

22 February 2010

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 2009

Dear Sir/Madam,

OPERATING PROFIT

Desane Group Holdings Limited (“**Desane**” or the “**Company**”) wishes to report an **after tax profit of \$378,064** for the six months ending 31 December 2009. This result compares to the \$919,408 loss for the previous corresponding period. The key drivers of the improved result were:

- 100% occupancy of all properties owned and or managed by the Group;
- 29% reduction in interest cost on borrowings;
- 6.2% reduction of the Group’s borrowings over the corresponding period; and
- Minimal property revaluation during the reporting period.

NET TANGIBLE ASSETS

The net tangible asset backing per security for the half year to 31 December 2009 is **77 cents per security**. The Group’s total assets now stand at **\$42.8 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 2010 will be at least equal, if not greater, than the final dividend paid to shareholders for the 2009 financial year.

APPENDIX 4D

The Interim Financial Report for the year ended 31 December 2009 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

The Company currently owns more than **\$42.8 million** of **Sydney based commercial and industrial property** and other assets. All of the properties owned and managed by Desane, are **100% leased** to national and international tenants.

i. LANE COVE (Burns Bay Road)

On 19 February 2010, Lane Cove Council posted on their website a notification of the gazettal, by the NSW State Government, of the Local Environmental Plan (“LEP”) for the Lane Cove Municipality. The rezoning re-classifies the Burns Bay Road property from “Industrial” to “High Density Residential R4” with a floor space ratio of 2:1. **This should allow up to 270 residential units to be built on this property.** Desane believes that a sale target value of **\$35 million to \$40 million** is achievable. This property is composed of **12,000m² of land** and includes approximately **8,000m² of industrial building**. The property is fully leased, on a short to medium term basis, to Australian medical and technology companies. Desane has a **50% interest** in this property.



ii. LANE COVE (Orion Road)

This **8,000m² five unit industrial complex** is occupied by five large Australian and international corporations. This large industrial complex is performing well and will continue to show significant rental increases and profit returns to the Company in future years.



iii. LANE COVE (13 Sirius Road)

This **2,400m² 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 increases and profit returns to the Group in future years.



iv. **JG EVANS BUSINESS CENTRE, LIDCOMBE (Nicholas Street)**

Desane has sold five of the seven strata industrial units in this complex. The Company has retained the two largest industrial units, totalling **1,500m² of office and warehouse**. These two properties are leased, on a long term basis to quality national tenants.



v. **ROZELLE (Lilyfield Road Multimedia Centre)**

The **8,000m² Multimedia Centre**, located 3 kilometres from the Sydney CBD, in the suburb of Rozelle, is fully leased to two blue chip national tenants. This property is performing well, being in a prime Sydney location. 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. Due to the increased demand for this type of property in this area, Desane is in the process of undertaking a due diligence, with a view to creating additional floor space in order to meet clients' requirements. Desane has a **70% joint venture interest** in this property.



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

Desane has obtained planning approval from the relevant local government authority, to construct **a four storey 2,980m² mixed commercial/executive residential building**, with 56 basement security car parking spaces. The property is located 3 kilometres from the Sydney CBD, at the western exit of the Anzac Bridge and 100 metres from Victoria Road's major bus routes to the Sydney Central Business District. The Directors believe it is prudent to secure long term lease commitments before committing to a construction program. Whilst awaiting the commencement of construction, Desane has lodged plans with the relevant local government authority to increase the current floor space ratio of 1.5:1 to a proposed 2.1:1. The existing building is currently leased, on a short term basis, to two corporate tenants.



vii. LANE COVE (7 Sirius Road)

In January 2010, Desane entered into a contract to purchase this **2,700m² industrial and commercial property** located in the Lane Cove West industrial precinct. The property is located within 100 metres of two other industrial properties owned by Desane. The property comprises of 460m² of office and 2,240m² high clearance warehouse, with 38 parking spaces. The property is undergoing repair, maintenance and remedial work to bring the property to occupational standard. Desane has also entered into an agreement to lease the property to a major Australian company on a long term basis. When the lease commences, a net return in excess of 10.5% is expected for the funds employed by the Company in the purchase and upgrading of this property.



Top left: The newly acquired industrial property. Also highlighted: Desane's two other neighbouring industrial properties.

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 over **\$42.8 million** of properties and other assets and it manages an additional **\$18.8 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.

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; Talman Computers; Phebra Medical; ServicePoint Australia; The Wool Exchange; Sagem Australasia; Chamberlain Australia; Optimed; Geometric Surveyors; Pentel Australia; JAV IT Group; PMP Digital; M-Wave Computers; Supreme Foods; Sydney Metro; Sydney Coach Charter; and Luxury Beverages.**



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. If this was to occur, it should lead to a tightening of the vacancy rate 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

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 \$42.8 million of properties and other assets and manages a further \$18.8 million of industrial and commercial properties in the Sydney region. Our medium term objective is to increase our property investment portfolio to \$100 million.

Appendix 4D Half yearly report

Results for Announcement to the Market

Name of entity

DESANE GROUP HOLDINGS LIMITED

ABN or equivalent company
reference

61 003 184 932

Half yearly
(tick)



Preliminary
final (tick)



Half year/~~financial year~~ ended ('current period')

31 DECEMBER 2009

\$A'000

Revenues from ordinary activities	up/down	8%	to	1,541
Profit (loss) from ordinary activities after tax attributable to members	up/down	141%	to	378
Profit (loss) from extraordinary items after tax attributable to members	gain (loss) of	-		-
Net profit (loss) for the period attributable to members	up/down	141%	to	378
Dividends (distributions)		Amount per security		Franked amount per security
Interim dividend		NIL		NIL
Previous corresponding period (<i>half yearly report</i>)		NIL		NIL
⁺ Record date for determining entitlements to the dividend, (in the case of a trust, distribution)	NOT APPLICABLE			
Brief explanation of any of the figures reported above (see Note 1) and short details of any bonus or cash issue or other item(s) of importance not previously released to the market:				

If this is a half yearly report it is to be read in conjunction with the most recent annual financial report.

Earnings per security (EPS)	Current period	Previous corresponding period
Basic EPS	1.3 cents	(3.2) cents
Diluted EPS	1.3 cents	(3.2) cents

NTA backing	Current period	Previous corresponding period
Net tangible asset backing per ⁺ ordinary security	77 cents	85 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 ⁺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

\$-

+ See chapter 19 for defined terms.

Dividends (in the case of a trust, distributions)

Date the dividend (distribution) is payable

NOT APPLICABLE

+Record date to determine entitlements to the dividend (distribution) (ie, on the basis of proper instruments of transfer received by 5.00 pm if +securities are not +CHES approved, or security holding balances established by 5.00 pm or such later time permitted by SCH Business Rules if +securities are +CHES 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>			
	Interim dividend: Current year	-¢	- ¢	-¢
	Previous year	-¢	-¢	-¢

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
(a) Profit (loss) from ordinary activities before tax	243	1,708
Income tax on ordinary activities	(5)	(462)
(b) Profit (loss) from ordinary activities after tax	238	1,246
Extraordinary items net of tax	-	-
(c) Net profit (loss)	238	1,247
Adjustments	-	-
(d) Share of net profit (loss) of associates and joint venture entities	238	1,246

Material interests in entities which are not controlled entities

+ See chapter 19 for defined terms.

The economic entity has an interest (that is material to it) in the following entities. *(If the interest was acquired or disposed of during either the current or previous corresponding period, indicate date of acquisition (“from dd/mm/yy”) or disposal (“to dd/mm/yy”).)*

<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
Equity accounted associates and joint venture entities				
Samvoni Pty Ltd/Tuta Properties Pty Ltd	50%	50%	(22)	1,082
Lilyfield Rd JV	70%	70%	260	164
Total			238	1,246
Other material interests			-	-
Total			238	1,246

This is Annexure A of 19 pages referred to in form 388, Copy of financial statements and reports.

John Bartholomew Date: 22 February 2010



ABN 61 003 184 932

INTERIM FINANCIAL STATEMENTS

31 DECEMBER 2009

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DESANE GROUP HOLDINGS LIMITED ABN 61 003 184 932 and Controlled Entities

Directors' Report

The Directors present their report on the company and its controlled entities for the half year ended 31 December 2009.

Directors

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

Phil Montrone
John Blair Sheehan
Antonio Gelonesi

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 2009 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

	31 Dec 2009 \$'000	31 Dec 2008 \$'000
The consolidated profit/(loss) of the economic entity, after providing for income tax amounted to	<u>378</u>	<u>(919)</u>

Dividends Paid or Recommended

Dividends paid or declared for payment are as follows:

Ordinary dividend of \$0.02 per share, fully franked, paid on 28 November 2008, recommended in last year's (2008) report		\$ 563
Ordinary dividend of \$0.02 per share, unfranked, paid on 27 November 2009, recommended in last year's (2009) report	\$ 570	

**DESANE GROUP HOLDINGS LIMITED ABN 61 003 184 932 and Controlled Entities
Directors' Report (Continued)**

Review of Operations

The directors report a half year profit of \$378,064. The operating loss of the half year ended 31 December 2008, was \$919,408.

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

	Revenue		Segment Result	
	31 Dec 2009 \$'000	31 Dec 2008 \$'000	31 Dec 2009 \$'000	31 Dec 2008 \$'000
Equipment hire	-	50	-	23
Property investment – rental	1,193	1,194	495	302
Property services	-	55	-	27
Property management	65	65	65	65
Property investment – net revaluations	-	(3,194)	-	(3,194)
Profit on sale of investment properties	-	-	-	-
Interest received	19	47	19	47
Project management	250	250	250	250
Other	14	14	14	14
	<u>1,541</u>	<u>(1,519)</u>	<u>843</u>	<u>(2,466)</u>
Share of net profits/(loss) of associates			(22)	1,082
Unallocated expenses			<u>(391)</u>	<u>(366)</u>
Operating profit/(loss)			430	(1,750)
Income tax attributable to operating profit/(loss)			<u>(52)</u>	<u>831</u>
Operating profit/(loss) after income tax attributable to members of Desane Group Holdings Limited			<u>378</u>	<u>(919)</u>

a. Property Investment

The Company currently owns more than **\$42.8 million of Sydney based commercial and industrial property** and other assets. All of the properties owned and managed by Desane, are **100% leased** to national and international tenants.

i. LANE COVE (Burns Bay Road)

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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 over **\$42.8 million** of properties and other assets and it manages an additional **\$18.8 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.

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; Talman Computers; Phebra Medical; ServicePoint Australia; The Wool Exchange; Sagem Australasia; Chamberlain Australia; Optimed; Geometric Surveyors; Pentel Australia; JAV IT Group; PMP Digital; M-Wave Computers; Supreme Foods; Sydney Metro; Sydney Coach Charter; and Luxury Beverages.**

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. If this was to occur, it should lead to a tightening of the vacancy rate 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 2009, the economic entity reported a net operating profit after tax of \$378,064.

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.

DESANE GROUP HOLDINGS LIMITED ABN 61 003 184 932 and Controlled Entities Directors' Report (Continued)

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

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

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.

Rounding of Amounts

The company is an entity to which ASIC Class Order 98/0100 applies and, accordingly, amounts in the financial statements and directors' report have been rounded to the nearest thousand dollars.

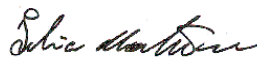
Auditor's Declaration

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 2009.

Signed in accordance with a resolution of the Board of Directors, at Sydney, this 22nd day of February, 2010.



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 our knowledge and belief, during the half year ended 31 December 2009, 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 2010

DESANE GROUP HOLDINGS LIMITED ABN 61 003 184 932 and Controlled Entities
Consolidated Statement of Comprehensive Income
for the Half Year Ended 31 December 2009

	Notes	Economic Entity	
		31 Dec 2009 \$'000	31 Dec 2008 \$'000
Revenue		1,522	1,628
Interest income		19	47
Employee benefits expense		(222)	(216)
Depreciation and amortisation expense		(5)	(34)
Purchase of building materials/services		-	-
Profit from sale of investments		-	-
Gain/(loss) on revaluation of investment properties		-	(3,194)
Finance costs		(530)	(746)
Other expenses from ordinary activities		(332)	(317)
Share of net profits and revaluation gains of associates		<u>(22)</u>	<u>1,082</u>
Profit/(loss) before income tax		430	(1,750)
Income tax expense		<u>(52)</u>	<u>831</u>
Profit/(loss) from continuing operations		<u><u>378</u></u>	<u><u>(919)</u></u>
Other Comprehensive Income			
Total Comprehensive Income for the period		<u><u>-</u></u>	<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><u>378</u></u>	<u><u>(919)</u></u>
Earnings per Share			
Basic earnings per share (cents per share)		1.3	(3.2)
Diluted earnings per share (cents per share)		1.3	(3.2)

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 2009

	Notes	Economic Entity	
		31 Dec 2009 \$'000	31 Dec 2008 \$'000
Current Assets			
Cash and cash equivalents		84	-
Trade and other receivables		751	1,386
Investment property held for sale		507	575
Investments accounted for using the equity method		8,245	8,272
Other current assets		<u>220</u>	<u>32</u>
Total Current Assets		<u>9,807</u>	<u>10,265</u>
Non-current Assets			
Trade and other receivables		-	-
Investment properties		32,117	35,717
Property, plant and equipment		627	733
Deferred tax assets		292	-
Intangible assets		<u>-</u>	<u>-</u>
Total Non-current Assets		<u>33,036</u>	<u>36,450</u>
Total Assets		<u>42,843</u>	<u>46,715</u>
Current Liabilities			
Trade and other payables		662	720
Financial liabilities		4,005	8,778
Current tax liabilities		-	-
Short term provisions		<u>48</u>	<u>27</u>
Total Current Liabilities		<u>4,715</u>	<u>9,525</u>
Non-current Liabilities			
Trade and other payables		69	96
Financial liabilities		15,675	12,210
Long term provisions		-	-
Deferred tax liabilities		<u>-</u>	<u>551</u>
Total Non-current Liabilities		<u>15,744</u>	<u>12,857</u>
Total Liabilities		<u>20,459</u>	<u>22,382</u>
Net Assets		<u>22,384</u>	<u>24,333</u>
Equity			
Issued capital		11,174	11,174
Reserves		-	-
Retained earnings		<u>11,210</u>	<u>13,159</u>
Total Equity		<u>22,384</u>	<u>24,333</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 2009

	Issued Capital \$'000	Retained Earnings \$'000	Asset Revaluation Reserve \$'000	Total \$'000
Balance at 1 July 2008	11,013	14,078	-	25,091
Shares issued during the year	161	-	-	161
Profit attributable to members of parent entity	-	(919)	-	(919)
	11,174	13,159	-	24,333
Dividends paid or provided for	-	-	-	-
Balance at 31 Dec 2008	<u>11,174</u>	<u>13,159</u>	-	<u>24,333</u>
Balance at 1 July 2009	11,174	10,832	-	22,006
Shares issued during the year	-	-	-	-
Profit attributable to members of parent entity	-	378	-	378
	-	-	-	-
Dividends paid or provided for	-	-	-	-
Balance at 31 Dec 2009	<u>11,174</u>	<u>11,210</u>	-	<u>22,384</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 2009

	Economic Entity	
	31 Dec 2009 Inflows (Outflows) \$'000	31 Dec 2008 Inflows (Outflows) \$'000
Cash flows from operating activities		
Receipts from customers	2,759	1,456
Payments to suppliers and employees	(661)	(408)
Interest received	19	47
Finance costs	(530)	(746)
Net cash provided by (used in) operating activities	<u>1,587</u>	<u>349</u>
Cash flows from investing activities		
Proceeds from the sale of plant and equipment	50	-
Proceeds from sale of property investments	999	175
Purchase of property and investments	(412)	(281)
Purchase of plant and equipment	(21)	(18)
Net cash provided by (used in) investing activities	<u>616</u>	<u>(124)</u>
Cash flows from financing activities		
Proceeds from issue of shares	-	161
Dividends paid by parent entity	(570)	(563)
(Loans to related parties)/repaid	-	-
Loans from related parties/(repaid)	(1,119)	98
Loans from unrelated entities/(repaid)	3	-
Proceeds from borrowings	1,100	-
Repayment of borrowings	(1,580)	(7)
Net cash provided by (used in) financing activities	<u>(2,166)</u>	<u>(311)</u>
Net increase/(decrease) in cash held	<u>37</u>	<u>(86)</u>
Cash at beginning of the half year	<u>47</u>	<u>43</u>
Cash at end of the half year	<u><u>84</u></u>	<u><u>(43)</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 2009 have been prepared in accordance with requirements of the *Corporations Act* and Australian Accounting Standards including AASB 134: Interim Financial Reporting. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

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 2009, together with any public announcement made during the half-year.

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 for the adoption of the following new and revised Accounting Standards.

Accounting Standards not Previously Applied

The Group has adopted the following new and revised Australian Accounting Standards issued by the AASB which are mandatory to apply to the current interim period. Disclosures required by these Standards that are deemed material have been included in this financial report on the basis that they represent a significant change in information from that previously made available.

Presentation of Financial Statements

AASB 101 prescribes the contents and structure of the financial statements. Changes reflected in this financial report include:

- The replacement of Income Statement with Statement of Comprehensive Income. Items of income and expense not recognised in profit or loss are now disclosed as components of "other comprehensive income". In this regard, such items are no longer reflected as equity movements in the Statement of Changes in Equity;
- the adoption of the separate income statement/single statement approach to the presentation of the Statement of Comprehensive Income;
- other financial statements are renamed in accordance with the Standard; and
- presentation of a third Statement of Financial Position as at the beginning of a comparative financial year where relevant amounts have been affected by a retrospective change in accounting policy or material reclassification of items.

Operating Segments

From 1 January 2009, operating segments are identified and segment information disclosed on the basis of internal reports that are regularly provided to, or reviewed by, the Group's chief operating decision maker which, for the Group, is the board of directors. In this regard, such information is provided using different measures to those used in preparing the Statement of Comprehensive Income and Statement of Financial Position. Reconciliations of such management information to the statutory information contained in the interim financial report have been included.

Business Combinations and Consolidation Procedures

Revised AASB 3 is applicable prospectively from 1 July 2008. Changes introduced by this Standard, or as a consequence of amendments to other Standards relating to business combinations which are expected to affect the Group, include the following:

1. Basis of Preparation (continued)

- All business combinations, including those involving entities under common control, are accounted for by applying the acquisition method which prohibits the recognition of contingent liabilities of the acquiree at acquisition date that do not meet the definition of a liability. Costs incurred that relate to the business combination are expensed instead of comprising part of the goodwill acquired on consolidation. Changes in the fair value of contingent consideration payable are not regarded as measurement period adjustments and are recognised through profit or loss unless the change relates to circumstances which existed at acquisition date.
- Unrecognised deferred tax assets of the acquiree may be subsequently realised within 12 months of acquisition date on the basis of facts and circumstances existing at acquisition date with a consequential reduction in goodwill. All other deferred tax assets subsequently recognised are accounted for through profit or loss.
- The proportionate interest in losses attributable to non-controlling interests is assigned to non-controlling interests irrespective of whether this results in a deficit balance. Previously, losses causing a deficit to non-controlling interests were allocated to the parent entity.
- Where control of a subsidiary is lost, the balance of the remaining investment account shall be remeasured to fair value at the date that control is lost.

Revenue Recognition

Dividends received from a subsidiary, joint venture or associate shall be recognised as dividend revenue in the profit or loss irrespective of whether such dividends may have been paid out of pre-acquisition profits. Previously, such dividends were treated as return of capital invested. Such dividends may be an indicator of impairment where the carrying amount of the investment exceeds the consolidated net assets relating to that investment or where the dividend exceeds the total comprehensive income of the respective investee in the period the dividend is declared.

2. Profit for the Period

	Consolidated Group	
	31 Dec 2009	31 Dec 2008
	\$'000	\$'000

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

Auditors' remuneration	25	23
Depreciation of plant and equipment	5	34
Finance costs:		
- Other persons and/or corporations	480	648
- Associated companies	50	98
Transfer to/(from) provisions for:		
- Employee entitlements	11	(13)
Rental expenses relating to operating leases	14	14

DESANE GROUP HOLDINGS LIMITED ABN 61 003 184 932 and Controlled Entities
NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2009

3. Dividend Paid

Economic Entity	
31 Dec 2009	31 Dec 2008
\$'000	\$'000

Dividend paid during the half year as follows:

Ordinary dividend of \$0.02 per share, fully franked, paid on 28 November 2008, recommended in last year's (2008) report	<u>563</u>
Ordinary dividend of \$0.02 unfranked, per share paid on 27 November 2009, recommended in last year's (2009) report	<u>570</u>

4. Segment Reporting – Economic Entity

31 Dec 2009

	Property Rental \$'000	Property project management and resale \$'000	Property services \$'000	Other \$'000	Economic Entity \$'000
Primary Reporting – Business Segments					
External sales	1,193	65	-	283	1,541
Other segments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue	<u>1,193</u>	<u>65</u>	<u>-</u>	<u>283</u>	<u>1,541</u>
Segment result	<u>495</u>	<u>65</u>	<u>-</u>	<u>283</u>	843
Share of net profit of associates					(22)
Unallocated expenses					<u>(391)</u>
Profit/(loss) before income tax					430
Income tax expense					<u>(52)</u>
Profit/(loss) after income tax					<u>378</u>

a. 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.

DESANE GROUP HOLDINGS LIMITED ABN 61 003 184 932 and Controlled Entities
NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2009

4. Segment Reporting – Economic Entity (continued)

b. Other is comprised of:

	Revenue \$'000	Profit \$'000
Asset management fee	250	250
Sale of investment property	-	-
Other (recovery of administration costs)	14	14
Net revaluation of investment properties	-	-
Interest received	<u>19</u>	<u>19</u>
	<u>283</u>	<u>283</u>

c. Geographical Segments

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

d. 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.

31 Dec 2008

	Property Rental \$'000	Property project management and resale \$'000	Property services \$'000	Other \$'000	Economic Entity \$'000
Primary Reporting – Business Segments					
External sales	1,194	65	55	(2,833)	(1,519)
Other segments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue	<u>1,194</u>	<u>65</u>	<u>55</u>	<u>(2,833)</u>	<u>(1,519)</u>
Segment result	<u>302</u>	<u>65</u>	<u>27</u>	<u>(2,860)</u>	(2,466)
Share of net profit of associates					1,082
Unallocated expenses					<u>(366)</u>
Profit/(loss) before income tax					(1,750)
Income tax expense					<u>831</u>
Profit/(loss) after income tax					<u>(919)</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 2009

4. Segment Reporting – Economic Entity (continued)

a. 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.

b. Other is comprised of:

	Revenue \$'000	Profit \$'000
Asset management fee	250	250
Equipment hire	50	23
Sale of investment property	-	-
Other (recovery of administration costs)	14	14
Net revaluation of investment properties	(3,194)	(3,194)
Interest received	<u>47</u>	<u>47</u>
	<u>(2,833)</u>	<u>(2,860)</u>

c. Geographical Segments

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

d. 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.

Equity Issued

Issue of ordinary shares during the half year:

	Economic Entity		Economic Entity	
	31 Dec 2009	31 Dec 2008	31 Dec 2009	31 Dec 2008
	Shares	Shares	\$'000	\$'000
28,521,997 (2008: 28,521,997) Ordinary shares fully paid			<u>11,174</u>	<u>11,174</u>
Share purchase plan	<u>-</u>	<u>358,810</u>	<u>-</u>	<u>161</u>

5. Contingent Liabilities

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

6. Events Subsequent to Reporting Date

On 25 January 2010, the economic entity purchased land and buildings for \$2.95 million with a 12 months delayed settlement date.

On 22 January 2010, Unit 3/1-3 Nicholas Street, Lidcombe was sold for its carrying value in the accounts.

On 19 February 2010, Lane Cove Council posted on their website a notification of the gazettal by the NSW State Government of the Local Environmental Plan ("**LEP**") for the Lane Cove Municipality. The rezoning re-classifies the Burns Bay Road property from "*Industrial*" to "*High Density Residential R4*" with a floor space ratio of 2:1. Desane owns a 50% interest in this property.

DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 7 to 16:
 - 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 2009 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 2010

**INDEPENDENT AUDITOR'S REVIEW
REPORT TO THE MEMBERS OF
DESANE GROUP HOLDINGS LIMITED AND CONTROLLED ENTITIES**

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Desane Group Holdings Limited and Controlled Entities (the consolidated entity), which comprises the condensed statement of financial position as at 31 December 2009, and the condensed statement of comprehensive income, the condensed statement of changes in equity, the 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 Financial Report

The directors of the consolidated entity are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 Report 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 2009 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 and Controlled Entities, 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, primary 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 and Controlled Entities on 22 February 2010, would be in the same terms if provided to the directors as at the date of this auditor's review report.

Matters Relating to the Electronic Presentation of the Audited Financial Report

This review report relates to the financial report of the consolidated entity for the half year ended 31 December 2009, included on the website of Desane Group Holdings Limited. The directors of the company are responsible for the integrity of the website and we have not been engaged to report on its integrity. This review report refers only to the half year financial report identified above and it does not provide an opinion on any other information which may have been hyperlinked to or from the financial report. If users of this report are concerned with the inherent risk arising from electronic data communications, they are advised to refer to the hard copy of the reviewed financial report to confirm the information included in the reviews financial report presented on the company's website.

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 and Controlled Entities* 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 2009 and of their performance for the half-year ended on that date; and
- 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 2010