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**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 2018**  
**("the year")**

**RESULTS FOR ANNOUNCEMENT TO THE MARKET**

Comparison is to previous corresponding year ended **30 June 2017** ("the previous year").  
Unless stated otherwise, all amounts are shown to the nearest \$'000.

Revenue from ordinary activities	Up by 189% to <b>\$135,417,000</b> (2017: \$46,787,000)
Results from ordinary activities after tax	Up by 264% to <b>\$85,097,000 profit</b> (2017: \$23,393,000 profit)
Net profit attributable to members	Up by 264% to <b>\$85,097,000 profit</b> (2017: \$23,393,000 profit)
Earnings per share after tax	<b>\$2.94 profit</b> (2017: \$0.81 profit)
Net tangible asset per share	<b>\$7.18</b> (2017: \$4.29)
Dividend distribution	Nil for the financial year ended 30 June 2018 in view of the capital management and future plans for the return of capital (2017: \$0.05 final dividend fully franked. The dividend was declared after 30 June 2017 and has been paid in October 2017).

The profit before tax for the year of \$118,748,000 (profit before tax: \$26,976,000) was mainly due to:

- Gain of \$114,957,000 (before tax) from the settlement of the first contract of sale of the 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.
- A fair value gain of \$14,139,000 (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 \$1,264,000 (before tax) which was recognised on fair value accounting of the interest swap;
- In addition to the expenditure incurred on normal operating and development activities, the above gain was reduced by the once off discretionary bonus of \$5,000,000 paid to each of the Executive Directors, Mr Alfred Sung and Mr Rudy Koh and the consequential total payroll tax of \$485,000. In total, these once off expenditures reduced the current year gain by \$10,485,000.

## **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 1<sup>st</sup> 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 \$118,748,000 (2017: \$26,976,000 profit). The change in profit before tax of \$91,772,000 from 2017 was mainly due to the following:

- The current year profit includes
  - a profit before tax of \$114,957,000 (before tax) from the settlement of the first contract of sale of the residential subdivision site at Black Forest Road, Wyndham Vale. During 2017, the company recorded 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”);
  - a fair value gain of \$14,139,000 (before tax) (2017:\$23,897,000) 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 \$148,600,000 over its previous carrying value of \$132,500,000;
  - a gain of \$1,264,000 from the fair value accounting of interest swap held by the company (2017: \$1,711,000).
  - interest income of \$2,035,000 (2017: \$284,000) from various short term deposits held with an Australian bank;
- The current year profit was reduced by the once off discretionary bonus of \$5,000,000 paid to each Executive Directors, Mr Alfred Sung and Mr Rudy Koh and the consequential payroll tax. In total, these once off expenditures reduced the current year gain by \$10,485,000.
- The current year profit was reduced by a net asset impairment loss of \$294,000 (before tax). The asset impairment relates to the carrying value of property owned at McCrae Street, Dandenong, recognised to reflect its current market valuation. (2017: \$451,000 loss, in relation to the asset impairment to the carrying value of residential land in Bendigo).
- The current year profit was reduced from the lower profitability from the hotel operations. The hotel’s profitability before tax and intercompany rent has reduced to \$179,000 (2017: \$566,000 profit)

### **REVIEW OF OPERATION (Continued)**

The profit attributable to members after tax was \$85,097,000 (2017: \$23,393,000 profit).

Total consolidated revenue for the year, excluding fair value gain on revaluation of the investment property of \$14,139,000, and a gain of \$1,264,000 from the fair value accounting of interest swap, was \$135,417,000 (2017: \$46,787,000). During the year, the consolidated entity:

- settled the first contract of sale of the residential subdivision site at Black Forest Road, Wyndham Vale for \$122,222,000;
- earned rental income totalling \$8,307,000 (2017: \$8,372,000) from its rental properties, which included rental of \$8,149,000 (2017: \$7,309,000) 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 \$2,783,000 (2017: \$3,100,000).

The overall 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 68% at the beginning of the financial year to 77% as at June 2018.

Profit (before tax but after borrowing costs) from rental activities has increased to \$2,011,000 (2017: \$1,142,000) mainly due to increase in occupancy rate at 303 Collins Street, Melbourne and lower rental expenses following the sale of the Rocklea Homemaker Centre.

The hotel's profitability before tax and intercompany rent has reduced to \$179,000 (2017: \$566,000 profit). The room occupancy rate for the year has decreased by 7% from 67% for the year ended June 2017 to 60% for the year ended June 2018. 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 recorded loss before tax for the year of \$38,377, arising mainly from land holding costs, including land tax and council rates, in relation to this property.

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	Settled in 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 and the relevant titles have been transferred to the new owner. The remaining 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 revenue of the above remaining sales contracts and the resultant profit before tax will be recorded progressively in the respective financial year of settlement of each remaining 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.

The remaining land held by the company is currently leased for cattle grazing activities. Excluding the gain before tax from settlement of first contract of sale of \$114,957,000 and interest income of \$1,737,000, the company recorded loss before tax for the year of \$1,748,000 (2017: \$1,127,000 loss), arising mainly from land holding costs, including land tax and council rates, in relation to this property. The company will continue to incur land holding costs, including land tax and council rates, for the remaining land titles until settlements occurs.

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.

The company recorded loss before tax for the year of \$973,000 (2017:\$333,000) arising mainly from statutory rates and taxes and repair works undertaken on the former Brickworks site at the Box Hill property to comply with a Building Order issued by the council.

During the year the entity's result per share after tax was \$2.94 profit (2017: \$0.81 profit).

#### **FINANCIAL OVERVIEW**

At 30 June 2018 the consolidated entity's property portfolio had a carrying value of \$181,980,000 (2017: \$169,890,000). This property portfolio consists of an investment property with a carrying value of \$148,600,000 and development properties with carrying values of \$33,380,000. 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 2018 was \$45,000,000 (2017: \$45,000,000). As at balance date the entity total bank borrowings amounted to \$45,000,000 (2017: \$45,000,000). This borrowing was used to partially fund the acquisition of 303 Collins Street property, Melbourne and is secured against that property. The entities' other properties are unencumbered at 30<sup>th</sup> June 2018.

As at balance date, the entity had approximately \$152,687,000 (2017: \$19,331,000) in cash and at bank and in short term deposits, and \$33,380,000 (2017: \$37,390,000) 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 2018, the economic entity's net tangible asset backing per share was \$7.18 (2017: \$4.29).

#### **DIVIDENDS PAID OR RECOMMENDED**

The directors do not recommend the payment of dividend for the financial year. (2017: final dividend of \$0.05 fully franked declared after the year end. This dividend was paid in October 2017).

## **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 are July 2018 and September 2018. Management, in consultation with reputed leasing agents, is actively looking for new tenants to lease the remaining vacancies of 303 Collins Street, Melbourne.

The company's current intention is to continue with the 79-unit residential townhouse development on resolution of some outstanding matters with the Environmental Protection Authority (EPA) in relation to the former landfill site and with Heritage Victoria and the Building Appeal Board for preservation of the Brickwork site. In addition, the company is also considering various development options, including high density residential development, for the remaining area of this property. The company has engaged an environmental auditor to audit and provide his statement for the whole site for future development purpose.

### Capital management and Future plans for the return of capital

Following the settlement of first contract of sale of the residential subdivision site at Black Forest Road, Wyndham Vale in February 2018 and in accordance with the market announcement made on 23rd November 2017, the Board of Directors and the Independent Committee has commenced its investigation on how to return capital to its shareholders in the most effective manner taking into consideration the available franking credits. The company is intending to provide a further update to the market in this regards in the coming months. Until this further update, the board has resolved to not declare a dividend for the year.

## **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 2018 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: 28<sup>th</sup> August 2018

## **Annual General Meeting**

Place

Phileo Australia Limited's registered office at  
Level14, 303 Collins Street, Melbourne

Date

Thursday, 29 November 2018

Time

12.00 noon

Approximate date the Annual Report will be  
available

Monday, 22 October 2018

Consolidated Statement of Comprehensive Income for the  
Year Ended 30 June 2018

	Consolidated Group	
	12 months ended <b>30/06/2018</b> \$'000	12 months Ended <b>30/06/2017</b> \$'000
Revenue from sales or services		
Sale of properties	122,222	35,000
Rental income from properties	8,307	8,372
Hotel operation	2,783	3,100
Total revenue	133,312	46,472
Other Income:		
Fair value gain on revaluation of investment property	14,139	23,897
Net change in value of Interest swap	1,264	1,711
Gain on recoupment of impairment of inventories	-	-
Interest revenue	2,035	284
Other income	70	31
Total other income	17,508	25,923
Total Revenue and Other Income	150,820	72,395
Less: Expenses		
Cost of sale of development property	-7,265	-31,307
Borrowing expenses	-2,849	-3,073
Net change in value of Interest swap	-	-
Loss on impairment of inventories	-294	-451
Administrative expenses	-12,854	-1,962
Other Expenses from Ordinary Activities		
. Direct rental costs	-3,046	-3,681
. Hotel	-2,604	-2,534
. Development activity	-2,759	-1,934
. Other	-401	-477
Total Expenses	-8,810	-8,626
Total Expenses	-32,072	-45,419
Profit/(Loss) before income tax	118,748	26,976
Income tax (expense)/benefit	-33,651	-3,583
Profit/(Loss) from continuing operations	85,097	23,393
(Loss)/profit from discontinued operations	-	-
Profit/(Loss) for the period	85,097	23,393
Other comprehensive income	-	-
Total comprehensive income/(loss) for the period	85,097	23,393
Members of the parent entity	85,097	23,393
Non-controlling interest	-	-
	85,097	23,393
Total comprehensive income/(loss) attributable to:		
Members of the parent entity	85,097	23,393
Non-controlling interest	-	-
	85,097	23,393

Consolidated Statement of Financial Position  
As at 30 June 2018

	Consolidated Group	
	30/06/2018	30/06/2017
	\$'000	\$'000
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	152,687	19,331
Trade and other receivables	432	11
Inventories	-	4,862
Other assets	1,201	624
	154,320	24,828
<b>NON-CURRENT ASSETS</b>		
Inventories	33,380	32,528
Investment properties	148,600	132,500
Plant and equipment	652	733
Deferred tax assets	1,195	5,254
Other assets	2,425	1,948
	186,252	172,963
<b>TOTAL ASSETS</b>	340,572	197,791
<b>CURRENT LIABILITIES</b>		
Financial liabilities	45,000	-
Trade and other creditors	5,273	1,496
Dividends payable	-	-
Income tax payable	25,888	392
Provisions	386	332
	76,547	2,220
<b>NON-CURRENT LIABILITIES</b>		
Financial liabilities	-	45,000
Derivatives	2,226	3,490
Trade and other creditors	28,101	489
Deferred tax liabilities	25,795	22,349
Provisions	73	64
	56,195	71,392
<b>TOTAL LIABILITIES</b>	132,742	73,612
<b>NET ASSETS</b>	207,830	124,179
<b>EQUITY</b>		
Issued capital	19,911	19,911
Reserves	13	13
Retained earnings	187,906	104,255
<b>TOTAL EQUITY</b>	207,830	124,179

Consolidated Statement of Changes in Equity for the  
Year Ended 30 June 2018

	Issued Capital Ordinary \$'000	Other Reserves \$'000	Retained Earnings \$'000	Total \$'000
<b>Balance at 1 July 2016</b>	19,911	13	81,441	101,365
Profit for the period	-	-	23,393	23,393
Total other comprehensive income for the period	-	-	-	-
<b>Subtotal</b>	<u>19,911</u>	<u>13</u>	<u>104,834</u>	<u>124,758</u>
Dividends paid or provided for	-	-	-579	-579
<b>Balance at 30 June 2017</b>	<u><u>19,911</u></u>	<u><u>13</u></u>	<u><u>104,255</u></u>	<u><u>124,179</u></u>
 <b>Balance at 1 July 2017</b>	 19,911	 13	 104,255	 124,179
Profit for the period	-	-	85,097	85,097
Total other comprehensive income for the period	-	-	-	-
<b>Subtotal</b>	<u>19,911</u>	<u>13</u>	<u>189,352</u>	<u>209,276</u>
Dividends paid or provided for	-	-	-1,446	-1,446
<b>Balance at 30 June 2018</b>	<u><u>19,911</u></u>	<u><u>13</u></u>	<u><u>187,906</u></u>	<u><u>207,830</u></u>

Consolidated Statement of Cash Flows for the  
Year Ended 30 June 2018

	Consolidated Group	
	12 months ended 30/06/2018 \$'000	12 months ended 30/06/2017 \$'000
<b>CASHFLOW FROM OPERATING ACTIVITIES</b>		
Proceeds from sale of property	150,000	35,000
Receipts from ordinary activities	11,450	12,495
Payment for purchase of properties	-	-
Payment to suppliers & employees	-22,068	-12,650
Payment for property development	-1,145	-936
Income tax paid	-649	-
<i>Net Cash produced (used) in Ordinary Activities</i>	137,588	33,909
<b>CASHFLOW FROM INVESTING ACTIVITIES</b>		
Payment for development of investment property	-1,961	-602
Payment for purchase of plant & equipment	-11	-32
<i>Cashflow from Investing Activities</i>	-1,972	-634
<b>CASHFLOW FROM FINANCING ACTIVITIES</b>		
Interest received	2,035	284
Interest paid	-2,849	-3,073
Dividend paid	-1446	-579
Proceeds from borrowing	-	-
Repayment of borrowings	-	-11,500
<i>Cashflow from Financing Activities</i>	-2,260	-14,868
Net increase (decrease) in cash	133,356	18,407
Cash at beginning of period	19,331	924
Cash at end of period	152,687	19,331

Operating Segments  
Year Ended 30 June 2018

**(i) Segment performance**

	Rental \$'000	Hotel \$'000	Develop- ment \$'000	Other \$'000	Total \$'000
<b>12 months ended 30 June 2018</b>					
<b>Revenue</b>					
External sales	8,307	2,783	122,222	15,473	148,785
Inter-segment sales	842	-	-	-	842
Interest revenue	-	-	-	2,035	2,035
<b>Total segment revenue</b>	<b>9,149</b>	<b>2,783</b>	<b>122,222</b>	<b>17,508</b>	<b>151,662</b>
<i>Reconciliation of segment revenue to group revenue</i>					
Inter-segment elimination	-842	-	-	-	-842
<b>Total group revenue</b>	<b>8,307</b>	<b>2,783</b>	<b>122,222</b>	<b>17,508</b>	<b>150,820</b>
<b>Segment net profit before tax</b>					
<i>Reconciliation of segment result to group net profit/(loss) before tax</i>					
Segment net profit before tax	2,010	180	112,198	4,360	118,748
Net profit before tax from continuing operations					<u>118,748</u>
<b>12 months ended 30 June 2017</b>					
<b>Revenue</b>					
External sales	8,372	3,100	35,000	25,639	72,111
Inter-segment sales	935	-	-	-	935
Interest revenue	-	-	-	284	284
<b>Total segment revenue</b>	<b>9,307</b>	<b>3,100</b>	<b>35,000</b>	<b>25,923</b>	<b>73,330</b>
<i>Reconciliation of segment revenue to group revenue</i>					
Inter-segment elimination	-935	-	-	-	-935
<b>Total group revenue</b>	<b>8,372</b>	<b>3,100</b>	<b>35,000</b>	<b>25,923</b>	<b>72,395</b>
<b>Segment net profit before tax</b>					
<i>Reconciliation of segment result to group net profit/(loss) before tax</i>					
Segment net profit before tax	1,142	566	1,308	23,960	26,976
Net profit before tax from continuing operations					<u>26,976</u>

Operating Segments  
Year Ended 30 June 2018

**(ii) Segment assets**

	Rental \$'000	Hotel \$'000	Develop- ment \$'000	Other \$'000	Total \$'000
<b>As at 30 June 2018</b>					
<b>Segment assets</b>	152,084	8,704	24,952	154,832	340,572
Total group assets from continuing operations					340,572
<b>As at 30 June 2017</b>					
<b>Segment assets</b>	135,243	8,994	28,668	24,886	197,791
Total group assets from continuing operations					197,791

**(iii) Segment liabilities**

	Rental \$'000	Hotel \$'000	Develop- ment \$'000	Other \$'000	Total \$'000
<b>As at 30 June 2018</b>					
<b>Segment liabilities</b>	76,003	1,050	-	55,689	132,742
Total group liabilities from continuing operations					132,742
<b>As at 30 June 2017</b>					
<b>Segment liabilities</b>	50,082	453	-	23,077	73,612
Total group liabilities from continuing operations					73,612