

Annual General Meeting

7 November 2014

annual general meeting

chairman's
address



prof john sheehan

shareholder resolutions



shareholder resolutions

to lay before the 2014 annual general meeting:

1. to receive and adopt the financial report for FY14
2. to declare a final dividend of two (2) cents per share fully franked
3. to re-elect mr john bartholomew as a non-executive director of the company
4. to adopt the directors' remuneration report (ordinary resolution)

annual general meeting



profit

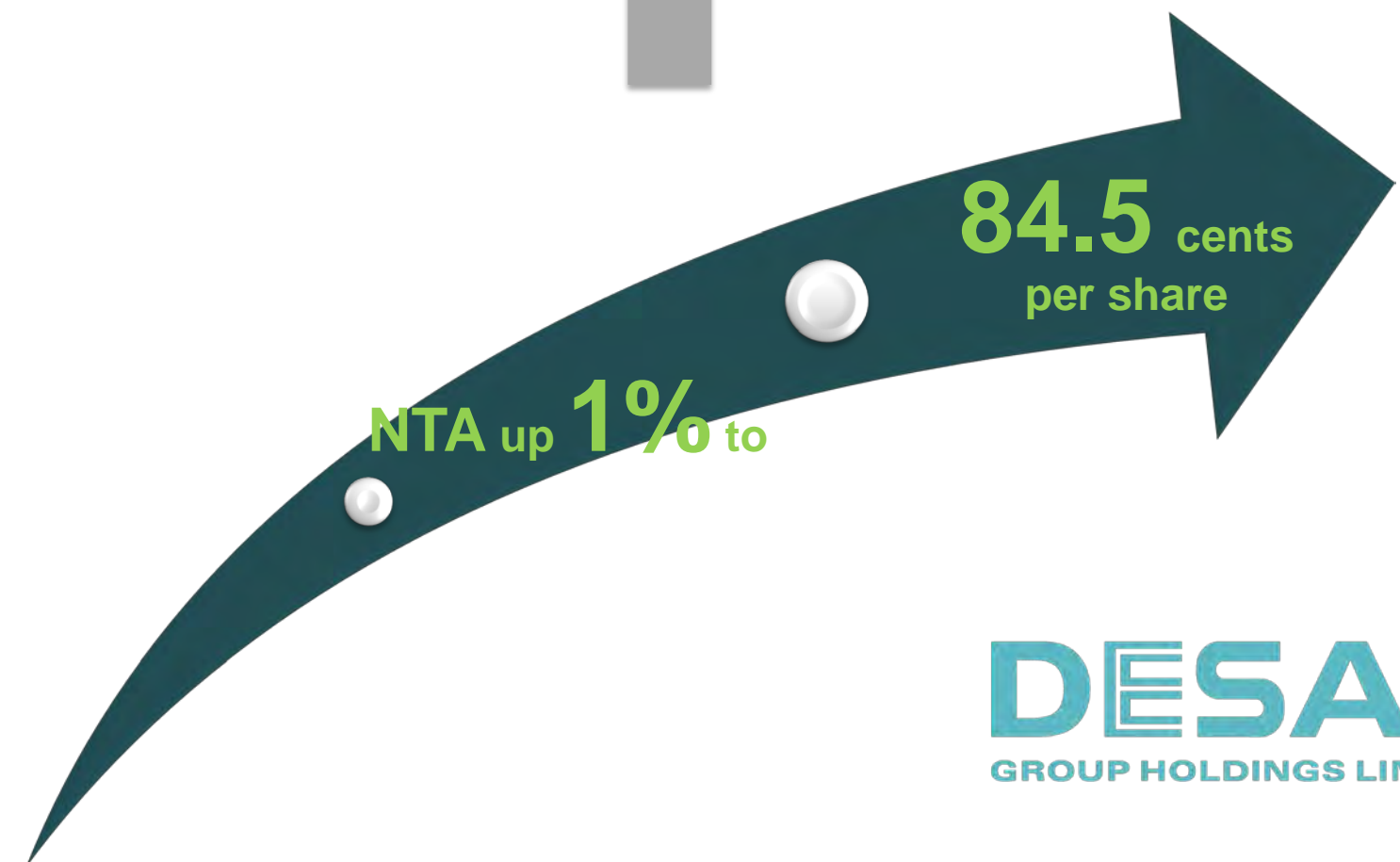
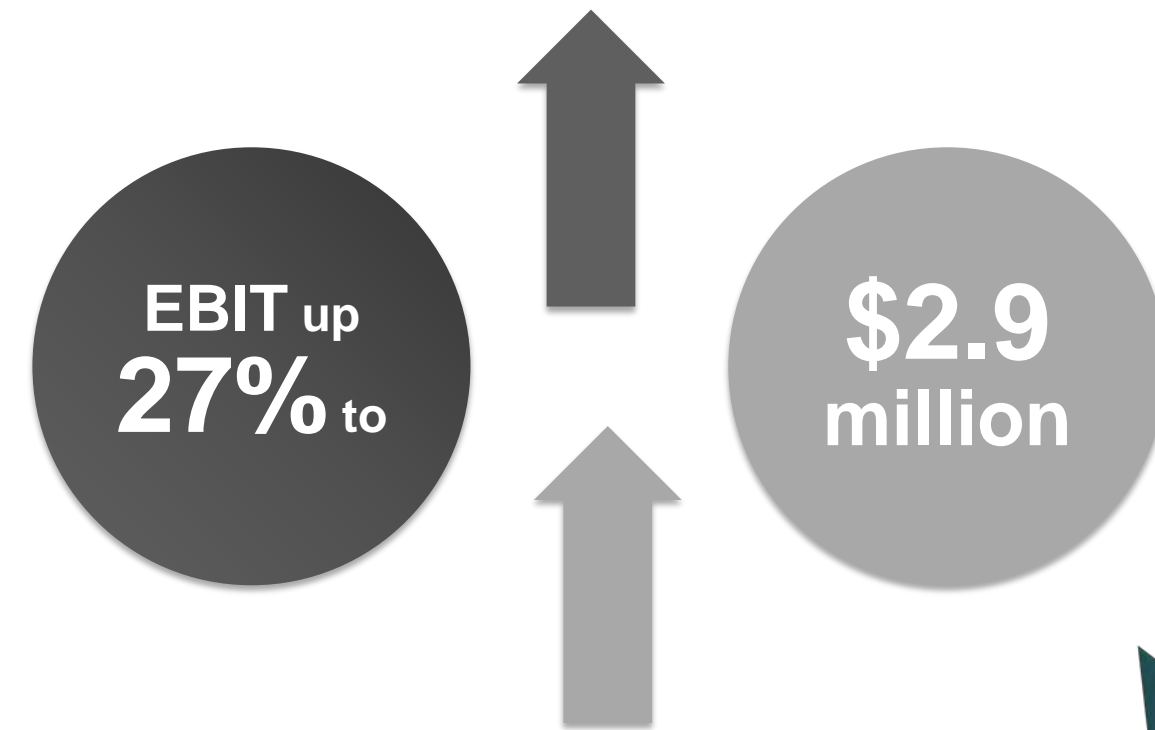
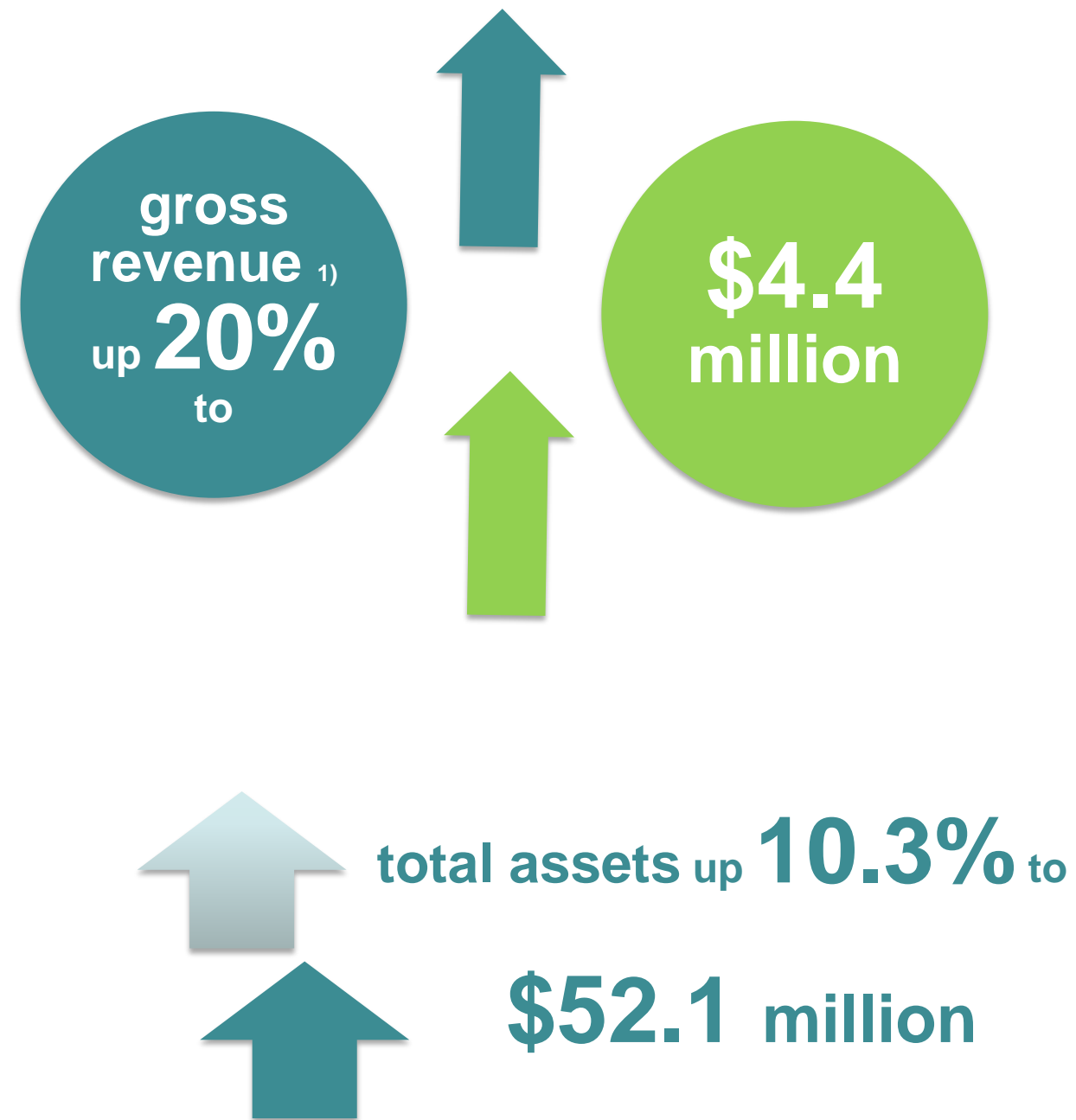
pre tax profit up 54.1% to

**\$1.96
million**

net profit after tax (NPAT)
steady at

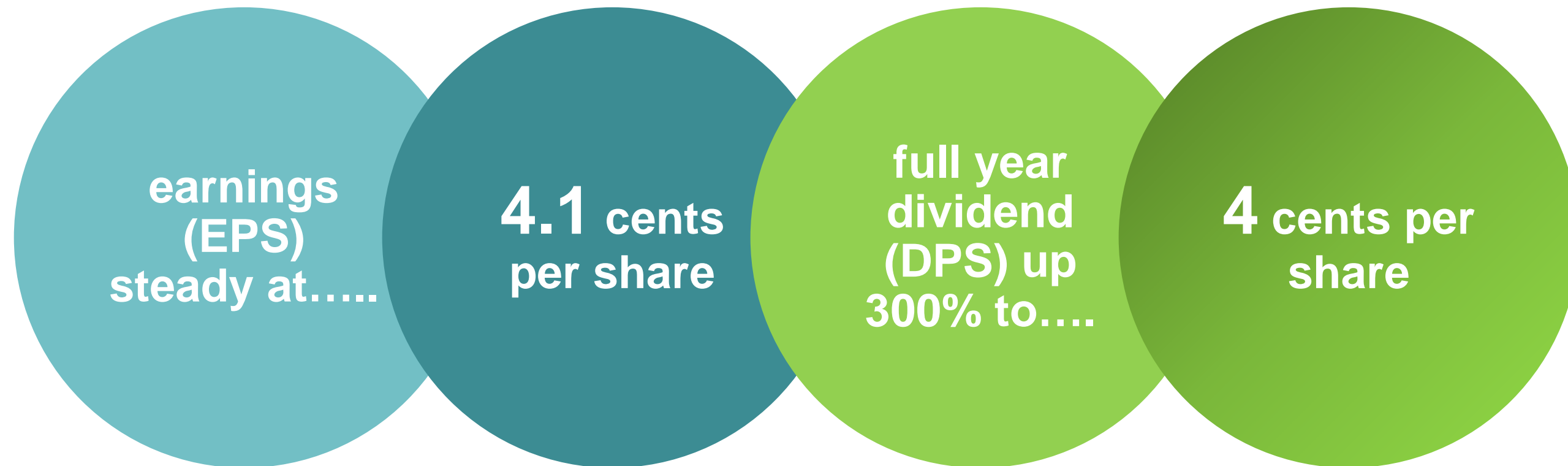
\$1.24 million

growth in all key measures

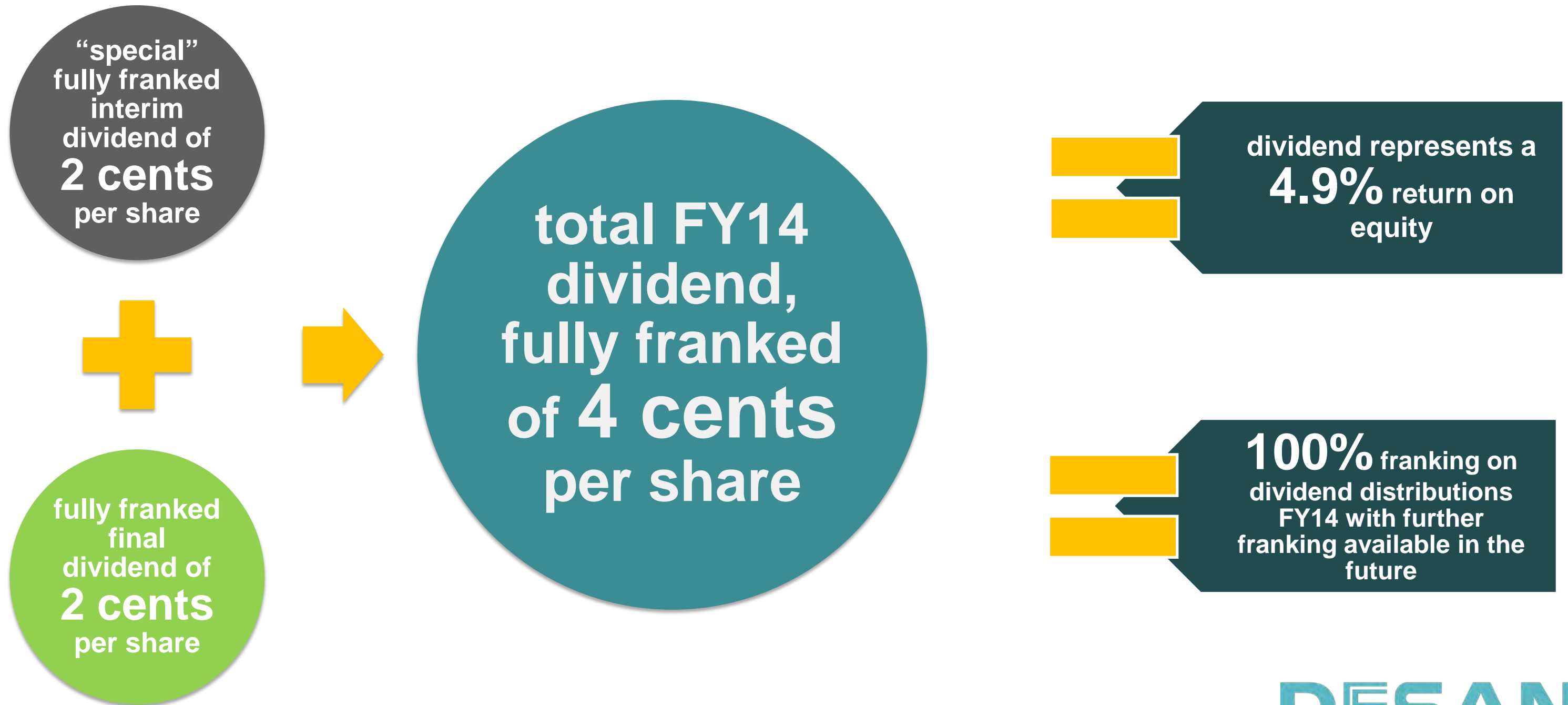


1) gross revenue includes operational revenues plus revaluations

growth in EPS & DPS



FY14 dividend



financial strength

net interest cover FY14

earnings **3.0** times net interest cost

net interest cover FY15

expected to increase to **3.9** times

finance costs

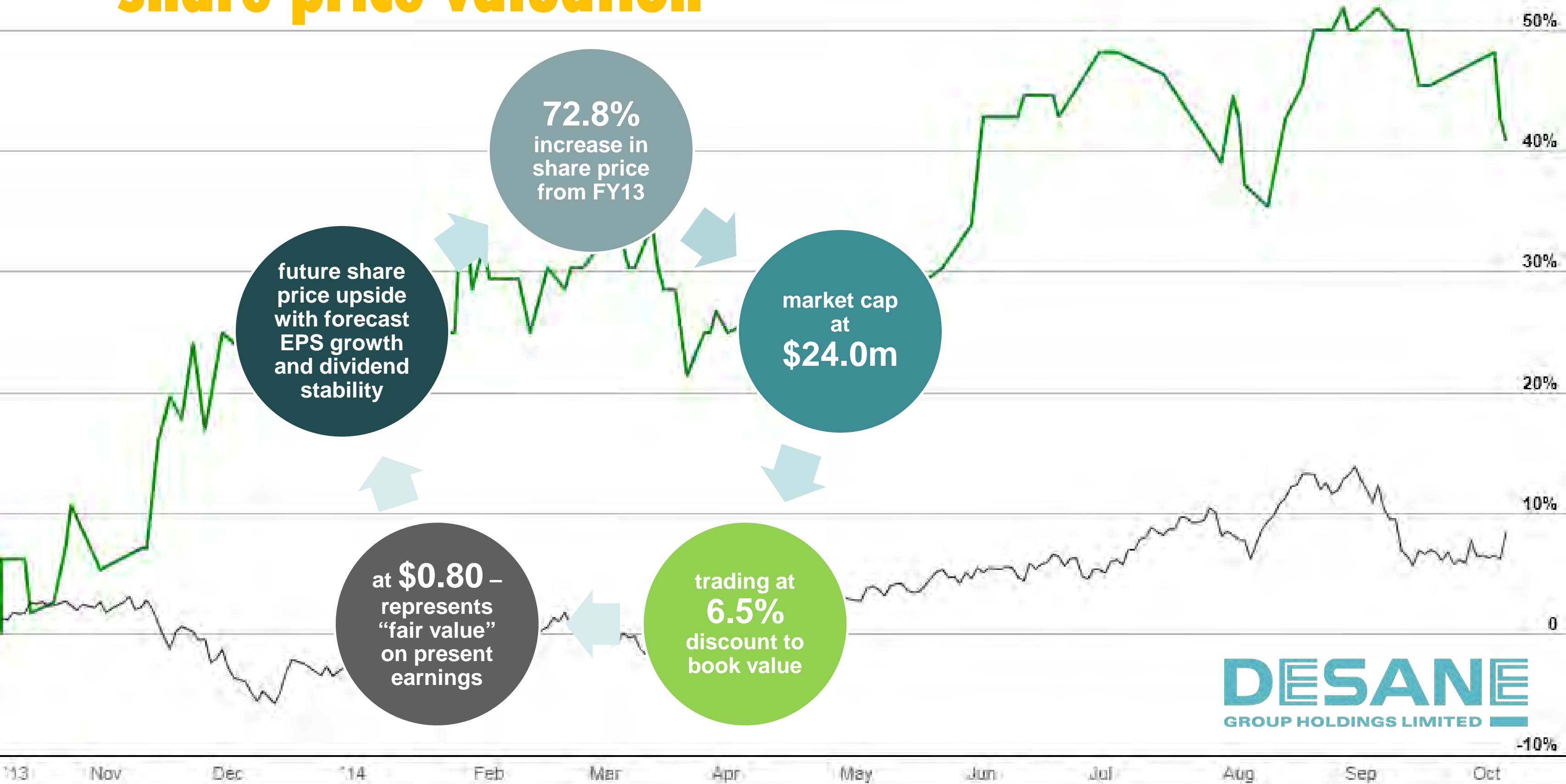
reduced by **7.0%** year on year

balance sheet

strong with cash at bank of **\$2.4** million

share price valuation

DGH share price v ASX200 A-REIT Index
Source: Commsec October 2014



FY15 guidance

REVENUE

10%

growth

NPAT

47%

growth

NTA

9%

growth to \$0.92
per share

continued strong balance sheet
and forecast EPS growth

full year final dividend for FY15
forecast at 4 cents per share
100% franked

profit from residential
development EASTON will be
recognized on settlement in
FY16



industrial

operations

Portfolio Summary

Number of property assets	4
Net lettable area (sqm)	16,219
Net Operating Income (NOI) (\$)	2,772,063
Property Portfolio Valuation (\$) ^{1 2}	45,195,726
Weighted average capitalisation rate (%)	8.00%
Occupancy rate (by net lettable area) (%)	100%
Occupancy rate (by net income) (%)	100%
WALE (by net lettable area)	2.9 years
WALE (by net income)	2.8 years

1 Valuation includes 100% of 68-72 Lilyfield Road, Rozelle

2 Value for 47-51 Lilyfield Rd, Rozelle as per JLL Valuation plus initial construction costs

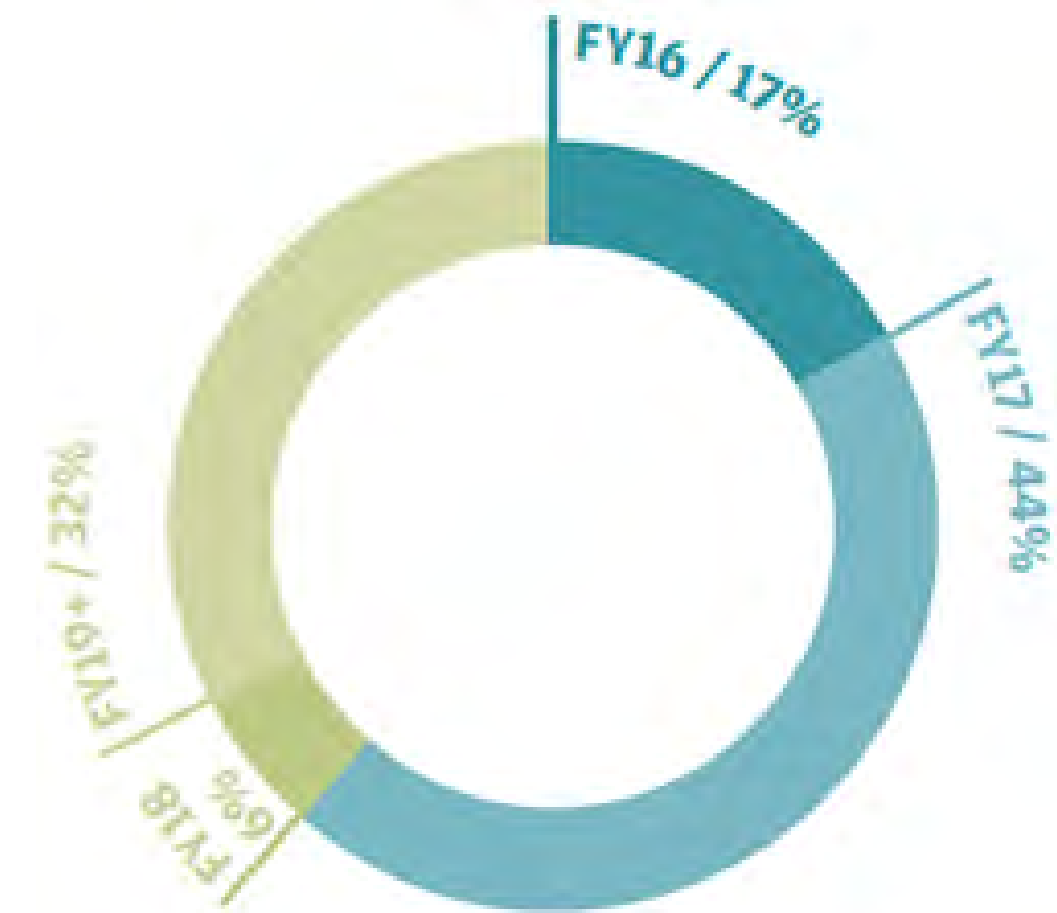


operations

Portfolio Lease Expiry Profile

As a percentage of net lettable area

	No.	m ²	%
Vacant	0	-	0
FY14	0	-	0
FY15	0	-	0
FY16	5	2,786	17
FY17	6	7,194	44
FY18	2	1,016	6
FY19+	4	5,223	32
TOTAL	17	16,219	100



operations

Rozelle

68-72 Lilyfield Road

Valuation Summary

Ownership Interest	70%
Title	Freehold
Valuation (\$)	15,345,215
Valuation Based on 70% Ownership (\$)	10,741,651
Capitalisation Rate (%)	8.0

Property Summary

Net lettable area (sqm)	5,494
Occupancy (%) by NLA	100.0
WALE (years)	1.8
Net passing income (\$)	1,183,808

Major Tenant

Staging Connections

Lease Expiry Profile

FY16/3%	FY17/93%	FY18/3%
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the asset offers the following characteristics:

- a 6,000m² **100% leased** office/warehouse facility reflecting a WALE of approximately **1.8 years** by income providing medium term cash flow
- strong tenancy profile featuring major tenant, staging connections
- well located within a popular area of inner sydney, in close proximity to major transport routes
- opportunity to **add value** through process of master planning, in order to obtain approval to rezone the site to high rise residential

operations

LANE COVE

7-9 Orion Road

Valuation Summary

Ownership Interest	100%
Title	Freehold
Current Book Value (\$)	11,144,200
Capitalisation Rate (%)	8.0

Property Summary

Net Lettable Area (m²)	5,766
Occupancy (%)	100.0
WALE (yrs)	3.2
Net Passing Annual Income (\$)	907,550

Major Tenant

Pentel Australia

Lease Expiry Profile

FY16/23%	FY17/36%	FY18/26%	FY19+/19%
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the asset offers the following characteristics:

- a 6,000m² **100% leased** office/warehouse facility reflecting a WALE of approximately **3.2 years** by income providing medium term cash flow
- strong tenancy profile featuring major tenants, pentel australia, morpho, optimed and artisan wine cellars
- well located within a popular and established business park/industrial precinct, with excellent access to major transport routes such as epping road and m2 motorway
- opportunity to add value through **subdividing** the property into individual units and selling the lower yielding components to enhance returns

operations

LANE COVE

7 Sirius Road

Valuation Summary

Ownership Interest	100%
Title	Freehold
Current Book Value (\$)	4,625,063
Capitalisation Rate (%)	8.0

Property Summary

Net Lettable Area (m ²)	2,778
Occupancy (%)	100.0
WALE (yrs)	3.1
Net Passing Annual Income (\$)	370,005

Major Tenant

Signature Orthopaedics

Lease Expiry Profile

FY16/45%	FY19+/55%
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the asset offers the following characteristics:

- a 3,000m² **100% leased** prime warehouse facility reflecting a WALE of approximately **3.1 years** by income providing medium term cash flow
- strong tenancy profile featuring major tenants signature orthopaedics and novis healthcare
- well located within a popular and established business park/industrial precinct with excellent access to major transport routes such as epping road and m2 motorway

operations

LANE COVE

13 Sirius Road

Valuation Summary

Ownership Interest	100%
Title	Freehold
Current Book Value (\$)	3,698,350
Capitalisation Rate (%)	8.0

Property Summary

Net Lettable Area (m ²)	2,181
Occupancy (%)	100.0
WALE (years)	4.7
Net Passing Annual Income (\$)	310,700

Major Tenant

HMA Group

Lease Expiry Profile

FY19+/100%

the asset offers the following characteristics:

- a 2,000m² **100% leased** prime warehouse facility reflecting a WALE of approximately **4.7 years** by income providing medium term cash flow
- strong tenancy profile featuring major tenants, lizard children's centre and hma group
- well located within a popular and established business park/industrial precinct with excellent access to major transport routes such as epping road and m2 motorway

sydney industrial market update

lack of speculative industrial development, as well as rezoning of industrial land to residential, is having an impact on supply, creating moderately upward pressure on industrial land values and face rents, especially in prime located properties closer to the CBD

prime industrial yields typically range between 7.5% and 8% to June 2014. Recent sales transactions at sub 8% with continued low interest rates are likely to place further pressure on yields over the next 12 months as investors deepen their quest for WALE and tenancy profile

lane cove in particular, presents a quality location for investment opportunity due to its accessibility to major transport routes, proximity to the sydney CBD combined with its relative affordability in comparison to other north shore commercial markets

Source: Knight Frank Sydney Industrial Market Overview May 2014
Savills Research - Spotlight Sydney Industrial July 2014
CBRE Research – Sydney Industrial Market View Q4 2014
Colliers Research – Forecast Report – Sydney Industrial Second Half 2014

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investments

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investments

316-332 burns bay road, lane cove



completion of the sale of
this property to an
australian investment
company occurred in
january 2014



the agreed sale price was
\$36.0m plus an additional
non refundable call option
fee of \$4.0m



desane's 50% share from
this transaction will yield
approximately \$8.0m net
after tax





residential

DESANE
GROUP HOLDINGS LIMITED

planning proposal

68-72 lilyfield road, rozelle

master planning is currently being undertaken over the “bays precinct” study area

the site is one of only two large privately held properties in the proposed urban growth masterplan for the “bays precinct”

early thinking with regard to the land use arrangement and broad intent across the precinct is illustrated below

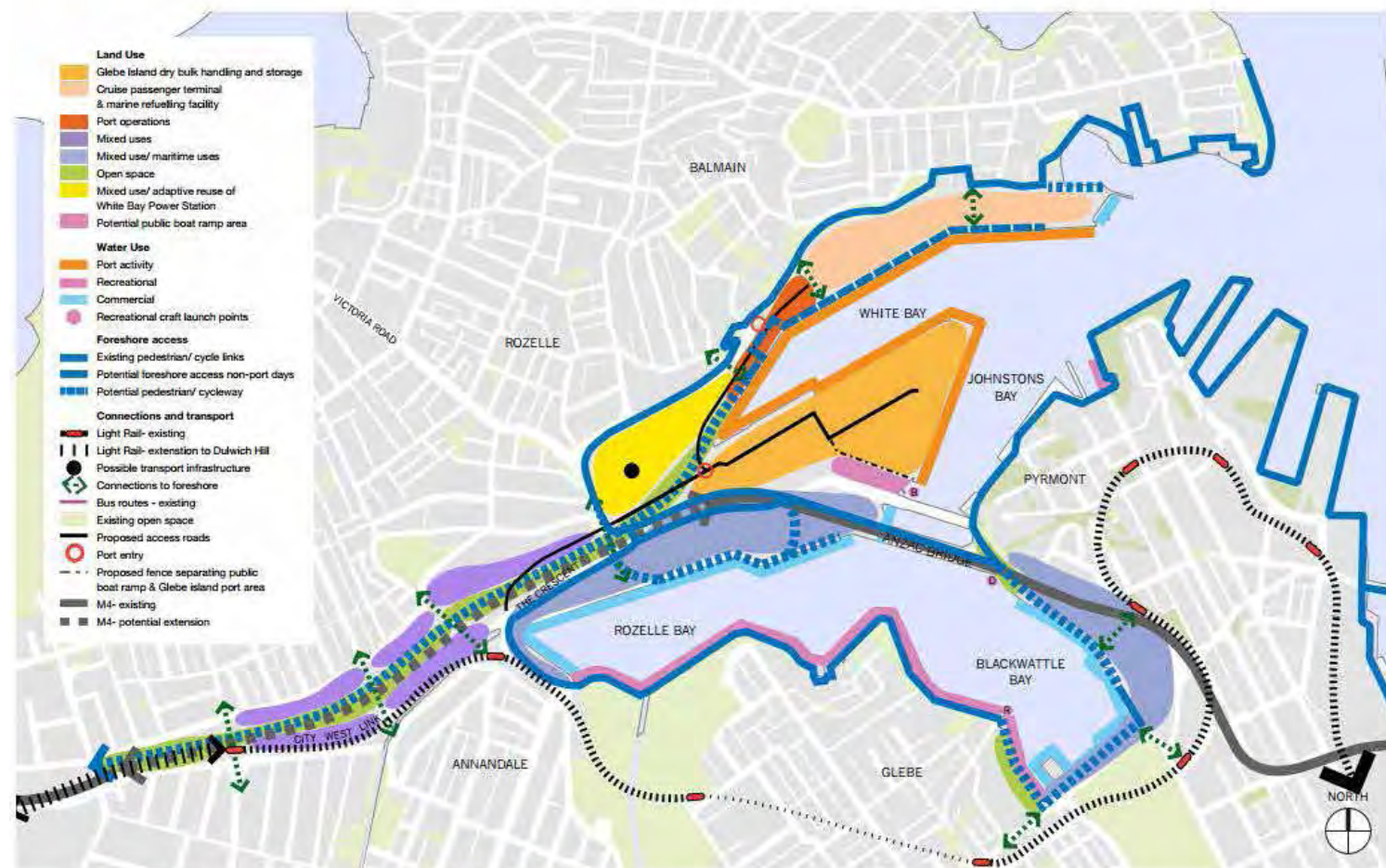


Figure 6 Land use opportunities – Government Architect's Office

process & strategy

68-72 lilyfield road, rozelle

the site sits within the rozelle rail yards sub precinct with broad objectives to deliver future regional transport requirements

the planning proposal would be for a mixed use development, providing recreation, commercial and residential uses that integrate surrounding communities

desane has engaged the following planning consultants to prepare the rezoning plans to achieve the highest and best use

mosca pserras architects



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E

easton

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developments

47-51 lilyfield road, rozelle



EASTON is a 29 apartment residential development, launched with CBRE in June 2014



pre-sales have de-risked the project, with 83% of apartments having been sold off the plan



desane has been able to take advantage of the strong residential market conditions in sydney, with the right product, at the right price point, in a great location

developments

47-51 lilyfield road, rozelle



construction is underway and is expected to be completed by september 2015



100% of profit will be recognized on settlement (FY16)



the development is forecast to achieve a 38% net development margin (return on cost)

sales update

47-51 lilyfield road, rozelle



sales completed to date	sales forecast on completion
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Value of Gross Sales		\$21,667,500	\$ 27,567,500
Number of Apartment Sales		24	29
Average Apartment Price		\$902,813	\$940,086
Average Rate per m2		\$11,725	\$11,607
1 Bedroom \$m2		\$12,538	\$12,538
2 Bedroom \$m2		\$11,138	\$11,173
3 Bedroom \$m2		\$13,717	\$12,860
Percentage of Investors		33%	28%
Percentage of Owner Occupiers		67%	72%
Percentage of FIRB Buyers		13%	17%

PROJECT STATUS TO DATE

	No. of Apartments	\$ Value
Exchanged unconditionally	23	\$20,692,500
Contracts issued for exchange	1	\$975,000
Available for sale	5	\$5,900,000
TOTAL SALES	24	\$21,667,500

SALES BREAKDOWN

Apartment Type	Number	\$ Value
1 Bedroom	11	\$7,397,500
2 Bedroom	12	\$12,720,000
3 Bedroom	1	\$1,550,000
TOTAL GR	24	\$21,667,500

sydney residential apartment update



Source: CBA – Economic & Financial Market Outlook – “Is the property bubble about to burst?” October 2014
JLL Market Research – Sydney Apartments – “Sydney residential market: a balloon not a bubble” 9 October 2014

future prospects

CAPITAL MANAGEMENT
continue to reduce finance costs on the back of low expected interest rates

PROPERTIES
maximise performance from the property portfolio through rental growth and tenant retention

ACQUISITIONS
utilise increased borrowing headroom to focus on property acquisitions in the \$5m-\$15m price range

DEVELOPMENTS
complete EASTON as a quality residential apartment development

INVESTMENTS
proceed with the master planning of rozelle to maximise the development potential of the site



annual general meeting 2014

questions



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