

21 February 2006

A.B.N. 61 003 184 932

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

Desane Group Holdings Limited

Half Yearly Report

For the Six Months Ended 31 December 2005

Dear Sir/Madam,

OPERATING PROFIT

The Directors are pleased to report that net profit after income tax for the six months ended 31 December 2005 was \$536,783 (2004: \$2,002,320). This represents earnings per share of 2.0 cents. Desane performed well operationally and the Board is pleased with the result. The main reason for the decline in reported profit compared with the six months ended 31 December 2004 was simply the recognition as profit under Australian equivalents to IFRS of the substantial revaluation of investment properties in the previous corresponding period.

NET TANGIBLE ASSETS

Reflecting the underlying capital appreciation in Desane's property portfolio, net tangible asset backing per share increased during the half year from 86 cents per share to 88 cents per share as at 31 December 2005.

PROPERTY PORTFOLIO

The Company currently owns over \$42 million of Sydney based industrial properties and other assets. The Directors are pleased to provide the following property portfolio update:

(i) LANE COVE (Sirius Road)

Desane finalised the purchase of this 2,400m² industrial building from PMP Limited on 30 September 2005. The building also has 40 basement security parking spaces. The vendor agreed to lease back 50% of the building, with the remaining 50% being made available for lease by Desane. The purchase of this property has increased the Company's investment portfolio. It has recently been upgraded and is expected to attract superior tenants and rental income which should generate significant capital appreciation and profit returns to the Group in future years.

(ii) LANE COVE (Orion Road)

This 8,000m² four unit industrial complex is occupied by four large Australian and international corporations with medium to long term leases. Desane also anticipates significant capital appreciation and profit returns to the Group in future years from this property. Completion of the Lane Cove Tunnel will enhance access to Sydney CBD and arterial carriageways from this property.

(iii) LANE COVE (Burns Bay Road)

Lane Cove Council has resolved to prepare a Draft Local Environment Plan for its local government area. Council is expected to rezone this property from Industrial zoning to Residential zoning and has earmarked this waterfront property for medium density residential with a proposed floor space ratio of 1.3:1. The Plan is progressing through the Department of Planning. This property is composed of 12,100m² of land and includes approximately 8,000m² of industrial building. The property is fully leased, on a medium to long term basis, to Australian medical and technology companies. Subject to planning approval and market conditions, Desane believes that a target value for the property of up to \$30 million is possible. Desane has a 50% joint venture interest in this property.

(iv) LIDCOMBE (Nicholas Street)

Following planning approval for the upgrading, refurbishment and strata subdivision of this 4,000m² industrial complex into seven separate strata buildings, Desane commenced upgrading in June 2005. This work is expected to be completed later in February 2006. The building has been 36% pre-leased. The Directors regard this property as a prime part of Desane's industrial property portfolio.

(v) SILVERWATER (Derby Street)

This property is composed of nine strata industrial units which were upgraded by Desane. Desane has earmarked the units for sale and sold another three during the half year period. Contracts for the sale of the last remaining unit are expected to be exchanged later in February 2006.

(vi) ROZELLE (Lilyfield Road)

The 8,000m² Multimedia Industrial Park is fully leased to blue chip national tenants on a long-term basis. This property is performing well, having quality tenants and being in a prime Sydney location only three kilometres from the Sydney CBD. A development application for an additional 800m² of office space and 30 parking spaces has been lodged with Leichhardt Council for consideration. The recent opening of the Sydney Cross City Tunnel, linking the eastern suburbs of Sydney to the Anzac Bridge, should ensure continuing increases in the capital value of this property. Desane has a 70% joint venture interest in this property.

(vii) CAMPERDOWN (Pymont Bridge Road)

As previously advised, Desane sold its interest in the Pymont Bridge Road Joint Venture in November 2005 for its net carrying book value of \$1.4 million.

DIVIDEND

In keeping with past practice, the Directors have not declared an interim dividend. However, the Board expects that the final dividend for the year ending 30 June 2006 will be at least equal to the 2005 final dividend.

FUTURE PROSPECTS

The Board expects that the Group's industrial and commercial property investment portfolio will continue to grow and appreciate, thereby enhancing shareholder returns. The Directors anticipate that favourable planning approvals, local infrastructure improvements and continued demand for high quality inner Sydney industrial properties will yield substantial valuation gains in the near to medium term.

The Directors also expect net rental income to increase significantly over the next six months once the newly completed Lidcombe complex is fully tenanted. As a result, the Directors expect an improvement in Desane's profit result for the six months to 30 June 2006.

Independent property market indicators are forecasting a continuation of capital growth over the next two years for industrial properties located in the Sydney region. The Company will continue to monitor closely the Australian property market and it is well placed to take advantage of future investment opportunities. It is intended that Desane will not only purchase properties directly or in joint venture with local and overseas corporations and institutions, but may also acquire equity in established enterprises which are considered to be of sound potential.

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

Yours faithfully,

DESANE GROUP HOLDINGS LIMITED



JOHN BARTHOLOMEW
Company Secretary

ABOUT DESANE:

Desane Group Holdings Limited is a significant Sydney based landlord. The areas we specialise in are property investment, property services and property management. Desane owns \$42 million and manages a further \$13 million of industrial and commercial properties in the Sydney region. Our medium term objective is to increase our property holdings 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	Half yearly (tick)	Preliminary final (tick)	Half year/financial year ended ('current period')
61 003 184 932	<input checked="" type="checkbox"/>		31 DECEMBER 2005

				\$A'000
Revenues from ordinary activities	up/down	125%	to	3,268
Profit (loss) from ordinary activities after tax attributable to members	up/down	73%	to	537
Profit (loss) from extraordinary items after tax attributable to members	gain (loss) of			
Net profit (loss) for the period attributable to members	up/down	73%	to	537
Dividends (distributions)		Amount per security	Franked amount per security	
Interim dividend		NIL	NIL	
Previous corresponding period (<i>half yearly report</i>)		NIL	NIL	
+Record date for determining entitlements to the dividend, (in the case of a trust, distribution)		NOT APPLICABLE		
Brief explanation of any of the figures reported above (see Note 1) and short details of any bonus or cash issue or other item(s) of importance not previously released to the market:				

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

Earnings per security (EPS)	Current period	International Financial Reporting Standards
Basic EPS	2.0 cents	2.0 cents
Diluted EPS	2.0 cents	2.0 cents

NTA backing	Current period	International Financial Reporting Standards
Net tangible asset backing per ⁺ ordinary security	88 cents	88 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	547	1,228
Income tax on ordinary activities	-	-
(b) Profit (loss) from ordinary activities after tax	547	1,228
Extraordinary items net of tax	-	-
(c) Net profit (loss)	547	1,228
Adjustments	(226)	(689)
(d) Share of net profit (loss) of associates and joint venture entities	321	539

+ See chapter 19 for defined terms.

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%	156	325
Lilyfield Rd JV	70%	70%	165	162
Pymont Bridge Rd JV	0%	15%	-	52
Total			321	539
Other material interests				
Total			321	539

+ See chapter 19 for defined terms.



ABN 61 003 184 932

INTERIM FINANCIAL REPORT

31 DECEMBER 2005

DESANE GROUP HOLDINGS LIMITED and Controlled Entities

Directors' Report

Your Directors submit the financial report of the economic entity for the half year ended 31 December 2005.

Directors

The names of Directors who held office during or since the end of the half year:

John Sheehan
Felice Montrone
Anthony Gelonesi

Review of Operations

The Directors are pleased to report a net profit after income tax for the half year ended 31 December 2005 of \$536,783. This compares with a net profit after tax for the half year ended 31 December 2004 of \$2,002,320. Desane performed well operationally, with the main reason for the decline in the reported profit simply being the recognition as profit under Australian equivalents to IFRS of the substantial revaluation of investment properties in the previous corresponding period.

Reflecting the underlying capital appreciation in Desane's property portfolio, net tangible asset backing per share increased during the half year from 86 cents per share to 88 cents per share as at 31 December 2005.

(a) Property Investment

The property investment division continued to increase its Sydney based property assets and the Directors are pleased to provide the following update:

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Independent property market indicators are forecasting a continuation of capital growth over the next two years for industrial properties located in the Sydney region. Your Company will continue to monitor closely the Australian property market and it is well placed to take advantage of future investment opportunities. It is intended that Desane will not only purchase properties directly or in joint venture with local and overseas corporations and institutions, but may also acquire equity in established enterprises which are considered to be of sound potential.

(b) **Property Management**

The Group is a significant Sydney based landlord and intends to continue to increase its property holdings. The Company retains the property management rights to the properties it owns both directly and in joint venture with other corporations.

The Company currently owns over **\$42 million** of properties and other assets and it manages an additional **\$13 million** of industrial properties in the Sydney metropolitan area for joint venturers and other corporations.

The following companies are the medium to long term tenants of the properties owned and/or managed by the Group: ***Staging Connections; Tuta Health Care; Studibaker Fashion House; Arrow Scientific; Talman Computers; Pharamlab Medical; BRE Electronics; The Wool Exchange; TechBuy; Sagem Australasia; Media Technology; Peripheral Computers; Showcorp; Geometric Surveyors; Pentel; Point of View; Esel; and PMP Digital.***

The property management division is performing well and is actively seeking acquisitions of property management entities.

(c) **Property Services**

The property services division should contribute positively to the overall result for the financial year ending 30 June 2006.

The Company remains focussed on its areas of expertise in property investment and property services and continues to develop its skills and systems to meet its long-term objectives.

Achieving superior returns and maximising shareholder value are the primary objectives of the Company.

**DESANE GROUP HOLDINGS LIMITED and Controlled Entities
Directors' Report (continued)**

Adoption of Australian Equivalents to IFRS

This interim financial report has been prepared under Australian equivalents to IFRS. A reconciliation of differences between previous GAAP and Australian equivalents to IFRS has been included in Note 2 of this report.

Rounding of Amounts

The economic entity has applied the relief available to it in ASIC Class Order 98/100 and accordingly certain amounts in the financial report and the Directors' report have been rounded off to the nearest \$1,000.


Auditor's Declaration

The lead auditor's independence declaration under section 307C of the *Corporations Act 2001* is set out on page 4 for the half-year ended 31 December 2005.

This report is signed in accordance with a resolution of the Board of Directors.



J SHEEHAN
Chairman



F MONTRONE
Director

Dated this 21st day of February, 2006


DESANE GROUP HOLDINGS LIMITED and Controlled Entities
Auditor's Independence Declaration

UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF DESANE GROUP HOLDINGS LIMITED

I declare that, to the best of my knowledge and belief, during the half year ended 31 December 2005, 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.

GRAEME GREEN



Partner

Dated this 21st day of February, 2006

GPO Box 4566, Sydney NSW 2001

DESANE GROUP HOLDINGS LIMITED and Controlled Entities
Consolidated Income Statement for the Half Year Ended 31 December 2005

	Economic Entity	
	31 Dec 2005	31 Dec 2004
	\$'000	\$'000
Revenues from ordinary activities	3,268	1,451
Changes in inventories	-	(1)
Employee benefits expense	(180)	(227)
Depreciation and amortisation expense	(12)	(12)
Purchase of building materials/services	(25)	(2)
Carrying value of investment property sold	(1,961)	-
Borrowing costs expense	(630)	(554)
Other expenses from ordinary activities	(221)	(655)
Net increase in asset revaluation of investment properties	269	2,254
Share of net profits of associates accounted for using the equity method	<u>156</u>	<u>539</u>
Profit from ordinary activities before income tax expense	664	2,793
Income tax expense relating to ordinary activities	<u>(127)</u>	<u>(791)</u>
Net profit from ordinary activities after related income tax expense	537	2,002
Net profit attributable to outside equity interests	<u>-</u>	<u>-</u>
Net profit attributable to members of the parent entity	<u>537</u>	<u>2,002</u>
Total revenues, expenses and valuation adjustments attributable to members of the parent entity and recognised directly in equity	<u><u>537</u></u>	<u><u>2,002</u></u>
Overall Operations:		
Basic earnings per share (cents per share)	2.0	8.7
Diluted earnings per share (cents per share)	2.0	8.7

The above consolidated income statements should be read in conjunction with the accompanying notes to and forming part of the financial statements.

DESANE GROUP HOLDINGS LIMITED and Controlled Entities
Consolidated Balance Sheet as at 31 December 2005

	Economic Entity	
	31 Dec 2005 \$'000	31 Dec 2004 \$'000
Current Assets		
Cash assets	1	566
Receivables	200	293
Investments	828	3,589
Other	<u>1,965</u>	<u>1,224</u>
Total Current Assets	<u>2,994</u>	<u>5,672</u>
Non Current Assets		
Receivables	664	1,490
Investments	38,401	34,256
Property, plant and equipment	57	94
Future income benefit		
Intangible assets	<u>1</u>	<u>2</u>
Total Non Current Assets	<u>39,123</u>	<u>35,842</u>
Total Assets	<u>42,117</u>	<u>41,514</u>
Current Liabilities		
Payables	310	389
Interest-bearing liabilities	50	2,500
Provisions – staff entitlements	6	4
Current tax liabilities	<u>-</u>	<u>-</u>
Total Current Liabilities	<u>366</u>	<u>2,893</u>
Non Current Liabilities		
Payables	20	-
Interest-bearing liabilities	16,170	13,742
Deferred tax liabilities	<u>1,522</u>	<u>1,536</u>
Total Non Current Liabilities	<u>17,712</u>	<u>15,278</u>
Total Liabilities	<u>18,078</u>	<u>18,171</u>
Net Assets	<u>24,039</u>	<u>23,343</u>
Equity		
Contributed equity	10,391	9,761
Reserves	-	-
Retained profits	<u>13,648</u>	<u>13,582</u>
Total Equity	<u>24,039</u>	<u>23,343</u>

The above consolidated balance sheets should be read in conjunction with the accompanying notes to and forming part of the financial statements.

DESANE GROUP HOLDINGS LIMITED and Controlled Entities
Consolidated Statement of Changes in Equity for the half year ended 31 December 2005

	Share Capital		
	Ordinary \$'000	Retained Profits \$'000	Total \$'000
Balance at 1 Jul 2004	8,599	10,789	19,388
Shares issued during the year	1,162	-	1,162
Profit attributable to members of parent entity	-	539	539
Revaluation increment	-	<u>2,254</u>	<u>2,254</u>
Sub-total	9,761	13,582	23,343
Dividends paid or provided for	-	-	-
Balance at 31 Dec 2004	<u>9,761</u>	<u>13,582</u>	<u>23,343</u>
 Balance at 1 Jul 2005	 9,761	 13,112	 22,873
Shares issued during the year	630	-	630
Profit attributable to members of parent entity	-	<u>536</u>	<u>536</u>
Sub-total	10,391	13,648	24,039
Dividends paid or paid for	-	-	-
Balance at 31 Dec 2005	<u>10,391</u>	<u>13,648</u>	<u>24,039</u>

The accompanying notes form part of the financial statements.

DESANE GROUP HOLDINGS LIMITED and Controlled Entities
Consolidated Cash Flow Statement for the half year ended 31 December 2005

	Economic Entity	
	31 Dec 2005 Inflows (Outflows) \$'000	31 Dec 2004 Inflows (Outflows) \$'000
Cash flows from operating activities		
Receipts from customers (GST excluded)	3,602	875
Payments to suppliers and employees (GST excluded)	(1,475)	(290)
Dividend from related entity	-	-
Dividend from associated entity	-	200
Interest received	76	152
Income tax paid	-	-
Finance costs	<u>(631)</u>	<u>(554)</u>
Net cash inflow/(outflow) from operating activities	<u>1,572</u>	<u>383</u>
Cash flows from investing activities		
Payments for plant and equipment	-	(23)
Proceeds from the sale of plant and equipment	-	-
Proceeds from sale of property investments	2,330	-
Purchase of property and investments	(4,654)	(3,322)
Purchase shares in related entities	<u>-</u>	<u>-</u>
Net cash inflow/(outflow) from investing activities	<u>(2,324)</u>	<u>(3,345)</u>
Cash flows from financing activities		
Proceeds from the issue of shares	631	1,161
Dividends paid by parent entity	(532)	(462)
Proceeds from borrowings	2,554	2,759
Repayment of borrowings	<u>(3,173)</u>	<u>-</u>
Net cash inflow/(outflow) from financing activities	<u>(520)</u>	<u>3,458</u>
Net increase/(decrease) in cash held	(1,272)	496
Cash at the beginning of the half year	<u>1,223</u>	<u>70</u>
Cash at the end of the half year	<u><u>(49)</u></u>	<u><u>566</u></u>

The above consolidated cash flow statements should be read in conjunction with the accompanying notes to and forming part of the financial statements.

1. Summary of Significant Accounting Policies

The half year condensed consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the *Corporations Act 2001*, Accounting Standard AASB 134: Interim Financial Reporting, Urgent Issues Group Interpretations 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 2005 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 financial report covers the economic entity of Desane Group Holdings Limited and controlled entities. Desane Group Holdings Limited is a public listed company, incorporated and domiciled in Australia. The financial report is prepared on an accruals basis and in accordance with the historical cost convention and does not take into account changing money values or (except where noted) current valuations of non current assets. Cost is based on the fair values of the consideration given in exchange for assets.

As this is the first interim financial report prepared under Australian equivalents to IFRS, the accounting policies applied are inconsistent with those applied in the 30 June 2005 annual report as this report was presented under previous Australian GAAP. Accordingly, a summary of the significant accounting policies under Australian equivalents to IFRS has been included below. A reconciliation of equity and profit and loss between previous GAAP and Australian equivalents to IFRS has been prepared per Note 2.

The half year financial report does not include full disclosures of the type normally included in an annual financial report.

Accounting Policies

(a) Principles of Consolidation

A controlled entity is any entity Desane Group Holdings Limited has the power to control the financial and operating policies of that entity so as to obtain benefits from its activities.

All controlled entities have a June financial year-end.

All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

Where controlled entities have entered or left the economic entity during the reporting period, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

Minority equity interests in the equity and results of the entities that are controlled are shown as a separate item in the consolidated financial report.

(b) Income Tax

The change for current income tax expenses is based on the profit for the reporting period adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is expensed in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

(c) Recoverable Amount of Non Current Assets

The recoverable amount of an asset is the net amount expected to be recovered through the net cash inflows arising from its continued use and subsequent disposal.

Where the carrying amount of a non current asset is greater than its recoverable amount, the asset is written down to its recoverable amount. The expected net cash flows included in determining recoverable amounts of non current assets are not discounted to their present values.

This policy is in place in associated entities and joint ventures where the consolidated entity has an interest.

(d) Impairment of Assets

At each reporting date, the group reviews the carrying values of its tangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(e) Investments

(i) Controlled Entities

Investments in controlled entities are carried in the parent entity's accounts at the lower of cost and recoverable amount. Dividends are brought to account in the profit and loss account when they are proposed by the controlled entities.

(ii) Investment Property

The investment properties comprise readily realisable investment interests in land and buildings held for the purpose of letting to produce rental income and are disclosed as composite assets in the accounts. The properties are carried at the lower of cost and recoverable amount.

Under AASB 140 Investment Property, the Group has elected to measure investment properties at fair value, with any gain or loss arising from the changes in fair value, net of applicable tax, recognised through the consolidated income statement.

Investment properties are maintained at a high standard and, as permitted by accounting standards, the properties are not depreciated.

Rental revenue from the leasing of investment properties is recognised in the income statement in the periods in which it is receivable, as this represents the pattern of service rendered through the provision of the properties.

(iii) Investments in Associates

Investments in associate companies are recognised in the financial statements by applying the equity method of accounting where significant influence is exercised over an investee. Significant influence exists where the investor has the power to participate in the financial and operating policy decisions of the investees but does not have control or joint control over those policies. The equity method of accounting recognises the group's share of past acquisition reserves of its associates.

(f) Depreciation

Property, plant and equipment are brought to account at cost less any accumulated depreciation and impairment losses. The carrying amount of property, plant and equipment is reviewed annually by the Directors to ensure they are not in excess of recoverable value.

Depreciation is calculated on a straight line basis so as to write off the net cost of each item of plant and equipment over its expected useful economic life.

(g) Inventories - Properties Held for Resale

Development properties are valued at the lower of cost and net realisable value. Cost includes the cost of acquisition, development and interest on financing during development. Interest and other holding charges after practical completion are expensed as incurred. Profits are brought to account on the signing of an unconditional contract of sale.

(h) Operating Leases

Leases where the lessor effectively retains substantially all the rights and benefits incidental to ownership are classified as operating leases. Operating lease payments are representative of the pattern of benefits derived from the leased assets and accordingly are charged to the profit and loss account in the periods in which they are incurred.

(i) Employee Benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

(j) Cash

For purposes of the cash flow statement, cash includes deposits at call which are readily convertible to cash on hand and which are used in the cash management function on a day-to-day basis, net of outstanding bank overdrafts.

(k) Joint Ventures

A controlled entity's interest in two unincorporated joint ventures has been included in the Group's accounts by taking up the entity's share in each of the individual assets, liabilities, revenue and expenses of the joint ventures.

(l) Trade and Other Creditors

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the reporting period and which are unpaid. The amounts are unsecured and are normally settled within 45 days of recognition.

(m) Receivables

Trade debtors are recognised at the amounts receivable at balance date. Collectibility of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is raised where some doubt as to the collection exists.

(n) Earnings per Share

(i) Basic Earnings Per Share

Basic earnings per share is determined by dividing the operating profit after income tax attributable to members of the Company by the weighted average number of ordinary shares outstanding during the reporting period.

(ii) Diluted Earnings Per Share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share by taking into account amounts unpaid on ordinary shares and any reduction in earnings per share that will probably arise from the exercise of options outstanding during the reporting period. As the consolidated entity's shares are fully paid and no options are on issue, this computation will be the same as the basic earnings per share calculation.

(o) Revenue

Revenue from the rendering of property services is recognised upon delivery of the service to customers. Revenue from providing commercial rental accommodation is recognised as billed to tenants monthly in accordance with rental agreements. Revenue from sale of properties held for resale and non current property or other assets is brought to account on the signing of a valid contract of sale where all significant conditions attaching to the sale have been met.

All revenue is stated net of the amount of goods and services tax (GST).

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Dividend revenue is recognised when the right to receive a dividend has been established. Dividends received from associate and joint venture entities are accounted for in accordance with the equity method of accounting.

(p) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheets are shown inclusive of GST.

(q) Comparative Figures

Where required by accounting standards, comparative figures have been adjusted to conform with changes in presentation for the current reporting period.

(r) Rounding of Amounts

The parent entity has applied the relief available to it under ASIC Class Order 98/100 and accordingly, amounts in the financial report and Directors' report have been rounded off to the nearest \$1,000.

DESANE GROUP HOLDINGS LIMITED and Controlled Entities
NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2005

2. First-time Adoption of Australian Equivalents to International Financial Reporting Standards

	Economic Entity		
	Previous GAAP at 1 Jul 2004 \$'000	Adjustments on Introduction of Australian Equivalents to IFRS to IFRS \$'000	Australian Equivalents to IFRS 1 Jul 2004 \$'000
Reconciliation of Equity at 1 July 2004			
Current Assets			
Cash assets	70	-	70
Receivables	449	-	449
Investments	3,588	-	3,588
Other	<u>782</u>	<u>-</u>	<u>782</u>
Total Current Assets	<u>4,889</u>	<u>-</u>	<u>4,889</u>
Non Current Assets			
Receivables	1,289	-	1,289
Investments	28,933	-	28,933
Property, plant and equipment	83	-	83
Future income benefit	-	-	-
Intangible assets	<u>2</u>	<u>-</u>	<u>2</u>
Total Non Current Assets	<u>30,307</u>	<u>-</u>	<u>30,307</u>
Total Assets	<u>35,196</u>	<u>-</u>	<u>35,196</u>
Current Liabilities			
Payables	481	-	481
Interest-bearing liabilities	1,909	-	1,909
Provisions	490	-	490
Current tax liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Total Current Liabilities	<u>2,880</u>	<u>-</u>	<u>2,880</u>
Non Current Liabilities			
Payables	43	-	43
Interest-bearing liabilities	11,348	-	11,348
Deferred tax liabilities	<u>-</u>	<u>746</u>	<u>746</u>
Total Non Current Liabilities	<u>11,391</u>	<u>746</u>	<u>12,137</u>
Total Liabilities	<u>14,271</u>	<u>746</u>	<u>15,017</u>
Net Assets	<u>20,925</u>	<u>(746)</u>	<u>20,179</u>
Equity			
Contributed equity	8,599	-	8,599
Reserves	9,449	(9,449)	-
Retained profits	<u>2,877</u>	<u>8,703</u>	<u>11,580</u>
Total Equity	<u>20,925</u>	<u>(746)</u>	<u>20,179</u>

DESANE GROUP HOLDINGS LIMITED and Controlled Entities
NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2005

2. First-time Adoption of Australian Equivalents to International Financial Reporting Standards (continued)

	Economic Entity		
	Previous GAAP at 31 Dec 2004 \$'000	Adjustments on Introduction of Australian Equivalents to IFRS \$'000	Australian Equivalents to IFRS 31 Dec 2004 \$'000
Reconciliation of Equity at 31 December 2004			
Current Assets			
Cash assets	566	-	566
Receivables	293	-	293
Investments	3,589	-	3,589
Other	<u>1,224</u>	<u>-</u>	<u>1,224</u>
Total Current Assets	<u>5,672</u>	<u>-</u>	<u>5,672</u>
Non Current Assets			
Receivables	1,490	-	1,490
Investments	34,255	-	34,255
Property, plant and equipment	94	-	94
Future income benefit	-	-	-
Intangible assets	<u>3</u>	<u>-</u>	<u>3</u>
Total Non Current Assets	<u>35,842</u>	<u>-</u>	<u>35,842</u>
Total Assets	<u>41,514</u>	<u>-</u>	<u>41,514</u>
Current Liabilities			
Payables	389	-	389
Interest-bearing liabilities	2,500	-	2,500
Provisions – staff entitlements	5	-	5
Current tax liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Total Current Liabilities	<u>2,894</u>	<u>-</u>	<u>2,894</u>
Non Current Liabilities			
Payables	-	-	-
Interest-bearing liabilities	13,741	-	13,741
Deferred tax liabilities	<u>-</u>	<u>1,536</u>	<u>1,536</u>
Total Non Current Liabilities	<u>13,741</u>	<u>1,536</u>	<u>15,277</u>
Total Liabilities	<u>16,635</u>	<u>1,536</u>	<u>18,171</u>
Net Assets	<u>24,879</u>	<u>(1,536)</u>	<u>23,343</u>
Equity			
Contributed equity	9,761	-	9,761
Reserves	11,703	(11,703)	-
Retained profits	<u>3,415</u>	<u>10,167</u>	<u>13,582</u>
Total Equity	<u>24,879</u>	<u>(1,536)</u>	<u>23,343</u>

DESANE GROUP HOLDINGS LIMITED and Controlled Entities
NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2005

2. First-time Adoption of Australian Equivalents to International Financial Reporting Standards (continued)

	Economic Entity		
	Previous GAAP at 30 Jun 2005 \$'000	Adjustments on Introduction of Australian Equivalents to IFRS \$'000	Australian Equivalents to IFRS 30 Jun 2005 \$'000
Reconciliation of Equity at 30 June 2005			
Current Assets			
Cash assets	1,223	-	1,223
Receivables	259	-	259
Investments	3,619	-	3,619
Other	<u>2,905</u>	<u>-</u>	<u>2,905</u>
Total Current Assets	<u>8,006</u>	<u>-</u>	<u>8,006</u>
Non Current Assets			
Receivables	764	-	764
Investments	32,985	-	32,985
Property, plant and equipment	69	-	69
Future income benefit	-	-	-
Intangible assets	<u>2</u>	<u>-</u>	<u>2</u>
Total Non Current Assets	<u>33,820</u>	<u>-</u>	<u>33,820</u>
Total Assets	<u>41,826</u>	<u>-</u>	<u>41,826</u>
Current Liabilities			
Payables	455	-	455
Interest-bearing liabilities	2,500	-	2,500
Provisions – staff entitlements	538	-	538
Current tax liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Total Current Liabilities	<u>3,493</u>	<u>-</u>	<u>3,493</u>
Non Current Liabilities			
Payables	51	-	51
Interest-bearing liabilities	14,014	-	14,014
Deferred tax liabilities	<u>-</u>	<u>1,396</u>	<u>1,396</u>
Total Non Current Liabilities	<u>14,065</u>	<u>1,396</u>	<u>15,461</u>
Total Liabilities	<u>17,558</u>	<u>1,396</u>	<u>18,954</u>
Net Assets	<u>24,268</u>	<u>(1,396)</u>	<u>22,872</u>
Equity			
Contributed equity	9,761	-	9,761
Reserves	10,458	(10,458)	-
Retained profits	<u>4,049</u>	<u>9,062</u>	<u>13,111</u>
Total Equity	<u>24,268</u>	<u>(1,396)</u>	<u>22,872</u>

DESANE GROUP HOLDINGS LIMITED and Controlled Entities
NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2005

2. First-time Adoption of Australian Equivalents to International Financial Reporting Standards (continued)

	Economic Entity		
	Previous GAAP \$'000	Effect of Transition to Australian Equivalents to IFRS \$'000	Australian Equivalents to IFRS \$'000
Reconciliation of Profit or Loss for the half year ended 31 December 2004			
Revenues from ordinary activities	1,451	-	1,451
Changes in inventories	(1)	-	(1)
Employee benefits expense	(227)	-	(227)
Depreciation and amortisation expense	(12)	-	(12)
Purchase of building materials/services	(3)	-	(3)
Carrying value of investment property sold	-	-	-
Borrowing costs expense	(554)	-	(554)
Other expenses from ordinary activities	(655)	-	(655)
Profit from revaluation of investment properties	-	2,254	2,254
Share of net profits of associates accounted for using the equity method	<u>540</u>	<u>-</u>	<u>540</u>
Profit from ordinary activities before income tax expense	539	2,254	2,793
Income tax expense relating to ordinary activities	<u>-</u>	<u>(791)</u>	<u>(791)</u>
Net profit from ordinary activities after related income tax expense	539	1,463	2,002
Net profit attributable to outside equity interests	-	-	-
Net profit attributable to members of the parent entity	<u>539</u>	<u>1,463</u>	<u>2,002</u>
Total revenues, expenses and valuation adjustments attributable to members of the parent entity and recognised directly in equity	<u>2,793</u>	<u>(791)</u>	<u>2,002</u>
Total changes in equity other than those resulting from transactions with owners as owners	<u>2,793</u>	<u>(791)</u>	<u>2,002</u>
Overall Operations:			
Basic earnings per share (cents per share)	2.0		8.7
Diluted earnings per share (cents per share)	2.0		8.7

DESANE GROUP HOLDINGS LIMITED and Controlled Entities
NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2005

2. First-time Adoption of Australian Equivalents to International Financial Reporting Standards (continued)

	Economic Entity		
	Previous GAAP \$'000	Effect of Transition to Australian Equivalents to IFRS \$'000	Australian Equivalents to IFRS \$'000
Reconciliation of Profit or Loss for the full year ended 30 June 2005			
Revenues from ordinary activities	5,016	-	5,016
Changes in inventories	-	-	-
Employee benefits expense	(423)	-	(423)
Depreciation and amortisation expense	(25)	-	(25)
Purchase of building materials/services	-	-	-
Carrying value of investment property sold	(1,730)	-	(1,730)
Borrowing costs expense	(1,179)	-	(1,179)
Other expenses from ordinary activities	(268)	-	(268)
Profit from revaluation of investment properties	-	1,010	1,010
Share of net profits of associates accounted for using the equity method	<u>26</u>	<u>-</u>	<u>26</u>
Profit from ordinary activities before income tax expense	1,417	1,010	2,427
Income tax credit relating to ordinary activities	<u>-</u>	<u>140</u>	<u>140</u>
Net profit from ordinary activities after related income tax expense	1,417	1,150	2,567
Net profit attributable to outside equity interests	-	-	-
Net profit attributable to members of the parent entity	<u>1,417</u>	<u>1,150</u>	<u>2,567</u>
Total revenues, expenses and valuation adjustments attributable to members of the parent entity and recognised directly in equity	<u>2,427</u>	<u>140</u>	<u>2,567</u>
Total changes in equity other than those resulting from transactions with owners as owners	<u>2,427</u>	<u>140</u>	<u>2,567</u>
Overall Operations:			
Basic earnings per share (cents per share)	5.3		9.7
Diluted earnings per share (cents per share)	5.3		9.7

DESANE GROUP HOLDINGS LIMITED and Controlled Entities
NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2005

2. First-time Adoption of Australian Equivalents to International Financial Reporting Standards (continued)

Notes to the reconciliations of equity at 1 July 2004, 31 December 2004 and 30 June 2005 and profit and loss for the half year ended 31 December 2004 and full year ended 30 June 2005

	Economic Entity		
	30 Jun 2005 \$'000	31 Dec 2004 \$'000	1 Jul 2004 \$'000
Income tax expense comprises:			
Deferred tax expense on revaluation of investment properties	<u>(140)</u>	<u>791</u>	<u>746</u>

- (a) Reclassifications have been made to the income statement for the year ended 30 June 2005 and the half year ended 31 December 2004 as follows. Under Australian equivalents to IFRS, the revaluation of investment properties must be reflected as one line item in the income statement and revenues and expenses not separately identified.

3. Changes in Accounting Policy

Under AASB 139: Financial Statements:

Recognition and Measurement of investment properties are required to be revalued at each reporting date, with revaluation increments or decrements to be taken directly to retained earnings.

AASB 139 has prospective application for years commencing on or after 1 January 2005. Previous Australian Accounting Standards have been applied to comparative financial information.

4. Dividends

	Economic Entity	
	31 Dec 2005 \$'000	31 Dec 2004 \$'000
Distributions Paid or Recommended		
Dividends paid or declared for payment are as follows:		
Ordinary dividend of \$0.02, 38% franked, paid on 5 December 2005, as recommended in the 30 June 2005 report. This dividend was provided out of profits for the year ended 30 June 2005	<u>531</u>	<u>462</u>

5. Acquisition and Disposal of Long Term Investments

Disposals

During the six months ended 31 December 2005, a fully owned subsidiary sold the following long term investments:

- Unit 2, 89 Derby Street, Silverwater
- Unit 7, 89 Derby Street, Silverwater
- Unit 8, 89 Derby Street, Silverwater
- The 1/6th share in the Pymont Bridge Road Joint Venture

Acquisitions

A long term rental property at 13 Sirius Road, Lane Cove was purchased for \$2,900,000. Contracts were exchanged in April 2005 and settlement occurred in September 2005. The building consists of two office/warehouse units. One unit (50%) has been leased to PMP Wholesale Pty Ltd on a long term lease. It is anticipated that the remaining unit will be leased in March 2006.

The assets and liabilities arising from the purchase are recognised at fair value.

DESANE GROUP HOLDINGS LIMITED and Controlled Entities
NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2005

6. Segmental Information

(a) Industry Segments

31 Dec 2005

	Property Investment \$'000	Property management \$'000	Property services \$'000	Other \$'000	Consolidated \$'000
Revenue	765	68	18	2,417	3,268
Share of associates' net profits using equity accounted method	<u>156</u>	-	-	-	<u>156</u>
Total segment revenue	<u>921</u>	<u>68</u>	<u>18</u>	<u>2,417</u>	<u>3,424</u>
Segment operating profit	<u>667</u>	<u>20</u>	<u>(7)</u>	<u>264</u>	<u>944</u>
Unallocated expenses					<u>(281)</u>
Group operating profit before income tax					<u>663</u>

(note 6(c))

(note 6(c))

(b) Revenue is derived by the industry segments from the following activities:

(i) Property Investment

Rental income from prime real estate investments.

(ii) Property Management

Property project management and resale of commercial, industrial and residential properties, principally in Sydney.

(iii) Property Services

Property and related services.

(c) Other is comprised of:

	Revenue \$'000	Profit \$'000
Interest received	76	76
Sale of investment property	2,326	173
Sale of plant and equipment	-	-
Other (recovery of administration costs)	<u>15</u>	<u>15</u>
	<u>2,417</u>	<u>264</u>

DESANE GROUP HOLDINGS LIMITED and Controlled Entities
NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2005

6. Segmental Information (continued)

(d) Industry Segments

31 Dec 2004

	Property Investment \$'000	Property management \$'000	Property services \$'000	Other \$'000	Consolidated \$'000
Revenue	938	54	106	353	1,451
Share of associates' net profits using equity accounted method	<u>539</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>539</u>
Total segment revenue	<u>1,477</u>	<u>54</u>	<u>106</u>	<u>353</u>	<u>1,990</u>
Segment operating profit	<u>2,694</u>	<u>24</u>	<u>75</u>	<u>-</u>	2,793
Unallocated expenses					<u>-</u>
Group operating profit before income tax					<u>2,793</u>

(e) Geographical Segments

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

(f) 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.

7. Contingent Liabilities

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

8. Share Purchase Plan

A share purchase plan was offered to existing shareholders to purchase up to 5,500 Ordinary Shares at 90 cents each. This offer closed on 30 December 2005. A total of 700,100 shares were purchased under this plan. The consolidated balance sheet as at 31 December 2005 includes the effect of the plan.

9. Events Subsequent to Reporting Date

At the date of this report and in the opinion of the Directors, there has not arisen in the interval between the end of the reporting period and the date of this report any item, transaction or event of a material and unusual nature likely to affect significantly the operations of the economic entity, the results of those operations or the state of affairs of the economic entity, in future financial years.

DESANE GROUP HOLDINGS LIMITED and Controlled Entities DIRECTORS' DECLARATION

The Directors of Desane Group Holdings Limited declare that:

1. The financial statements and notes, as set out on pages 5 to 21 are in accordance with the *Corporations Act 2001* and:
 - (a) Comply with Accounting Standard AASB 134 : Interim Financial Reporting and the Corporations Regulations 2001; and
 - (b) Give a true and fair view of the economic entity's financial position as at 31 December 2005 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
21 February 2006

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 2005 as set out on pages 5 to 22. The Company's directors are responsible for the financial report. The financial report includes the consolidated financial statements of the consolidated entity and the entities it controlled at the end of the half-year or from time to time during the half-year. 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 134: 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.

Independence

In conducting my review, I followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

In accordance with ASIC Class Order 05/83, I declare to the best of my knowledge and belief that the auditor's declaration set out on page 4 of the financial report has not changed as at the date of providing my review 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 economic entity's financial position as at 31 December 2005 and of its performance for the half year ended on that date; and
- (ii) complying with Accounting Standard AASB 134: Interim Financial Reporting and the *Corporations Regulations 2001*; and

(b) other mandatory professional reporting requirements in Australia.

G. GREEN
Auditor

21 February 2006