

24 February 2010

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

Dear Sir/Madam,

## Letter to Shareholders

Please find attached a copy of a letter, together with other documents which will be posted to all shareholders.

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 \$42.8 million of properties and other assets and manages a further \$18.8 million of industrial and commercial properties in the Sydney region. Our medium term objective is to increase our property investment portfolio to \$100 million.*

23 February 2010

## Report to Shareholders

Dear Shareholder,

Please find enclosed the Desane Group Holdings Limited Half Yearly Report for the six months ended 31 December 2009. The Half Yearly Report also contains a brief status report on each of the properties owned by Desane. I have also enclosed a Notice that informs you, as a shareholder, of the choice you have as to the receipt of future annual reports.

**Key Drivers of the Six Months' Result:** Since July 2009, the main focus of your Company has been on reducing borrowings and improving the value of the property assets. The key drivers were:

- 100% occupancy of all properties owned and or managed by the Group;
- A 6.2% reduction of the Group's borrowings over the corresponding period;
- A 29% reduction in interest costs on borrowings; and
- Minimal property revaluation during the reporting period.

This was achieved by your Company during a difficult period for the commercial and industrial property sector in Australia.

**New Acquisition:** In line with Desane's stated objective of growing its commercial and industrial income producing property assets, in January 2010, Desane purchased a **2,700m<sup>2</sup> high clearance industrial property** in the Lane Cove West industrial precinct. This property is located within 100 metres of two other income producing industrial properties owned by Desane. A high quality Australian tenant has been secured, by Desane, to lease the property on a long term basis. A net income return in excess of **10.5% on funds employed** is expected. This acquisition should make a positive contribution to the Group's future profit and asset growth.

**Burns Bay Road Rezoning:** In February 2010, the NSW State Government gazetted the new Lane Cove Municipality Local Environmental Plan ("LEP"). The gazettal of the new LEP, reclassifies the 12,000m<sup>2</sup> waterfront industrial property, in which **Desane owns a 50% interest**, from *Industrial* to **High Density Residential R4 with a floor space ratio of 2:1**. As market conditions for the residential property sector improves, Desane and its joint venture partners intend to sell the property. **The sale of this property could increase the NTA of the Company by approximately 20 cents per share from the current 77 cents per share, resulting in Desane's NTA reaching approximately \$1.00 per share.**

**Future Earnings per Share:** Once the proceeds from the sale of Burns Bay Road are redeployed, **6 to 8 cents per share recurring earnings** in future years may result. It is also expected that all future dividends paid to shareholders will be fully franked.

The Directors look forward to rewarding shareholders in an ever increasing way in future years.

Yours faithfully,  
**DESANE GROUP HOLDINGS LIMITED**



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

23 February 2010

SHAREHOLDER NAME & ADDRESS 1  
SHAREHOLDER NAME & ADDRESS 2  
SHAREHOLDER NAME & ADDRESS 3  
SHAREHOLDER NAME & ADDRESS 4  
SHAREHOLDER NAME & ADDRESS 5  
SHAREHOLDER NAME & ADDRESS 6

SHAREHOLDER NUMBER:

---

## IMPORTANT NOTICE

### PRINTED ANNUAL REPORTS LEGISLATION CHANGE WHAT THIS MEANS FOR YOU AS A SHAREHOLDER OF DESANE GROUP HOLDINGS LIMITED

Dear Shareholder,

The Australian Federal Government has introduced legislation changing the way companies communicate their annual results with shareholders. From the 2010 financial year onwards, **unless you request a printed version**, Desane will be providing its shareholders timely, cost effective and greener **online annual reports**. All other shareholder communications will continue to be sent to you by post.

If you have any further queries, please contact Desane on (02) 9569-0344.

Yours faithfully,



JOHN BARTHOLOMEW  
Company Secretary

---

## YOUR ANNUAL REPORT – YOUR CHOICE

### TO CONTINUE TO RECEIVE PRINTED ANNUAL REPORTS

If you would like Desane to continue to post printed copies of the annual report to you, please tick this box and return this letter to: *The Company Secretary, Desane Group Holdings Limited, PO Box 331, Leichhardt NSW 2040 Australia*; OR fax to: (02) 9550-9363

---

### TO ACCESS ANNUAL REPORTS ONLINE

If you take no action, you will be able to access the Desane Group Holdings Limited annual report online at [www.desane.com.au](http://www.desane.com.au).

---

22 February 2010

A.B.N. 61 003 184 932

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

**DESANE GROUP HOLDINGS LIMITED**  
**Half Yearly Report**  
**For the six months ended 31 December 2009**

Dear Sir/Madam,

**OPERATING PROFIT**

Desane Group Holdings Limited (“**Desane**” or the “**Company**”) wishes to report an **after tax profit of \$378,064** for the six months ending 31 December 2009. This result compares to the \$919,408 loss for the previous corresponding period. The key drivers of the improved result were:

- 100% occupancy of all properties owned and or managed by the Group;
- 29% reduction in interest cost on borrowings;
- 6.2% reduction of the Group’s borrowings over the corresponding period; and
- Minimal property revaluation during the reporting period.

**NET TANGIBLE ASSETS**

The net tangible asset backing per security for the half year to 31 December 2009 is **77 cents per security**. The Group’s total assets now stand at **\$42.8 million**.

**DIVIDEND**

In keeping with past practice, the Directors have not declared an interim dividend. However, the Board expects that a final dividend for the year ending 30 June 2010 will be at least equal, if not greater, than the final dividend paid to shareholders for the 2009 financial year.

**APPENDIX 4D**

The Interim Financial Report for the year ended 31 December 2009 is attached. This report is provided to the Australian Stock Exchange Limited (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 AASB134 Interim Financial Reporting and the Corporations Regulations 2001.

## PROPERTY PORTFOLIO

The Company currently owns more than **\$42.8 million** of **Sydney based commercial and industrial property** and other assets. All of the properties owned and managed by Desane, are **100% leased** to national and international tenants.

### i. LANE COVE (Burns Bay Road)

On 19 February 2010, Lane Cove Council posted on their website a notification of the gazettal, by the NSW State Government, of the Local Environmental Plan (“LEP”) for the Lane Cove Municipality. The rezoning re-classifies the Burns Bay Road property from “Industrial” to “High Density Residential R4” with a floor space ratio of 2:1. **This should allow up to 270 residential units to be built on this property.** Desane believes that a sale target value of **\$35 million to \$40 million** is achievable. This property is composed of **12,000m<sup>2</sup> of land** and includes approximately **8,000m<sup>2</sup> of industrial building**. The property is fully leased, on a short to medium term basis, to Australian medical and technology companies. Desane has a **50% interest** in this property.



### ii. LANE COVE (Orion Road)

This **8,000m<sup>2</sup> five unit industrial complex** is occupied by five large Australian and international corporations. This large industrial complex is performing well and will continue to show significant rental increases and profit returns to the Company in future years.



### iii. LANE COVE (13 Sirius Road)

This **2,400m<sup>2</sup> high-tech property** is leased to two major Australian corporations. The building is a two-level commercial property with 50 basement security parking spaces. This property will continue to show significant rental increases and profit returns to the Group in future years.



iv. **JG EVANS BUSINESS CENTRE, LIDCOMBE (Nicholas Street)**

Desane has sold five of the seven strata industrial units in this complex. The Company has retained the two largest industrial units, totalling **1,500m<sup>2</sup> of office and warehouse**. These two properties are leased, on a long term basis to quality national tenants.



v. **ROZELLE (Lilyfield Road Multimedia Centre)**

The **8,000m<sup>2</sup> Multimedia Centre**, located 3 kilometres from the Sydney CBD, in the suburb of Rozelle, is fully leased to two blue chip national tenants. This property is performing well, being in a prime Sydney location. The property is in close proximity to the Anzac Bridge and the Sydney Cross City Tunnel, linking the eastern suburbs to the inner western Sydney suburbs. Due to the increased demand for this type of property in this area, Desane is in the process of undertaking a due diligence, with a view to creating additional floor space in order to meet clients' requirements. Desane has a **70% joint venture interest** in this property.



vi. **ROZELLE BAY COMMERCIAL CENTRE (Lilyfield Road)**

Desane has obtained planning approval from the relevant local government authority, to construct **a four storey 2,980m<sup>2</sup> mixed commercial/executive residential building**, with 56 basement security car parking spaces. The property is located 3 kilometres from the Sydney CBD, at the western exit of the Anzac Bridge and 100 metres from Victoria Road's major bus routes to the Sydney Central Business District. The Directors believe it is prudent to secure long term lease commitments before committing to a construction program. Whilst awaiting the commencement of construction, Desane has lodged plans with the relevant local government authority to increase the current floor space ratio of 1.5:1 to a proposed 2.1:1. The existing building is currently leased, on a short term basis, to two corporate tenants.



**vii. LANE COVE (7 Sirius Road)**

In January 2010, Desane entered into a contract to purchase this **2,700m<sup>2</sup> industrial and commercial property** located in the Lane Cove West industrial precinct. The property is located within 100 metres of two other industrial properties owned by Desane. The property comprises of 460m<sup>2</sup> of office and 2,240m<sup>2</sup> high clearance warehouse, with 38 parking spaces. The property is undergoing repair, maintenance and remedial work to bring the property to occupational standard. Desane has also entered into an agreement to lease the property to a major Australian company on a long term basis. When the lease commences, a net return in excess of 10.5% is expected for the funds employed by the Company in the purchase and upgrading of this property.



*Top left: The newly acquired industrial property. Also highlighted: Desane's two other neighbouring industrial properties.*

**PROPERTY MANAGEMENT**

Desane continues to be a significant Sydney based **commercial and industrial landlord** and will continue to increase its property holdings as the opportunities arise. The Company currently has over **\$42.8 million** of properties and other assets and it manages an additional **\$18.8 million** of industrial properties in the Sydney metropolitan area.

The Company has retained the property management rights in the properties it owns in joint venture with other corporations. The property management division is continuing to perform well.

The following companies are the medium to long term tenants of the properties owned and/or managed by the Group: **Staging Connections; Nusep; Arrow Scientific; Talman Computers; Phebra Medical; ServicePoint Australia; The Wool Exchange; Sagem Australasia; Chamberlain Australia; Optimed; Geometric Surveyors; Pentel Australia; JAV IT Group; PMP Digital; M-Wave Computers; Supreme Foods; Sydney Metro; Sydney Coach Charter; and Luxury Beverages.**



## FUTURE PROSPECTS

It is Desane's view that the Australian commercial property market is expected to improve significantly over the next three to four years, both in tenant occupancy requirements and rental returns. If this was to occur, it should lead to a tightening of the vacancy rate and a shortage of property availability.

Desane's existing property portfolio is strategically well placed to take advantage of the changing market conditions. Desane will continue to closely monitor the Australian property market in order to take advantage of future investment opportunities. It is 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 acquire equity in established enterprises which are considered to be of sound potential.

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.

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 \$42.8 million of properties and other assets and manages a further \$18.8 million of industrial and commercial properties in the Sydney region. Our medium term objective is to increase our property investment portfolio to \$100 million.***