

25 February 2011

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 the Half Yearly Report, 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 \$44.6 million of properties and other assets and manages a further \$21.5 million of industrial and commercial properties in the Sydney region. Our medium term objective is to continue to grow the Group's property assets.*

25 February 2011

## Half Yearly Report to Shareholders

Dear Shareholder,

Please find enclosed the Desane Group Holdings Limited Half Yearly Report for the six months ended 31 December 2010. The Half Yearly Report also contains a brief status report on each of the properties owned by Desane.

### Summary & Key Points for the Half Yearly Result:

- **39%** increase in net profit over the previous corresponding period;
- **6.5%** increase in net tangible assets;
- **4.2%** increase in total Group assets;
- **100% occupancy** of all properties owned and or managed by the Group;
- Long term property funding completed;
- Professional and diligent cost management; and
- Minimal property revaluation during the reporting period.

**New Acquisition:** In line with Desane's stated objective of growing its commercial and industrial income producing property assets, in September 2010 Desane completed the purchase of 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. The property is **fully leased** to a high quality Australian tenant on a long term basis. This acquisition should make a positive contribution to the Group's future profit and asset growth.

**Sale of Burns Bay Road:** Desane and the 50% co-owners of this property have appointed Knight Frank and Jones Lang LaSalle to sell this large and prominent high density residential zoned water front property. The marketing campaign will commence in March 2011 and conclude in April 2011. The Directors are confident that a sale price of **\$38 million to \$40 million** can be achieved at the conclusion of the sale campaign. The sale of this asset will release approximately **\$10 million of free cash** for Desane.

**Future Earnings per Share:** Once the net proceeds from the sale of Burns Bay Road are redeployed, increased earnings in future years is expected.

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

For further and up to date information regarding Desane, please visit [www.desane.com.au](http://www.desane.com.au).

Yours faithfully,  
**DESANE GROUP HOLDINGS LIMITED**



**JOHN BARTHOLOMEW**  
Company Secretary

22 February 2011

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 2010**

Dear Sir/Madam,

**OPERATING PROFIT**

Desane Group Holdings Limited (“**Desane**” or the “**Company**”) wishes to report an **after tax profit of \$526,022** for the six months ending 31 December 2010, representing a **39% increase** when compared to a profit of \$378,064 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;
- Long term property funding completed;
- Professional and diligent cost management; 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 2010 is **82 cents per security**, being an **increase of 6.5%** over the previous corresponding period. The Group’s total assets now stand at **\$44.6 million**, being an **increase of total assets of 4.2%** over the corresponding period.

**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 2011 will be at least equal, if not greater, than the final dividend paid to shareholders for the 2010 financial year.

**APPENDIX 4D**

The Interim Financial Report for the year ended 31 December 2010 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 has increased the property assets it owns in the Sydney metropolitan area, over the past twelve months, to **\$44.6 million**. All of the properties owned and managed by Desane, are **100% leased** to national and international tenants.

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

The rezoning of this large Sydney harbour front property to “*High Density Residential R4*”, with a floor space ratio of 2:1, should allow up to **270 residential units to be built on this property**. Desane has engaged the services of two leading Australian real estate agencies to undertake an expression of interest campaign for the sale of this property. A **\$38 million to \$40 million target sale price** could be achieved at the conclusion of the sale campaign. This property is composed of **12,000m<sup>2</sup> of land** and includes approximately **8,000m<sup>2</sup> of industrial buildings**. The buildings are 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 leased to five large Australian and international corporations. This large, well located industrial complex is performing well and will continue to show significant rental and capital increases for the Company in the future.



### 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 and capital increases for the Company in future years.





#### iv. LANE COVE (7 Sirius Road)

The purchase of this **2,700m<sup>2</sup> industrial and commercial property** located in the Lane Cove West industrial precinct was completed in September 2010. 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 leased to a major Australian company on a long term basis. Desane expects rental and capital growth in future years from the ownership of this property.



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

The **8,000m<sup>2</sup> Multimedia Centre**, is fully leased on a long term basis to two blue chip national tenants. This asset is performing well, being in a prime Sydney location. Due to the increased demand for this type of property in close proximity of the Sydney CBD, 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. 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. This property is also located across the road from Desane's proposed Rozelle Bay Commercial Centre.



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



In December 2010, Desane received planning approval from the relevant local government authority, to construct a **four storey 4,200m<sup>2</sup> commercial building**, with 62 basement security car parking spaces. Desane will commence negotiations with national and international companies who have expressed an interest in pre-committing to lease the building prior to commissioning the construction of the building. Pending construction commencement, the existing building is leased, on a short term basis. The property is located across the road from Desane's 70% owned Multimedia Centre, 3 kilometres from the Sydney CBD, being at the western exit of the Anzac Bridge and 100 metres from Victoria Road's major bus routes to the Sydney Central Business District.

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

The sale of Unit 5, settled on 31 January 2011, completes the disposal of this entire strata industrial complex.



## 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 **\$44.6 million** of properties and other assets and it manages an additional **\$21.5 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; Pentel Australia; JAV IT Group; M-Wave Computers; Sydney Coach Charter; Luxury Beverages; Lin & Barrett; and Halley & Mellows.**



## 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. This should lead to the tightening of vacancy rates 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 \$44.6 million of properties and other assets and manages a further \$21.5 million of industrial and commercial properties in the Sydney region. Our medium term objective is to increase our property investment portfolio to \$100 million.*