

11 March 2005

The Manager Companies  
Australian Stock Exchange (Sydney) Limited  
Level 5  
20 Bridge Street  
SYDNEY NSW 2000

Dear Sir/Madam,

**DESANE GROUP HOLDINGS LIMITED**  
**Six Months Financial Report to Shareholders**

Please find a copy of the *Financial Report for the Half Year ended 31 December 2004* which is being sent to all shareholders.

Yours faithfully,  
**DESANE GROUP HOLDINGS LIMITED**



**JOHN BARTHOLOMEW**  
**Company Secretary**

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***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.

11 March 2005

Dear Shareholder,

**REPORT TO SHAREHOLDERS**

**Desane Group Holdings Limited and Controlled Entities  
Financial Report  
for the Half Year ended 31 December 2004**

I am enclosing, for your information, the Financial Report of Desane's performance as at **31 December 2004**, as reported to the Australian Stock Exchange on 10 February 2005.

Your Company will continue to keep you informed of its future progress.

If you require additional information, please do not hesitate to contact me.

For more Company updates, please visit **[www.desane.com.au](http://www.desane.com.au)**.

Yours faithfully,  
**DESANE GROUP HOLDINGS LIMITED**



**JOHN BARTHOLOMEW**  
**Company Secretary**

# DESANE GROUP HOLDINGS LIMITED and Controlled Entities

## Interim Financial Report

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### 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**

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### **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 8,000m<sup>2</sup> high tech industrial complex in the Sydney suburb of Lane Cove;
- The 8,000m<sup>2</sup> Multimedia Industrial Park in the Sydney suburb of Rozelle;
- The 12,000m<sup>2</sup> harbour front industrial complex in the Sydney suburb of Lane Cove;
- The 3,250m<sup>2</sup> nine high tech industrial units in the Sydney suburb of Silverwater;
- The 10,000m<sup>2</sup> Children's Hospital industrial precinct in the Sydney suburb of Camperdown; and
- The 4,000m<sup>2</sup> 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**

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**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 \$
<b>Current Assets</b>			
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>
<b>Total Current Assets</b>		<u><b>5,672,332</b></u>	<u><b>4,059,191</b></u>
<b>Non-Current Assets</b>			
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>
<b>Total Non-Current Assets</b>		<u><b>35,842,026</b></u>	<u><b>22,659,907</b></u>
<b>Total Assets</b>		<u><b>41,514,358</b></u>	<u><b>26,719,098</b></u>
<b>Current Liabilities</b>			
Payables		388,816	325,929
Interest bearing liabilities		2,500,000	-
Provisions		<u>4,864</u>	<u>21,043</u>
<b>Total Current Liabilities</b>		<u><b>2,893,680</b></u>	<u><b>346,972</b></u>
<b>Non-Current Liabilities</b>			
Payables		-	-
Interest bearing liabilities		<u>13,741,397</u>	<u>8,152,138</u>
<b>Total Non-Current Liabilities</b>		<u><b>13,741,397</b></u>	<u><b>8,152,138</b></u>
<b>Total Liabilities</b>		<u><b>16,635,077</b></u>	<u><b>8,499,110</b></u>
<b>Net Assets</b>		<u><b>24,879,281</b></u>	<u><b>18,219,988</b></u>
<b>Equity</b>			
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>
<b>Total Equity</b>		<u><b>24,879,281</b></u>	<u><b>18,219,988</b></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**

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Notes	<b>Economic Entity</b>	
	31 Dec 2004	31 Dec 2003
	\$	\$
<b>Cash Flows from Operating Activities</b>		
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>
<b>Net Cash Flow (Outflow) from Operating Activities</b>	<u><b>383,543</b></u>	<u><b>1,473,914</b></u>
<b>Cash Flows from Investing Activities</b>		
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>
<b>Net Cash Inflow (Outflow) from Investing Activities</b>	<u><b>(3,345,630)</b></u>	<u><b>565,280</b></u>
<b>Cash Flows from Financing Activities</b>		
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>
<b>Net Cash (Outflow) from Financing Activities</b>	<u><b>3,458,075</b></u>	<u><b>(1,175,626)</b></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>
<b>Cash at the End of the Financial Year</b>	<u><b>565,667</b></u>	<u><b>1,143,878</b></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

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### 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
	\$	\$
<b>Operating Revenue</b>		
<b>a. Sales Revenue</b>		
Property services	105,375	195,545
Property development and resale	54,181	1,972,609
Property rental income	<u>938,607</u>	<u>604,752</u>
	1,098,163	2,772,906
<b>b. Other Revenue</b>		
Interest, other persons/corporations	152,412	101,931
Dividend received/receivable	<u>200,000</u>	<u>100,000</u>
	<u>1,450,575</u>	<u>2,974,837</u>
<b>c. Expenses</b>		
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	<u>13,132</u>	<u>21,353</u>

### 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>1,098,163</u>
Segment Operating Profit	<u>440,019</u>	<u>24,181</u>	<u>74,941</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>2,772,906</u>
Segment Operating Profit	<u>296,800</u>	<u>144,397</u>	<u>55,200</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.