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***Phileo  
Australia  
Limited  
and Controlled  
Entities***

*A.C.N. 007 608 755*

*A.B.N. 52 007 608 755*

***INTERIM FINANCIAL REPORT***

***HALF-YEAR ENDED 31 DECEMBER 2017***

This report should be read in conjunction with the  
2017 Annual Report for the financial year ended  
30 June 2017.

# **PHILEO AUSTRALIA LIMITED AND CONTROLLED ENTITIES**

*A.C.N. 007 608 755  
A.B.N. 52 007 608 755*

## **INTERIM FINANCIAL REPORT HALF-YEAR ENDED 31 DECEMBER 2017**

|                                      | <i>Page No.</i> |
|--------------------------------------|-----------------|
| Appendix 4D                          | 1               |
| Directors' Report                    | 2 - 4           |
| Auditor's Independence Declaration   | 5               |
| Financial Statements                 | 6 -14           |
| Directors' Declaration               | 15              |
| Independent Review Report by Auditor | 16-17           |

## Appendix 4D

### Half yearly report

Name of entity

Phileo Australia Limited and Controlled Entities

ABN or equivalent company reference

52 007 608 755

Half yearly (tick)

X

Preliminary final (tick)

Financial year ended ('current period')

31 December 2017

### Results for announcement to the market

(All comparisons to half-year ended 31 December 2016 unless stated otherwise)

\$AUD'000

|  |                             |      |                             |         |
|--|-----------------------------|------|-----------------------------|---------|
| Revenues from ordinary activities  | DOWN                        | 87%  | To                          | 5,475   |
| Profit/(Loss) from ordinary activities after tax   | DOWN                        | 307% | To                          | (5,666) |
| Net profit/(Loss) for the period attributable to members   | DOWN                        | 307% | To                          | (5,666) |
| Net tangible asset backing per ordinary security   | \$4.04 (30/06/2017: \$4.29) |      |                             |         |
| Entities over which control was gained or lost during the period   | None                        |      |                             |         |
| <b>Dividends (distributions)</b>   | Amount per security         |      | Franked amount per security |         |
| Final dividend ( <i>Preliminary final report only</i> )  | Nil¢                        |      | Nil¢                        |         |
| Interim dividend ( <i>Half yearly report only</i> )  | Nil¢                        |      | Nil¢                        |         |
| Previous corresponding period ( <i>Preliminary final report; half yearly report</i> )  | Nil¢                        |      | Nil¢                        |         |
| Record date for determining entitlements to the dividend   | N/A                         |      |                             |         |
| <p>Brief explanation of any of the figures reported above and short details of any bonus or cash issue or other item(s) of importance not previously released to the market:</p> <p>Revenue for the period includes:</p> <ul style="list-style-type: none"> <li>rental income of \$4,158,000 (2016: \$4,490,000) mainly from the 30-storey commercial building at 303 Collins Street, Melbourne.</li> <li>revenue from the Hotel operations of \$1,317,000 (2016: \$1,654,000).</li> <li>During the period, the company has sold its residential subdivision site at Black Forest Road, Wyndham Vale (the Land). The land, which consists of 5 titles, 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 first contract of sale was settled on 15th February 2018. In accordance with the company's accounting policy on Profit and Revenue Recognition, the sale will be recorded on settlement of each contract, therefore current period revenue does not include any revenue or profit from sale of the land. (2016: Revenue of \$35,000,000 from the sale of a development site, Rocklea Homemaker Centre in Bendigo).</li> </ul> |                             |      |                             |         |

**PHILEO AUSTRALIA LIMITED AND CONTROLLED ENTITIES**  
**INTERIM FINANCIAL REPORT**  
**DIRECTORS' REPORT**

Your directors submit the financial report of the consolidated group for the half-year ended 31 December 2017.

**Directors**

The names of the directors who held office during or since the end of the half year:

Mr Graham Homes, Chairman and Non-executive Director  
Mr Rudy Eng Wah Koh, Managing Director  
Mr Alfred Sung, Executive Director  
Mr Michael Tan Chung Loke, Non-executive Director  
Mr Andrew Chooi Seng Hang, Non-executive Director

**REVIEW OF OPERATIONS**

The consolidated net operating loss before income tax for the period was \$8,088,000 (2016: \$3,901,000 profit). The decrease in profit by \$11,989,000 (before tax) for the period was mainly due to the following:

- The profit from sale of the land is not recognised during the period. Prior period profit includes the profit before tax of \$3,730,000 from the sale of the development site, Rocklea Homemaker Centre in Bendigo.
- The current period loss includes selling agents commission and legal fees of \$2,383,000 incurred for the sale of the land.
- The current period loss includes a discretionary bonus of \$5,000,000 paid to Executive Director Mr Alfred Sung, in recognition of his excellent past performance in enhancing the growth and value of the company.
- The current period includes a gain of \$641,000 (2016: \$1,258,000) from the fair value of accounting of this interest swap.
- The current period losses were also increased by lower profitability from the hotel operations (before intercompany rent) and increased expenditure on development properties:
  - I. The hotel's profitability before tax and intercompany rent has reduced to \$82,000 (2016: \$349,000 profit) due to market conditions and increased competition. The room occupancy rate for the period decreased by 14% from 70% for the period ended December 2016 to 56% for the period ended December 2017. The effect of lower occupancy rate resulted in reduced profitability (before intercompany rent) from the hotel operation for the period.
  - II. The expenditure in relation to the development properties has increased by \$953,000 due to increases in statutory rates and taxes and repair works undertaken on the former Brickworks site at development site in Box Hill to comply with a Building Order issued by the council.

The above increase in current period loss was partially reduced by the following:

- I. The rental activities contributed profit before tax of \$955,000 (2016:\$613,000). The occupancy rate at 303 Collins Street, Melbourne has decreased from 73% for the period ended December 2016 to 67% for the period ended December 2017, due to end of various tenancies during the period. Management has secured various new tenancies during and after the period ended December 2017. These new tenancies, which are commencing after the period end, will increase the occupancy rate from 67% to 75%.
- II. The prior period loss also includes a net asset impairment loss of \$451,000 to the carrying value of the vacant land recognised to reflect its market valuation. No assets were further impaired during the current period.

The consolidated net loss for the period after income tax was \$5,666,000 (2016: \$2,735,000 profit).

**PHILEO AUSTRALIA LIMITED AND CONTROLLED ENTITIES**  
**INTERIM FINANCIAL REPORT**  
**DIRECTORS' REPORT (continued)**

The directors do not recommend the payment of an interim dividend for the half year. No interim dividend was declared in respect of the previous corresponding period.

A fully franked final dividend of 5 cents per share totalling \$1,446,000, for the year ended 30 June 2017, was paid in October 2017.

Earnings per share during for the period was a loss of 19.59 cents (2016: 9.46 cents profit).

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

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, 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        | \$12,222,222   | \$110,000,000               | 15 <sup>th</sup> February 2018 |
| Volume 11202 Folio 518 (1 title)        | \$55,555,556         | \$5,555,555  | \$50,000,000                | 17 <sup>th</sup> February 2020 |
| Volume 11202 Folio 516 & 517 (2 titles) | \$222,222,222        | \$22,222,222   | \$200,000,000               | 15 <sup>th</sup> February 2022 |
| <b>Total</b>                            | <b>\$400,000,000</b> | <b>\$40,000,000</b>                                  | <b>\$360,000,000</b>        |                                |

The first contract of sale was settled on 15th February 2018. 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 approximately \$380 million 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.

During the period, the entity continued to hold the vacant land that has been rezoned for the 79-unit Mont Albert Rise proposed residential townhouse development at Box Hill ("Box Hill property") for future development. Preliminary designs for the development of the site are being 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 preservation of the Brickwork site.

**FINANCIAL OVERVIEW**

At 31 December 2017 the consolidated entity's property portfolio had a carrying value of \$171,359,000 (30 June 2017: \$169,890,000). This property portfolio consists of an investment property with a carrying value of \$133,240,000 and development properties with carrying values of \$38,119,000. 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.

**PHILEO AUSTRALIA LIMITED AND CONTROLLED ENTITIES**  
**INTERIM FINANCIAL REPORT**  
**DIRECTORS' REPORT (continued)**

***FINANCIAL OVERVIEW (Continued)***

The total loan facility of the entity as at 31 December 2017 was \$45,000,000 (30 June 2017: \$45,000,000). As at the reporting date the entity total bank borrowings amounted to \$45,000,000 (30 June 2017: \$45,000,000).

The bank borrowings 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 30<sup>th</sup> June 2017.

As at 31 December 2017, the consolidated entity's net tangible asset backing was \$4.04 (30 June 2017: \$4.29).

Capital Management Plans and Future plans for the distribution of dividends

In accordance with the market announcement made on 23rd November 2017, in view of the company's cautious outlook on the property market, the company has commenced a process to investigate its options on how to return capital to its shareholders in the most effective manner taking into consideration the available franking credits.

As part of this capital return process, the Board of Directors have appointed an Independent Committee to provide an independent oversight on the capital return process

**TAX CONSOLIDATION**

The company has made application to the Australian Taxation Office to form a tax consolidated group with effect from 1 July 2016.

**ROUNDING OFF OF AMOUNTS**

The company is of the kind referred to in ASIC Class Order 98/0100 and accordingly certain amounts in the financial report and the directors' report have been rounded off to the nearest \$1,000.

**AUDITOR'S DECLARATION**

The lead auditor's independence declaration under Section 307 of the Corporations Act 2001 is set out on page 6 for the half year ended 31 December 2017.

This report is signed in accordance with a resolution of the Board of Directors.

  
.....  
Rudy Eng Wah Koh  
Managing Director  
Melbourne  
Dated: 27 February 2018

Moore Stephens Audit (Vic)

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**AUDITOR'S INDEPENDENCE DECLARATION  
UNDER S 307C OF THE CORPORATIONS ACT 2001  
TO THE DIRECTORS OF PHILEO AUSTRALIA LIMITED AND CONTROLLED ENTITIES**

I declare that, to the best of my knowledge and belief, during the six months ended 31 December 2017, there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.



**MOORE STEPHENS AUDIT (VIC)**  
ABN 16 847 721 257



**GEORGE S. DAKIS**  
**Partner**  
**Audit & Assurance Services**

Melbourne, Victoria

27 February 2018

**PHILEO AUSTRALIA LIMITED AND CONTROLLED ENTITIES**  
**Interim Financial Report**  
**Consolidated Statement of Comprehensive Income for the**  
**half year ended 31 December 2017**

|  | <b>Consolidated Group</b>                         |   |
|--|---|---|
|  | <b>6 months<br/>ended<br/>31-12-17<br/>\$'000</b> | <b>6 months<br/>ended<br/>31-12-16<br/>\$'000</b> |
| Revenue from sales or services                         |   |   |
| Sale of development property                           | -   | 35,000  |
| Rental income from properties                          | 4,158   | 4,490   |
| Hotel operation  | 1,317   | 1,654   |
| <b>Total revenue from operations</b>                   | <b>5,475</b>                                      | <b>41,144</b>                                     |
| Other Income:  |   |   |
| Interest revenue                                       | 446   | 10  |
| Gain on fair value adjustment of financial instrument  | 641   | 1,258   |
| Gain on fair value adjustment of investment properties | -   | -   |
| Gain on recoupment of impairment of inventories        | -   | -   |
| Other  | 19  | 84  |
| <b>Total other income</b>                              | <b>1,106</b>                                      | <b>1,352</b>                                      |
| <b>Total revenue</b>                                   | <b>6,581</b>                                      | <b>42,496</b>                                     |
| <br>Expenses   |   |   |
| Expenses from Ordinary Activities                      |   |   |
| . Direct rental costs                                  | - 1,509   | - 1,899   |
| . Hotel operating expenses                             | - 1,235   | - 1,305   |
| . Development activity                                 | - 1,689   | - 736   |
| . Other  | - 151   | - 338   |
|  | - 4,584   | - 4,278   |
| Cost of Sale of development property                   | - 2,383   | - 31,270  |
| Borrowing expenses                                     | - 1,543   | - 1,640   |
| Administrative expenses                                | - 6,159   | - 956   |
| Net loss on impairment of inventories                  | -   | 451   |
| <b>Total expenses</b>                                  | <b>- 14,669</b>                                   | <b>- 38,595</b>                                   |
| <b>(Loss)/Profit before income tax</b>                 | <b>- 8,088</b>                                    | <b>3,901</b>                                      |
| Income tax benefit/(expense)                           | 2,422   | - 1,166   |
| <b>(Loss)/Profit from continuing operations</b>        | <b>- 5,666</b>                                    | <b>2,735</b>                                      |
| (Loss)/profit from discontinued operations             | -   | -   |
| <b>(Loss)/Profit for the period</b>                    | <b>- 5,666</b>                                    | <b>2,735</b>                                      |
| <br><b>Other comprehensive (loss)/profit</b>           | <b>-</b>  | <b>-</b>  |
| <br>Total comprehensive (loss)/profit for the period   | <b>- 5,666</b>                                    | <b>2,735</b>                                      |
| (Loss)/Profit attributable to:                         |   |   |
| Members of the parent entity                           | - 5,666   | 2,735   |
| Non-controlling interest                               | -   | -   |
|  | <b>- 5,666</b>                                    | <b>2,735</b>                                      |
| <br>Total comprehensive (loss)/profit attributable to: |   |   |
| Members of the parent entity                           | - 5,666   | 2,735   |
| Non-controlling interest                               | -   | -   |
|  | <b>- 5,666</b>                                    | <b>2,735</b>                                      |
| <br><b>Earnings per share</b>                          |   |   |
| <u>From continuing and discontinued operations:</u>    |   |   |
| Basic earnings per share (cents)                       | - 19.59   | 9.46  |
| Diluted earnings per share (cents)                     | - 19.59   | 9.46  |
| <br><u>From continuing operations:</u>                 |   |   |
| Basic earnings per share (cents)                       | - 19.59   | 9.46  |
| Diluted earnings per share (cents)                     | - 19.59   | 9.46  |

**PHILEO AUSTRALIA LIMITED AND CONTROLLED ENTITIES**  
**Interim Financial Report**  
**Consolidated Statement of Financial Position**  
**half year ended 31 December 2017**

|                                | <b>Consolidated Group</b> |                 |
|--------------------------------|---------------------------|-----------------|
|                                | <b>31-12-17</b>           | <b>30-06-17</b> |
|                                | <b>\$'000</b>             | <b>\$'000</b>   |
| <b>CURRENT ASSETS</b>          |                           |                 |
| Cash and cash equivalents      | 49,802                    | 19,331          |
| Trade and other receivables    | 91                        | 11              |
| Inventories                    | 4,862                     | 4,862           |
| Other assets                   | 568                       | 624             |
|                                | <u>55,323</u>             | <u>24,828</u>   |
| <b>NON-CURRENT ASSETS</b>      |                           |                 |
| Inventories                    | 33,257                    | 32,528          |
| Investment properties          | 133,240                   | 132,500         |
| Plant and equipment            | 691                       | 733             |
| Deferred tax assets            | 7,816                     | 5,254           |
| Other assets                   | 2,041                     | 1,948           |
|                                | <u>177,045</u>            | <u>172,963</u>  |
| <b>TOTAL ASSETS</b>            | <u>232,368</u>            | <u>197,791</u>  |
| <b>CURRENT LIABILITIES</b>     |                           |                 |
| Trade and other payables       | 15,884                    | 1,496           |
| Financial liabilities          | 45,000                    | -               |
| Income tax payable             | 392                       | 392             |
| Provisions                     | 383                       | 332             |
|                                | <u>61,659</u>             | <u>2,220</u>    |
| <b>NON-CURRENT LIABILITIES</b> |                           |                 |
| Financial liabilities          | -                         | 45,000          |
| Interest swap                  | 2,849                     | 3,490           |
| Trade and other payables       | 28,230                    | 489             |
| Deferred tax liabilities       | 22,489                    | 22,349          |
| Provisions                     | 74                        | 64              |
|                                | <u>53,642</u>             | <u>71,392</u>   |
| <b>TOTAL LIABILITIES</b>       | <u>115,301</u>            | <u>73,612</u>   |
| <b>NET ASSETS</b>              | <u>117,067</u>            | <u>124,179</u>  |
| <b>EQUITY</b>                  |                           |                 |
| Issued capital                 | 19,911                    | 19,911          |
| Reserves                       | 13                        | 13              |
| Retained earnings              | 97,143                    | 104,255         |
| <b>TOTAL EQUITY</b>            | <u>117,067</u>            | <u>124,179</u>  |

**PHILEO AUSTRALIA LIMITED AND CONTROLLED ENTITIES**  
**Interim Financial Report**  
**Consolidated Statement of Changes in Equity for the**  
**half year ended 31 December 2017**

|   | <b>Issued<br/>Capital<br/>Ordinary<br/>\$'000</b> | <b>Other<br/>Reserves<br/>\$'000</b> | <b>Retained<br/>Earnings<br/>\$'000</b> | <b>Total<br/>\$'000</b> |
|---|---|--------------------------------------|---|-------------------------|
| <b>Balance at 1 July 2016</b>                             | 19,911  | 13                                   | 81,441                                  | 101,365                 |
| Profit/ (Loss) for the period                             | -   | -                                    | 2,735                                   | 2,735                   |
| Total other comprehensive<br>income/(loss) for the period | -   | -                                    | -                                       | -                       |
| <b>Subtotal</b>   | <u>19,911</u>                                     | <u>13</u>                            | <u>84,176</u>                           | <u>104,100</u>          |
| Dividends paid or provided for                            | -   | -                                    | 579                                     | 579                     |
| <b>Balance at 31 December 2016</b>                        | <u><u>19,911</u></u>                              | <u><u>13</u></u>                     | <u><u>83,597</u></u>                    | <u><u>103,521</u></u>   |
| <br>  |   |                                      |   |                         |
| <b>Balance at 1 July 2017</b>                             | 19,911  | 13                                   | 104,255                                 | 124,179                 |
| Profit/ (Loss) for the period                             | -   | -                                    | 5,666                                   | 5,666                   |
| Total other comprehensive<br>income/(loss) for the period | -   | -                                    | -                                       | -                       |
| <b>Subtotal</b>   | <u>19,911</u>                                     | <u>13</u>                            | <u>98,589</u>                           | <u>118,513</u>          |
| Dividends paid or provided for                            | -   | -                                    | 1,446                                   | 1,446                   |
| <b>Balance at 31 December 2017</b>                        | <u><u>19,911</u></u>                              | <u><u>13</u></u>                     | <u><u>97,143</u></u>                    | <u><u>117,067</u></u>   |

**PHILEO AUSTRALIA LIMITED AND CONTROLLED ENTITIES**  
**Interim Financial Report**  
**Consolidated Statement of Cash Flows for the**  
**half year ended 31 December 2017**

|  | <b>Consolidated Group</b>                         |   |
|--|---|---|
|  | <b>6 months<br/>ended<br/>31-12-17<br/>\$'000</b> | <b>6 months<br/>ended<br/>31-12-16<br/>\$'000</b> |
| <b>CASHFLOW FROM OPERATING ACTIVITIES</b>              |   |   |
| Proceeds from sale of property                         | 40,000  | 34,682  |
| Receipts from ordinary activities                      | 5,983   | 8,609   |
| Payment to suppliers & employees                       | - 11,498  | - 5,717   |
| Payment for property development                       | - 729   | - 3,034   |
| Income tax paid  | -   | -   |
| <i>Net Cash produced (used) in Ordinary Activities</i> | <u>33,756</u>                                     | <u>34,540</u>                                     |
| <b>CASHFLOW FROM INVESTING ACTIVITIES</b>              |   |   |
| Payment for purchase of plant & equipment              | - 3   | - 13  |
| Payment for improvement to investment properties       | - 739   | - 622   |
| <i>Cashflow from / (used in) Investing Activities</i>  | <u>- 742</u>                                      | <u>- 635</u>                                      |
| <b>CASHFLOW FROM FINANCING ACTIVITIES</b>              |   |   |
| Interest paid  | - 1,543   | - 1,640   |
| Interest received                                      | 446   | 10  |
| Dividend paid  | - 1,446   | - 579   |
| Proceeds from borrowing                                | -   | 2,000   |
| Repayment of borrowings                                | -   | - 13,500  |
| <i>Cashflow from / (used in) Financing Activities</i>  | <u>- 2,543</u>                                    | <u>13,709</u>                                     |
| Net increase (decrease) in cash                        | 30,471  | 20,196  |
| Cash at beginning of period                            | 19,331  | 924   |
| Cash at end of period                                  | <u>49,802</u>                                     | <u>21,120</u>                                     |

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**PHILEO AUSTRALIA LIMITED AND CONTROLLED ENTITIES  
INTERIM FINANCIAL REPORT**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2017**

**NOTE 1: BASIS OF PREPARATION**

These general purpose financial statements for the interim half-year reporting period ended 31 December 2017 ("the period") have been prepared in accordance with requirements of the Corporations Act 2001 and Australian Accounting Standards including AASB 134: Interim Financial Reporting. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Phileo Australia Limited and its controlled entities ("the Group"). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2017, together with any public announcements made during the half-year.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements, unless otherwise stated.

There were no new accounting standards adopted during the period.

Where applicable, 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 period.

**NOTE 2: DIVIDENDS**

The directors do not recommend the payment of an interim dividend for the half year. No interim dividend was declared in respect of the previous corresponding period.

A fully franked final dividend of 5 cents per share totalling \$1,446,000, for the year ended 30 June 2017, was paid in October 2017.

**NOTE 3: BUSINESS COMBINATIONS**

There were no acquisitions or disposals, or changes to any business combinations during the period (30 June 2017: None).

**NOTE 4: CONTINGENT LIABILITIES**

There has been no change in contingent liabilities since the end of the last annual reporting period.

**NOTE 5: EVENTS SUBSEQUENT TO REPORTING DATE**

During the period, the company has sold its residential subdivision site at Black Forest Road, Wyndham Vale (the Land) for a total price of AUD400 million, payable on a staged basis over 4½ years, with final settlement to occur in February 2022.

Subsequent to the reporting date, the company received the balance of \$110,000,000 required to settle the first contract of sale, which includes two of the five titles at a total price of \$122,222,222.

Other than the above, there have not been any other significant events subsequent to the reporting date.

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**PHILEO AUSTRALIA LIMITED AND CONTROLLED ENTITIES  
INTERIM FINANCIAL REPORT**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2017**

**NOTE 6: GOING CONCERN**

The financial report has been prepared on a going concern basis. The company considers the going concern basis appropriate notwithstanding that the company has a deficit in working capital of \$6,336,000 at 31 December 2017.

At 31 December 2017, the existing commercial bank facility of \$45,000,000 was classified as a current liability, as it is due for renewal on 30 September 2018 (being period less than 12 months at the reporting date). This classification has resulted in the deficiency in working capital at 31 December 2017. This facility is secured against company's property at 303 Collins Street, Melbourne Victoria.

Considering the market value of the security offered, the company's ability to meet the financial covenant obligations specified by the bank and receipt of proceeds from the settlement of first contract of sale of \$110m, management is confident that the facility will be renewed before 30 September 2018 which will enable the company to reclassify the loan as a non-current liability and the company will return to a positive working capital position. Accordingly the financial report does not include any adjustments, relating to the recoverability and classification of the recorded assets and liabilities, which would have been necessary, had the going concern assumption not been valid.

**NOTE 7: OPERATING SEGMENTS**

**Segment Information**

**Identification of reportable segments**

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The Group is managed primarily on the basis of product category and service offerings since the diversifications of the Group's operations inherently have notably different risk profiles and performance assessment criteria. Operating segments are therefore determined on the same basis.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics and are also similar with respect to the following:

- the property development and asset holding processes;
  - the services provided by the segment;
  - the type or class of customer for the products or service;
  - external regulatory requirements.
- (i) **Development**  
The Group develops properties for sale, undertaking both commercial and residential projects. Supplementary revenues as described below are generated from some properties during their period of development.
- (ii) **Rental**  
A number of the Group's development properties generate rental revenues for the Group. These properties comprise both office and retail spaces in both the Melbourne metropolitan area and country Victoria.
- (iii) **Hotel Operation**  
The Group operates a business class hotel that provides accommodation, food and beverage services.

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**PHILEO AUSTRALIA LIMITED AND CONTROLLED ENTITIES  
INTERIM FINANCIAL REPORT**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2017**

**NOTE 7: OPERATING SEGMENTS (continued)**

**Basis of accounting for purposes of reporting by operating segments**

Accounting policies adopted.

Unless stated otherwise, all amounts reported to the Board of Directors as the chief decision maker with respect to operating segments are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

Inter-segment transactions

Inter-segment transactions are limited to interest charges on loans between Group entities. Interest is charged on an arms length basis under commercial loan agreements. All such transactions are eliminated on consolidation in the Group's financial report.

Segment assets

There are no assets which require allocation across multiple segments. All assets are measured within each segment using the same accounting policies as apply to the Group's annual financial report.

Segment liabilities

There are no liabilities which require allocation across multiple segments. All liabilities are measured within each segment using the same accounting policies as apply to the Group's annual financial report.

Comparative information

Where applicable, comparative information has been re-stated to conform to the requirements of the Standard.

**(iv) Revenue by geographical region**

All revenue was derived within Australia (31 December 2016: Same).

**(v) Assets by geographical region**

All segment assets were located within Australia (30 June 2017: Same).

**(vi) Major tenants**

The Group has a number of tenants to which it derives rental revenues.

**PHILEO AUSTRALIA LIMITED AND CONTROLLED ENTITIES**  
**Interim Financial Report**  
**Operating Segments**  
**half year ended 31 December 2017**

**(i) Segment performance**

|  | Rental<br>\$'000 | Hotel<br>\$'000 | Develop-<br>ment<br>\$'000 | Other<br>\$'000 | Total<br>\$'000 |
|--|------------------|-----------------|----------------------------|-----------------|-----------------|
| <b>6 months ended 31 December 2017</b> |                  |                 |                            |                 |                 |
| <b>Revenue</b>                         |                  |                 |                            |                 |                 |
| External sales                         | 4,158            | 1,317           | -                          | 660             | 6,135           |
| Inter-segment sales                    | 411              | -               | -                          | -               | 411             |
| Interest revenue                       | -                | -               | -                          | 446             | 446             |
| <b>Total segment revenue</b>           | <b>4,569</b>     | <b>1,317</b>    | <b>-</b>                   | <b>1,106</b>    | <b>6,992</b>    |

*Reconciliation of segment revenue to group revenue*

|                            |              |              |          |              |              |
|----------------------------|--------------|--------------|----------|--------------|--------------|
| Inter-segment elimination  | -            | 411          | -        | -            | 411          |
| <b>Total group revenue</b> | <b>4,158</b> | <b>1,317</b> | <b>-</b> | <b>1,106</b> | <b>6,581</b> |

**Segment net profit/(loss) before tax**

*Reconciliation of segment result to group net profit/(loss) before tax*

|                                      |     |    |   |       |   |       |   |       |
|--------------------------------------|-----|----|---|-------|---|-------|---|-------|
| Segment net profit/(loss) before tax | 955 | 82 | - | 4,072 | - | 5,053 | - | 8,088 |
|--------------------------------------|-----|----|---|-------|---|-------|---|-------|

Net Profit/(Loss) before tax from continuing operations

8,088

**6 months ended 31 December 2016**

**Revenue**

|                              |              |              |               |              |               |
|------------------------------|--------------|--------------|---------------|--------------|---------------|
| External sales               | 4,490        | 1,654        | 35,000        | 1,342        | 42,486        |
| Inter-segment sales          | 384          | -            | -             | -            | 384           |
| Interest revenue             | -            | -            | -             | 10           | 10            |
| <b>Total segment revenue</b> | <b>4,874</b> | <b>1,654</b> | <b>35,000</b> | <b>1,352</b> | <b>42,880</b> |

*Reconciliation of segment revenue to group revenue*

|                            |              |              |               |              |               |
|----------------------------|--------------|--------------|---------------|--------------|---------------|
| Inter-segment elimination  | -            | 384          | -             | -            | 384           |
| <b>Total group revenue</b> | <b>4,490</b> | <b>1,654</b> | <b>35,000</b> | <b>1,352</b> | <b>42,496</b> |

**Segment net profit/(loss) before tax**

*Reconciliation of segment result to group net profit/(loss) before tax*

|                                      |     |     |       |     |       |
|--------------------------------------|-----|-----|-------|-----|-------|
| Segment net profit/(loss) before tax | 613 | 349 | 2,994 | -55 | 3,901 |
|--------------------------------------|-----|-----|-------|-----|-------|

Net Profit/(Loss) before tax from continuing operations

3,901

**PHILEO AUSTRALIA LIMITED AND CONTROLLED ENTITIES**  
**Interim Financial Report**  
**Operating Segments**  
**half year ended 31 December 2017**

**(ii) Segment assets**

|   | <b>Rental<br/>\$'000</b> | <b>Hotel<br/>\$'000</b> | <b>Develop-<br/>ment<br/>\$'000</b> | <b>Other<br/>\$'000</b> | <b>Total<br/>\$'000</b> |
|---|--------------------------|-------------------------|-------------------------------------|-------------------------|-------------------------|
| <b>As at 31 December 2017</b>                 |                          |                         |                                     |                         |                         |
| <b>Segment assets</b>                         | 135,797                  | 8,990                   | 29,397                              | 58,184                  | 232,368                 |
| Total group assets from continuing operations |                          |                         |                                     | <u>232,368</u>          |                         |
| <b>As at 30 June 2017</b>                     |                          |                         |                                     |                         |                         |
| <b>Segment assets</b>                         | 135,245                  | 8,994                   | 28,668                              | 24,886                  | 197,793                 |
| Total group assets from continuing operations |                          |                         |                                     | <u>197,793</u>          |                         |

**(iii) Segment liabilities**

|  | <b>Rental<br/>\$'000</b> | <b>Hotel<br/>\$'000</b> | <b>Develop-<br/>ment<br/>\$'000</b> | <b>Other<br/>\$'000</b> | <b>Total<br/>\$'000</b> |
|--|--------------------------|-------------------------|-------------------------------------|-------------------------|-------------------------|
| <b>As at 31 December 2017</b>                      |                          |                         |                                     |                         |                         |
| <b>Segment liabilities</b>                         | 48,872                   | 666                     | -                                   | 65,763                  | 115,301                 |
| Total group liabilities from continuing operations |                          |                         |                                     | <u>115,301</u>          |                         |
| <b>As at 30 June 2017</b>                          |                          |                         |                                     |                         |                         |
| <b>Segment liabilities</b>                         | 50,081                   | 265                     | -                                   | 23,266                  | 73,612                  |
| Total group liabilities from continuing operations |                          |                         |                                     | <u>73,612</u>           |                         |

**PHILEO AUSTRALIA LIMITED AND CONTROLLED ENTITIES  
INTERIM FINANCIAL REPORT**

**DIRECTORS' DECLARATION**

The directors of the company declare that:

1. The financial statements and notes, as set out on the pages 6 to 14 are in accordance with the Corporations Act 2001, including:
  - (a) complying with Accounting Standard AASB 134: Interim Financial Reporting; and
  - (b) giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half year ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the board of directors.

  
.....  
Rudy Eng Wah Koh  
Managing Director  
Melbourne  
Date: 27 February 2018

Moore Stephens Audit (Vic)

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## INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF PHILEO AUSTRALIA LIMITED AND CONTROLLED ENTITIES

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Phileo Australia Limited and its controlled entities (**the company**), which comprises the condensed statement of financial position as at 31 December 2017, the condensed statement of profit or loss and other comprehensive income, condensed statement of changes in equity, the condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

### Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standards on Review Engagements ASRE 2410: *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including:

- a. giving a true and fair view of the company's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and
- b. complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.

As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the company, would be in the same terms if provided to the directors as at the time of this auditor's review report.

## Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the company is not in accordance with the *Corporations Act 2001*, including:

- a. giving a true and fair view of the company's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and
- b. complying with AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.



**MOORE STEPHENS AUDIT (VIC)**  
ABN 16 847 721 257



**GEORGE S. DAKIS**  
**Partner**  
**Audit & Assurance Services**

Melbourne, Victoria

27 February 2018