Appendix 4E
Preliminary final report
Lodged with The Australian Stock Exchange under Listing Rule 4.3A

PHILEO AUSTRALIA LIMITED
ABN 52 007 608 755
ASX code: PHI
and Controlled Entities
Financial year ended 30 June 2017
("the year")

RESULTS FOR ANNOUNCEMENT TO THE MARKET
Comparison is to previous corresponding year ended **30 June 2016** ("the previous year").
Unless stated otherwise, all amounts are shown to the nearest $'000.

Revenue from ordinary activities	Up by 256% to **$46,787,000** (2016: $13,151,000)
Results from ordinary activities after tax	Up by 145% to **$23,393,000 profit** (2016: $9,538,000 profit)
Net profit attributable to members	Up by 145% to **$23,393,000 profit** (2016: $9,537,000 profit)
Earnings per share after tax	**$0.81 profit** (2016: $0.33 profit)
Net tangible asset per share	**$4.29** (2016: $3.50)
Dividend distribution	The directors have declared a fully franked final dividend of $0.05 per ordinary share for the financial year ended 30 June 2017 (2016: $0.02 final dividend fully franked). The dividend was declared after 30 June 2017 and has not been recorded in the accounts as at 30 June 2017.
Ex-dividend date	Monday, 4 September 2017
Record date for determining entitlement to the dividend	Tuesday, 5 September 2017
Approximate date of payment of dividend	Monday, 23 October 2017

The profit before tax for the year of $26,976,000 (profit after tax: $23,393,000) was mainly due to:

- A fair value gain of $23,897,000 (before tax) which was recognised on revaluation of investment property at 303 Collins Street, Melbourne. The current year gain represents the excess of the asset's current fair value over its previous carrying value;
- A fair value gain of $1,711,000 (before tax) which was recognised on fair value accounting of the interest swap;
- Gain of $3,693,000 (before tax) which was recognised on sale of Rocklea Homemaker Centre in Bendigo.

The above gain was reduced by expenditure incurred on normal operating and development activities.

PRINCIPAL ACTIVITIES

The principal activities of the entity during the year were property investment and development, the earning of rental income, and hotel operation.

There were no significant changes in the nature of these activities during the year.

There were no other operations discontinued or any changes to controlled entities, joint ventures or associates not otherwise reported for the year.

SIGNIFICANT ACCOUNTING POLICIES

This preliminary final report has been prepared in accordance with ASX Listing Rule 4.3A and the disclosure requirements of ASX Appendix 4E.

This report is to be read in conjunction with any public announcements made by the company during the reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001 and Australian Securities Exchange Listing Rules.

The principal accounting policies adopted in the preparation of the financial statements are consistent with those of the previous financial year unless otherwise stated.

Tax Consolidation:

The company has formed an income tax consolidated group with effect from 1st July 2016 which includes Phileo Australia Limited and its controlled entities. As a consequence, all the members of the income tax consolidated group will be taxed as a single entity. The head company of the income tax consolidated group is Phileo Australia Limited. The effect of the formation of an income tax consolidation is recorded in this financial report.

REVIEW OF OPERATION

The consolidated net operating profit before income tax for the year was $26,976,000 (2016: $13,681,000 profit). The change in profit before tax of $13,295,000 from 2016 was mainly due to the following:

- The current year profit includes
  - a fair value gain of $23,897,000 (before tax) (2016:12,466,000) which was recognised on revaluation of investment property at 303 Collins Street, Melbourne. The current year gain represents the excess of an independent valuer assessment of the asset's current fair value of $132,500,000 over its previous carrying value of $108,603,000;
  - a profit before tax of $3,693,000 from the sale of the development property held at Rocklea Homemaker Centre in Bendigo ("Rocklea Homemaker Centre"). No development properties were sold during 2016;
  - a gain of $1,711,000 from the fair value accounting of interest swap held by the company (2016: $297,000 loss).
- The current year profit was offset by a net asset impairment loss of $451,000 (before tax) (June 2016: Nil). The asset impairment relates to the carrying value of residential land in Bendigo, recognised to reflect its current market valuation.
- The current year profit was reduced because the rental income from Rocklea Homemaker Centre for the year was lower than 2016 by $1,208,000, as the property was sold in November 2016.
- The profit for 2016 included a gain on recoupment of remaining prior year accumulated impairment losses of $2,003,000 (before tax) in respect to the Rocklea Homemaker Centre. No further gain on recoupment of prior year accumulated impairment loss was recognised during the year.

REVIEW OF OPERATION (Continued)

The profit attributable to members after tax was $23,393,000 (2016: $9,537,000 profit).

Total consolidated revenue for the year was $46,787,000 (2016: $13,151,000), excluding fair value gain on revaluation of the investment property of $23,897,000, and a gain of $1,711,000 from the fair value accounting of interest swap. During the year, the consolidated entity:

- sold its development property, Rocklea Homemaker Centre, for $35,000,000;
- earned rental income totalling $8,372,000 (2016: $9,781,000) from its rental properties, which included rental of $7,309,000 (2016: $7,364,000) inclusive of recovery of outgoings from the 30-storey commercial office building at 303 Collins Street, Melbourne;
- continued to operate the 108-room Ramada Encore business class hotel through its wholly owned subsidiary Sequoia Management Pty Ltd (ABN 62 108 168 243). The hotel operation is operated from the property owned at McCrae Street, Dandenong. The hotel operation contributed revenue of $3,100,000 (2016: $3,249,000).

The decrease in rental revenue was mainly due to sale of the Rocklea Homemaker Centre in November 2016. The occupancy rate at 303 Collins Street, Melbourne has increased from 65% at the beginning of the financial year to 68% as at June 2017.

Profit (before tax but after borrowing costs) from rental activities has decreased to $1,142,000 (2016: $2,039,000) mainly due to lower rental income following the sale of the Rocklea Homemaker Centre.

The hotel's profitability before tax and intercompany rent has reduced to $566,000 (2016: $771,000 profit). The room occupancy rate for the year has decreased by 6% from 73% for the year ended June 2016 to 67% for the year ended June 2017. The effect of lower occupancy rate together with an increase in operating costs resulted in reduced profitability before intercompany rent from the hotel operation for the year.

The company is currently holding vacant land in Bendigo. This vacant land is currently zoned as Residential land. The company intends to apply for the rezoning of this vacant land to service industry zone and is in discussions with the relevant authorities. If successful, the company is considering developing and selling workshops suitable for small to medium sized business.

The company's site at Black Forest Road, Wyndham Vale (the Land) comprises approximately 363 hectares of land which has been gazetted under Precinct Structure Plan PSP 42N Black Forest Road and rezoned for residential development to Urban Growth Zone.

During the year, the company appointed selling agents to market the Land for sale by selected tendering process. The tendering process was closed on 28th June 2017. For further information on sale, refer to the Future Developments and Trends section of this report.

The land is currently leased for cattle grazing activities. The company recorded loss after tax for the year of $1,127,000 (2016: $846,000 loss), arising mainly from land holding costs, including land tax and council rates, in relation to this property.

During the period, the entity continued to hold the vacant land that has been rezoned for a proposed 79 unit residential townhouse development in Box Hill ("Box Hill property") for future development. Preliminary designs for the development of the site continue to be prepared. This design aims to incorporate the entire land rather than only the virgin land as previously contemplated. At this stage, it is difficult to estimate a timeframe as the development of this land is dependent on the resolution of some outstanding matters with the Environmental Protection Authority (EPA) in relation to the former landfill site and with Heritage Victoria for the preservation of the Brickwork site.

During the year the entity's result per share after tax was $0.81 profit (2016: $0.33 profit).

FINANCIAL OVERVIEW

At 30 June 2017 the consolidated entity's property portfolio had a carrying value of $169,890,000 (2016: $173,828,000). This property portfolio consists of an investment property with a carrying value of $132,500,000 and development properties with carrying values of $37,390,000. In accordance with the accounting policy, only the carrying value of the investment property is stated at a fair value in the financial report. The development properties are valued at cost or net realisable value whichever is lower. The fair value or net realisable value of these properties were consistent with directors' valuation based on the latest available independent market valuations and/or other available financial data.

The total loan facility of the entity as at 30 June 2017 was $45,000,000 (2016: $57,500,000). As at balance date the entity total bank borrowings amounted to $45,000,000 (2016:$56,500,000).

The reduction in loan facility and total bank borrowings is due to the repayment of debt secured over the Rocklea Homemaker Centre in Bendigo from the proceeds received from its sale.

The remaining loan of $45,000,000 was used to partially fund the acquisition of 303 Collins Street property, and is secured against that property. The entities' other properties are unencumbered at 30th June 2017.

As at balance date, the entity had approximately $19,331,000 (2016: $924,000) in cash and at bank, and $37,390,000 (2016: $36,127,000) in carrying value of unencumbered properties that were available to secure new borrowings if required.

Other than dividends as disclosed in this report, there were no returns to shareholders including distributions and buy backs during the year.

As at 30 June 2017, the economic entity's net tangible asset backing per share was $4.29 (2016: $3.50).

DIVIDENDS PAID OR RECOMMENDED

The directors have declared a fully franked $0.05 per ordinary share final dividend for this financial year. The dividend was declared after 30 June 2017 and has not been provided for in the accounts as at 30 June 2017. (2016: final dividend of $0.02 fully franked declared after the year end. This dividend was paid in October 2016).

FUTURE DEVELOPMENTS AND TRENDS

The main income stream will continue to be from rental of its investment property at 303 Collins Street, Melbourne. Subsequent to the year end, the company has negotiated two new lease agreements for the available vacancies at 303 Collins Street, Melbourne. The lease commencement dates for these new leases range from August to September 2017. Management, in consultation with reputed leasing agents, is actively looking for new tenants to lease the vacancies of 303 Collins Street, Melbourne.

The company has sold its residential subdivision site at Black Forest Road, Wyndham Vale (the Land) to Country Garden Mambourin Pty Ltd, a subsidiary of the Hong Kong-listed entity, Country Garden Holdings Co Ltd. The land, which consists of 5 titles, and has been sold under three contracts which settle over 4½ years for a total price of AUD400 million, payable progressively, with the final contract settling in February 2022. The particulars of the progressive settlement of the contracts are as follows:

Title reference	Contract Sum	Security Deposit Received by Solicitors in July 2017	Balance of the Contract sum	Settlement Date
Volume 11202 Folio 514 & 515 (2 titles)	$122,222,222.22	$12,222,222.22	$110,000,000	15th February 2018
Volume 11202 Folio 518 (1 title)	$55,555,555.56	$5,555,555.56	$50,000,000	17th February 2020
Volume 11202 Folio 516 & 517 (2 titles)	$222,222,222.22	$22,222,222.22	$200,000,000	15th February 2022
Total	**$400,000,000.00**	**$40,000,000.00**	**$360,000,000**	

The sale was conditional on the purchaser obtaining approval of the acquisition from the Foreign Investment Review Board (FIRB) which was received on 14 August 2017. Accordingly, the sale is now unconditional and the company expects to receive the full amount of the deposit shortly.

According to the contracts of sale, the titles will be progressively transferred to the purchaser on payment of the relevant amount of the contract sum on the specified settlement date. In accordance with the Accounting Standard AASB 15 – Revenue from Contracts with Customers and the company's accounting policy on Profit and Revenue Recognition, the sale of the above property and the resultant profit before tax of $ 383.11m (Sale Price: $400m less Carrying costs: $16.89m) will be recorded progressively in the respective financial year of settlement of each contract.

In addition to the above sales proceeds, the company is in process lodging an application for compensation as a result of Vic Roads compulsory acquisition of land required for the Outer Metro Ring Road. The outcome of the application or the amount of compensation cannot be reliably estimated at the reporting date.

AFTER BALANCE DATE EVENTS

As at the date of this report, there have not been any events of a significant nature after the balance date of 30 June 2017 that have not already been disclosed in this report.

COMPLIANCE STATEMENT

The financial statements are in the process of being audited.

Certain comparative figures have been reclassified or adjusted in the previous year so as to be comparable, to the extent possible, with the figures presented for the year.

Signed for and on behalf of the Board of Directors
of Phileo Australia Limited

Rudy Koh
Managing Director
Date: 24th August 2017

Annual General Meeting

Place	Phileo Australia Limited's registered office at Level14, 303 Collins Street, Melbourne
Date	Thursday, 23 November 2017
Time	12.00 noon
Approximate date the Annual Report will be available	Monday, 23 October 2017

Consolidated Statement of Comprehensive Income for the Year Ended 30 June 2017

	Consolidated Group	
	12 months ended **30/06/2017** $'000	12 months Ended **30/06/2016** $'000
Revenue from sales or services		
Sale of properties	35,000	-
Rental income from properties	8,372	9,781
Hotel operation	3,100	3,249
Total revenue	46,472	13,030
Other Income:		
Fair value gain on revaluation of investment property	23,897	12,466
Net change in value of Interest swap	1,711	-
Gain on recoupment of impairment of inventories	-	2,003
Interest revenue	284	14
Other income	31	107
Total other income	25,923	14,590
Total Revenue and Other Income	72,395	27,620
Less: Expenses		
Cost of development property	-31,307	-
Borrowing expenses	-3,073	-3,208
Net change in value of Interest swap	-	-297
Loss on impairment of inventories	-451	-
Administrative expenses	-1,962	-1,928
Other Expenses from Ordinary Activities		
. Direct rental costs	-3,681	-4,213
. Hotel	-2,534	-2,478
. Development activity	-1,934	-1,455
. Other	-477	-360
	-8,626	-8,506
Total Expenses	-45,419	-13,939
Profit/(Loss) before income tax	26,976	13,681
Income tax (expense)/benefit	-3,583	-4,143
Profit/(Loss) from continuing operations	23,393	9,538
(Loss)/profit from discontinued operations	-	-
Profit/(Loss) for the period	23,393	9,538
Other comprehensive income	-	-
Total comprehensive income/(loss) for the period	23,393	9,538
Members of the parent entity	23,393	9,537
Non-controlling interest	-	1
	23,393	9,538
Total comprehensive income/(loss) attributable to:		
Members of the parent entity	23,393	9,537
Non-controlling interest	-	1
	23,393	9,538

Consolidated Statement of Financial Position
As at 30 June 2017

	Consolidated Group	
	30/06/2017	30/06/2016
	$'000	$'000
CURRENT ASSETS		
Cash and cash equivalents	19,331	924
Trade and other receivables	11	138
Inventories	4,862	-
Other assets	624	646
	24,828	1,708
NON-CURRENT ASSETS		
Inventories	32,528	65,828
Investment properties	132,500	108,000
Plant and equipment	733	794
Deferred tax assets	5,254	7,276
Other assets	1,948	2,813
	172,963	184,711
TOTAL ASSETS	197,791	186,419
CURRENT LIABILITIES		
Financial liabilities	-	-
Trade and other creditors	1,496	1,230
Dividends payable	-	-
Income tax payable	392	129
Provisions	332	287
	2,220	1,646
NON-CURRENT LIABILITIES		
Financial liabilities	45,000	56,500
Derivatives	3,490	5,201
Trade and other creditors	489	610
Deferred tax liabilities	22,349	21,050
Loan from minority shareholder	-	-
Provisions	64	47
	71,392	83,408
TOTAL LIABILITIES	73,612	85,054
NET ASSETS	124,179	101,365
EQUITY		
Issued capital	19,911	19,911
Reserves	13	13
Retained earnings	104,255	81,441
TOTAL EQUITY	124,179	101,365

Consolidated Statement of Changes in Equity for the Year Ended 30 June 2017

	Issued Capital Ordinary $'000	Other Reserves $'000	Retained Earnings $'000	Non-controlling Interests $'000	Total $'000
Balance at 1 July 2015	19,911	13	72,483	-1	92,406
Profit for the period	-	-	9,537	1	9,538
Total other comprehensive income for the period	-	-	-	-	-
Subtotal	19,911	13	82,020	-	101,944
Dividends paid or provided for	-	-	-579	-	-579
Balance at 30 June 2016	19,911	13	81,441	-	101,365
Balance at 1 July 2016	19,911	13	81,441	-	101,365
Profit for the period	-	-	23,393	-	23,393
Total other comprehensive income for the period	-	-	-	-	-
Subtotal	19,911	13	104,834	-	124,758
Dividends paid or provided for	-	-	-579	-	-579
Balance at 30 June 2017	19,911	13	104,255	-	124,179

Consolidated Statement of Cash Flows for the Year Ended 30 June 2017

	Consolidated Group	
	12 months ended 30/06/2017 $'000	12 months ended 30/06/2016 $'000
CASHFLOW FROM OPERATING ACTIVITIES		
Proceeds from sale of property	35,000	-
Receipts from ordinary activities	12,495	14,258
Payment for purchase of properties	-	-
Payment to suppliers & employees	-12,650	-12,050
Payment for property development	-936	-908
Income tax paid	-	-
Net Cash produced (used) in Ordinary Activities	33,909	1,300
CASHFLOW FROM INVESTING ACTIVITIES		
Payment for development of investment property	-602	-533
Payment for purchase of plant & equipment	-32	-55
Cashflow from Investing Activities	-634	-588
CASHFLOW FROM FINANCING ACTIVITIES		
Interest received	284	14
Interest paid	-3,073	-3,208
Dividend paid	-579	-579
Proceeds from borrowing	-	3,000
Repayment of borrowings	-11,500	-8
Cashflow from Financing Activities	-14,868	-781
Net increase (decrease) in cash	18,407	-69
Cash at beginning of period	924	993
Cash at end of period	19,331	924

Operating Segments
Year Ended 30 June 2017

(i) Segment performance

	Rental $'000	Hotel $'000	Develop -ment $'000	Other $'000	Total $'000
12 months ended 30 June 2017					
Revenue					
External sales	8,372	3,100	35,000	25,639	72,111
Inter-segment sales	935	-	-	-	935
Interest revenue	-	-	-	284	284
Total segment revenue	9,307	3,100	35,000	25,923	73,330
Reconciliation of segment revenue to group revenue					
Inter-segment elimination	-935	-	-	-	-935
Total group revenue	8,372	3,100	35,000	25,923	72,395
Segment net profit before tax					
Reconciliation of segment result to group net profit/(loss) before tax					
Segment net profit before tax	1,142	566	1,308	23,960	26,976
Net profit before tax from continuing operations					26,976
12 months ended 30 June 2016					
Revenue					
External sales	9,781	3,249	-	14,576	27,606
Inter-segment sales	756	-	-	-	756
Interest revenue	-	-	-	14	14
Total segment revenue	10,537	3,249	-	14,590	28,376
Reconciliation of segment revenue to group revenue					
Inter-segment elimination	-756	-	-	-	-756
Total group revenue	9,781	3,249	-	14,590	27,620
Segment net profit before tax					
Reconciliation of segment result to group net profit/(loss) before tax					
Segment net profit before tax	2,039	771	-1,455	12,326	13,681
Net profit before tax from continuing operations					13,681

Operating Segments
Year Ended 30 June 2017

(ii) Segment assets

	Rental	Hotel	Develop-ment	Other	Total
	$'000	$'000	$'000	$'000	$'000
As at 30 June 2017					
Segment assets	135,243	8,994	28,668	24,886	197,791
Total group assets from continuing operations					197,791
As at 30 June 2016					
Segment assets	141,065	9,048	27,404	8,902	186,419
Total group assets from continuing operations					186,419

(iii) Segment liabilities

	Rental	Hotel	Develop-ment	Other	Total
	$'000	$'000	$'000	$'000	$'000
As at 30 June 2017					
Segment liabilities	50,082	453	-	23,077	73,612
Total group liabilities from continuing operations					73,612
As at 30 June 2016					
Segment liabilities	51,686	175	-	33,193	85,054
Total group liabilities from continuing operations					85,054