

28 August 2003

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**  
**PRELIMINARY FINAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2003**

Dear Sir/Madam,

**OPERATING PROFIT**

The Group's net operating profit for the financial year ended 30 June 2003 was \$1,452,777. The 22% increase in profit result over the corresponding year reflects the Group's continuing success as a significant property investor and property services group in the Sydney market.

The property services subsidiary performed well, maintaining its contribution to the overall Group's result.

The property management division also performed above expectations, making a significant contribution to the overall Group.

**NET GROUP ASSETS**

The Group's net assets are currently \$17,615,980. This represents an increase of 14% over the corresponding financial year. The net tangible assets per share now stands at 79 cents.

**DIVIDEND**

The Directors resolved to recommend a 2 cent dividend franked to 85% as a final dividend payment.

**APPENDIX 4E**

The Preliminary Final Report for the year ended 30 June 2003 is attached. This report is provided to the Australian Stock Exchange (ASX) under ASX Listing Rule 4.3A.

The financial data prepared by the Company upon which the attached report is based are drawn up in accordance with applicable Accounting Standards and Urgent Issues Group Consensus Views as if that financial data were prepared in compliance with the Act.

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## FUTURE PROSPECTS

### *Property Investments*

All the properties owned and managed by the Group are fully leased on a long term basis to major Australian companies and are performing well. The expansion of the eleven industrial units complex in the Sydney suburb of Auburn is now completed. This complex is in the process of being sold with the funds raised from the sale applied to working capital. In July 2003, Desane acquired a large industrial complex in the Sydney suburb of Lane Cove from Towers Asset Management. This complex is fully leased and returning 10.5%. This complex is capable of being developed further if the need arises. The increasing properties' recurring rental income will ensure that the profit contribution to the Group's result remains to Directors' expectations for the 2003/2004 financial year.

### *Property Services*

This division will continue to make substantial profit contributions to the Group's result in future years.

### *Property Management*

The Group's internal property management unit has currently more than \$60 million of properties under management. This division will continue to grow through the acquisition of under-performing property management companies.

The Group will continue to expand its interests in the Sydney property investment market, establishing joint ventures with other Australian and overseas property investment corporations and will also expand the property management division.

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 \$60 million of industrial and commercial properties in the Sydney region – our medium term objective is to increase our property holdings to \$100 million.

# Appendix 4E

## Preliminary final report Period ending on or after 30 June 2003

Name of entity

DESANE GROUP HOLDINGS LIMITED

ABN or equivalent company  
reference

61 003 184 932

Half yearly  
(tick)

Preliminary  
final (tick)

Financial year ended ('current period')

30 JUNE 2003

### Results for announcement to the market

\$A'000

Revenues from ordinary activities	<del>up/down</del>	12%	to	3,013
Profit (loss) from ordinary activities after tax attributable to members	<del>up/down</del>	22%	to	1,453
Net profit (loss) for the period attributable to members	<del>up/down</del>	22%	to	1,453
<b>Dividends (distributions)</b>		Amount per security		Franked amount per security
Final Dividend		2.0¢		1.7¢
Previous Corresponding Period		1.5¢		1.5¢
Record Date	26 NOVEMBER 2003			

#### Brief Explanation of any of the figures reported above

- Profit increase by 22% after writing off \$272,000 of goodwill.
- The financial year's profit result, as reported in this release, together with the increase in property assets, has resulted in a 17% return on shareholders funds.
- The final dividend has been increased by 33% to 2.0 cents per share 85% franked, has been recommended on ordinary shares.

## **REVIEW OF OPERATIONS**

### **Financial Result**

The year ended 30 June 2003 delivered a profit of \$1,452,777 after tax (2002 - \$1,192,785).

### **Dividends**

An ordinary dividend of 2.0 cents per share 85% franked is recommended by directors (2002 – 1.5 cents per share fully franked).

### **Property Investment**

The property investment division is continuing to increase its Sydney based property assets. An **additional 8 tenants** from those reported in last year's Annual Report have entered into medium to long term leases for property owned and/or managed by the group. All properties are now fully leased. The recurring rental income from the Group's industrial property investments will ensure that the year 2003 profit result is maintained and improved in future years.

#### **AUBURN**

This financial year the property investment division consolidated its Auburn industrial complex, increasing the number of industrial units from 6 to 11. This industrial complex has been earmarked for sale, as the market for owner/occupation of this type of industrial building is strong.

#### **SILVERWATER**

In October 2002, the division acquired a newly completed complex comprising **9 industrial units** in the Sydney suburb of Silverwater. This complex has been fully leased and is earmarked for medium to long term investment.

#### **LANE COVE**

In the 2002 Annual Report, we highlighted the future asset growth that would be provided to the Company by rezoning to "residential" the Lane Cove harbour front High Tech Industrial Park. The process of rezoning is still in place and proceeding in line with expectations. Subject to planning approval and market conditions and coinciding with the next cycle of property value increases, this property could have a value of up to \$30 million.

#### **CAMPERDOWN**

In the 2002 Annual Report, we also reported on the changes occurring in the inner Sydney suburb of Camperdown, where our Company's 10,000m<sup>2</sup> industrial complex is located. Approximately 5,000 new dwellings have been constructed or are under construction and 1,200 new dwellings are being constructed across the road from our Company's property. Although this property is fully leased and performing well, we believe there is a great opportunity in future years to seek planning approval for a retail complex or a bulky goods retail centre. A significant number of bulky goods retail stores have relocated to this suburb. Management is monitoring market opportunities and will take advantage of positive market conditions.

#### **ROZELLE**

The 8,000m<sup>2</sup> Multimedia Industrial Park, located three kilometres from the Sydney CBD, in the suburb of Rozelle, 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.

The following companies are the medium to long term tenants of the properties owned and/or managed by the Group: *Australia Post; Staging Connections; Satellite Storage; National Hire; Camperdown Improvement Centre; Tuta Health Care; Studibaker Fashion House; Arrow Scientific; Talman Computers; Pharmalab Medical; Frametrack Films; BRE Electronics; Formatica Designs; Newform Tapware; Palmer Fabrication; Darling Kitchens; Battery Plus; AC Specialists; Aussie Bodies; Treats Cakes; In Image Promotions; Future Graphic Australia; The Wool Exchange; Techni-Seal Australia; Razorbacks Trailers; MicroTech; Saferides; and Azmec.*

The Company has retained the property management rights in the properties it owns in joint venture with other corporations. The property management division is performing well and is actively seeking acquisitions of property management entities.

The Group has become a significant Sydney based **landlord** and will continue to increase its property holdings. The Company currently has over \$26 million of properties and other assets and it manages an additional \$34 million of industrial properties in the Sydney metropolitan area.

Independent property market indicators are forecasting a shortage, in the Sydney region, of prime industrial properties, coupled with strong capital growth over the next three years. Your company is well placed to take advantage of the predicted market conditions. It will also continue to closely monitor the Australian property market in order to take advantage of future investment opportunities. It is also intended that the Group will not only deal directly in properties but will also continue to be involved in joint venture projects with local and overseas corporations and institutions and may also acquire equity in established enterprises which are considered to be of sound potential.

### Property Services

The property services division has performed well this financial year. This division will continue its profitable operations. This should impact positively to the overall result for the financial year ending June 2004.

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

### Future Developments

The Company's medium-term objective is to own and manage **\$100 million of properties** which have strong long-term tenants. Where appropriate, Desane will enter into joint ventures with other property investors. Desane's property investment activities will be supported by the company's expanding cashflow from the property rental and the property service operations.

***Achieving superior returns and maximising shareholder value is the primary objective of the Company.***

### 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.

### Matters Subsequent to the End of the Financial Year

Since 30 June 2003, the following occurred:

#### ***(i) Purchase of 7-9 Orion Street, Lane Cove***

On 14 July 2003, our Company reported to the Australian Stock Exchange that it had entered into a binding contract to purchase the above industrial complex. The complex comprises a site area of approximately 8,000m<sup>2</sup> of land, with 4 office/warehouse units ranging in size from 1,021m<sup>2</sup> to 2,216m<sup>2</sup> and 95 parking spaces. The current passing rent is \$818,000 net per annum.

#### ***(ii) Sale of 14-18 Hampstead Road, Auburn***

Your directors are of the opinion that the market for the 11 industrial units located in the Sydney suburb of Auburn is reaching full value. It has been decided that this complex be sold. The funds raised from the sale will be applied to working capital.

Other than the above matters, 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 financial year 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.

### 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.

**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2003**

	Notes	Consolidated	
		2003 \$'000	2002 \$'000
<b>CLASSIFICATION OF EXPENSES BY NATURE</b>			
Revenues from ordinary activities	2	3,013	3,438
Changes in inventories		1,579	-
Employee benefits expense		(350)	(318)
Depreciation and amortisation expense		(354)	(87)
Purchase of building materials		-	(1,474)
Borrowing costs expense		(719)	(515)
Other expenses from ordinary activities		(2,263)	(185)
Release (increase) provision – loan to controlled entities		-	-
Share of net profits of associates and joint ventures accounted for using the equity method		<u>547</u>	<u>334</u>
Profit from ordinary activities before income tax expense	3	1,453	1,193
Income tax expense relating to ordinary activities	4	<u>-</u>	<u>-</u>
Net profit from ordinary activities after related income tax expense		1,453	1,193
Net profit attributable to outside equity interests		<u>-</u>	<u>-</u>
Net profit attributable to members of the parent entity		<u>1,453</u>	<u>1,193</u>
Increase in asset revaluation reserve	21	<u>596</u>	<u>159</u>
Total revenues, expenses and valuation adjustments attributable to members of the parent entity and recognised directly in equity		<u>2,048</u>	<u>1,352</u>
Total changes in equity other than those resulting from transactions with owners as owners		<u>2,048</u>	<u>1,352</u>
Basic earnings per share (cents per share)		6	6
Diluted earnings per share (cents per share)		6	6

**STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2003**

	Notes	Consolidated	
		2003 \$'000	2002 \$'000
<b>Current Assets</b>			
Cash assets	7	280	37
Receivables	8	505	2,493
Inventories	9	1,947	368
Other	10	<u>872</u>	<u>1,129</u>
<b>Total Current Assets</b>		<b><u>3,604</u></b>	<b><u>4,027</u></b>
<b>Non Current Assets</b>			
Receivables	11	250	-
Investments	12	22,679	19,120
Property, plant and equipment	13	91	45
Intangible assets	14	<u>1</u>	<u>338</u>
<b>Total Non Current Assets</b>		<b><u>23,021</u></b>	<b><u>19,503</u></b>
<b>Total Assets</b>		<b><u>26,625</u></b>	<b><u>23,530</u></b>
<b>Current Liabilities</b>			
Payables	15	338	1,688
Interest-bearing liabilities	16	100	418
Provisions	17	<u>464</u>	<u>340</u>
<b>Total Current Liabilities</b>		<b><u>902</u></b>	<b><u>2,446</u></b>
<b>Non Current Liabilities</b>			
Payables	18	39	20
Interest-bearing liabilities	19	<u>8,068</u>	<u>5,613</u>
<b>Total Non Current Liabilities</b>		<b><u>8,107</u></b>	<b><u>5,633</u></b>
<b>Total Liabilities</b>		<b><u>9,009</u></b>	<b><u>8,079</u></b>
<b>Net Assets</b>		<b><u>17,616</u></b>	<b><u>15,451</u></b>
<b>Equity</b>			
Contributed equity	20	7,984	7,420
Reserves	21	7,932	8,291
Retained profits/(Accumulated losses)	22	<u>1,700</u>	<u>(260)</u>
<b>Total Equity</b>		<b><u>17,616</u></b>	<b><u>15,451</u></b>

**STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 JUNE 2003**

	Notes	Consolidated	
		2003 Inflows (Outflows) \$'000	2002 Inflows (Outflows) \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		3,930	1,318
Payments to suppliers and employees		(3,910)	(1,201)
Dividend from unrelated parties		-	-
Dividend from related parties		200	200
Interest received		171	107
Borrowing costs - interest paid		(719)	(515)
<b>Net cash inflow (outflow) from operating activities</b>	32	<u>(329)</u>	<u>(91)</u>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(69)	(13)
Proceeds from the sale of property, plant and equipment		7	35
Proceeds from sale of Investments		759	-
Purchase of investments		(2,416)	(1,576)
Purchase of shares in non controlled entity		-	-
Sale of shares in non controlled entity		-	7
<b>Net cash inflow/(outflow) from investing activities</b>		<u>(1,719)</u>	<u>(1,547)</u>
<b>Cash flows from financing activities</b>			
Proceeds from the issue of shares		564	958
Dividends paid by parent entity		(320)	(320)
(Loans to related parties)/repaid		-	-
Loans from related parties/(repaid)		(110)	103
Loans from unrelated entities/(repaid)		(57)	-
Loans to unrelated parties		(512)	(447)
Loans to associated parties		447	(227)
Loan to related parties		(42)	-
Proceeds from borrowings		3,134	754
Repayment of borrowings		(682)	(34)
<b>Net cash (outflow) from financing activities</b>		<u>2,422</u>	<u>787</u>
<b>Net increase/(decrease) in cash held</b>		<u>374</u>	<u>(851)</u>
Cash at the beginning of the financial year		<u>(94)</u>	<u>756</u>
<b>Cash at the end of the financial year</b>	7	<u><u>280</u></u>	<u><u>(94)</u></u>

**NOTES TO THE FINANCIAL STATEMENTS**

**2. Revenue**

	Consolidated	
	2003	2002
	\$'000	\$'000
<b>Revenue</b>		
Building services	608	2,150
Property project management and resale	83	81
Property rental income	1,061	897
Management fees	170	-
	<b>1,922</b>	<b>3,128</b>
<b>Revenue from Outside the Operating Activities</b>		
Proceeds on sale of properties held for resale and investment	-	-
Profit on sale of property plant and equipment	-	-
Profit from sale of shares held in other listed entities	-	3
Profit from sale of shares held in unlisted associated entity (note 2(c))	721	-
Dividend received/receivable (note 2(a))	200	200
Interest (note 2(b))	170	107
<b>Total Revenue</b>	<b>3,013</b>	<b>3,438</b>
<b>(a) Dividend revenue from:</b>		
- wholly owned subsidiaries	-	-
- associated entities	200	200
- joint venture entities	-	-
- other related corporations	-	-
- other corporations	-	-
Total dividend revenue	<b>200</b>	<b>200</b>
<b>(b) Interest revenue from:</b>		
- wholly-owned controlled entities	-	-
- associated entities	-	-
- other related parties	148	96
- directors	-	1
- other persons	23	10
Total interest revenue	<b>171</b>	<b>108</b>
<b>(c) Consideration on sale of associated entity</b>		
Carrying amount of net assets sold	759	-
	(38)	-
Total Profit from sale of shares held in unlisted associated entity	<b>721</b>	<b>-</b>

### 3. Profit from Ordinary Activities

Profit from ordinary activities before income tax has been determined after:

	Consolidated	
	2003 \$'000	2002 \$'000
<b>Expenses:</b>		
Purchase of building materials	-	1,474
Amortisation of goodwill	65	65
Goodwill written off	272	-
Auditors' remuneration (note 27)	32	34
Depreciation of plant and equipment	17	22
Borrowing costs paid/payable – Other persons and/or corporations	719	515
Transfer to/(from) provisions for – Doubtful trade debts	(20)	(30)
Employee entitlements	(3)	1
Rental expenses relating to operating leases	<u>30</u>	<u>28</u>

### 4. Income Tax

Income Tax Expense:

- (a) The aggregate amount of income tax attributable to the profit from ordinary activities before income tax is reconciled to the income tax as follows:

	Consolidated	
	2003 \$'000	2002 \$'000
Operating profit before income tax	<u>1,453</u>	<u>1,193</u>
Income tax calculated at 30% (2002: 30%)	436	358
Tax Effect of Permanent Differences:		
Non deductible depreciation and amortisation	101	19
Sundry items	<u>-</u>	<u>14</u>
Income tax after adjusting for permanent differences	537	391
Franking credit on dividend received	26	-
Tax losses utilised from previous years	(218)	-
Tax losses transferred from controlled entities	(64)	(282)
Dividend rebate – controlled entities	-	-
Provision for diminution in value of loan accounts	-	-
Tax paid by related equity accounted entity	(284)	-
Future income tax benefit not recognised	<u>3</u>	<u>(109)</u>
Aggregate income tax expense	<u><u>-</u></u>	<u><u>-</u></u>

- (b) The Directors estimate that the potential future income tax benefit @ 30% in respect of tax losses not brought to account is:

	Consolidated	
	2003 \$'000	2002 \$'000
<b>(i) Revenue</b>		
Tax losses carried forward	831	1,049
Provisions and accrued employee entitlements not currently deductible	13	15
	844	1,064
<b>(ii) Capital</b>		
Capital losses carried forward	1,489	1,489

The benefit for tax losses will only be obtained if:

- (i) the consolidated entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised; or
- (ii) the losses are transferred to an eligible entity in the consolidated entity; and
- (iii) the consolidated entity continues to comply with the conditions for deductibility imposed by tax legislation; and
- (iv) no changes in tax legislation adversely affect the consolidated entity in realising the benefit from the deductions for the losses.

#### Tax Consolidation Legislation

Desane Group Holdings Limited and its wholly-owned Australian subsidiaries have decided to implement the tax consolidation legislation as of 1 July 2003. The Australian Taxation Office has not yet been notified of this decision. The entities also intend to enter into a tax sharing agreement, but details of this agreement are yet to be finalised.

As a consequence, Desane Group Holdings Limited, as the head entity in the tax consolidated group, will recognise current and deferred tax amounts relating to transactions, events and balances of the wholly-owned Australian controlled entities in this group in future financial statements as if those transactions, events and balances were its own, in addition to the current and deferred tax balances arising in relation to its own transactions, events and balances. Amounts receivable or payable under the tax sharing agreement will be recognised separately by Desane Group Holdings Limited as tax-related amounts receivable or payable. The impact on the income tax expense and results of Desane Group Holdings Limited is unlikely to be material because of the tax sharing agreement. This is not expected to have a material impact on the consolidated assets and liabilities and results.

The financial effect of the implementation of the legislation has not been recognised in the financial statements for the year ended 30 June 2003.

**5. Dividends – Desane Group Holdings Limited**

The amounts provided for by the parent entity are:

	Parent Entity	
	2003	2002
	\$'000	\$'000
Ordinary		
Final dividend proposed of 2.0 cents per share 85% franked at the tax rate of 30% (2002: fully franked at 30%)	<b>448</b>	<b>320</b>

The Group has a total \$81 (2002 - \$133) franking credits (franked to 30%) available before the dividends for 2003 are provided.

**6. Earnings Per Share**

	Consolidated	
	2003	2002
	\$'000	\$'000
Basic earnings per share (dollars per share)	<b>0.06</b>	<b>0.06</b>
Diluted earnings per share (dollars per share)	<b>0.06</b>	<b>0.06</b>
<b>Reconciliation of Earnings Used in the Calculation of Earnings Per Share</b>		
Operating profit after income tax	<b>1,453</b>	<b>1,192</b>
<b>Reconciliation of Weighted Average Numbers of Ordinary Shares Used in the Calculation of Earnings Per Share</b>		
	<b>No.</b>	<b>No.</b>
Weighted average number of ordinary shares used in the calculation of basic earnings per share	<b>22,379,117</b>	<b>21,336,970</b>

**COVERSION, CALL, SUBSCRIPTION OF ISSUE AFTER 30 JUNE, 2003**

There has been no:

- (a) conversion to, calls of, or subscription for ordinary shares; or
- (b) issues of potential ordinary shares;

since the reporting date and before the completion of these accounts.

7. Current Assets – Cash

	Consolidated	
	2003	2002
	\$'000	\$'000
Cash at bank and on hand	<u>280</u>	<u>37</u>

The above figures are reconciled to cash at the end of the financial year as shown in the statement of financial position as follows:

Balances as above	280	37
Less: Bank overdraft (note 16)	<u>-</u>	<u>(132)</u>
	<u><u>280</u></u>	<u><u>(94)</u></u>

8. Current Assets – Receivables

	Consolidated	
	2003	2002
	\$'000	\$'000
Trade debtors	505	2,513
Less: Provision for doubtful debts	<u>-</u>	<u>(20)</u>
	<u><u>505</u></u>	<u><u>2,493</u></u>

9. Current Assets – Inventories

	Consolidated	
	2003	2002
	\$'000	\$'000
Building materials – at cost	379	368
Development Properties Held For Resale:		
Cost of acquisition	579	-
Capitalised development costs	<u>989</u>	<u>-</u>
	<u><u>1,947</u></u>	<u><u>368</u></u>

10. Current Assets – Other

	Consolidated	
	2003	2002
	\$'000	\$'000
Sundry debtors	82	138
Director's loan	-	9
Prepayments	35	39
Security deposit	10	17
Receivable from unrelated entity (note 11(iii))	433	-
Unsecured loan to unrelated entities	270	478
Unsecured loan to associated company	-	448
Loan to joint venture partner (unsecured)	<u>42</u>	<u>-</u>
	<u><u>872</u></u>	<u><u>1,129</u></u>

**11. Non Current Assets – Receivables**

	Consolidated	
	2003 \$'000	2002 \$'000
Loans to controlled entities (notes 11(i) & (ii))	-	-
Provision for diminution in value	-	-
Receivable from unrelated entity (note 11(iii))	<u>250</u>	<u>-</u>
	<u><u>250</u></u>	<u><u>-</u></u>

- (i) The loan from the parent entity is secured by a Deed of Debenture of \$2,000,000 over a controlled entity's assets.
- (ii) No interest has been charged on the loans to controlled entities and there are no fixed terms for repayment.
- (iii) Receivable from the purchaser of the associated entity (note 2(c)). The parent entity has executed a deed of charge over the shares of the associated entity sold.

**12. Non Current Assets – Investments**

- (a) The investments included in the accounts comprise:

	Consolidated	
	2003 \$'000	2002 \$'000
(i) Shares in unlisted associated companies - equity accounted (note 12(c))	6,591	6,025
(ii) Other Investments		
Shares in controlled entities (note 12(b))	-	-
Provision for diminution in value	-	-
Shares in listed unrelated company - cost	-	-
Investment property – at Directors' valuation 30.06.2002 (notes 23(a) and 12(i))	1,750	1,733
Investment property – at Directors' valuation 30.06.2002 (note 23(b) and 12(i))	9,100	9,100
Investment property – at independent valuation 30.06.2001 (note 19(iii) and 12 (ii))	1,673	1,665
Investment property – at cost (note 19(iv) & note 12(iii))	<u>3,565</u>	<u>597</u>
	<u><u>22,679</u></u>	<u><u>19,120</u></u>

**Valuation of Investment Properties**

The basis of the Directors' valuation of land and buildings is a fair market value based on existing use.

- (i) The Directors' valuations as at 30 June 2002 are based on independent valuations carried out by Metropolitan Valuation Services Pty Ltd, a Certified Practicing Valuation Company.
- (ii) This property was purchased on 28 June 2001. The purchase price was based on an independent valuation carried out by Rex G McDonald, a Certified Practicing Valuer.
- (iii) The Directors' valuation as at 30 June 2003 is based on an independent valuation carried out by Metropolitan Valuation Services Pty Ltd, a Certified Practicing Valuation Company on 24 July 2003.

12. (b) Investments in controlled entities are unquoted and comprise:

Controlled Entities	Class of Shares	% Holding	2003 Investment \$'000	% Holding	2002 Investment \$'000
Desane Properties Pty Ltd	Ordinary	100	490	100	490
Provision for diminution in value			-		-
Desane Contracting Pty Ltd	Ordinary	100	-	100	1,000
Desane Constructions Pty Ltd	Ordinary	100	-	100	-
Provision for diminution in value			-		-
			<b>490</b>		<b>1,490</b>

All controlled entities are incorporated in Australia. Desane Contracting Pty Ltd declared a dividend of \$nil out of 2003 profits (2002: \$350,000). The other controlled entities did not declare or pay a dividend during the year.

Contribution to profit after tax:

	2003 \$'000	2002 \$'000
Desane Group Holdings Limited	263	(253)
Desane Properties Pty Limited	1,186	986
Desane Contracting Pty Limited	(273)	156
Desane Hire Services Pty Limited	277	303
	<b>1,453</b>	<b>1,192</b>

12. (c) Interests are held in the following unlisted associated companies:

(i) Name	Principal Activity	Shares	Ownership Interest Consolidated		Carrying Amount of Investment Consolidated	
			2003	2002	2003 \$'000	2002 \$'000
Samvoni Pty Ltd	Owner of investment property at Lane Cove	Ord	50%	50%	6,591	5,983
Tuta Health Care Pty Ltd	Hospital health care supplies	Ord	-%	50%	-	42
					<u>6,591</u>	<u>6,025</u>

A controlled entity acquired a 50% ownership and voting interest in Samvoni Pty Ltd for a consideration of \$836,449 on 15 December 1999. The parent entity purchased its 40% interest in Tuta Health Care Pty Ltd for \$40 on 1 May 2000. The 40% interest in Tuta Healthcare Pty Ltd was sold for \$759,000 on 24 June 2003.

(ii) Movements during the year in equity accounted investment in associated companies:

	Consolidated	
	2003 \$	2002 \$
Balance at the beginning of the financial year	5,983	5,931
Share of associated companies operating results after income tax	548	334
Share of associated company's reserve movements arising during the year	260	(82)
Dividend revenue from associated company	<u>(200)</u>	<u>(200)</u>
Balance at the end of the year	6,591	5,983

(iii) Equity attributable to associates:

Issued capital	1,000	1,000
Retained earnings	1,201	693
Asset revaluation reserve	<u>4,390</u>	<u>4,290</u>

(iv) Summarised presentation of share of aggregate assets, liabilities and performance of associates:

Current assets	49	154
Non current assets	<u>9,763</u>	<u>7,553</u>
Total assets	<u>9,812</u>	<u>7,707</u>
Current liabilities	202	175
Non current liabilities	<u>3,019</u>	<u>1,506</u>
Total liabilities	<u>3,221</u>	<u>1,681</u>
Net Equity	<u>6,591</u>	<u>6,025</u>
Share – net profit/(loss) after income tax of associates	<u>548</u>	<u>334</u>

The associated entities have no contingent liabilities nor capital commitments.

13. Non Current Assets – Property, Plant and Equipment

	Consolidated	
	2003 \$'000	2002 \$'000
Land and Buildings		
Leasehold improvements – at cost	60	60
Less: Accumulated depreciation	<u>(60)</u>	<u>(60)</u>
Total land and buildings	<u>-</u>	<u>-</u>
Plant and equipment – at cost	119	109
Less: Accumulated depreciation	<u>(84)</u>	<u>(71)</u>
	<u>35</u>	<u>38</u>
Motor vehicles – at cost	59	20
Less: Accumulated depreciation	<u>(5)</u>	<u>(12)</u>
	<u>56</u>	<u>8</u>
Total plant and equipment	<u>91</u>	<u>46</u>
	<u>91</u>	<u>46</u>

**Movements in Carrying Amounts**

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Leasehold Improvements \$'000	Plant and Equipment \$'000	Total \$'000
<b>Economic Entity :</b>			
Balance at the beginning of year	-	46	46
Additions	-	69	69
Disposals	-	(7)	(7)
Depreciation expense	<u>-</u>	<u>(17)</u>	<u>(17)</u>
Carrying amount at the end of the year	<u>-</u>	<u>91</u>	<u>91</u>

14. Non Current Assets – Intangibles

	Consolidated	
	2003 \$'000	2002 \$'000
Goodwill – at cost	1,299	1,299
Less: Accumulated amortisation	<u>1,299</u>	<u>(962)</u>
	<u>-</u>	<u>337</u>
Formation costs	<u>1</u>	<u>1</u>
	<u>1</u>	<u>338</u>

Goodwill, representing the excess of the purchase consideration over the fair value of the identifiable net assets at the date of acquisition of a business entity, is amortised on a straight line basis. The amortisation period was twenty years, being the period during which the benefits were expected to arise. However the Directors assessed the carrying value at 30 June 2003, determined that future benefits were not probable and had the balance written off at balance date.

15. Current Liabilities – Payables

	Consolidated	
	2003 \$'000	2002 \$'000
<b>Unsecured</b>		
Trade creditors	308	1,656
Unsecured loan to unrelated party	5	-
Other creditors and accruals	<u>25</u>	<u>31</u>
	<u><b>338</b></u>	<u><b>1,687</b></u>

16. Current Liabilities – Interest Bearing Liabilities

	Consolidated	
	2003 \$'000	2002 \$'000
<b>Unsecured</b>		
Vendor finance for investment property	-	76
Loan from associated entity	100	100
Loan from related entity	-	110
<b>Secured</b>		
Bank overdraft (note 16(i))	<u>-</u>	<u>132</u>
	<u><b>100</b></u>	<u><b>418</b></u>

(i) The overdraft facility of \$131,810 from the bank is repayable on demand and is secured by a floating charge over a controlled entity's assets.

There is an unused limit of \$50,000 not being utilized as at 30 June 2003.

17. Current Liabilities – Provisions

	Consolidated	
	2003 \$'000	2002 \$'000
Dividends	448	320
Employee entitlements	<u>16</u>	<u>20</u>
	<u><b>464</b></u>	<u><b>340</b></u>

	Consolidated	
	2003 No	2002 No
Number of employees at year end	<u><b>3</b></u>	<u><b>3</b></u>

18. Non Current Liabilities – Other

	Consolidated	
	2003 \$'000	2002 \$'000
Security deposits	39	21
Loans from controlled entities	<u>-</u>	<u>-</u>
	<u><b>39</b></u>	<u><b>21</b></u>

19. Non Current Liabilities – Interest Bearing Liabilities

	Consolidated	
	2003 \$'000	2002 \$'000
Bank loan (19(i))	-	-
Finance for Lilyfield Road Joint Venture (19(ii))	3,441	3,441
Finance for Pymont Bridge Road Joint Venture (19(ii))	192	192
Loans from joint venture partners (unsecured)	673	660
Finance for investment property (19(iii))	640	1,320
Loan from associated entity (19 (iv))	1,367	-
Finance for investment property (19(v))	<u>1,755</u>	<u>-</u>
	<u><b>8,068</b></u>	<u><b>5,613</b></u>

- (i) The Group presently has no unused loan facilities other than as described in note 16.
- (ii) First mortgage finance secured over respective joint venture assets.
- (iii) First mortgage finance secured over Auburn property.
- (iv) First mortgage finance secured over Lane cove property (note 12(c)).
- (v) First mortgage finance secured over Silverwater property.

20. Contributed Equity – Desane Group Holdings Limited

	Parent Entity	
	2003	2002
	\$	\$
<b>(a) Authorised Capital</b>		
500,000,000 Ordinary shares of 20¢ each	<u>100,000,000</u>	<u>100,000,000</u>
<b>(b) Issued and Paid Up Capital</b>		
22,379,117 (2002: 21,336,970) Ordinary shares fully paid	<u>7,984,263</u>	<u>7,419,925</u>
<b>(c) Share Capital</b>		

	Parent Entity		Parent Entity	
	2003	2002	2003	2002
	Shares	Shares	\$	\$
Ordinary shares - fully paid	21,336,970	17,779,970	7,419,925	6,461,925
Share Bonus 1:10	-	1,770,976	-	-
Share Purchase Plan (20(i))	442,147	356,000	234,338	178,000
Share Placement (20(ii))	<u>600,000</u>	<u>1,500,000</u>	<u>330,000</u>	<u>780,000</u>
	<u>22,379,117</u>	<u>21,336,970</u>	<u>7,984,263</u>	<u>7,419,925</u>

**(d) Movements in Ordinary Share Capital of the Company**

Date	Details	Number of Shares	Issue Price Cents	\$
24.12.02	Share Purchase Plan	442,147	53c	234,338
31.12.02	Share Placement	600,000	55c	330,000

Ordinary Shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

- (i) Shares totalling 442,147 were issued under the Share Purchase Plan at 53 cents, being a discount of 5% to the market price.
- (ii) Share placement totalling 600,000 were sold at 55 cents.

21. Reserves

	Consolidated	
	2003	2002
	\$'000	\$'000
Composition:		
Asset revaluation reserve	7,932	7
Asset realisation reserve	<u>-</u>	<u>954</u>
	<u><b>7,932</b></u>	<u><b>8,291</b></u>
Movements during the year:		
Asset revaluation reserve:		
Opening balance	7,337	7,177
Revaluation of investment properties held by joint ventures	-	105
Revaluation of Silverwater investment property	591	-
Share of associates		
Revaluation increments on land and buildings	4	-
Revaluation of investments in associated entities	<u>-</u>	<u>54</u>
	<u><b>7,932</b></u>	<u><b>7,337</b></u>
Asset realisation reserve:		
Opening balance	954	-
Transfer to retained profits	<u>(954)</u>	<u>-</u>
	<u><b>-</b></u>	<u><b>-</b></u>

22. Retained Profits/(Accumulated Losses)

	Consolidated	
	2003	2002
	\$'000	\$'000
Accumulated losses at beginning of financial year	(260)	(1,133)
Net profit attributable to members of parent entity	1,453	1,193
Transfer from reserves	955	-
Dividends provided for or paid	<u>(448)</u>	<u>(320)</u>
Retained profits/(accumulated losses) at end of financial year	<u><b>1,700</b></u>	<u><b>(260)</b></u>

23. Interests In Joint Ventures

- (a) A controlled entity entered into a joint venture arrangement called Pymont Bridge Road Joint Venture to purchase and develop a property for industrial use. The controlled entity has a 1/6<sup>th</sup> interest in the assets, and output of this joint venture. The controlled entity is presently earning rental income from commercial leases. The controlled entity has been indemnified by joint venturers against any liability arising from the secured loan of \$2,700,000. The share of net assets employed in the joint venture are included in the controlled entity's balance sheet under the following classifications:

	<b>Consolidated</b>	
	<b>2003</b>	<b>2002</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Current Assets:</b>		
Cash at bank	18	-
Trade debtors	11	8
Other debtors and prepayments	9	5
Security deposit	-	-
<b>Non Current Assets:</b>		
Investment property – Directors' valuation, 2002	1,750	1,733
Other debtors	-	11
<b>Total Assets</b>	<b>1,788</b>	<b>1,757</b>
<b>Current Liabilities:</b>		
Trade creditors	9	62
Rental security deposit	3	3
Other creditors	192	108
<b>Non Current Liabilities:</b>		
Creditors and borrowings	192	192
<b>Total Liabilities</b>	<b>396</b>	<b>365</b>
Equity	<b>1,392</b>	<b>1,392</b>
Output	<b>167</b>	<b>152</b>
<b>Contribution to Company's Profit</b>	<b>126</b>	<b>111</b>

The Directors' valuation of the investment property is based on the valuation of an independent registered valuer and in the opinion of the Directors, provides a reasonable estimate of the current value of the controlled entity's interest in the property.

In revaluing the controlled entity's interest in the investment property the Directors have not taken into account the potential impact of capital gains tax due to the quantum of capital losses presently available to the company (note 4 (b)).

Desane Group's interest in capital expenditure commitment in respect of building contracts (note 28)	-	-
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23. Interests in Joint Ventures (continued)

(b) A controlled entity entered into a joint venture arrangement called Lilyfield Road Joint Venture to purchase and develop a property for industrial use. The controlled entity has a 70% interest in the property assets and a 70% interest in the output (being commercial rentals) of this joint venture. The controlled entity has been indemnified by its joint venturer against any liability arising from the secured loan of \$1,584,000. The share of net assets employed in the joint venture are included in the controlled entity's balance sheet under the following classifications:

	Consolidated	
	2003	2002
	\$'000	\$'000
<b>Current Assets – Cash</b>		
Cash at bank	3	7
Trade debtors	67	61
Other debtors	5	22
<b>Non Current Assets</b>		
Investment property – Directors valuation, 30.06.2002	<b>9,100</b>	9,100
<b>Total Assets</b>	<b>9,175</b>	9,190
<b>Current Liabilities – Creditors and Borrowings</b>		
Trade creditors	70	223
Accruals	-	-
<b>Non-Current Assets – Receivables</b>		
Unsecured loans to joint venture partners	830	692
<b>Non Current Liabilities – Creditors and Borrowings</b>		
Loan from a construction financier	<b>3,441</b>	3,441
<b>Total Liabilities</b>	<b>4,341</b>	4,356
Equity	<b>4,834</b>	4,834
Output	<b>707</b>	685
<b>Contribution to Company's Profit</b>	<b>283</b>	275
Desane Group's interest in capital expenditure commitment in respect of building services	-	-

The Directors' valuation of the investment property is based on the valuation of an independent registered valuer and in the opinion of the directors, provides a reasonable estimate of the current value of the controlled entity's interest in the property. In revaluing the controlled entity's interest in the investment property, the Directors have not taken into account the potential impact of capital gains tax due to the quantum of capital losses presently available to the company (note 4(b)).

24. Remuneration of Directors

	Consolidated	
	2003	2002
	\$'000	\$'000
Income received, or due and receivable, by all Directors of companies in the Group from the parent entity and controlled entities	229	229

Number of directors of Desane Group Holdings Limited whose income from the parent entity and controlled entities was within the following bands:

	2003	2002
	No.	No.
\$ 20,000 - \$ 29,999	-	2
\$ 30,000 - \$ 39,999	2	-
\$160,000 - \$169,999	1	-
\$170,000 - \$179,999	-	1

Retirement and Superannuation Payments:

	Consolidated	
	2003	2002
	\$'000	\$'000
Amounts paid directly on retirement from office or to prescribed superannuation funds for the provision of retirement benefits for the directors	13	12

25. Remuneration of Executives

Income received, or due and receivable, from parent entity and related corporations by executive officers (one only) whose income was at least \$100,000:

	Executive Officers of Consolidated	
	2003	2002
	\$'000	\$'000
Executive officer of the parent and controlled entities	169	177

**26. Related Parties**

Related parties of Desane Group Holdings Limited fall into the following categories:

*Controlled Entities*

Information relating to controlled entities is set out in notes 11, 12 and 19. Other transactions between the parties consist of:

	2003 \$'000	2002 \$'000
Desane Properties Pty Limited: Dividend paid	-	200
Desane Properties Pty Limited: Management fees paid/payable	-	-
Desane Contracting Pty Limited: Management fees paid/payable	-	-
Desane Contracting Pty Limited: Dividend paid	-	350

All transactions are under normal commercial terms and conditions.

*Directors*

The names of persons who were directors of the parent entity during the financial year are as follows:

- Phil Montrone
- John Blair Sheehan
- Anthony Gelonesi

Information on the remuneration of directors and executives is set out in notes 24 and 25. Apart from the details disclosed in these notes no director has entered into a material contract since the end of the previous financial year and there were no material contracts involving directors' interests existing at year-end. The Directors participate in bonus and other share issues under the same terms and conditions as other shareholders. Particulars of Directors' interests in ordinary shares and options are disclosed in the Directors' Report.

*Superannuation Fund*

Information relating to the Company's superannuation fund is set out in note 29. Contributions by the parent entity and its controlled entities to the fund during the year totalled \$27,756 (2002 - \$23,169).

**27. Remuneration of Auditors**

Amounts received, or due and receivable, by the auditors for:

	Consolidated	
	2003 \$	2002 \$
<b>(a)</b> Auditing the accounts and consolidated accounts of Desane Group Holdings Limited and the accounts of each of its controlled entities		
G Green	30	32
<b>(b)</b> Other services		
G Green	2	2
	32	34

**28. Commitments for Expenditure**

**Capital Expenditure**

	Consolidated	
	2003	2002
	\$	\$
Not later than one year	-	-
Later than one year but not more than two years	-	-
	-	-
	-	-

**29. Superannuation Commitments**

In the case of the employees of the holding company, the Company contributed 9% of each member's salary into the fund nominated by each member. Group companies contribute a minimum amount equal to 9% of each member's salary, plus the cost of the insurance coverage, if required, to insure the provision of all benefits to the Fund. The benefits provided by the accumulation fund are based on the contributions and income thereon held by the Fund on behalf of the member. The 9% contribution made by group companies are legally enforceable.

The Company and its controlled entities have a legally enforceable obligation to contribute to the funds. The Directors are not aware of any other changes in circumstances which would have a material impact on the overall financial position of the funds. Employer contributions to the plans; consolidated, \$27,756 (2002 - \$23,169) parent entity \$27,756 (2002 - \$23,169).

**30. Contingent Liabilities**

- (i) The parent entity has given a letter of support to each of its two controlled entities, to the effect that it will not require repayment of the loan funds advanced in the coming year (note 11).

The shareholders' funds as at 30 June, 2003, in the controlled entities concerned were:

	2003	2002
	\$'000	\$'000
Desane Constructions Pty Limited – net assets	500	224
Desane Contracting Pty Limited – net assets	(259)	1,014
Desane Properties Pty Limited – net assets	7,569	6,585

**(ii) Pymont Bridge Road Joint Venture**

First mortgage security over the property of the Joint Venture has been provided to finance borrowings of \$2,700,000 at 30 June, 2003. In addition, the parent entity together with each of the participants in the Joint Venture has unconditionally guaranteed, jointly and severally, the secured loan. The entity has been indemnified by the joint venturers against any liability arising from this guarantee.

Second mortgage security over the property of the Joint Venture has been provided to finance borrowings of \$1,150,000 at 30 June, 2003. The parent entity, together with each of the participants in the Joint Venture has unconditionally guaranteed, jointly and severally, the second loan.

**(iii) Lilyfield Road Joint Venture**

First and second mortgages security over the property of the Joint Venture has been provided to finance borrowings of \$6,500,000 as at 30 June, 2003. In addition, the parent entity together with each of the participants in the Joint Venture has unconditionally guaranteed, jointly and severally, the secured loan.

**(iv) Auburn Property**

The parent entity has guaranteed the repayment of the first mortgage finance secured over the Auburn property, (note 19(iii)).

(v) **Silverwater Property**

The parent entity has guaranteed the repayment of the first mortgage finance secured over the Silverwater property, (note 19(v)).

**31. Segmental Information**

(a) **Industry Segments**

2003

	Property Investment \$'000	Property project management and resale \$'000	Building services \$'000	Other \$'000	Consolidated \$'000
Sale to customers outside group	1,061	83	778	1,092	3,013
Intersegment sales	-	-	-	-	-
Total revenue	<u>1,061</u>	<u>83</u>	<u>778</u>	<u>1,092</u>	<u>3,013</u>
Segment operating profit/(loss)	<u>478</u>	<u>17</u>	<u>3</u>	<i>(note 31(c))</i> <u>1,092</u>	1,589
Unallocated expenses					<u>(137)</u>
Group operating profit/(loss) before income tax					<u>1,453</u>
Segment assets	<u>22,343</u>	<u>1,568</u>	<u>1,219,890</u>		
Unallocated assets					<u>1,494</u>
Total assets					<u>26,625</u>

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

(i) **Property Project Management and Resale**

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

(ii) **Building Services**

Building and related services.

(iii) **Property Investment**

Rental income from prime real estate investments.

(c) Other is comprised of:

	\$'000
Dividends received	200
Interest received	171
Sale of shares in unlisted entity	<u>721</u>
	<u>1,092</u>

31. Segmental Information (continued)

(d) Industry Segments (continued)

2002	Property Investment \$'000	Property project management and resale \$'000	Building services \$'000	Other \$'000	Consolidated \$'000
Sale to customers outside group	897	81	2,150	310	3,438
Intersegment sales	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue	<u>897</u>	<u>81</u>	<u>2,150</u>	<u>310</u>	<u>3,438</u>
Segment operating profit/(loss)	<u>669</u>	<u>6</u>	<u>460</u>	<u>310</u>	1,446
Unallocated expenses					<u>(253)</u>
Group operating profit/(loss) before income tax					<u>1,193</u>
Segment assets	<u>19,626</u>	<u>-</u>	<u>3,424</u>	<u>-</u>	23,050
Unallocated assets					<u>480</u>
Total assets					<u>23,530</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.

32. Reconciliation of Net Cash Inflow/(Outflow) from Operating Activities to Operating Profit After Income Tax

	Consolidated	
	2003 \$	2002 \$
Operating profit after income tax	1,453	1,193
<b>Add/(less) non cash items:</b>		
Depreciation and amortisation	354	87
Provision for doubtful debts	(20)	(30)
Profit on sale of shares in associated entity	(721)	-
Share of associated companies net profit after income tax and dividends	(548)	(334)
<b>Change in operating assets and liabilities:</b>		
(Increase)/decrease in trade debtors	2,008	(1,311)
(Increase)/decrease in other debtors	77	(73)
(Increase)/decrease in inventories	(1,579)	167
(Decrease)/increase in trade creditors	(1,349)	357
(Decrease)/increase in other creditors	(1)	(148)
(Decrease)/increase in provisions	(3)	1
Release of provision for diminution in value of loans	-	-
Release of provision for diminution of shares in investments	-	-
Net cash inflow/(outflow) from operating activities	<u>(329)</u>	<u>(91)</u>

## Dividends

Date the dividend (distribution) is payable

10 DECEMBER 2003

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)

26 NOVEMBER 2003

If it is a final dividend, has it been declared?

NO

**Amount per security**

	Amount per security	Franked amount per security at 85% tax	Amount per security of foreign source dividend
<b>Final dividend:</b> Current year	2.0¢	1.7¢	-¢
Previous year	1.5¢	1.5¢	-¢
<b>Interim dividend:</b> Current year	-¢	- ¢	-¢
Previous year	-¢	-¢	-¢

**Total dividend (distribution) per security (interim plus final)**

	Current Period	Previous corresponding period
Ordinary securities	2.0¢	1.5¢
Preference securities	-¢	-¢

**NTA backing**

	Current period	Previous corresponding period
Net tangible asset backing per Ordinary security	79 cents	71 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) in item 14.2 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	\$-

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

Group's share of associates' and joint venture entities':	Current period \$A'000	Previous corresponding period - \$A'000
Profit (loss) from ordinary activities before tax	1,250	668
Income tax on ordinary activities	(154)	-
<b>Profit (loss) from ordinary activities after tax</b>	1,096	668
Extraordinary items net of tax	-	-
<b>Net profit (loss)</b>	1,096	668
Adjustments	548	334
<b>Share of net profit (loss) of associates and joint venture entities</b>	548	334

**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
<b>Equity accounted associates and joint venture entities</b>				
Samvoni Pty Ltd / Tuta Properties Pty Ltd	50%	50%	548	334
Tuta Healthcare Pty Ltd	0%	40%	-	-
<b>Total</b>			548	334
Other material interests				
<b>Total</b>			548	334

### Comments by directors

1. Franking Credits available after paying 1.7 cents dividend @ 30% will be (\$nil). The company anticipates that it will pay another partly Franked Dividend next year.
2. There are no anticipated contingent liabilities as at 30 June 2003.

### Annual meeting

The annual meeting will be held as follows:

Place

68-72 Lilyfield Rd ROZELLE
22 OCTOBER 2003
10.00 AM
26 SEPTEMBER 2003

Date

Time

Approximate date the annual report will be available

### Compliance statement

1. This report has been prepared in accordance with AASB Standards, other AASB authoritative pronouncements and Urgent Issues Group Consensus Views or other standards acceptable to ASX.
2. This report, and the accounts upon which the report is based (if separate), use the same accounting policies.
3. This report does give a true and fair view of the matters disclosed.
4. This report is based on accounts to which one of the following applies.  
(Tick one)

<input checked="" type="checkbox"/>	The accounts have been audited. A copy of the Auditor's Report is attached.	<input type="checkbox"/>	The accounts have been subject to review.
<input type="checkbox"/>	The accounts are in the process of being audited or subject to review.	<input type="checkbox"/>	The accounts have <i>not</i> yet been audited or reviewed.
5. The entity has a formally constituted audit committee.

Sign here: ..... Date: 28 AUGUST 2003  
(Director/Company Secretary)

Print name: JOHN BARTHOLOMEW

## INDEPENDENT AUDIT REPORT TO THE MEMBERS

### Scope

I have audited the financial statements of Desane Group Holdings Limited for the financial year ended 30 June, 2003, consisting of the statements of financial performance, statements of financial position, statements of cash flows, accompanying notes, and the directors declaration set out on pages 11 to 42. The financial report includes the accounts of the Company and the consolidated accounts of the economic entity, being the Company and its controlled entities. The Company's directors are responsible for the financial report. I have conducted an independent audit of these financial statements in order to express an opinion on them to the members of the Company.

My audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial statements are free of material misstatement. My procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial report is presented fairly, in accordance with Accounting Standards and other mandatory professional reporting requirements and statutory requirements, so as to present a view of the Company and the economic entity which is consistent with my understanding of their financial position and the results of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

### Audit Opinion

In my opinion, the financial report of Desane Group Holdings Limited is in accordance with:

- (a) The Corporations Act, 2001, including:
  - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June, 2003 and of their performance for the year ended on that date; and
  - (ii) complying with Accounting Standards and the Corporations Regulations; and
- (b) other mandatory professional reporting requirements.

G GREEN, FCA  
CHARTERED ACCOUNTANT

Sydney  
28 August 2003