

20 February 2013

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 2012

Dear Sir/Madam,

OPERATING PROFIT

Desane Group Holdings Limited (“**Desane**” or the “**Company**”) wishes to report an **after tax operating profit of \$253,691** for the six months ending 31 December 2012, representing an **8.7% increase** in after tax profit over the corresponding period.

The key operational highlights over the corresponding period were:

- **4.2% increase** in total assets to \$46.1 million;
- **10%** increase in property under management;
- **5% increase** in revenue;
- **11% reduction** in cost of borrowings;
- **2.7% increase** in net tangible assets to 82 cents per security; and
- Diligent Group cost management.

NET TANGIBLE ASSETS

The net tangible asset backing per security for the half year to 31 December 2012 is **82 cents** per security, being an **increase of 2.7%** in NTA. The Group’s total assets now stand at **\$46.1 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 2013 will be at least equal, if not greater, than the final dividend paid to shareholders for the 2012 financial year.

APPENDIX 4D

The Interim Financial Report for the year ended 31 December 2012 is attached. This report is provided to the Australian Securities Exchange Limited (ASX) under ASX Listing Rule 4.2A.

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

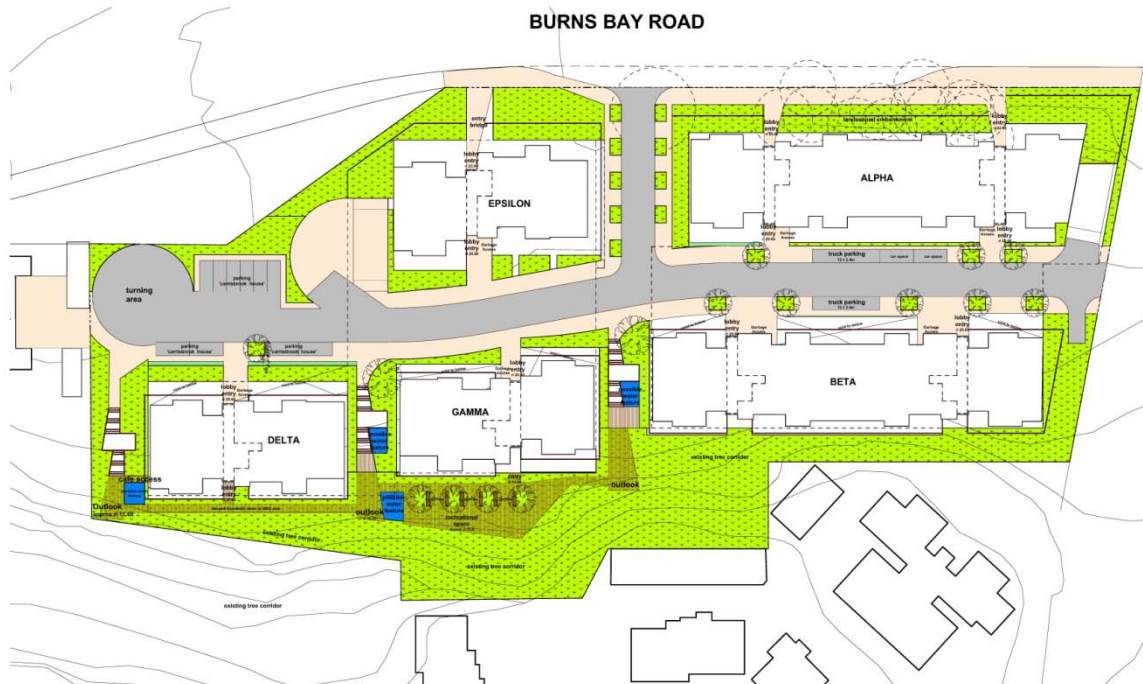
As a result of substantial capital expenditure in the last financial year, the property investment division has continued to perform well. The property upgrading program, combined with Desane's management team's knowledge of the property market has ensured that the Group's properties continue to have a strong tenancy profile and long term leases.

i. LANE COVE (316-332 Burns Bay Road)

In December 2012, development approval was obtained for the residential development located on the Sydney Harbour shore of Burns Bay for 5 high rise buildings, for a total of **approximately 21,500m² net of residential floorspace**. The approved development will comprise 68 one bedroom apartments, 130 two bedroom apartments, 20 three bedroom apartments and one commercial convenience store. The proposed development has been designed to take advantage of the **sweeping Sydney Harbour and Lane Cove River views**. Desane and its co-owners intend to sell this property during the course of 2013. Desane has a **50% interest** in this property.



Proposed high-rise residential development architectural block plan layout



ii. LANE COVE (7-9 Orion Road)

This **8,000m² five unit industrial complex** is occupied by five large Australian and international corporations, all with **long term** leases. This property 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 comprises of a two-level commercial/industrial property with 50 basement security parking spaces. The continuing ownership of this property by Desane will show rental and capital increases for Desane's property asset portfolio in future years.



iv. LANE COVE (7 Sirius Road)

The continuing lower interest rates are encouraging enterprises to the owner-occupier market. In view of this change in market conditions, Desane will consider the sale of this property during 2013, with the proceeds from the sale being used by Desane for other property areas of interest. This property is comprised of **2,800m² commercial/industrial**. The property is located within 100 metres of the two other commercial industrial properties owned by Desane. The property comprises approximately 460m² of office and 2,240m² of high clearance warehouse, with 38 on-site car parking spaces.



v. ROZELLE (68-72 Lilyfield Road Multimedia Centre)

This substantial **prime commercial and industrial property**, located in the Sydney suburb of Rozelle is 95% leased on a long term basis. Due to the increased demand for this type of property, in close proximity of Sydney's CBD, Desane is in the process of undertaking a due diligence with a view to creating additional leasable floorspace. Desane has a **70% interest** in this property. The property is located in close proximity to the Anzac Bridge and the Sydney Cross City Tunnel, linking the eastern suburbs to the inner western Sydney suburbs.



vi. ROZELLE BAY COMMERCIAL CENTRE (47-51 Lilyfield Road)



Desane has 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 is proceeding to change the “use mix” for this property, by proposing to increase the number of residential units from 2 to 29 and reducing the commercial component to three ground floor commercial units. The existing building is leased on a short-term basis. The property is located across the road from Desane’s 70% owned Multimedia Centre, 3 kilometres from the Sydney CBD, being at the western exit of the Anzac Bridge and 100 metres from Victoria Road’s major bus routes to the Sydney Central Business District.

PROPERTY MANAGEMENT

Desane continues to be a significant Sydney based **commercial and industrial landlord** and will continue to increase its property holdings as the opportunities arise. The Company has increased its direct ownership of properties and other assets to **\$46.1 million** and it manages an additional **\$22.5 million** of industrial properties in the Sydney metropolitan area.

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

FUTURE PROSPECTS

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

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

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

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

Yours faithfully,
DESANE GROUP HOLDINGS LIMITED



JOHN BARTHOLOMEW
Company Secretary

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 \$46.1 million of properties and other assets and manages a further \$22.5 million of industrial and commercial properties in the Sydney region.

Half Yearly Report of

Desane Group Holdings Limited

and Controlled Entities

ABN 61 003 184 932

for the Six Months Ended 31 December 2012

This Half Yearly Report is provided to the Australian Stock Exchange (ASX) under ASX Listing Rule 4.2A.

Current Reporting Period: Half year ended 31 December 2012

Previous Corresponding Period: Half year ended 31 December 2011

Desane Group Holdings Limited

APPENDIX 4D – Half Yearly Report

for the period ended 31 December 2012

Details of the reporting period

Current Period: 1 July 2012 to 31 December 2012

Previous Corresponding Period: 1 July 2011 to 31 December 2011

Results for announcement to the market

		\$A'000
Revenues from ordinary activities	up/down	4.91% to 1,583
Profit (loss) from ordinary activities after tax attributable to members	up/down	8.70% to 254
Net profit (loss) for the period attributable to members	up/down	8.70% to 254
Dividends (distributions)	Amount per security	Franked amount per security
Interim Dividend	NIL	NIL
Previous Corresponding Period	NIL	NIL
Dividend Record Date	NOT APPLICABLE	
Dividend Payment date	NOT APPLICABLE	
<p>For a brief explanation of any of the figures reported above, please refer to the attached Directors' Report.</p> <p>This information should be read in conjunction with the 30 June 2012 annual financial report.</p>		

Desane Group Holdings Limited
APPENDIX 4D – Half Yearly Report
for the period ended 31 December 2012

Earnings per security (EPS)

	Current period	Previous corresponding period
Basic EPS	0.84 cents	0.77 cents
Diluted EPS	0.84 cents	0.77 cents

Net tangible assets per security

	Current period	Previous corresponding period
Net tangible asset backing per Ordinary share	82 cents	80 cents

Amount per Security

	Amount per security	Franked amount per security at 30% tax	Amount per security of foreign source dividend
Interim dividend:			
Current year	NIL	NIL	NIL
Previous year	NIL	NIL	NIL

Desane Group Holdings Limited
APPENDIX 4D – Half Yearly Report
for the period ended 31 December 2012

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

Group's share of associates' and joint venture entities':	Current period \$A'000	Previous corresponding period - \$A'000
Profit (loss) from ordinary activities before tax	57	190
Income tax on ordinary activities	1	15
Profit (loss) from ordinary activities after tax	56	205
Extraordinary items net of tax	-	-
Net profit (loss)	56	205
Adjustments	-	-
Share of net profit (loss) of associates and joint venture entities	56	205

Desane Group Holdings Limited
APPENDIX 4D – Half Yearly Report
for the period ended 31 December 2012

Material interests in entities which are not controlled entities

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

<i>Name of entity</i>	Percentage of ownership interest held at end of period or date of disposal		Contribution to net profit (loss)	
	Current period	Previous corresponding period	Current period \$A'000	Previous corresponding period - \$A'000
Equity accounted associates and joint venture entities				
Samvoni Pty Ltd / Tuta Properties Pty Ltd	50%	50%	3	(35)
Lilyfield Road Joint Venture	70%	70%	53	240
Total			56	205

Desane Group Holdings Limited
APPENDIX 4D – Half Yearly Report
for the period ended 31 December 2012

Commentary on results

	Current Period	Previous corresponding period
Earnings per share	0.84 cents	0.77 cents
Net tangible asset backing per Ordinary share	82 cents	80 cents
Interim dividend per Ordinary Share	NIL	NIL

Audit Review

The accounts were reviewed by the Company's auditors whose report is attached as part of the Half Yearly Report for the half year ended 31 December 2012.

Attachment

The Half Year Report for the period ended 31 December 2012 is attached.

Signed



John Bartholomew
Company Secretary
20 February 2013

This is Annexure A of 21 pages referred to in form 7051, notification of Half Yearly Reports.

John Bartholomew Date: 20 February 2013



ABN 61 003 184 932

INTERIM FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED

31 DECEMBER 2012

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DESANE GROUP HOLDINGS LIMITED ABN 61 003 184 932 and Controlled Entities
Directors' Report
For the six months ended 31 December 2012

The Directors present their report on the company and its controlled entities for the half year ended 31 December 2012.

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 2012 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 2012	31 Dec 2011
	\$	\$
The consolidated profit of the economic entity, after providing for income tax amounted to	<u>253,691</u>	<u>233,397</u>

Dividends Paid or Recommended

Dividends paid or declared for payment are as follows:

Ordinary dividend of \$0.01 per share, unfranked, paid on 25 November 2011, recommended in the 2011 report		\$ 301,994
Ordinary dividend of \$0.02 per share, unfranked, paid on 26 November 2012, recommended in last year's 2012 report	\$ 301,994	

DESANE GROUP HOLDINGS LIMITED ABN 61 003 184 932 and Controlled Entities
Directors' Report (Continued)
For the six months ended 31 December 2012

Review of Operations

The directors report a half year profit of \$253,691. The operating profit for the half year ended 31 December 2011 was \$233,397.

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

	Revenue		Segment Result	
	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
	\$	\$	\$	\$
Property investment – rental	1,000,662	1,179,218	241,782	480,030
Property services	138,303	-	138,303	-
Property management	55,438	66,109	55,438	66,109
Property investment – net revaluations	-	-	-	-
Project management	375,000	250,000	375,000	250,000
Other	<u>13,500</u>	<u>13,500</u>	<u>13,500</u>	<u>13,500</u>
	<u>1,582,903</u>	<u>1,508,827</u>	<u>824,023</u>	<u>809,639</u>
Share of net profits/(loss) of associates			2,901	(34,608)
Unallocated expenses			<u>(448,390)</u>	<u>(423,952)</u>
Operating profit			378,534	351,079
Income tax attributable to operating profit			<u>(124,843)</u>	<u>(117,682)</u>
Operating profit after income tax attributable to members of Desane Group Holdings Limited			<u>253,691</u>	<u>233,397</u>

a. Property Investment

As a result of substantial capital expenditure in the last financial year, the property investment division has continued to perform well. The property upgrading program, combined with Desane's management team's knowledge of the property market has ensured that the Group's properties continue to have a strong tenancy profile and long term leases.

i. LANE COVE (316-332 Burns Bay Road)

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ii. LANE COVE (7-9 Orion Road)

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

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DESANE GROUP HOLDINGS LIMITED ABN 61 003 184 932 and Controlled Entities
Directors' Report (Continued)
For the six months ended 31 December 2012

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 has increased its direct ownership of properties and other assets to **\$46.1 million** and it manages an additional **\$22.5 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, Arrow Scientific; Sagem Australasia; Pentel; JAV IT Group; Prime Bioseparation; Phebra; ServicePoint Australia; Optimed; TMS Group; Halley & Mellows; Kindercise Gym; Vino Plus; Premier Products; Pivot Action and Bryon Food Science.**

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 2012, the economic entity reported an **increase** in total assets of **\$1,839,510 equalling a 4.2% increase** in total assets over the corresponding period. The net operating profit after tax **increased by 8.7%** and the net tangible assets per security (NTA) **increased by 2.7%**.

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

During the 2013 calendar year, one financial loan for \$11.3 million is due for renewal in December 2013. The Australian Accounting Standards require all loans which are due for renewal within 12 months of the reporting period to be classified as Current Liabilities. The Board believes that this loan will be renewed on a medium or long term basis when it is due for renewal in December 2013.

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)
For the six months ended 31 December 2012

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.

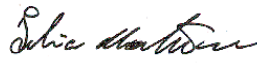
Auditor's Declaration

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 2012.

Signed in accordance with a resolution of the Board of Directors, at Sydney, this 20th day of February, 2013.



J B Sheehan
Director



P Montrone
Director

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

I declare that, to the best of my knowledge and belief, during the half year ended 31 December 2012, 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)



GRAEME GREEN
Director

Signed in Sydney, 20 February 2013

DESANE GROUP HOLDINGS LIMITED ABN 61 003 184 932 and Controlled Entities
Consolidated Statement of Comprehensive Income
for the Half Year Ended 31 December 2012

	Notes	Consolidated Group	
		31 Dec 2012 \$	31 Dec 2011 \$
Revenue		1,582,903	1,508,827
Interest income		-	-
Employee benefits expense		(269,969)	(236,021)
Depreciation and amortisation expense		(4,950)	(2,692)
Gain/(loss) on revaluation of investment properties		-	-
Finance costs		(555,497)	(623,005)
Other expenses from ordinary activities		(376,854)	(261,422)
Share of net profits and revaluation gains of associates		<u>2,901</u>	<u>(34,608)</u>
Profit/(loss) before income tax		378,534	351,079
Income tax expense		<u>(124,843)</u>	<u>(117,682)</u>
Profit/(loss) from continuing operations		<u>253,691</u>	<u>233,397</u>
Other Comprehensive Income			
Total Comprehensive Income for the period		<u>-</u>	<u>-</u>
Profit/(loss) attributable to minority equity interest		<u>-</u>	<u>-</u>
Profit/(loss) attributable to members of the parent entity		<u>253,691</u>	<u>233,397</u>
Earnings per Share			
Basic earnings per share (cents per share)		0.84	0.77
Diluted earnings per share (cents per share)		0.84	0.77

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 2012

	Consolidated Group	
	31 Dec 2012	31 Dec 2011
	\$	\$
Current Assets		
Cash and cash equivalents	10,661	-
Trade and other receivables	496,854	112,200
Other current assets	66,675	48,422
Investment property held for sale	-	-
Investments accounted for using the equity method	<u>9,376,184</u>	<u>9,298,415</u>
Total Current Assets	<u>9,950,374</u>	<u>9,459,037</u>
Non-current Assets		
Trade and other receivables	1,925	1,925
Investment properties	35,926,199	34,685,409
Property, plant and equipment	54,157	32,314
Deferred tax assets	-	-
Rental Incentives	<u>125,535</u>	<u>39,995</u>
Total Non-current Assets	<u>36,107,816</u>	<u>34,759,643</u>
Total Assets	<u>46,058,190</u>	<u>44,218,680</u>
Current Liabilities		
Trade and other payables	587,243	676,228
Borrowings	11,792,577	7,879,962
Provisions	<u>26,249</u>	<u>60,778</u>
Total Current Liabilities	<u>12,406,069</u>	<u>8,616,968</u>
Non-current Liabilities		
Trade and other payables	26,667	45,656
Borrowings	8,326,357	11,340,000
Deferred tax liability	529,419	133,274
Provisions	<u>32,407</u>	<u>-</u>
Total Non-current Liabilities	<u>8,914,850</u>	<u>11,518,930</u>
Total Liabilities	<u>21,320,919</u>	<u>20,135,898</u>
Net Assets	<u>24,737,271</u>	<u>24,082,782</u>
Equity		
Issued capital	12,097,005	12,097,005
Reserves	-	-
Retained earnings	<u>12,640,266</u>	<u>11,985,777</u>
Total Equity	<u>24,737,271</u>	<u>24,082,782</u>

The accompanying notes form part of these financial statements.

DESANE GROUP HOLDINGS LIMITED ABN 61 003 184 932 and Controlled Entities
Consolidated Statement of Changes in Equity for the half year ended 31 December 2012

	Issued Capital \$	Retained Earnings \$	Asset Revaluation Reserve \$	Total \$
Balance at 1 July 2011	12,097,005	11,752,380	-	23,849,385
Shares issued during the year	-	-	-	-
Profit attributable to members of parent entity	-	<u>233,397</u>	-	<u>233,397</u>
Dividends paid or provided for	-	-	-	-
Balance at 31 Dec 2011	<u>12,097,005</u>	<u>11,985,777</u>	<u>-</u>	<u>24,082,782</u>
Balance at 1 July 2012	12,097,005	12,386,575	-	24,483,580
Shares issued during the year	-	-	-	-
Profit attributable to members of parent entity	-	<u>253,691</u>	-	<u>253,691</u>
Dividends paid or provided for	-	-	-	-
Balance at 31 Dec 2012	<u>12,097,005</u>	<u>12,640,266</u>	<u>-</u>	<u>24,737,271</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 2012

	Consolidated Group	
	31 Dec 2012 Inflows (Outflows) \$	31 Dec 2011 Inflows (Outflows) \$
Cash flows from operating activities		
Receipts from customers	1,348,690	1,852,293
Payments to suppliers and employees	(959,554)	(461,754)
Interest received	-	-
Finance costs	<u>(555,497)</u>	<u>(623,005)</u>
Net cash provided by (used in) operating activities	<u>(166,361)</u>	<u>767,534</u>
Cash flows from investing activities		
Proceeds from the sale of plant and equipment	-	440,500
Purchase of plant and equipment	-	(487)
Proceeds from sale of property investments	-	-
Purchase of property and investments	-	-
Purchase of other non-current assets (capital expenditure)	<u>(156,559)</u>	<u>(428,645)</u>
Net cash provided by (used in) investing activities	<u>(156,559)</u>	<u>11,368</u>
Cash flows from financing activities		
Proceeds from issue of shares	-	-
Dividends paid by parent entity	(301,994)	(301,994)
Loans from related parties/(repaid)	(29,000)	(263,731)
Loans from unrelated entities/(repaid)	-	(78,834)
Proceeds from borrowings	3,050,000	-
Repayment of borrowings	(2,470,000)	(54,437)
Repayment of rental bonds	<u>(8,990)</u>	<u>-</u>
Net cash provided by (used in) financing activities	<u>240,016</u>	<u>(698,996)</u>
Net increase/(decrease) in cash held	(82,904)	79,906
Cash at beginning of the half year	<u>(80,907)</u>	<u>(97,844)</u>
Cash at end of the half year	<u>(163,811)</u>	<u>(17,938)</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 CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2012

1. Basis of Preparation

These general purpose financial statements for the half-year reporting period ended 31 December 2012 have been prepared in accordance with requirements of the *Corporations Act* and Australian Accounting Standards including AASB 134: Interim Financial Reporting. The Group is a for-profit entity for financial reporting purposes under Australian Accounting 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 2012, together with any public announcement made during the half-year.

Accounting Policies

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

Critical Accounting Estimates and Judgments

The critical estimates and judgments are consistent with those applied and disclosed in the June 2012 annual report, except in relation to the following matter:

Impairment – carbon price

There is presently uncertainty in relation to the impacts of the carbon pricing mechanism recently introduced by the Australian Government. This carbon pricing system could potentially affect the assumptions underlying value-in-use calculations used for asset impairment testing purposes. The consolidated entity has not incorporated the effect of any carbon price implementation in its impairment testing at 31 December 2012.

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

For the half-year reporting period to 31 December 2012, a number of new and revised Accounting Standard requirements became mandatory for the first time, some of which are relevant to the Group. A discussion of these new and revised requirements that are relevant to the Group is provided below:

- AASB 124: Related Party Disclosures (December 2009)

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

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

DESANE GROUP HOLDINGS LIMITED ABN 61 003 184 932 and Controlled Entities
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2012

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

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

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

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

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

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

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

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

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

DESANE GROUP HOLDINGS LIMITED ABN 61 003 184 932 and Controlled Entities
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2012

2. Profit for the Period

Consolidated Group	
31 Dec 2012	31 Dec 2011
\$	\$

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

Auditors' remuneration	28,350	29,400
Depreciation of plant and equipment	4,950	2,692
Finance costs:		
- Other persons and/or corporations	543,929	611,737
- Associated companies	11,568	11,268
Transfer to/(from) provisions for:		
- Employee entitlements	4,554	7,894
Rental expenses relating to operating leases	16,070	15,491

3. Dividend Paid

Consolidated Group	
31 Dec 2012	31 Dec 2011
\$	\$

Dividend paid during the half year as follows:

Ordinary dividend of \$0.01 unfranked, per share paid on 25 November 2011, recommended in last year's 2011 report		<u>301,994</u>
Ordinary dividend of \$0.01 per share, unfranked, paid on 26 November 2012, recommended in the 2012 report	<u>301,994</u>	

DESANE GROUP HOLDINGS LIMITED ABN 61 003 184 932 and Controlled Entities
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2012

4. Operating Segments

i) Segment Performance - 31 Dec 2012

	Property Investment	Property project management and resale	Property services	Plant and Equipment	Other	Consolidated Group
Six Months to 31 December 2012						
Revenue						
External sales	1,000,662	430,438	138,303	-	13,500	1,582,903
Other	-	-	-	-	-	-
Total segment revenue	<u>1,000,662</u>	<u>430,438</u>	<u>138,303</u>	<u>-</u>	<u>13,500</u>	<u>1,582,903</u>
Segment net profit before tax	<u>241,782</u>	<u>430,438</u>	<u>138,303</u>	<u>-</u>	<u>13,500</u>	824,023
Reconciliation of segment result to group net profit/(loss) before tax						
Share of net profit of associates						2,901
Unallocated expenses						<u>(448,390)</u>
Profit/(loss) before income tax						378,534
Income tax expense						<u>(124,843)</u>
Profit/(loss) after income tax						<u>253,691</u>

a. Other is comprised of:

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

b. Geographical Segments

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

c. Compilation of Segmental Information

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

DESANE GROUP HOLDINGS LIMITED ABN 61 003 184 932 and Controlled Entities
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2012

4. Operating Segments (continued)

ii) Segment Assets - 31 December 2012

	Property Investment \$	Property Project Management and Resale \$	Property Services \$	Plant and Equipment \$	Other \$	Consolidated Group \$
July 2012 opening balance	45,142,923	-	-	-	505,768	45,648,691
Unallocated Assets						-
Deferred tax assets						-
Segment Asset Increases/ (Decreases) for the Period						
Acquisitions				-		-
Proceeds from sale						-
Revaluations/(devaluations)	-					-
Capital expenditures	156,559					156,559
Asset held for sale	2,901					2,901
Net movement in other segments					250,039	250,039
	<u>45,302,383</u>	-	-	-	755,807	46,058,190
Unallocated Assets						-
Deferred Tax Assets						-
Total Group Assets						<u>46,058,190</u>
Equity accounted associates included in asset held for sale	<u>2,901</u>					
Segment Liabilities						
	Property Investment \$	Property Project Management and Resale \$	Property Services \$	Plant and Equipment \$	Other \$	Consolidated Group \$
July 2012 opening balance	19,486,694	-	-	-	1,272,647	20,759,341
Unallocated Liabilities						
Deferred tax liabilities						404,577
Segment Liabilities Increases/ (Decreases) for the Period						
Repayments	(2,499,000)					(2,499,000)
New borrowings	3,050,000					3,050,000
Repayment of associated company loan	-					-
Net movement in other segments					(518,842)	(518,842)
	<u>20,037,694</u>	-	-	-	753,805	21,196,076
Unallocated Liabilities						
Deferred Tax Liabilities						124,843
Total Group Liabilities						<u>21,320,919</u>
Equity accounted associates included in Segment liabilities	<u>-</u>					

DESANE GROUP HOLDINGS LIMITED ABN 61 003 184 932 and Controlled Entities
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2012

4. Operating Segments (continued)

iii) Segment Performance - 31 Dec 2011

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

a. Other is comprised of:

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

b. Geographical Segments

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

c. Compilation of Segmental Information

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

DESANE GROUP HOLDINGS LIMITED ABN 61 003 184 932 and Controlled Entities
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2012

4. Operating Segments (continued)

iv) Segment Assets - 31 December 2011

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

Segment Liabilities

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

DESANE GROUP HOLDINGS LIMITED ABN 61 003 184 932 and Controlled Entities
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2012

5. Equity Issued

Issue of ordinary shares during the half year ended 31 December 2012.

	Consolidated Group		Consolidated Group	
	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
	No	No	\$	\$
Opening ordinary shares fully paid	30,199,465	30,199,465	12,097,005	12,097,005
Issue of ordinary shares, fully paid, during the half year - share purchase plan	-	-	-	-
Closing ordinary shares fully paid	<u>30,199,465</u>	<u>30,199,465</u>	<u>12,097,005</u>	<u>12,097,005</u>

6. Related Party Transaction

There have been no material related party transactions since the last annual reporting date.

7. Contingent Liabilities

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

8. Events Subsequent to Reporting Date

There have been no events subsequent to the reporting date for the half-year ended 31 December 2012.

DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 7 to 18:
 - a. comply with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001; and
 - b. give a true and fair view of the economic entity's financial position as at 31 December 2012 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
20 February 2013

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Desane Group Holdings Limited, which comprises the consolidated condensed statement of financial position as at 31 December 2012, the consolidated condensed statement of comprehensive income, the consolidated condensed statement of changes in equity, and the consolidated condensed statement of cash flows for the half-year ended on that date, the accounting policies and other selected explanatory notes and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial and Other Financial Reports Performed by Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Desane Group Holdings Limited, ASRE 2410 requires that we comply with ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

- a. giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of their performance for the half-year ended on that date; and

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- 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)



GRAEME GREEN
Director

20 February 2013