

2013

DESSANNE

GROUP HOLDINGS LIMITED

AGM

# Chairman's Address

- ➔ The Group's FY 2013 after tax profit increased by 38.3% to \$1.3m
- ➔ The Group's total assets increased by 3.5% and the total value of Group properties have increased by 2.2% in FY 2013
- ➔ Recent interest rate conditions have allowed the Group to achieve a 14.0% reduction in finance costs for the FY 2013
- ➔ Desane and its' co-owners entered into a Deed of Call Option for the sale of the waterfront property at Burns Bay Road, Lane Cove in July 2013. The exchange of contract is scheduled for December 2013
- ➔ Despite ongoing uncertainty in the Australian economy, the Board remains confident the Group's strategy will continue to result in solid asset growth in FY 2014 and beyond
- ➔ Directors have recommended a 1 cent per share unfranked dividend confirming the Group's consistent commitment to shareholder returns

# Shareholder Resolutions

## To lay before the 2013 Annual General Meeting:

1. To adopt the financial and other reports for FY 2013
2. To declare a final unfranked dividend of 1 cent per share
3. To re-elect John Sheehan as a director
4. To approve directors' remuneration (non-binding resolution) for FY 2014

# Managing Director's Address

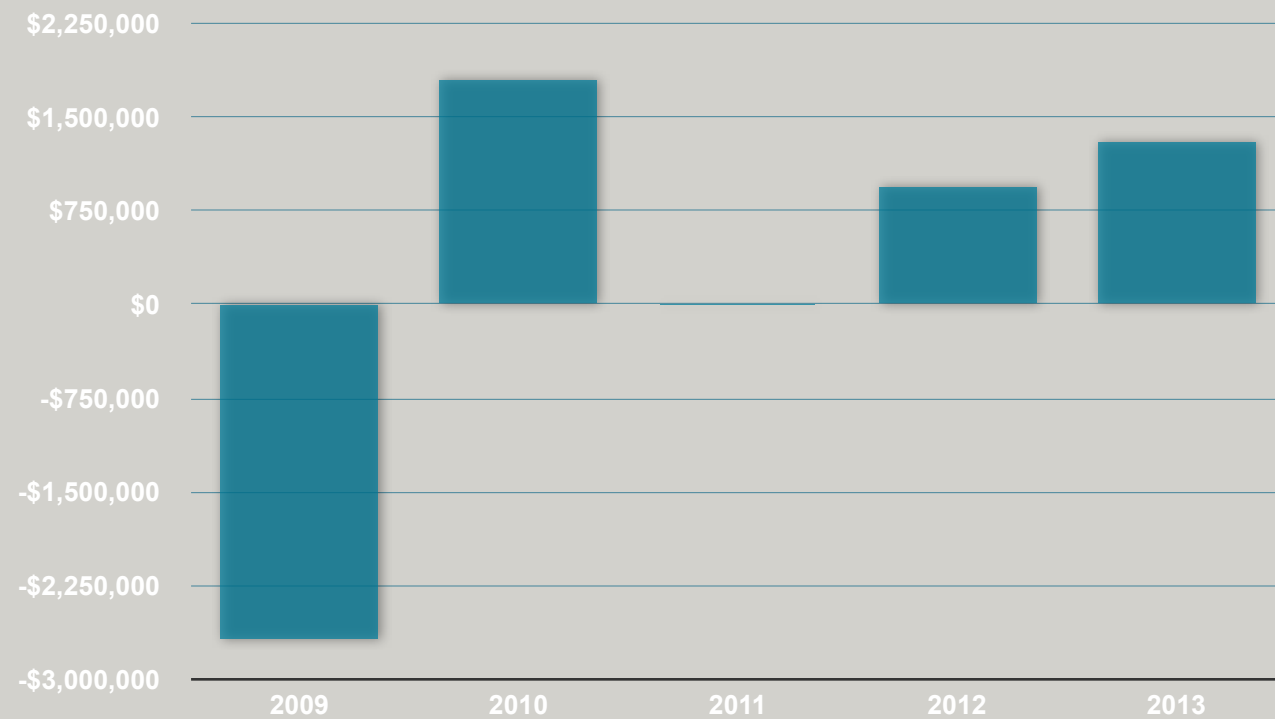
# Group Highlights

➔ Net Profit after tax of \$1.3m (increase of 38.3%)

➔ Increase in total assets by 3.5% to \$47.2m

## Five Years' Net Profit

➔ Increase in total property value by 2.2% to \$46.1m

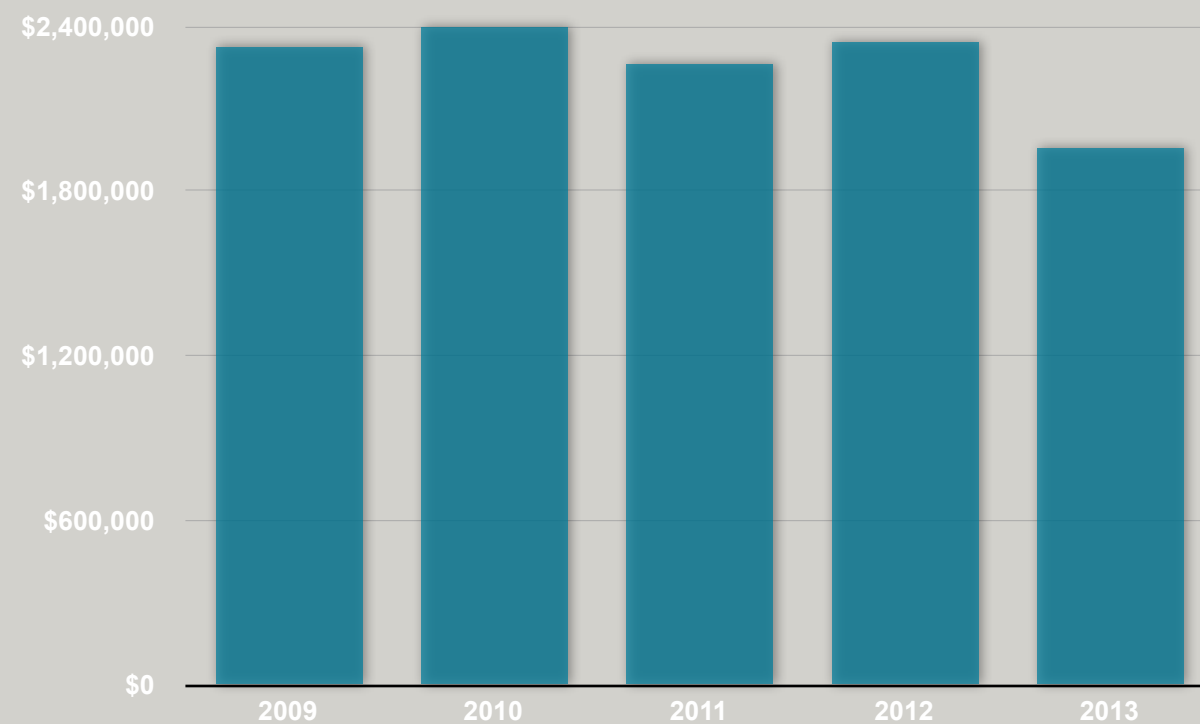


➔ Increase in operating revenue by 7.1% to \$3.1m

# Group Highlights

➔ Maintained rental income steady at \$2.0m in a difficult leasing market

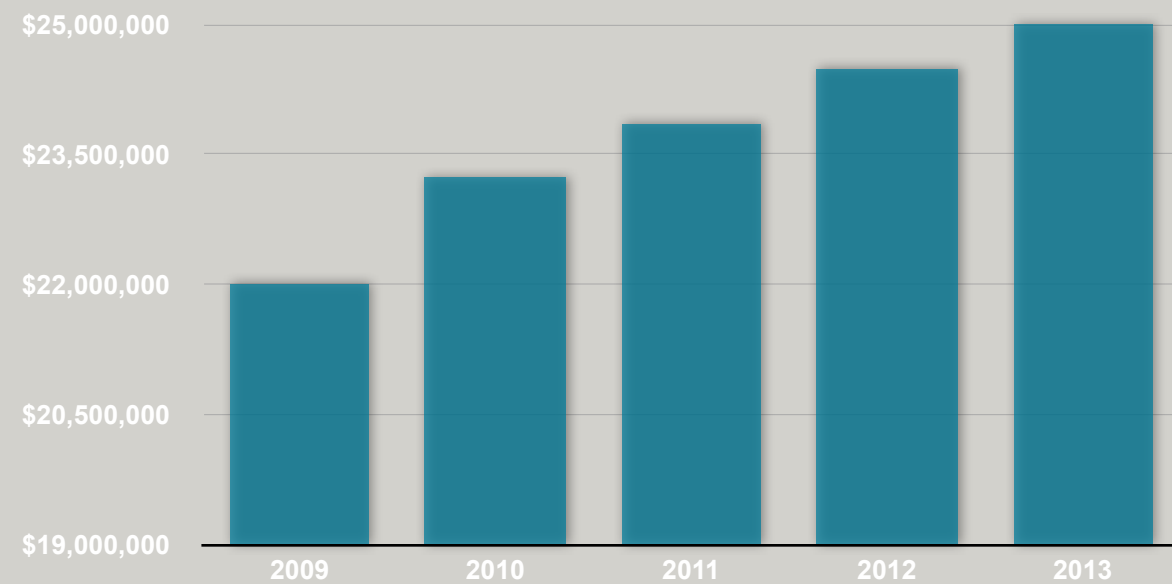
## Net Rental Income



# Group Highlights

- ➔ Increase in net tangible assets (NTA) by 4.1% to \$25.5m
- ➔ Increase in NTA per share to 84 cents reflecting a premium to actual share price at June 2013

## Net Tangible Assets



# Group Highlights

- ➔ Ratio of total Group liabilities against total Group assets is 0.46
- ➔ Total borrowings remain steady at \$20.1m
- ➔ Reduction in finance costs by 14% to \$1.0m
- ➔ Renewal of all loans on a medium to long term basis
- ➔ Current loan to valuation ratio (LVR) across the group of 55% (well below the LVR of 65% required by the Group's lenders)
- ➔ Net interest cover ratio (ICR) of 2.2 times earnings (above ICR of 1.5 times required by the Group's lenders)

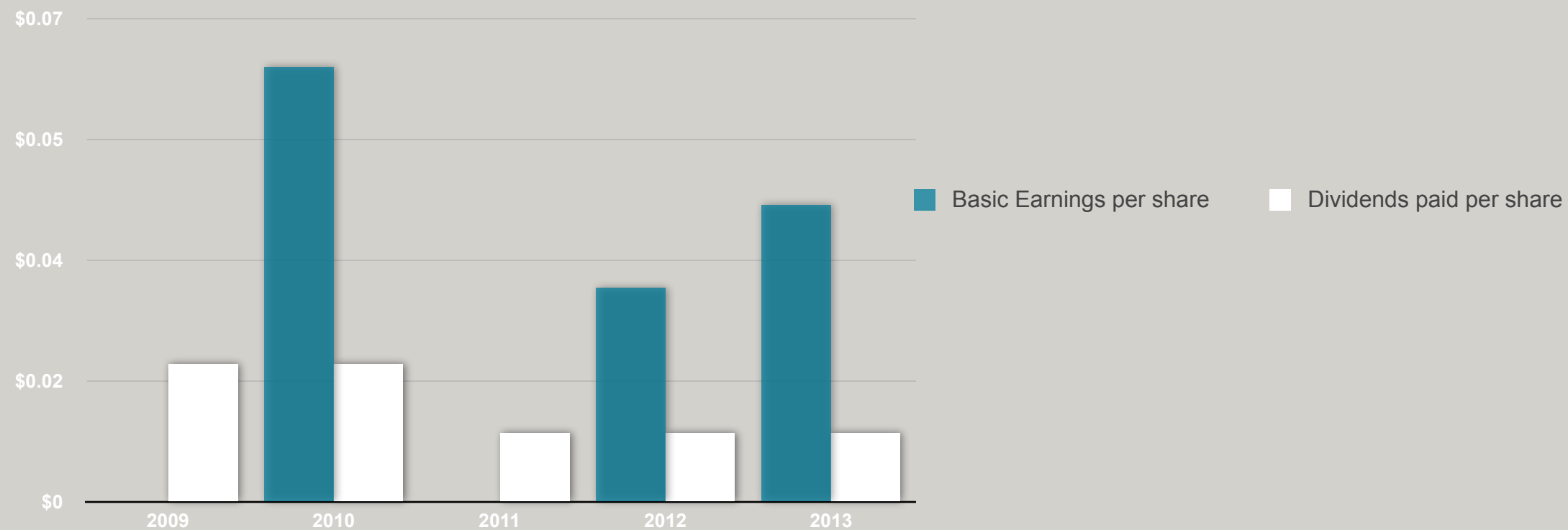


# Group Highlights

➔ Increase in earnings per share (EPS) to 4.3 cents

➔ Five (5) year dividend yield average of 3% per annum following a 1 cent per share unfranked dividend

### Basic Earnings Per Share v Dividends Paid Per Share



# Market Overview

## Sydney North Industrial

- ➔ A rebound in confidence post election has seen lease decision times shorten as businesses look to resolve their accommodation issues before the end of the year
- ➔ Majority of the demand has been for sub 1,000m<sup>2</sup> space with low office content
- ➔ Affordability is a key driver in Lane Cove's popularity with industrial space leased at a discount to similar properties located in Macquarie Park, North Ryde, Chatswood or Artarmon
- ➔ Overall rents and incentives have remained stable, however a shortage in space due to a lack of new industrial development and supply in the area is expected to put upward pressure on rents over the medium term
- ➔ Recent planning and zoning changes and the ongoing conversion of industrial sites to residential continues to be a major driver behind the shrinking availability of stock
- ➔ It is expected that **more positive conditions will continue to underline the Sydney North industrial market in future years**



Source: Colliers International Industrial Research & Forecast Report - Sydney Industrial Second Half 2013

# Portfolio Summary

Number of Property Assets	4
Net Lettable Area (sqm)	16,219
Net Passing Income (\$)	\$2,648,233
Property Portfolio Valuation (\$) 1 2 3	\$39,927,000
Weighted Average Capitalisation Rate (%)	8.3
Occupancy Rate (%) by Net Lettable Area	100%
Occupancy Rate (%) by Net Income	100%
WALE (By Net Lettable Area)	2.8 years
WALE (By Net Income)	2.8 years

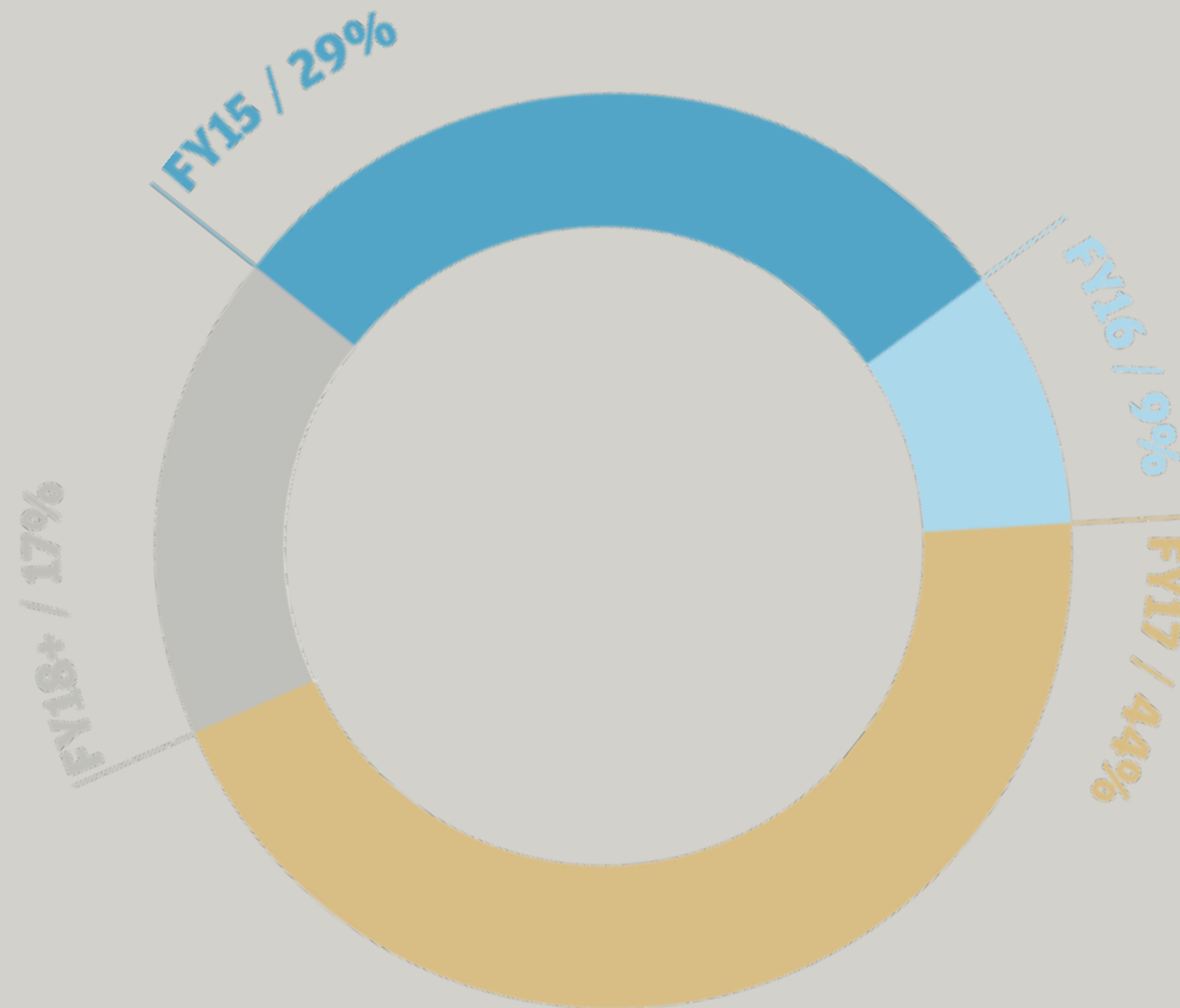
1 Value for 47- 51 Lilyfield Road, Rozelle “as is” assuming sale with vacant possession has DA Approval for mixed development

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

3 Valuation does not include Desane Properties 50% investment in 316- 332 Burns Bay Road, Lane Cove

# Lease Expiry Profile

As a percentage of net lettable area



# Top 10 Tenants

As a percentage of gross income

Tenant	Gross Income	% of Total Gross Income
Staging Connections	1,115,557	34.6
Pentel Australia	304,734	9.4
Signature Orthopeadics	250,305	7.8
Premier Products	199,387	6.2
Vino Plus	192,841	6.0
Lizard Children's Centre	182,985	5.7
Novis HealthCare	182,845	5.7
Morpho Australasia	173,341	5.4
Halley & Mellowes	170,812	5.3
Optimed	139,295	4.3
<b>TOP 10 TOTAL INCOME</b>	<b>2,912,102</b>	<b>90.4</b>
<b>TOTAL GROSS INCOME</b>	<b>3,227,673</b>	

# Property Portfolio

ROZELLE 68 - 72 Lilyfield Road

## Valuation Summary

Ownership Interest	70%
Title	Freehold
Valuation (\$)	\$15,197,000
Valuation Based on 70% Ownership (\$)	\$10,638,000
Capitalization Rate (%)	8.0

## Property Summary

Net Lettable Area (sqm)	5,494
Occupancy (%) by NLA	100
WALE (years)	2.7
Net Passing Annual Income (\$)	\$1,108,743

## Major Tenant

Staging Connections

## Lease Expiry Profile

FY16/3%

FY17/93%

FY18+/3%

# Property Portfolio

LANE COVE 7 Sirius Road

## Valuation Summary

Ownership Interest	100%
Title	Freehold
Valuation (\$)	\$4,300,000
Capitalization Rate (%)	8.5

## Property Summary

Net Lettable Area	2,778
Occupancy (%) by NLA	100
WALE (years)	3.5
Net Passing Annual Income (\$)	\$370,005

## Major Tenant

Signature Orthopaedics

## Lease Expiry Profile

FY15/45%

FY18+/55%

# Property Portfolio

LANE COVE 13 Sirius Road

## Valuation Summary

Ownership Interest	100%
Title	Freehold
Valuation (\$)	\$4,100,000
Capitalization Rate (%)	8.5

## Property Summary

Net Lettable Area (sqm)	2,181
Occupancy (%) by NLA	100
WALE (years)	3.2
Net Passing Annual Income (\$)	\$295,868

## Major Tenant

HMA Group

## Lease Expiry Profile

FY15/49%

FY18+/51%



# Property Portfolio

LANE COVE 7 - 9 Orion Road

## Valuation Summary

Ownership Interest	100%
Title	Freehold
Valuation (\$)	\$10,100,000
Capitalization Rate (%)	8.5

## Property Summary

Net Lettable Area (sqm)	5,766
Occupancy (%) by NLA	100
WALE (years)	2.5
Net Passing Annual Income (\$)	\$873,617

## Major Tenant

Pentel Australia

## Lease Expiry Profile

FY15/41%

FY16/23%

FY17/36%

# Property Portfolio

## ROZELLE 47 - 51 Lilyfield Road

- ➔ Desane has obtained planning approval to construct a four storey commercial building, with 62 basement car parking spaces
- ➔ A new Development Application has been lodged for this property, proposing to increase the number of residential units from 2 to 29 reflecting the current strength in the residential apartment market
- ➔ Development approval for the new application is expected by December 2013



# Property Portfolio

## LANE COVE 316 - 332 Burns Bay Road

- ➔ Development approval for 219 residential units was granted by the JRPP at the end of 2012
- ➔ The Group's management entered into a Deed of Call Option for the Sale of the 12,000m<sup>2</sup> high rise residentially zoned property in July 2013 for a sale price of \$40.0m
- ➔ The Call Option is to be exercised by December 2013
- ➔ The purchaser has appointed Colliers International to market the development "Bay Pavillions" which will comprise a mix of 1, 2 & 3 bedroom waterfront apartments

# FY14 Focus

- ➔ Continue to reduce funding costs
- ➔ Maintain core focus on increasing the groups assets through rental growth and capital improvements
- ➔ Complete the sale of the 316-332 Burns Bay Road, Lane Cove asset
- ➔ Identify development opportunities for both the 47-51 Lilyfield Road & 68-72 Lilyfield Road, Rozelle assets
- ➔ Utilise increased cash availability to focus on acquiring quality industrial property in the \$5m-\$15m price range
- ➔ Continue the Group's commitment to shareholder returns

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**THANK YOU**