

10 February 2005

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 Ending 31 December 2004

Dear Sir/Madam,

OPERATING PROFIT

The operating profit for the six months ending 31 December, 2004 was \$539,141. The result is an increase of 9% over the corresponding period. The Directors expect the profit for the full financial year to equal or better the last financial year's result.

DIVIDEND

The Directors have decided not to declare an interim dividend for the six months ending 31 December, 2004.

HALF YEARLY REPORT

The half yearly report and dividend announcement as set out in Appendix D of the Australian Stock Exchange (Sydney) Limited Listing rules is attached.

The financial data prepared by the Company upon which the attached report is based complies with the Australian Accounting Standards and in particular AASB1029: Half Year Accounts and Consolidated Accounts.

NET TANGIBLE ASSETS

The Group's net tangible assets are currently 94 cents per share. This represents an increase of 16% over the corresponding period.

.../2

FUTURE PROSPECTS

The Group's industrial and commercial property investment portfolio will continue to grow and will continue to perform extremely well. The Directors expect the net rental income to continue to increase and expect continuing growth in assets. All the industrial property investments owned by the Group are fully leased on a long term basis with a strong tenancy mix. This should ensure a continuing profit growth.

The Group's shareholders are foremost in the Director's consideration. They can expect to continue to receive franked dividends in the current financial year.

The Company will also take advantage of property investment opportunities which it will identify in the course of normal business.

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 and or manages more than \$65 million of industrial and commercial properties in the Sydney region – our medium term objective is to increase our property holdings to \$100 million.

This is "A" of 10 pages referred to in Form 388 Half Yearly Accounts signed by me and dated 10 February 2005.

*John W Bartholomew
Company Secretary*

DESANE GROUP HOLDINGS LIMITED and Controlled Entities

ABN 61 003 184 932

FINANCIAL REPORT – 31 DECEMBER 2004

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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 2004

\$A'000

Revenues from ordinary activities	up /down	51%	to	1,450
Profit (loss) from ordinary activities after tax attributable to members	up / down	9%	to	539
Profit (loss) from extraordinary items after tax attributable to members	gain (loss) of			NIL
Net profit (loss) for the period attributable to members	up / down	9%	to	539
Dividends (distributions)		Amount per security		Franked amount per security
Interim dividend		NIL		NIL
Previous corresponding period (<i>half yearly report</i>)		NIL		NIL
<p>⁺Record date for determining entitlements to the dividend, (in the case of a trust, distribution)</p> <div style="border: 1px solid black; padding: 5px; width: fit-content; margin-left: auto; margin-right: auto;">NOT APPLICABLE</div> <p>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:</p>				

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

Earnings per security (EPS)	Current period	Previous corresponding Period
Basic EPS	2.03 cents	2.1 cents
Diluted EPS	2.03 cents	2.2 cents

NTA backing	Current period	Previous corresponding Period
Net tangible asset backing per ⁺ ordinary security	94 cents	81 cents

Control gained over entities having material effect

Name of entity (or group of entities)

NOT APPLICABLE

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

\$-

Date from which such profit has been calculated

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

\$-

Loss of control of entities having material effect

Name of entity (or group of entities)

NOT APPLICABLE

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

\$-

Date to which the profit (loss) has been calculated

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

\$-

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

\$-

⁺ See chapter 19 for defined terms.

Dividends (in the case of a trust, distributions)

Date the dividend (distribution) is payable

NOT APPLICABLE

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

NOT APPLICABLE

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

NOT APPLICABLE

Amount per security

		Amount per security	Franked amount per security at % 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	1,228	912
Income tax on ordinary activities	-	-
(b) Profit (loss) from ordinary activities after tax	1,228	912
Extraordinary items net of tax	-	-
(c) Net profit (loss)	1,228	912
Adjustments	(689)	(495)
(d) Share of net profit (loss) of associates and joint venture entities	539	417

Material interests in entities which are not controlled entities

⁺ See chapter 19 for defined terms.

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

<i>Name of entity</i>	Percentage of ownership interest held at end of period or date of disposal		Contribution to net profit (loss)	
	Current period	Previous corresponding period	Current period \$A'000	Previous corresponding period - \$A'000
Equity accounted associates and joint venture entities				
Samvoni Pty Ltd/Tuta Properties Pty Ltd	50%	50%	325	216
Lilyfield Rd JV	70%	70%	162	164
Pymont Bridge Rd JV	15%	15%	52	37
Total			539	417
Other material interests				
Total			539	417

+ See chapter 19 for defined terms.

DESANE GROUP HOLDINGS LIMITED and Controlled Entities

Interim Financial Report

DIRECTORS' REPORT

Your directors present their report on the accounts of the economic entity for the six months ended 31 December 2004.

Directors

The following persons held office as directors of Desane Group Holdings Limited during the period and at the date of this report:

Felice MONTRONE
John Blair SHEEHAN
Anthony GELONESI

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

Principal Activities

The principal continuing activities during the period of the economic entity constituted by Desane Group Holdings Limited and the entities it controlled during the year consisted of:

- Property investment;
- Property development and resale; and
- Property services

No significant changes in the principal activities of the economic entity took place during the period.

Consolidated Results

	31 Dec 2004	31 Dec 2003
	\$	\$
Operating profit for the half year after income tax	<u>539,141</u>	<u>496,397</u>

Directors' Benefits

Since 31 December 2004, no director of the company has received or become entitled to receive a benefit (other than director's remuneration) by reason of a contract made with the company or related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, other than reimbursement of office costs.

DESANE GROUP HOLDINGS LIMITED and Controlled Entities

Interim Financial Report

REVIEW OF OPERATIONS

The directors of the Sydney based industrial property investment and property services group, Desane Group Holdings Limited reports a \$539,141 profit result for the six months ended 31 December 2004. This represents a 9% increase in profit over the corresponding period. The Group also reported a 19% increase in net tangible assets in the last six months. The net tangible assets, after taking into account the 1:10 bonus share issue and the share purchase plan, now stands at 94 cents per share.

The Group's industrial and commercial property investments are continuing to perform extremely well. The net rental income has increased by 55% over the corresponding period. The strong tenancy mix and long term leases, as well as the quality of the tenants occupying the properties owned by the Group, will ensure continued profit and asset growth. The total assets have grown by 55% over the corresponding period. Desane is continuing to expand its industrial property holdings in the Sydney region. The Group's shareholders are foremost in the directors' consideration, and can expect to continue to receive a franked dividend in the current financial year.

The Group's industrial and commercial property investments include:

- The 8,000m² high tech industrial complex in the Sydney suburb of Lane Cove;
- The 8,000m² Multimedia Industrial Park in the Sydney suburb of Rozelle;
- The 12,000m² harbour front industrial complex in the Sydney suburb of Lane Cove;
- The 3,250m² nine high tech industrial units in the Sydney suburb of Silverwater;
- The 10,000m² Children's Hospital industrial precinct in the Sydney suburb of Camperdown; and
- The 4,000m² industrial complex in the Sydney suburb of Lidcombe.

The Group's three divisions, namely property investment, property services and property management continue to have a clear focus to maximize shareholders' wealth over the next three years. The directors expect a 15% net increase in the Group's asset growth for the current financial year.

The recent successful share purchase plan, which saw 46% of all shareholders participating, resulted in the company raising \$1,161,600. The capital raised will be applied to working capital and will allow Desane to have available capital to identify and purchase an additional industrial property during the next six months.

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 year under review not otherwise disclosed in this report or the consolidated accounts.

Likely Developments

Comments on expected results of certain of the economic entity's operations are included in this report under the review of operations. In the opinion of the Directors, it would prejudice the interests of the Company if any further information on likely developments in the operation of the economic entity and the expected results of operations were included herein, and the omission of such information is hereby disclosed.

DESANE GROUP HOLDINGS LIMITED and Controlled Entities
Condensed Consolidated Statement of Financial Performance
For the Half Year ended 31 December 2004

CLASSIFICATION OF EXPENSES BY NATURE

	Notes	Economic Entity	
		31 Dec 2004 \$	31 Dec 2003 \$
Revenues from ordinary activities		1,450,575	2,974,837
Changes in inventories		(1,295)	(758,231)
Employee benefits expense		(227,154)	(229,637)
Depreciation and amortisation expense		(11,737)	(11,958)
Purchase of building materials/services		(2,011)	(864,772)
Borrowing costs expense		(553,957)	(358,150)
Other expenses from ordinary activities		(654,795)	(672,780)
Share of net profits of associates and joint ventures accounted for using the equity method		<u>539,515</u>	<u>417,088</u>
Profit from ordinary activities before income tax expense		539,141	496,397
Income tax expense relating to ordinary activities		<u>-</u>	<u>-</u>
Net profit from ordinary activities after related income tax expense		539,141	496,397
Net profit attributable to outside equity interests		<u>-</u>	<u>-</u>
Net profit attributable to members of the parent entity		<u>539,141</u>	<u>496,397</u>
Increase in asset revaluation reserve		<u>2,253,903</u>	<u>-</u>
Total revenues, expenses and valuation adjustments attributable to members of the parent entity and recognised directly in equity		<u>2,793,044</u>	<u>496,397</u>
Total changes in equity other than those resulting from transactions with owners as owners		<u>2,793,044</u>	<u>496,397</u>
Basic earnings per share (cents per share)		2.03	2.1
Diluted earnings per share (cents per share)		2.03	2.2

The above statements of financial performance should be read in conjunction with the accompanying notes.

DESANE GROUP HOLDINGS LIMITED and Controlled Entities
Consolidated Statement of Financial Position
For the Half Year ended 31 December 2004

	Notes	Economic Entity	
		31 Dec 2004	31 Dec 2003
		\$	\$
Current Assets			
Cash Assets		565,667	1,143,878
Receivables		293,162	896,609
Inventories		-	378,075
Investments		3,589,109	-
Other		<u>1,224,394</u>	<u>1,640,629</u>
Total Current Assets		<u>5,672,332</u>	<u>4,059,191</u>
Non-Current Assets			
Receivables		1,489,824	250,040
Investments accounted for using the equity method		34,255,501	22,299,362
Property, plant and equipment		94,196	109,473
Intangible assets		<u>2,505</u>	<u>1,032</u>
Total Non-Current Assets		<u>35,842,026</u>	<u>22,659,907</u>
Total Assets		<u>41,514,358</u>	<u>26,719,098</u>
Current Liabilities			
Payables		388,816	325,929
Interest bearing liabilities		2,500,000	-
Provisions		<u>4,864</u>	<u>21,043</u>
Total Current Liabilities		<u>2,893,680</u>	<u>346,972</u>
Non-Current Liabilities			
Payables		-	-
Interest bearing liabilities		<u>13,741,397</u>	<u>8,152,138</u>
Total Non-Current Liabilities		<u>13,741,397</u>	<u>8,152,138</u>
Total Liabilities		<u>16,635,077</u>	<u>8,499,110</u>
Net Assets		<u>24,879,281</u>	<u>18,219,988</u>
Equity			
Contributed equity		9,760,739	8,599,139
Reserves		11,702,611	7,424,822
Retained profits		<u>3,415,931</u>	<u>2,196,027</u>
Total Equity		<u>24,879,281</u>	<u>18,219,988</u>

The above statements of financial performance should be read in conjunction with the accompanying notes.

DESANE GROUP HOLDINGS LIMITED and Controlled Entities
Condensed Consolidated Statements of Cash Flows
For the Half Year ended 31 December 2004

Notes	Economic Entity	
	31 Dec 2004	31 Dec 2003
	\$	\$
Cash Flows from Operating Activities		
Receipts from customers	874,680	2,381,264
Payments to suppliers and employees	(289,592)	(751,130)
Dividend from associated entity	200,000	100,000
Interest received	152,412	101,931
Interest paid	<u>(553,957)</u>	<u>(358,151)</u>
Net Cash Flow (Outflow) from Operating Activities	<u>383,543</u>	<u>1,473,914</u>
Cash Flows from Investing Activities		
Payments for property, plant and equipment	(23,277)	(30,702)
Proceeds from sale of investments	-	1,673,196
Purchase of investments	<u>(3,322,353)</u>	<u>(1,077,214)</u>
Net Cash Inflow (Outflow) from Investing Activities	<u>(3,345,630)</u>	<u>565,280</u>
Cash Flows from Financing Activities		
Proceeds from the issue of shares	1,161,600	614,876
Dividends paid by parent entity	(462,050)	(447,582)
(Loans to related parties)/repaid	(200,886)	(724,648)
Loans from related parties/(repaid)	(129,389)	613,703
(Loans to unrelated parties)/repaid	-	(591,976)
Proceeds from borrowings	3,088,800	-
Repayments of borrowings	<u>-</u>	<u>(640,000)</u>
Net Cash (Outflow) from Financing Activities	<u>3,458,075</u>	<u>(1,175,626)</u>
Net increase/decrease in cash held	495,988	863,568
Cash at the beginning of the financial year	<u>69,679</u>	<u>280,310</u>
Cash at the End of the Financial Year	<u>565,667</u>	<u>1,143,878</u>

The above statements of financial performance should be read in conjunction with the accompanying notes.

DESANE GROUP HOLDINGS LIMITED and Controlled Entities
Notes to the Financial Statements
For the Half Year ended 31 December 2004

NOTE 1: BASIS OF PREPARATION

The half-year condensed consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of Corporations Act, 2001 Accounting Standard AASB 1029: Interim Financial Reporting and other authoritative pronouncements of the Australian Accounting Standards Board.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2004 and any public announcements made by Desane Group Holdings Limited and its controlled entities during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act, 2001.

The accounting policies have been consistently applied by the entities in the economic entity are consistent with those applied in the 30 June 2004 Annual Report.

The Half Year Financial Report does not include full disclosures of the type normally included in an annual financial report.

NOTE 2: PROFIT FROM ORDINARY ACTIVITIES

	Economic Entity	
	31 Dec 2004	31 Dec 2003
	\$	\$
Operating Revenue		
a. Sales Revenue		
Property services	105,375	195,545
Property development and resale	54,181	1,972,609
Property rental income	938,607	604,752
	1,098,163	2,772,906
b. Other Revenue		
Interest, other persons/corporations	152,412	101,931
Dividend received/receivable	200,000	100,000
	1,450,575	2,974,837
c. Expenses		
Auditors' remuneration	22,500	16,500
Depreciation of plant and equipment	11,737	11,958
Borrowing costs paid/payable – other persons and/or corporations	553,957	358,151
Transfer to/(from) provisions for – employee entitlements	(22,777)	3,766
Rental expenses relating to operating leases	13,132	21,353

NOTE 3: DIVIDENDS

It was resolved that no dividend be declared. Dividends of \$462,050 were paid during the period. An amount of \$462,050 was provided in the June 2004 financial accounts.

DESANE GROUP HOLDINGS LIMITED and Controlled Entities
Notes to the Financial Statements
For the Half Year ended 31 December 2004

NOTE 4: EVENTS SUBSEQUENT TO REPORTING DATE

After reporting date, the economic entity has not incurred any significant events subsequent to the reporting date.

NOTE 5: CONTINGENT LIABILITIES

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

NOTE 6: SEGMENTAL INFORMATION

a. Industry Segments

Comparative Half Year – to 31 December 2004

	Property Investment \$	Property Development and Resale \$	Property Services \$	Elimination \$	Consolidated \$
Sale to customers outside Group	938,607	54,181	105,375	-	1,098,163
Intersegment sales	-	-	-	-	-
Total Revenue	<u>938,607</u>	<u>54,181</u>	<u>105,375</u>	<u>-</u>	<u>1,098,163</u>
Segment Operating Profit	<u>440,019</u>	<u>24,181</u>	<u>74,941</u>	<u>-</u>	<u>539,141</u>

Current Half Year – to 31 December 2003

	Property Investment \$	Property Development and Resale \$	Property Services \$	Elimination \$	Consolidated \$
Sale to customers outside Group	604,752	1,972,609	195,545	-	2,772,906
Intersegment sales	-	-	-	-	-
Total Revenue	<u>604,752</u>	<u>1,872,609</u>	<u>195,545</u>	<u>-</u>	<u>2,772,906</u>
Segment Operating Profit	<u>296,800</u>	<u>144,397</u>	<u>55,200</u>	<u>-</u>	<u>496,397</u>

b. Geographical Segments

The economic entity operates in one geographical segment, being NSW, 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 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 and Controlled Entities
Notes to the Financial Statements
For the Half Year ended 31 December 2004

NOTE 7: INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The Australian Accounting Standards Board (AASB) has adopted IFRS for application to reporting periods beginning on or after 1 January 2005. The AASB will issue Australian equivalents to IFRS, and the Urgent Issues Group will issue abstracts corresponding to IASB interpretations originated by the International Financial Reporting Interpretations Committee of the former Standing Interpretations Committee. The adoption of the Australian equivalents to IFRS will be first reflected in the consolidated entity's financial statements for the half-year ending 31 December 2005 and the year ending 30 June 2006.

Entities complying Australian equivalents to IFRS for the first time will be required to restate their comparative financial statements to amounts reflecting the application of IFRS to that comparative period. Most adjustments required on transition to IFRS will be made, retrospectively, against opening retained earnings as at 1 July 2004.

Desane has had discussions with its external auditor, G. Green, of the likely impact of IFRS.

A comprehensive review has been undertaken of the impact of IFRS to ensure the Desane Group is well positioned to implement the changes that arise as a result of IFRS. Major changes identified to date that will be required to the consolidated entity's existing accounting policies include the following:

(a) Income Tax

Under the Australian equivalent to IAS 12 Income Taxes, deferred tax balances are determined using the balance sheet method which calculates temporary differences based on the carrying amounts of an entity's assets and liabilities in the statement of financial position and their associated tax bases. In addition, current and deferred taxes attributable to amounts recognised directly in equity are also recognised directly in equity.

This will result in a change to the current accounting policy, under which deferred tax balances are determined using the income statement method, items are only tax-effected if they are included in the determination of pre-tax accounting profit or loss and/or taxable income or loss and current and deferred taxes cannot be recognised directly in equity.

(b) Investment Properties

Under the Australian equivalent to IAS 40 Investment Property, if investment properties are measured at fair value, net of applicable tax, gains or losses arising from changes in fair value are recognised in net profit or loss for the period in which they arise.

This will result in a change to the current accounting policy which was adopted with effect from 1 July 2003, under which investment properties are revalued to fair value and changes in fair value are recognised in the asset revaluation reserve. Further, liability for forecast future capital gains tax on ultimate sale of a property will be deducted from the Asset Revaluation Reserve balance.

(c) Equity-based Compensation Benefits

Under the Australian equivalent to IFRS 2 Share-based Payment, equity-based compensation to employees will be recognised as an expense in respect of the services received.

This will result in a change to the current accounting policy, under which no expense is recognised for equity based compensation.

DESANE GROUP HOLDINGS LIMITED and Controlled Entities
Notes to the Financial Statements
For the Half Year ended 31 December 2004

(d) Dividends

Under the Australian equivalent to IAS 37, a provision for dividend is recognised at balance date only when a dividend is:

- Declared – for a dividend not subject to shareholder approval;
- Approved – for a dividend subject to shareholder approval before the end of the financial year.

This may result in a change to the current accounting policy, where provision is made for the amount of any dividend declared, determined or publicly recommended by the directors on or before the end of the financial year.

The above should not be regarded as a complete list of changes in accounting policies that will result from the transition to Australian equivalents to IFRS, as not all standards have been analysed as yet, and some decisions have not yet been made where choices of accounting policies are available. For these reasons it is not yet possible to quantify the impact of the transition to Australian equivalents to IFRS on the consolidated entity's financial position and reported results.

DESANE GROUP HOLDINGS LIMITED and Controlled Entities Directors' Declaration

The directors of the company declare that:

- (a) The accounts set out on pages 5 to 13 are drawn up so as to give a true and fair view of the state of the entity's financial position as at 31 December 2004 and of its performance for the six month period ended on that date; and
- (b) at the date of this statement, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The accompanying accounts comply with AASB 1029: Interim Financial Reporting and the Corporations Regulations.

The Company has, in respect of the financial period:

- (i) kept such accounting records as to correctly record and explain the transactions and financial position of the company.
- (ii) kept its accounting records in such a manner as would enable true and fair accounts of the company to be prepared from time to time; and
- (iii) kept its accounting records in such a manner as would enable the accounts of the company to be conveniently and properly audited in accordance with the Corporations Law.

Signed at Sydney, this 10th day of February, 2005 in accordance with a resolution of the Board of Directors.



FELICE MONTRONE
DIRECTOR



JOHN SHEEHAN
DIRECTOR

DESANE GROUP HOLDINGS LIMITED and Controlled Entities
Independent Review Report
to the members of Desane Group Holdings Limited

Scope

I have reviewed the financial report of Desane Group Holdings Limited for the half-year ended 31 December 2004, as set out on pages 1 to 14. The financial report includes the consolidated financial statements of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year. The company's directors are responsible for the financial report. I have performed an independent review of the financial report in order to state whether, on the basis of the procedures described, anything has come to my attention that would indicate that the financial report is not presented fairly in accordance with Accounting Standard AASB 1029: *Interim Financial Reporting* and other mandatory professional reporting requirements in Australia and statutory requirements, so as to present a view which is consistent with my understanding of the company's financial position and performance, as represented by the results of its operations and its cash flows, and in order for the company to lodge the financial report with the Australian Securities and Investments Commission/Australian Stock Exchange Limited.

My review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. A review is limited primarily to inquiries of company personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. I have not performed an audit and, accordingly, I do not express an audit opinion.

Statement

Based on my review, which is not an audit, I have not become aware of any matter that makes me believe that the half-year financial report of Desane Group Holdings Limited is not in accordance with:

- (a) the Corporations Act, 2001 including:
 - (i) giving a true and fair view of the company's financial position at 31 December 2004 and of its performance for the half year ended on that date; and
 - (ii) complying with Accounting Standard AASB 1029: *Interim Financial Reporting* and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.



GRAEME M. GREEN
GPO BOX 4566
SYDNEY NSW 2001

DATE: 10 February 2005