

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 2010

Dear Sir/Madam,

OPERATING PROFIT

Desane Group Holdings Limited (“**Desane**” or the “**Company**”) wishes to report an **after tax profit of \$526,022** for the six months ending 31 December 2010, representing a **39% increase** when compared to a profit of \$378,064 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;
- Long term property funding completed;
- Professional and diligent cost management; 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 2010 is **82 cents per security**, being an **increase of 6.5%** over the previous corresponding period. The Group’s total assets now stand at **\$44.6 million**, being an **increase of total assets of 4.2%** over the corresponding period.

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 2011 will be at least equal, if not greater, than the final dividend paid to shareholders for the 2010 financial year.

APPENDIX 4D

The Interim Financial Report for the year ended 31 December 2010 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 has increased the property assets it owns in the Sydney metropolitan area, over the past twelve months, to **\$44.6 million**. All of the properties owned and managed by Desane, are **100% leased** to national and international tenants.

i. LANE COVE (Burns Bay Road)

The rezoning of this large Sydney harbour front property to “*High Density Residential R4*”, with a floor space ratio of 2:1, should allow up to **270 residential units to be built on this property**. Desane has engaged the services of two leading Australian real estate agencies to undertake an expression of interest campaign for the sale of this property. A **\$38 million to \$40 million target sale price** could be achieved at the conclusion of the sale campaign. This property is composed of **12,000m² of land** and includes approximately **8,000m² of industrial buildings**. The buildings are 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 leased to five large Australian and international corporations. This large, 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 **2,400m² 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 and capital increases for the Company in future years.



iv. **LANE COVE (7 Sirius Road)**

The purchase of this **2,700m² industrial and commercial property** located in the Lane Cove West industrial precinct was completed in September 2010. 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 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 **8,000m² Multimedia Centre**, is fully leased on a long term basis 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 in order to meet clients' requirements. 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)**



In December 2010, Desane received planning approval from the relevant local government authority, to construct a **four storey 4,200m² commercial building**, with 62 basement security car parking spaces. Desane will commence negotiations with national and international companies who have expressed an interest in pre-committing to lease the building prior to commissioning the construction of the building. Pending construction commencement, 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.

vii. JG EVANS BUSINESS CENTRE, LIDCOMBE (Nicholas Street)

The sale of Unit 5, settled on 31 January 2011, completes the disposal of this entire strata industrial complex.



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 **\$44.6 million** of properties and other assets and it manages an additional **\$21.5 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.

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; Pentel Australia; JAV IT Group; M-Wave Computers; Sydney Coach Charter; Luxury Beverages; Lin & Barrett; and Halley & Mellows.**



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

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 \$44.6 million of properties and other assets and manages a further \$21.5 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 2010

\$A'000

Revenues from ordinary activities	up/down	4.2%	to	1,457
Profit (loss) from ordinary activities after tax attributable to members	up/down	39.1%	to	526
Profit (loss) from extraordinary items after tax attributable to members	gain (loss) of	-		-
Net profit (loss) for the period attributable to members	up/down	39.1%	to	526
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:				

This information should be read in conjunction with the 30 June 2010 annual financial report.

Earnings per security (EPS)	Current period	Previous corresponding period
Basic EPS	1.74 cents	1.30 cents
Diluted EPS	1.74 cents	1.30 cents

NTA backing	Current period	Previous corresponding period
Net tangible asset backing per ⁺ ordinary security	82 cents	77 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

\$-

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	188	243
Income tax on ordinary activities	(2)	(5)
(b) Profit (loss) from ordinary activities after tax	186	238
Extraordinary items net of tax	-	-
(c) Net profit (loss)	186	238
Adjustments	-	-
(d) Share of net profit (loss) of associates and joint venture entities	186	238

Material interests in entities which are not controlled entities

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%	(12)	(22)
Lilyfield Rd JV	70%	70%	198	260
Total			186	238
Other material interests			-	-
Total			186	238

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

John Bartholomew Date: 22 February 2011



ABN 61 003 184 932

INTERIM FINANCIAL STATEMENTS

31 DECEMBER 2010

CONTENTS

Page No

Directors' Report	1 - 5
Auditor's Independence Declaration	6
Statement of Comprehensive Income	7
Statement of Financial Position	8
Statement of Changes in Equity	9
Cash Flow Statement	10
Notes to the Financial Statements	11 - 16
Directors' Declaration	17
Independent Auditor's Review Report to the Members	18 - 19

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 2010.

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 2010 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 2010 \$'000	31 Dec 2009 \$'000
The consolidated profit/(loss) of the economic entity, after providing for income tax amounted to	<u>526</u>	<u>378</u>

Dividends Paid or Recommended

Dividends paid or declared for payment are as follows:

Ordinary dividend of \$0.02 per share, unfranked, paid on 27 November 2009, recommended in last year's (2009) report		570
Ordinary dividend of \$0.02 per share, unfranked, paid on 26 November 2010, recommended in last year's (2010) 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 \$526,022. The operating profit for the half year ended 31 December 2009 was \$378,064.

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

	Revenue		Segment Result	
	31 Dec 2010 \$'000	31 Dec 2009 \$'000	31 Dec 2010 \$'000	31 Dec 2009 \$'000
Property investment – rental	1,071	1,193	152	495
Property services	59	-	59	-
Property management	63	66	63	66
Property investment – net revaluations	673	-	673	-
Profit on sale of investment properties	-	-	-	-
Interest received	-	19	-	19
Project management	250	250	250	250
Other	<u>13</u>	<u>14</u>	<u>13</u>	<u>14</u>
	<u>2,129</u>	<u>1,542</u>	<u>1,210</u>	<u>844</u>
Share of net profits/(loss) of associates			(12)	(22)
Unallocated expenses			<u>(441)</u>	<u>(392)</u>
Operating profit			757	430
Income tax attributable to operating Profit			<u>(231)</u>	<u>(52)</u>
Operating profit after income tax attributable to members of Desane Group Holdings Limited			<u>526</u>	<u>378</u>

a. Property Investment

The Company has increased the property assets it owns in the Sydney metropolitan area, over the past twelve months, to **\$44.6 million**. All of the properties owned and managed by Desane, are **100% leased** to national and international tenants.

i. LANE COVE (Burns Bay Road)

The rezoning of this large Sydney harbour front property to "*High Density Residential R4*", with a floor space ratio of 2:1, should allow up to **270 residential units to be built on this property**. Desane has engaged the services of two leading Australian real estate agencies to undertake an expression of interest campaign for the sale of this property. A **\$38 million to \$40 million target sale price** could be achieved at the conclusion of the sale campaign. This property is composed of **12,000m² of land** and includes approximately **8,000m² of industrial buildings**. The buildings are 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 leased to five large Australian and international corporations. This large, well located industrial complex is performing well and will continue to show significant rental and capital increases for the Company in the future.

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The **8,000m² Multimedia Centre**, is fully leased on a long term basis 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 in order to meet clients' requirements. 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.

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vii. JG EVANS BUSINESS CENTRE, LIDCOMBE (Nicholas Street)

The sale of Unit 5, settled on 31 January 2011, completes the disposal of this entire strata industrial complex.

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 **\$44.6 million** of properties and other assets and it manages an additional **\$21.5 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.

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; Pentel Australia; JAV IT Group; M-Wave Computers; Sydney Coach Charter; Luxury Beverages; Lin & Barrett; and Halley & Mellows.*

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 2010, the economic entity reported a net operating profit after tax of \$526,022.

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 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.

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.

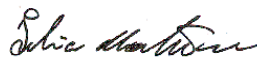
Auditor's Declaration

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 2010.

Signed in accordance with a resolution of the Board of Directors, at Sydney, this 22nd day of February, 2011.



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 2010, 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, 15 February 2011

DESANE GROUP HOLDINGS LIMITED ABN 61 003 184 932 and Controlled Entities
Consolidated Statement of Comprehensive Income
for the Half Year Ended 31 December 2010

	Notes	Consolidated Group	
		31 Dec 2010 \$'000	31 Dec 2009 \$'000
Revenue		1,457	1,522
Interest income		-	19
Employee benefits expense		(229)	(222)
Depreciation and amortisation expense		(2)	(5)
Purchase of building materials/services		-	-
Profit from sale of investments		-	-
Gain/(loss) on revaluation of investment properties		673	-
Finance costs		(705)	(530)
Other expenses from ordinary activities		(425)	(332)
Share of net profits and revaluation gains of associates		<u>(12)</u>	<u>(22)</u>
Profit/(loss) before income tax		757	430
Income tax expense		<u>(231)</u>	<u>(52)</u>
Profit/(loss) from continuing operations		<u>526</u>	<u>378</u>
Other Comprehensive Income			
Total Comprehensive Income for the period		<u>-</u>	<u>-</u>
Profit/(loss) attributable to minority equity interest		-	-
Profit/(loss) attributable to members of the parent entity		<u>526</u>	<u>378</u>
Earnings per Share			
Basic earnings per share (cents per share)		1.74	1.30
Diluted earnings per share (cents per share)		1.74	1.30

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 2010

	Notes	Consolidated Group	
		31 Dec 2010 \$'000	31 Dec 2009 \$'000
Current Assets			
Cash and cash equivalents		386	84
Trade and other receivables		193	751
Other current assets		175	219
Investment property held for sale		900	508
Investments accounted for using the equity method		<u>10,181</u>	<u>8,245</u>
Total Current Assets		<u>11,835</u>	<u>9,807</u>
Non-current Assets			
Trade and other receivables		-	-
Investment properties		33,615	32,117
Property, plant and equipment		526	627
Deferred tax assets		121	292
Rental Incentives		<u>56</u>	<u>-</u>
Total Non-current Assets		<u>34,318</u>	<u>33,036</u>
Total Assets		<u>46,153</u>	<u>42,843</u>
Current Liabilities			
Trade and other payables		367	662
Borrowings		9,480	4,005
Short term provisions		<u>51</u>	<u>48</u>
Total Current Liabilities		<u>9,898</u>	<u>4,715</u>
Non-current Liabilities			
Trade and other payables		126	69
Borrowings		11,450	15,675
Long term provisions		<u>-</u>	<u>-</u>
Total Non-current Liabilities		<u>11,576</u>	<u>15,744</u>
Total Liabilities		<u>21,474</u>	<u>20,459</u>
Net Assets		<u>24,679</u>	<u>22,384</u>
Equity			
Issued capital		12,097	11,174
Reserves		-	-
Retained earnings		<u>12,582</u>	<u>11,210</u>
Total Equity		<u>24,679</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 Changes in Equity for the half year ended 31 December 2010

	Issued Capital \$'000	Retained Earnings \$'000	Asset Revaluation Reserve \$'000	Total \$'000
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>
Balance at 1 July 2010	11,174	12,056	-	23,230
Shares issued during the year	923	-	-	923
Profit attributable to members of parent entity	-	526	-	526
Dividends paid or provided for	-	-	-	-
Balance at 31 Dec 2010	<u>12,097</u>	<u>12,582</u>	-	<u>24,679</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

	Consolidated Group	
	31 Dec 2010 Inflows (Outflows) \$'000	31 Dec 2009 Inflows (Outflows) \$'000
Cash flows from operating activities		
Receipts from customers	1,700	2,759
Payments to suppliers and employees	(1,058)	(661)
Interest received	-	19
Finance costs	<u>(705)</u>	<u>(530)</u>
Net cash provided by (used in) operating activities	<u>(63)</u>	<u>1,587</u>
Cash flows from investing activities		
Proceeds from the sale of plant and equipment	50	50
Purchase of plant and equipment	(9)	-
Proceeds from sale of property investments	1,262	999
Purchase of property and investments	(2,671)	(412)
Purchase of plant and equipment	<u>(404)</u>	<u>(21)</u>
Net cash provided by (used in) investing activities	<u>(1,772)</u>	<u>616</u>
Cash flows from financing activities		
Proceeds from issue of shares	923	-
Dividends paid by parent entity	(570)	(570)
(Loans to related parties)/repaid	-	-
Loans from related parties/(repaid)	(247)	(1,119)
Loans from unrelated entities/(repaid)	(26)	3
Proceeds from borrowings	8,650	1,100
Repayment of borrowings	<u>(6,525)</u>	<u>(1,580)</u>
Net cash provided by (used in) financing activities	<u>2,205</u>	<u>(2,166)</u>
Net increase/(decrease) in cash held	370	37
Cash at beginning of the half year	<u>16</u>	<u>47</u>
Cash at end of the half year	<u>386</u>	<u>84</u>

The accompanying notes form part of these financial statements.

DESANE GROUP HOLDINGS LIMITED ABN 61 003 184 932 and Controlled Entities
NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2010

1. Basis of Preparation

These general purpose financial statements for the interim half-year reporting period ended 31 December 2010 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 2010, 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 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.

2. Profit for the Period

Consolidated Group	
31 Dec 2010	31 Dec 2009
\$'000	\$'000

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

Auditors' remuneration	32	25
Depreciation of plant and equipment	2	5
Finance costs:		
- Other persons and/or corporations	662	480
- Associated companies	43	50
Transfer to/(from) provisions for:		
- Employee entitlements	7	11
Rental expenses relating to operating leases	15	14

3. Dividend Paid

Consolidated Group	
31 Dec 2010	31 Dec 2009
\$'000	\$'000

Dividend paid during the half year as follows:

Ordinary dividend of \$0.02 per share, unfranked, paid on 27 November 2009, recommended in last year's (2009) report	_____	570
Ordinary dividend of \$0.02 unfranked, per share paid on 26 November 2010, recommended in last year's (2010) report	_____	570

DESANE GROUP HOLDINGS LIMITED ABN 61 003 184 932 and Controlled Entities
NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2010

4. Operating Segments – Consolidated Group

i) Segment Performance - 31 Dec 2010

	Property Investment \$'000	Property project management and resale \$'000	Property services \$'000	Plant and Equipment \$'000	Other \$'000	Consolidated Group \$'000
Six Months to 31 December 2010						
Revenue						
External sales	1,071	313	59	-	13	1,456
Other	<u>673</u>	-	-	-	-	<u>673</u>
Total segment revenue	<u>1,744</u>	<u>313</u>	<u>59</u>	-	<u>13</u>	<u>2,129</u>
Segment net profit before tax	<u>825</u>	<u>313</u>	<u>59</u>	-	<u>13</u>	1,210
Reconciliation of segment result to group net profit/(loss) before tax						
Share of net profit of associates						(12)
Unallocated expenses						<u>(441)</u>
Profit/(loss) before income tax						757
Income tax expense						<u>(231)</u>
Profit/(loss) after income tax						<u>526</u>

a. Other is comprised of:

	Revenue \$'000	Profit \$'000
Sale of investment property	-	-
Other (recovery of administration costs)	<u>13</u>	<u>13</u>
	<u>13</u>	<u>13</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 2010

4. Operating Segments – Consolidated Group (continued)

ii) Segment Assets - 31 December 2010

	Property Investment \$'000	Property Project Management and Resale \$'000	Property Services \$'000	Plant and Equipment \$'000	Other \$'000	Consolidated Group \$'000
July 2010 opening balance	42,222	-	-	570	570	43,362
Unallocated Assets						
Deferred tax assets						353
Segment Asset Increases/ (Decreases) for the Period						
Acquisitions	2,671	-	-	9	-	2,680
Proceeds from sale	(1,263)	-	-	(50)	-	(1,313)
Depreciation	-	-	-	(2)	-	(2)
Revaluations/(devaluations)	673	-	-	-	-	673
Capital expenditures	404	-	-	-	-	404
Asset held for sale	(12)	-	-	-	-	(12)
Net movement in other segments	-	-	-	-	239	239
	44,695	-	-	527	809	46,384
Unallocated Assets						
Deferred Tax Assets						(231)
Total Group Assets						<u>46,153</u>
Equity accounted associates included in asset held for sale	<u>(12)</u>					
Segment Liabilities						
	Property Investment \$'000	Property Project Management and Resale \$'000	Property Services \$'000	Plant and Equipment \$'000	Other \$'000	Consolidated Group \$'000
July 2010 opening balance	19,052	-	-	-	1,431	20,483
Unallocated Liabilities						
Deferred tax liabilities						-
Segment Liabilities Increases/ (Decreases) for the Period						
Repayments	(6,525)	-	-	-	-	(6,525)
New borrowings	8,650	-	-	-	-	8,650
Repayment of associated company loan	(247)	-	-	-	-	(247)
Net movement in other segments	-	-	-	-	(887)	(887)
	20,930	-	-	-	544	21,474
Unallocated Liabilities						
Deferred Tax Liabilities						-
Total Group Liabilities						<u>21,474</u>
Equity accounted associates included in Segment liabilities	<u>(247)</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 2010

iii) Segment Performance - 31 Dec 2009

	Property Investment \$'000	Property project management and resale \$'000	Property services \$'000	Plant and Equipment \$'000	Other \$'000	Consolidated Group \$'000
Six Months to 31 December 2009						
Revenue						
External sales	1,193	316	-	-	33	1,542
Other	-	-	-	-	-	-
Total segment revenue	<u>1,193</u>	<u>316</u>	<u>-</u>	<u>-</u>	<u>33</u>	<u>1,542</u>
Segment net profit before tax	<u>495</u>	<u>316</u>	<u>-</u>	<u>-</u>	<u>33</u>	844
Reconciliation of segment result to group net profit/(loss) before tax						
Share of net profit of associates						(22)
Unallocated expenses						<u>(392)</u>
Profit/(loss) before income tax						430
Income tax expense						<u>(52)</u>
Profit/(loss) after income tax						<u>378</u>

a. Other is comprised of:

	Revenue \$'000	Profit \$'000
Sale of investment property	-	-
Other (recovery of administration costs)	14	14
Interest received	<u>19</u>	<u>19</u>
	<u>33</u>	<u>33</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 2010

4. Operating Segments – Consolidated Group (continued)

iv) Segment Assets – 31 December 2009

	Property Investment \$'000	Property Project Management and Resale \$'000	Property Services \$'000	Plant and Equipment \$'000	Other \$'000	Consolidated Group \$'000
July 2009 opening balance	41,478	-	-	661	2,004	44,143
Unallocated Assets						
Deferred tax assets						344
Segment Asset Increases/ (Decreases) for the Period						
Acquisitions	-	-	-	21	-	21
Proceeds from sale/depreciation	(998)	-	-	(50)	-	(1,048)
Depreciation	-	-	-	(5)	-	(5)
Revaluations/(devaluations)	-	-	-	-	-	-
Capital expenditures	390	-	-	-	-	390
Asset held for sale	(22)	-	-	-	-	(22)
Net movement in other segments	-	-	-	-	(927)	(927)
	40,848	-	-	627	1,076	42,895
Unallocated Assets						
Deferred Tax Assets						(52)
Total Group Assets						<u>42,843</u>
Equity accounted associates included in asset held for sale	<u>(22)</u>					

Segment Liabilities

	Property Investment \$'000	Property Project Management and Resale \$'000	Property Services \$'000	Plant and Equipment \$'000	Other \$'000	Consolidated Group \$'000
July 2009 opening balance	21,279	-	-	-	1,201	22,480
Unallocated Liabilities						
Deferred tax liabilities						-
Segment Liabilities Increases/ (Decreases) for the Period						
Repayments	(1,580)	-	-	-	-	(1,580)
New borrowings	1,100	-	-	-	-	1,100
Loan from associated company	(1,063)	-	-	-	-	(1,063)
Net movement in other segments	-	-	-	-	(478)	(478)
	19,736	-	-	-	723	20,459
Unallocated Liabilities						
Deferred Tax Liabilities						-
Total Group Liabilities						<u>20,459</u>
Equity accounted associates included in Segment liabilities	<u>(1,063)</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 2010

5. Equity Issued

Issue of ordinary shares during the half year ended 31 December 2010.

	Consolidated Group		Consolidated Group	
	31 Dec 2010	31 Dec 2009	31 Dec 2010	31 Dec 2009
	No	No	\$'000	\$'000
Opening ordinary shares fully paid	28,521,997	28,521,997	11,174	11,174
Issue of ordinary shares, fully paid, during the half year ended 31 December 2010 - share purchase plan	<u>1,677,468</u>	<u>-</u>	<u>923</u>	<u>-</u>
Closing ordinary shares fully paid	<u>30,199,465</u>	<u>28,521,997</u>	<u>12,097</u>	<u>11,174</u>

6. Contingent Liabilities

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

7. Events Subsequent to Reporting Date

Unit 5, 1-3 Nicholas Street, Lidcombe, has been sold and settled on 31 January 2011 to Cupara Pty Ltd at market price.

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 2010 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 2011

**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 and Controlled Entities (the consolidated entity), which comprises the condensed statement of financial position as at 31 December 2010, 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 2010 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, 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 and Controlled Entities on 15 February 2011, would be in the same terms if provided to the directors as at the date of this auditor's review report.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

Our review did not involve an analysis of the prudence of the business decisions made by directors or management.

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 2010, 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 risks 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 reviewed 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 2010 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

15 February 2011