cents

**Control gained over entities having material effect**

Name of entity (or group of entities)

NOT APPLICABLE

Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) since the date in the current period on which control was <sup>+</sup>acquired

\$-

Date from which such profit has been calculated

Profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) for the whole of the previous corresponding period

\$-

**Loss of control of entities having material effect**

Name of entity (or group of entities)

NOT APPLICABLE

Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) for the current period to the date of loss of control

\$-

Date to which the profit (loss) has been calculated

Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) while controlled during the whole of the previous corresponding period

\$-

Contribution to consolidated profit (loss) from ordinary activities and extraordinary items from sale of interest leading to loss of control

\$-

**Dividends (in the case of a trust, distributions)**

Date the dividend (distribution) is payable

NOT APPLICABLE

<sup>+</sup>Record date to determine entitlements to the dividend (distribution) (ie, on the basis of proper instruments of transfer received by 5.00 pm if <sup>+</sup>securities are not <sup>+</sup>CHESS approved, or security holding balances established by 5.00 pm or such later time permitted by SCH Business Rules if <sup>+</sup>securities are <sup>+</sup>CHESS approved)

NOT APPLICABLE

If it is a final dividend, has it been declared?  
(Preliminary final report only)

NOT APPLICABLE

**Amount per security**

		Amount per security	Franked amount per security at 30% tax (see note 4)	Amount per security of foreign source dividend
	<i>(Half yearly and preliminary final reports)</i>			
	<b>Interim dividend:</b> Current year	-¢	- ¢	-¢
	Previous year	-¢	-¢	-¢

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

<b>Group's share of associates' and joint venture entities':</b>	Current period \$A'000	Previous corresponding period - \$A'000
(a) Profit (loss) from ordinary activities before tax	190	188
Income tax on ordinary activities	15	(2)
(b) <b>Profit (loss) from ordinary activities after tax</b>	205	186
Extraordinary items net of tax	-	-
(c) <b>Net profit (loss)</b>	205	186
Adjustments	-	-
(d) <b>Share of net profit (loss) of associates and joint venture entities</b>	205	186

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



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

<i>Name of entity</i>	Percentage of ownership interest held at end of period or date of disposal		Contribution to net profit (loss)	
	Current period	Previous corresponding period	Current period \$A'000	Previous corresponding period - \$A'000
<b>Equity accounted associates and joint venture entities</b>				
Samvoni Pty Ltd/Tuta Properties Pty Ltd	50%	50%	(35)	(12)
Lilyfield Rd JV	70%	70%	240	198
<b>Total</b>			205	186
Other material interests			-	-
<b>Total</b>			205	186

**This is Annexure A of 21 pages referred to in form 388, Copy of financial statements and reports.**

**John Bartholomew Date: 22 February 2012**



ABN 61 003 184 932

**INTERIM FINANCIAL STATEMENTS**

**31 DECEMBER 2011**

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**DESANE GROUP HOLDINGS LIMITED ABN 61 003 184 932 and Controlled Entities**  
**Directors' Report**  
**For the six months ended 31 December 2011**

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The Directors present their report on the company and its controlled entities for the half year ended 31 December 2011.

**Directors**

The names of directors in office at any time during or since the end of the half year are:

Phil Montrone  
John Blair Sheehan  
John William Bartholomew

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

**Company Secretary**

The following person held the position of company secretary for all of the reporting period:

Mr John W Bartholomew

**Principal Activities**

The principal activities of the economic entity during the financial year to 31 December 2011 were:

- Property investment
- Property project management and resale
- Property services

There were no significant changes in the nature of the economic entity's principal activities during the period.

**Operating Results**

	<b>31 Dec 2011</b>	31 Dec 2010
	\$	\$
The consolidated profit of the economic entity, after providing for income tax amounted to	<u>233,397</u>	<u>526,022</u>

**Dividends Paid or Recommended**

Dividends paid or declared for payment are as follows:

Ordinary dividend of \$0.02 per share, unfranked, paid on 26 November 2010, recommended in the 2010 report		\$ 570,440
Ordinary dividend of \$0.01 per share, unfranked, paid on 25 November 2011, recommended in last year's 2011 report	<b>\$ 301,994</b>	

**DESANE GROUP HOLDINGS LIMITED ABN 61 003 184 932 and Controlled Entities**  
**Directors' Report (Continued)**  
**For the six months ended 31 December 2011**

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**Review of Operations**

The directors report a half year profit of \$233,397. The operating profit for the half year ended 31 December 2010 was \$526,022.

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

	Revenue		Segment Result	
	31 Dec 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010
	\$	\$	\$	\$
Property investment – rental	<b>1,179,218</b>	1,070,943	<b>480,030</b>	151,526
Property services	-	59,455	-	59,455
Property management	<b>66,109</b>	63,347	<b>66,109</b>	63,347
Property investment – net revaluations	-	672,845	-	672,845
Project management	<b>250,000</b>	250,000	<b>250,000</b>	250,000
Other	<b>13,500</b>	13,500	<b>13,500</b>	13,500
	<b><u>1,508,827</u></b>	<u>2,130,090</u>	<b><u>809,639</u></b>	<u>1,210,673</u>
Share of net profits/(loss) of associates			<b>(34,608)</b>	(12,359)
Unallocated expenses			<b><u>(423,952)</u></b>	<u>(440,898)</u>
Operating profit			<b>351,079</b>	757,416
Income tax attributable to operating Profit			<b><u>(117,682)</u></b>	<u>(231,394)</u>
Operating profit after income tax attributable to members of Desane Group Holdings Limited			<b><u>233,397</u></b>	<u>526,022</u>

**a. Property Investment**

All of the properties owned and managed by Desane, are **100% leased** to national and international tenants.

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

To undertake the task of obtaining Development Approval for this **12,700m<sup>2</sup> residential waterfront development property**, Desane and its co-owners have engaged the services of well-known Sydney-based architectural firm Mosca Pserras Architects. The firm is well known for designing quality high rise residential developments throughout the Sydney metropolitan area. Coupled with Desane's proven management expertise in obtaining development consents, Desane's directors are confident that a development approval for **up to 25,000m<sup>2</sup> of high-rise residential floorspace** can be achieved. A development submission is expected to be lodged with the local planning authority by late February/early March 2012. Desane has a **50% interest** in this property.

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**b. Property Management**

Desane continues to be a significant Sydney based **commercial and industrial landlord** and will continue to increase its property holdings as the opportunities arise. The Company currently has **\$44.2 million** of properties and other assets and it manages an additional **\$20.5 million** of industrial properties in the Sydney metropolitan area.

The Company has retained the property management rights in the properties it owns in joint venture with other corporations. The property management division is continuing to perform well.

**DESANE GROUP HOLDINGS LIMITED ABN 61 003 184 932 and Controlled Entities**  
**Directors' Report (Continued)**  
**For the six months ended 31 December 2011**

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The following companies are the medium to long term tenants of the properties owned and/or managed by the Group: *Staging Connections; Nusep; Arrow Scientific; Phebra Medical; ServicePoint Australia; The Wool Exchange; Sagem Australasia; Chamberlain Australia; Optimed; Pentel Australia; JAV IT Group; Sydney Coach Charter; Luxury Beverages; Halley & Mellows; and TMS Digital.*

**c. Future Prospects**

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

Desane's existing property portfolio is strategically well placed to take advantage of the changing market conditions. Desane will continue to closely monitor the Australian property market in order to take advantage of future investment opportunities. It is intended that the Group will not only deal directly in properties but will also continue to be involved in joint venture projects with local and overseas corporations and institutions and may acquire equity in established enterprises which are considered to be of sound potential.

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

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

**Financial Position**

For the six month period ended 31 December 2011, the economic entity reported a net operating profit after tax of \$233,397.

Since incorporation, the group has continued to invest in quality properties to secure its long term success.

The directors believe the group is in a strong and stable financial position to expand and grow its current operations.

**Significant Changes in State of Affairs**

In the opinion of the directors, there are no significant changes in the state of affairs of the consolidated entity that occurred during the financial period under review not otherwise disclosed in this report or the consolidated accounts.

**After Balance Date Events**

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

**Future Developments, Prospects and Business Strategies**

The company's medium-term objective is to grow its commercial and industrial property assets, having quality national and international long-term tenants. Where appropriate, Desane will enter into joint ventures with other property investors. Desane's property investment activities will be supported by the company's expanding cash flow from the property rental and the property service operations.

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

**DESANE GROUP HOLDINGS LIMITED ABN 61 003 184 932 and Controlled Entities**  
**Directors' Report (Continued)**  
**For the six months ended 31 December 2011**

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**Environmental Issues**

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

**Occupational Health and Safety Regulations**

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

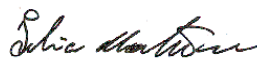
**Auditor's Declaration**

The lead auditor's declaration under Section 307C of the Corporations Act 2001 is set out on page 6 for the half year ended 31 December 2011.

Signed in accordance with a resolution of the Board of Directors, at Sydney, this 22nd day of February, 2012.



**J B Sheehan**  
**Director**



**P Montrone**  
**Director**

**AUDITOR'S INDEPENDENCE DECLARATION  
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001  
TO THE DIRECTORS OF DESANE GROUP HOLDINGS LIMITED AND CONTROLLED ENTITIES**

I declare that, to the best of my knowledge and belief, during the half year ended 31 December 2011, there have been:

- (i) No contraventions of the auditor's independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- (ii) No contraventions of any applicable code of professional conduct in relation to the review.

*GCC Business & Assurance Pty Ltd.*

**GCC BUSINESS & ASSURANCE PTY LTD**  
*(Authorised Audit Company)*



**CHANG CHOW**  
Director

Signed in Sydney, 22 February 2012



**DESANE GROUP HOLDINGS LIMITED ABN 61 003 184 932 and Controlled Entities**  
**Consolidated Statement of Comprehensive Income**  
**for the Half Year Ended 31 December 2011**

	Notes	Consolidated Group	
		31 Dec 2011 \$	31 Dec 2010 \$
Revenue		1,508,827	1,457,245
Interest income		-	-
Employee benefits expense		(236,021)	(228,545)
Depreciation and amortisation expense		(2,692)	(2,280)
Gain/(loss) on revaluation of investment properties		-	672,845
Finance costs		(623,005)	(704,933)
Other expenses from ordinary activities		(261,422)	(424,557)
Share of net profits and revaluation gains of associates		<u>(34,608)</u>	<u>(12,359)</u>
Profit/(loss) before income tax		351,079	757,416
Income tax expense		<u>(117,682)</u>	<u>(231,394)</u>
Profit/(loss) from continuing operations		<u>233,397</u>	<u>526,022</u>
<b>Other Comprehensive Income</b>			
Total Comprehensive Income for the period		<u>-</u>	<u>-</u>
Profit/(loss) attributable to minority equity interest		<u>-</u>	<u>-</u>
Profit/(loss) attributable to members of the parent entity		<u>233,397</u>	<u>526,022</u>
<b>Earnings per Share</b>			
Basic earnings per share (cents per share)		0.77	1.74
Diluted earnings per share (cents per share)		0.77	1.74

*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 31 December 2011**

	Notes	Consolidated Group	
		31 Dec 2011	31 Dec 2010
		\$	\$
<b>Current Assets</b>			
Cash and cash equivalents		-	386,179
Trade and other receivables		112,200	193,173
Other current assets		48,422	174,908
Investment property held for sale		-	900,000
Investments accounted for using the equity method		<u>9,298,415</u>	<u>10,180,572</u>
<b>Total Current Assets</b>		<u>9,459,037</u>	<u>11,834,832</u>
<b>Non-current Assets</b>			
Trade and other receivables		1,925	-
Investment properties		34,685,409	33,615,116
Property, plant and equipment		32,314	526,247
Deferred tax assets		-	121,218
Rental Incentives		<u>39,995</u>	<u>55,783</u>
<b>Total Non-current Assets</b>		<u>34,759,643</u>	<u>34,318,364</u>
<b>Total Assets</b>		<u>44,218,680</u>	<u>46,153,196</u>
<b>Current Liabilities</b>			
Trade and other payables		676,228	367,507
Borrowings		7,879,962	9,479,919
Short term provisions		<u>60,778</u>	<u>50,770</u>
<b>Total Current Liabilities</b>		<u>8,616,968</u>	<u>9,898,196</u>
<b>Non-current Liabilities</b>			
Trade and other payables		45,656	125,573
Borrowings		11,340,000	11,449,995
Deferred tax liability		133,274	-
Long term provisions		<u>-</u>	<u>-</u>
<b>Total Non-current Liabilities</b>		<u>11,518,930</u>	<u>11,575,568</u>
<b>Total Liabilities</b>		<u>20,135,898</u>	<u>21,473,764</u>
<b>Net Assets</b>		<u>24,082,782</u>	<u>24,679,432</u>
<b>Equity</b>			
Issued capital		12,097,005	12,097,005
Reserves		-	-
Retained earnings		<u>11,985,777</u>	<u>12,582,427</u>
<b>Total Equity</b>		<u>24,082,782</u>	<u>24,679,432</u>

*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 half year ended 31 December 2011**

	Issued Capital \$	Retained Earnings \$	Asset Revaluation Reserve \$	Total \$
<b>Balance at 1 July 2010</b>	11,174,398	12,056,405	-	23,230,803
Shares issued during the year	922,607	-	-	922,607
Profit attributable to members of parent entity	<u>-</u>	<u>526,022</u>	<u>-</u>	<u>526,022</u>
Dividends paid or provided for	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Balance at 31 Dec 2010</b>	<u>12,097,005</u>	<u>12,582,427</u>	<u>-</u>	<u>24,679,432</u>
<b>Balance at 1 July 2011</b>	12,097,005	11,752,380	-	23,849,385
Shares issued during the year	-	-	-	-
Profit attributable to members of parent entity	<u>-</u>	<u>233,397</u>	<u>-</u>	<u>233,397</u>
Dividends paid or provided for	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Balance at 31 Dec 2011</b>	<u>12,097,005</u>	<u>11,985,777</u>	<u>-</u>	<u>24,082,782</u>

*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 half year ended 31 December 2011**

	Consolidated Group	
	31 Dec 2011 Inflows (Outflows) \$	31 Dec 2010 Inflows (Outflows) \$
<b>Cash flows from operating activities</b>		
Receipts from customers	1,852,293	1,699,870
Payments to suppliers and employees	(461,754)	(1,057,999)
Interest received	-	-
Finance costs	<u>(623,005)</u>	<u>(704,933)</u>
<b>Net cash provided by (used in) operating activities</b>	<u>767,534</u>	<u>(63,062)</u>
<b>Cash flows from investing activities</b>		
Proceeds from the sale of plant and equipment	440,500	50,280
Purchase of plant and equipment	(487)	(9,317)
Proceeds from sale of property investments	-	1,262,500
Purchase of property and investments	-	(2,671,320)
Purchase of other non-current assets (capital expenditure)	<u>(428,645)</u>	<u>(403,887)</u>
<b>Net cash provided by (used in) investing activities</b>	<u>11,368</u>	<u>(1,771,744)</u>
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares	-	922,607
Dividends paid by parent entity	(301,994)	(570,440)
(Loans to related parties)/repaid	-	-
Loans from related parties/(repaid)	(263,731)	(246,736)
Loans from unrelated entities/(repaid)	(78,834)	(25,750)
Proceeds from borrowings	-	8,650,000
Repayment of borrowings	<u>(54,437)</u>	<u>(6,525,005)</u>
<b>Net cash provided by (used in) financing activities</b>	<u>(698,996)</u>	<u>2,204,676</u>
<b>Net increase/(decrease) in cash held</b>	<b>79,906</b>	<b>369,870</b>
Cash at beginning of the half year	<u>(97,844)</u>	<u>16,309</u>
<b>Cash at end of the half year</b>	<u><u>(17,938)</u></u>	<u><u>386,179</u></u>

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

**1. Basis of Preparation**

These general purpose financial statements for the interim half-year reporting period ended 31 December 2011 have been prepared in accordance with requirements of the *Corporations Act* and Australian Accounting Standards including AASB 134: Interim Financial Reporting.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Desane Group Holdings Limited and its controlled entities (the Group). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2011, together with any public announcement made during the half-year.

**Accounting Policies**

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements except in relation to the matters discussed below.

**Critical Accounting Estimates and Judgments**

The critical estimates and judgments are consistent with those applied and disclosed in the June 2011 annual report, except in relation to the following matter:

*Impairment – carbon price*

There is presently uncertainty in relation to the impacts of the carbon pricing mechanism recently introduced by the Australian Government. This carbon pricing system could potentially affect the assumptions underlying value-in-use calculations used for asset impairment testing purposes. The consolidated entity has not incorporated the effect of any carbon price implementation in its impairment testing at 31 December 2011.

**New and Revised Accounting Requirements Applicable to the Current Half-year Reporting Period**

For the half-year reporting period to 31 December 2011, a number of new and revised Accounting Standard requirements became mandatory for the first time, some of which are relevant to the Group. A discussion of these new and revised requirements that are relevant to the Group is provided below:

- AASB 124: Related Party Disclosures (December 2009)

AASB 124 (December 2009) introduces a number of changes to the accounting treatment of related parties compared to AASB 124 (December 2005, as amended), including the following:

- The definition of a “related party” is simplified, clarifying its intended meaning and eliminating inconsistencies from the definition, including:
  - The definition now identifies a subsidiary and an associate with the same investor as related parties of each other;
  - Entities significantly influenced by one person and entities significantly influenced by a close member of the family of that person are no longer related parties of each other;
  - The definition now identifies that, whenever a person or entity has both joint control over a second entity and joint control of significant influence over a third party, the second and third entities are related to each other; and
  - The definition now clarifies that a post-employment benefit plan and an employer sponsor of such a plan are related parties of each other.

- A partial exemption is provided from the disclosure requirements for government-related entities. Entities that are related by virtue of being controlled by the same government can provide reduced related party disclosures.

Application of AASB 124 (December 2009) did not have a significant impact on the financial statements of the Group.

- AASB 2010-4: Further Amendments to the Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101 & AASB 134 and Interpretation 13]

This Standard details numerous non-urgent but necessary changes to Accounting Standards arising from the IASB's annual improvements project. Key changes include:

- Clarifying the application of AASB 108 prior to an entity's first Australian-Accounting-Standards financial statements;
- Adding an explicit statement to AASB 7 that qualitative disclosures should be made in the context of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments;
- Amending AASB 101 to clarify that disaggregation of changes in each component of equity arising from transactions recognised in other comprehensive income is required to be presented, but is permitted to be presented in the statement of changes in equity or in the notes;
- Adding a number of examples to the list of events and transactions that require disclosure under AASB 134; and
- making sundry editorial amendments to various Standards and Interpretations.

Application of the amendments in AASB 2010-4 did not have a significant impact on the financial statements of the Group.

- AASB 1054: Australian Additional Disclosures and AASB 2011-1: Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project [AASB 1, AASB 5, AASB 101, AASB 107, AASB 108, AASB 121, AASB 128, AASB 132 & AASB 134 and Interpretations 2, 112 & 113]

AASB 1054 sets out the Australian-specific disclosures that are additional to IFRS disclosure requirements. The disclosure requirements in AASB 1054 were previously located in other Australian Accounting Standards.

Application of AASB 1054 did not have a significant impact on the financial statements of the Group.

**DESANE GROUP HOLDINGS LIMITED ABN 61 003 184 932 and Controlled Entities**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2011**

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**2. Profit for the Period**

Consolidated Group	
31 Dec 2011	31 Dec 2010
\$	\$

The following revenue and expense items are relevant in explaining the financial performance for the interim period:

Auditors' remuneration	29,400	32,206
Depreciation of plant and equipment	2,692	2,280
Finance costs:		
- Other persons and/or corporations	611,737	661,815
- Associated companies	11,268	43,118
Transfer to/(from) provisions for:		
- Employee entitlements	7,894	6,936
Rental expenses relating to operating leases	15,491	15,227

**3. Dividend Paid**

Consolidated Group	
31 Dec 2011	31 Dec 2010
\$	\$

Dividend paid during the half year as follows:

Ordinary dividend of \$0.02 per share, unfranked, paid on 26 November 2010, recommended in the 2010 report	<u>570,440</u>
Ordinary dividend of \$0.01 unfranked, per share paid on 25 November 2011, recommended in last year's 2011 report	<u>301,994</u>

**DESANE GROUP HOLDINGS LIMITED ABN 61 003 184 932 and Controlled Entities  
NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2011**

**4. Operating Segments**

**i) Segment Performance - 31 Dec 2011**

	Property Investment	Property project management and resale	Property services	Plant and Equipment	Other	Consolidated Group
<b>Six Months to 31 December 2011</b>						
<b>Revenue</b>						
External sales	<b>1,179,218</b>	<b>316,109</b>	-	-	<b>13,500</b>	<b>1,508,827</b>
Other	-	-	-	-	-	-
Total segment revenue	<u><b>1,179,218</b></u>	<u><b>316,109</b></u>	<u>-</u>	<u>-</u>	<u><b>13,500</b></u>	<u><b>1,508,827</b></u>
Segment net profit before tax	<u><b>480,030</b></u>	<u><b>316,109</b></u>	<u>-</u>	<u>-</u>	<u><b>13,500</b></u>	<b>809,639</b>
Reconciliation of segment result to group net profit/(loss) before tax						
Share of net profit of associates						<b>(34,608)</b>
Unallocated expenses						<u><b>(423,952)</b></u>
Profit/(loss) before income tax						<b>351,079</b>
Income tax expense						<u><b>(117,682)</b></u>
Profit/(loss) after income tax						<u><u><b>233,397</b></u></u>

**a. Other is comprised of:**

	Revenue \$	Profit \$
Other (recovery of administration costs)	<u><b>13,500</b></u>	<u><b>13,500</b></u>
	<u><u><b>13,500</b></u></u>	<u><u><b>13,500</b></u></u>

**b. Geographical Segments**

The economic entity operates in one geographical segment being New South Wales, Australia.

**c. Compilation of Segmental Information**

The above segmental information has been compiled in a consistent manner to prior years. The division of the group's results and assets into industry segments (the sole management reporting segment) has been ascertained by reference to direct identification of assets and revenue/cost centres and where interrelated segmental assets and costs exist, an allocation has been calculated on a pro-rata basis of the identifiable assets and/or costs. Intersegmental pricing is on an arms-length basis.



**DESANE GROUP HOLDINGS LIMITED ABN 61 003 184 932 and Controlled Entities  
NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2011**

**4. Operating Segments (continued)**

**ii) Segment Assets - 31 December 2011**

	Property Investment \$	Property Project Management and Resale \$	Property Services \$	Plant and Equipment \$	Other \$	Consolidated Group \$
July 2011 opening balance	43,589,777	-	-	440,500	534,689	44,564,966
<b>Unallocated Assets</b>						-
Deferred tax assets						-
<b>Segment Asset Increases/ (Decreases) for the Period</b>						
Acquisitions				-		-
Proceeds from sale				(440,500)		(440,500)
Depreciation						
Revaluations/(devaluations)				-		-
Capital expenditures	428,646					428,646
Asset held for sale	(34,608)					(34,608)
Net movement in other segments					(299,824)	(299,824)
	<u>43,983,815</u>	-	-	-	234,865	44,218,680
<b>Unallocated Assets</b>						-
<b>Deferred Tax Assets</b>						-
<b>Total Group Assets</b>						<u>44,218,680</u>
Equity accounted associates included in asset held for sale	<u>(34,608)</u>					

**Segment Liabilities**

	Property Investment \$	Property Project Management and Resale \$	Property Services \$	Plant and Equipment \$	Other \$	Consolidated Group \$
July 2011 opening balance	19,618,036	-	-	-	1,081,953	20,699,989
<b>Unallocated Liabilities</b>						
Deferred tax liabilities						15,592
<b>Segment Liabilities Increases/ (Decreases) for the Period</b>						
Repayments	(54,437)					(54,437)
New borrowings	-					-
Repayment of associated company loan	(263,732)					(263,732)
Net movement in other segments					(379,196)	(379,196)
	<u>19,299,867</u>	-	-	-	702,757	20,018,216
<b>Unallocated Liabilities</b>						
<b>Deferred Tax Liabilities</b>						117,682
<b>Total Group Liabilities</b>						<u>20,135,898</u>
Equity accounted associates included in Segment liabilities	<u>(263,732)</u>					

**DESANE GROUP HOLDINGS LIMITED ABN 61 003 184 932 and Controlled Entities**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2011**

**4. Operating Segments (continued)**

iii) Segment Performance - 31 Dec 2010

	Property Investment	Property project management and resale	Property services	Plant and Equipment	Other	Consolidated Group
Six Months to 31 December 2010						
Revenue						
External sales	1,070,943	313,347	59,455	-	13,500	1,457,245
Other	<u>672,845</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>672,845</u>
Total segment revenue	<u>1,743,788</u>	<u>313,347</u>	<u>59,455</u>	<u>-</u>	<u>13,500</u>	<u>2,130,090</u>
Segment net profit before tax	<u>824,371</u>	<u>313,347</u>	<u>59,455</u>	<u>-</u>	<u>13,500</u>	1,210,673
Reconciliation of segment result to group net profit/(loss) before tax						
Share of net profit of associates						(12,359)
Unallocated expenses						<u>(440,898)</u>
Profit/(loss) before income tax						757,416
Income tax expense						<u>(231,394)</u>
Profit/(loss) after income tax						<u>526,022</u>

a. Other is comprised of:

	Revenue \$	Profit \$
Other (recovery of administration costs)	<u>13,500</u>	<u>13,500</u>
	<u>13,500</u>	<u>13,500</u>

b. Geographical Segments

The economic entity operates in one geographical segment being New South Wales, Australia.

c. Compilation of Segmental Information

The above segmental information has been compiled in a consistent manner to prior years. The division of the group's results and assets into industry segments (the sole management reporting segment) has been ascertained by reference to direct identification of assets and revenue/cost centres and where interrelated segmental assets and costs exist, an allocation has been calculated on a pro-rata basis of the identifiable assets and/or costs. Intersegment pricing is on an arms-length basis.

**DESANE GROUP HOLDINGS LIMITED ABN 61 003 184 932 and Controlled Entities**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2011**

**4. Operating Segments (continued)**

iv) Segment Assets - 31 December 2010

	Property Investment \$	Property Project Management and Resale \$	Property Services \$	Plant and Equipment \$	Other \$	Consolidated Group \$
July 2010 opening balance	42,222,494	-	-	569,490	569,674	43,361,658
Unallocated Assets						
Deferred tax assets						352,612
Segment Asset Increases/ (Decreases) for the Period						
Acquisitions	2,671,321	-	-	9,317	-	2,680,638
Proceeds from sale	(1,262,500)	-	-	(50,280)	-	(1,312,780)
Depreciation	-	-	-	(2,280)	-	(2,280)
Revaluations/(devaluations)	672,845	-	-	-	-	672,845
Capital expenditures	403,887	-	-	-	-	403,887
Asset held for sale	(12,359)	-	-	-	-	(12,359)
Net movement in other segments	-	-	-	-	240,369	240,369
	44,695,688	-	-	526,247	310,043	46,384,590
Unallocated Assets						
Deferred Tax Assets						(231,394)
Total Group Assets						<u>46,153,196</u>
Equity accounted associates included in asset held for sale	<u>(12,359)</u>					

**Segment Liabilities**

	Property Investment \$	Property Project Management and Resale \$	Property Services \$	Plant and Equipment \$	Other \$	Consolidated Group \$
July 2010 opening balance	19,051,655	-	-	-	1,431,778	20,483,433
Unallocated Liabilities						
Deferred tax liabilities						-
Segment Liabilities Increases/ (Decreases) for the Period						
Repayments	(6,525,005)	-	-	-	-	(6,525,005)
New borrowings	8,650,000	-	-	-	-	8,650,000
Repayment of associated company loan	(246,736)	-	-	-	-	(246,736)
Net movement in other segments	-	-	-	-	(887,928)	(887,928)
	20,929,914	-	-	-	543,850	21,473,764
Unallocated Liabilities						
Deferred Tax Liabilities						-
Total Group Liabilities						<u>21,473,764</u>
Equity accounted associates included in Segment liabilities	<u>(246,736)</u>					

**5. Equity Issued**

*Issue of ordinary shares during the half year ended 31 December 2011.*

	Consolidated Group		Consolidated Group	
	31 Dec 2011 No	31 Dec 2010 No	31 Dec 2011 \$	31 Dec 2010 \$
Opening ordinary shares fully paid	<b>30,199,465</b>	28,521,997	<b>12,097,005</b>	11,174,398
Issue of ordinary shares, fully paid, during the half year - share purchase plan	-	1,677,468	-	922,607
Closing ordinary shares fully paid	<u><b>30,199,465</b></u>	<u>30,199,465</u>	<u><b>12,097,005</b></u>	<u>12,097,005</u>

**6. Related Party Transaction**

During the period the Group's formwork plant and equipment was sold to a related party at book value. The transaction was conducted under normal commercial terms.

**7. Contingent Liabilities**

There has been no change in contingent liabilities since the last annual reporting date.

**8. Events Subsequent to Reporting Date**

There have been no events subsequent to the reporting date for the half-year ended 31 December 2011.

**DIRECTORS' DECLARATION**

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The directors of the company declare that:

1. The financial statements and notes, as set out on pages 7 to 18:
  - a. comply with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations; and
  - b. give a true and fair view of the economic entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date.
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.

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



**J B Sheehan**  
Director



**P Montrone**  
Director

Sydney  
22 February 2012

**INDEPENDENT AUDITOR'S REVIEW  
REPORT TO THE MEMBERS OF  
DESANE GROUP HOLDINGS LIMITED AND CONTROLLED ENTITIES  
ABN: 61 003 184 932**

## **Report on the Half-Year Financial Report**

We have reviewed the accompanying half-year financial report of Desane Group Holdings Limited, which comprises the consolidated condensed statement of financial position as at 31 December 2011, the consolidated condensed statement of comprehensive income, the consolidated condensed statement of changes in equity, and the consolidated condensed statement of cash flows for the half-year ended on that date, the accounting policies and other selected explanatory notes and the directors' declaration.

### **Directors' Responsibility for the Half-Year Financial Report**

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial and Other Financial Reports Performed by Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Desane Group Holdings Limited, ASRE 2410 requires that we comply with ethical requirements relevant to the audit of the annual financial report.

A review of the half-year financial report consist of making enquiries, primarily of persons responsible for the financial and accounting matters, and applying analytical review and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Independence**

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of Desane Group Holdings Limited, would be in the same terms if provided to the directors as at the date of this auditor's review report.

### **Conclusion**

Based on our review, which is not an audit, we have not become aware of any matters that makes us believe that the half-year financial report of *Desane Group Holdings Limited* is not in accordance with the *Corporations Act 2001*, including:

- a. giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of their performance for the half-year ended on that date; and

# GCC Business & Assurance Pty Ltd

ABN 61 105 044 862

GPO Box 4566, Sydney NSW 2001

Telephone: (02) 9231 6166

Facsimile: (02) 9231 6155

Suite 807, 109 Pitt Street, Sydney NSW 2000

- b. complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

*GCC Business & Assurance Pty Ltd.*

**GCC BUSINESS & ASSURANCE PTY LTD**  
*(Authorised Audit Company)*



**CHANG CHOW**  
Director

22 February 2012