

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 2014
("the year")

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Comparison is to previous corresponding year ended **30 June 2013** ("the previous year").
Unless stated otherwise, all amounts are shown to the nearest \$'000.

Revenue from ordinary activities	up by 7% to \$12,877,000 (2013: \$11,999,000)
Results from ordinary activities after tax	*down by 111% to \$662,000 loss (2013: \$6,080,000 profit)
Net profit attributable to members	*down by 111% to \$660,000 loss (2013: \$6,081,000 profit)
Earnings per share after tax	\$0.02 loss (2013: \$0.21 profit)
Net tangible asset per share	\$2.64 (2013: \$2.68)
Dividend distribution	The directors have declared a fully franked \$0.02 per ordinary share final dividend for the financial year (2013: \$0.02 final dividend fully franked). The dividend was declared after 30 June 2014 and has not been booked in the accounts as at 30 June 2014.
Ex-dividend date	Thursday, 4 September 2014
Record date for determining entitlement to the dividend	Monday, 8 September 2014
Approximate date of payment of dividend	Monday, 27 October 2014

*The previous year financial performance includes a fair value gain of \$13,308,000 (before tax) which was recognised on reclassification of property at 303 Collins Street, Melbourne as an investment property. This gain was partially offset by the loss of \$3,861,000 (before tax) resulting from the fair value accounting of the interest swap held by the company. No further fair value gain or loss has arisen in respect of this property for the year ended 30 June 2014.

The loss of \$662,000 after tax for the year was mainly due to:

- Asset impairment loss of \$1,815,000 (before tax) recognised for Rocklea Homemaker Centre in Bendigo
- Loss of \$303,000 (before tax) recognised on fair value accounting of the interest swap;

The above losses were offset by a gain of \$1,372,000 (before tax), recognised on partial recoupment of prior year accumulated impairment losses in respect to the property held at 50-52 McCrae Street, Dandenong Vic

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.

REVIEW OF OPERATION

The consolidated net operating loss before income tax for the year was \$816,000 (2013: \$8,645,000 profit). The consolidated net loss for the year after income tax was \$662,000 (2013: \$6,080,000 profit). The change of \$9,461,000 (before tax) for the year was mainly due to the following:

- The prior year profit includes net fair value gain of \$13,308,000 (before tax), recognised on reclassification of property at 303 Collins Street, Melbourne as an investment property. There were no further fair value gain or loss recognised for this property during the year.
- The net fair value gain on reclassification of property of \$13,308,000 recognised in prior year was partially offset by a loss of \$3,861,000 (before tax) resulting from the fair value accounting of interest swap held by the company. For the year ended June 2014, the fair value accounting of the interest swap held at the reporting date resulted in an additional loss of \$303,000.
- The current year loss also includes a net asset impairment loss of \$1,815,000 (before tax) (June 2013: Nil). The asset impairment relates to the carrying value of Rocklea Homemaker Centre in Bendigo ("Rocklea Homemaker Centre"), recognised to reflect its current market valuation.
- In addition, the current year losses were offset by partial recoupment of prior year accumulated impairment losses in respect to the property held at 50-52 McCrae Street, Dandenong Vic. An independent valuer assessed the current market value of this property at \$8,900,000, which represented an excess of \$1,550,000 over its carrying value of \$7,350,000. Consequently, after making an appropriate allowance for selling expenses, a gain of \$1,372,000 was recognised for the year.

After deducting the loss attributable to minority interests, the loss attributable to members after tax was \$660,000 (2013: \$6,081,000 profit).

Total consolidated revenue for the year was \$12,877,000 (2013: \$11,999,000), excluding fair value gain on revaluation of the investment property of \$13,308,000). The consolidated entity:

- earned rental income totalling \$9,459,000 (2013: \$9,034,000) from its rental properties, which included rental of \$ 7,978,000 (2013: \$7,671,000) inclusive of recovery of outgoings from the 30-storey commercial office building at 303 Collins Street in the Melbourne central business district;
- 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 \$3,000,000 (2013: \$2,800,000).

The increase in rental revenue was mainly on account of significant improved property occupancy rate at the Rocklea Homemaker Centre from 41% at the beginning of the financial year to 81.5% as at June 2014. This increase was partially offset by a reduction in overall property occupancy rate at 303 Collins Street from 76% at the beginning of the financial year to 68% as at June 2014. Management is currently working on various strategies to improve the occupancy rate of the rental properties.

Profit (before tax but after borrowing costs) from rental activities increased to \$1,991,000 (2013: \$1,404,000) mainly due to improved occupancy rate at Rocklea Homemaker Centre and a reduction in the borrowing costs for the year.

REVIEW OF OPERATION (Continued)

The hotel's profitability before tax has improved significantly to \$638,000 (2013: \$350,001 profit) due to increase in occupancy rate from 60% as at June 2013 to 63% as at June 2014 and an increase in revenue from other related activities such as café and hire of function rooms, and achieving operational cost savings.

During the year the rural property ("Wyndham Vale land") owned by Daleston Pty Ltd (ABN 31 111 517 885), a wholly-owned subsidiary company of Phileo Australia Limited, continued to be leased for cattle grazing. This entity recorded loss after tax for the year of \$810,000 (2013: \$590,000 loss), arising mainly from land holding costs including land tax and council rates.

During the year, the entity continued to hold the vacant industrial land at Northcorp Industrial Park, Broadmeadows in Victoria ("Broadmeadows land"). The property is owned by Shuttlecrest Pty Ltd (ABN 46 114 765 696), a 75% owned subsidiary company of Phileo Australia. Other than holding this property, this entity did not trade during the year.

During the year, 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. Various development options are being considered for this property.

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

During the year the entity's result per share after tax was \$0.02 loss (2013: \$0.21 profit).

FINANCIAL OVERVIEW

At 30 June 2014 the consolidated entity's property portfolio had a carrying value of \$127,935,000 (2013: \$126,922,000). The carrying values of these properties were consistent with directors' valuation based on the latest available independent market valuations and other available financial data.

In assessing any asset impairment, if any, the carrying value is written down to the estimated net realisable value (inclusive of estimated selling costs) for the property concerned.

The entity obtained a further loan facility with a limit of \$8,000,000 to fund its future development projects and working capital requirements. The new loan is secured against the property-Rocklea Homemaker Centre. The total loan facility of the entity as at 30 June 2014 was \$53,000,000 (2013: \$45,000,000)

As at balance date the entity total bank borrowings amounted to \$48,500,000 (2013:\$45,000,000). Of the total borrowings, loan of \$45,000,000 was used to partially fund the acquisition of 303 Collins Street property, and is secured against that property. The balance of the loan amount of \$3,500,000 was drawn, from the further loan facility, to fund working capital requirements. The entities' other properties are unencumbered at 30th June 2014.

As at balance date, the entity had approximately \$1,801,000 (2013: \$1,447,000) in cash, cash management accounts and term deposits at bank, and \$36,387,000 (2013: \$53,112,000) 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 2014, the economic entity's net tangible asset backing per share was \$2.64 (2013: \$2.68).

DIVIDENDS PAID OR RECOMMENDED

The directors have declared a fully franked \$0.02 per ordinary share final dividend for this financial year. The dividend was declared after 30 June 2014 and has not been provided for in the accounts as at 30 June 2014. (2013: final dividend of \$0.02 fully franked declared after the year end. This dividend was paid in October 2013).

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 2014 that have not already been disclosed in this report.

FUTURE DEVELOPMENTS AND TRENDS

The main income stream will continue to be from rental of the Collins Street property and the Rocklea Homemaker Centre.

Management, in consultation with reputed leasing agents, is actively looking for new tenants to lease the vacancies of the Collins Street property & vacancies of Stage 1 in the Rocklea Homemaker Centre. In addition, Management is considering developing stage 2 of the Centre on securing Agreement for Lease from new tenants for some of the additional space.

The improved profitability of the Ramada Encore Hotel operation was mainly from an improved occupancy rate from 60 to 63%. This trend of improved occupancy rate is expected to continue for future years.

The Wyndham Vale land is within Victoria's urban growth corridor with significant upside potential in a future development. Subject to approval from the relevant authorities, the Wyndham Vale land of 360 Hectares is likely to yield approximately 4,500 to 5,000 lots of about 300 to 600 sqm each. The Metropolitan Planning Authority (MPA) is preparing the precinct structure plan (PSP 42N) for exhibition during this year.

The development of the Box hill site will proceed when we finalise some outstanding matters with Environmental Protection Authority (EPA).

The Broadmeadows land has been put on the market for sale.

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
26 August 2014

Annual General Meeting

Place

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

Date

Thursday, 27 November 2014

Time

12.00 noon

Approximate date the Annual Report will be
available

Monday, 27 October 2014

Phileo Australia Limited and Controlled Entities
Preliminary Final Report
Consolidated Statement of Comprehensive Income for the
Year Ended 30 June 2014

	Consolidated Group	
	12 months ended 30/06/2014 \$'000	12 months ended 30/06/2013 \$'000
Revenue from sales or services		
Sale of properties	-	-
Rental income from properties	9,459	9,034
Hotel operation	3,000	2,800
Fair value gain on revaluation of investment property	-	13,308
Farming activity	-	-
Interest revenue	32	112
Other	386	53
Total revenue	12,877	25,307
Less: Expenses		
Borrowing expenses	-3,376	-3,547
Net change in value of Interest swap	-303	-3,861
Administrative expenses	-1,609	-1,595
Impairment of inventories	-444	-
Other Expenses from Ordinary Activities		
. Direct rental costs	-3,687	-3,608
. Hotel	-2,362	-2,449
. Farming	-	-
. Development activity	-1,507	-1,127
. Other	-405	-475
	-7,961	-7,659
Profit before income tax	-816	8,645
Income tax expense	154	-2,565
Profit from continuing operations	-662	6,080
(Loss)/profit from discontinued operations	-	-
Profit for the period	-662	6,080
Other comprehensive income	-	-
Total comprehensive income for the period	-662	6,080
Profit attributable to:		
Members of the parent entity	-660	6,081
Non-controlling interest	-2	-1
	-662	6,080
Total comprehensive income attributable to:		
Members of the parent entity	-660	6,081
Non-controlling interest	-2	-1
	-662	6,080

Phileo Australia Limited and Controlled Entities
Preliminary Final Report
Consolidated Statement of Financial Position
As at 30 June 2014

	Consolidated Group	
	30/06/2014	30/06/2013
	\$'000	\$'000
CURRENT ASSETS		
Cash and cash equivalents	1,801	1,447
Trade and other receivables	114	80
Other assets	935	1,036
	<u>2,850</u>	<u>2,563</u>
NON-CURRENT ASSETS		
Inventories	53,675	53,112
Investment properties	74,260	73,810
Plant and equipment	976	1,071
Deferred tax assets	7,339	6,324
Other assets	2,345	784
	<u>138,595</u>	<u>135,101</u>
TOTAL ASSETS	<u>141,445</u>	<u>137,664</u>
CURRENT LIABILITIES		
Financial liabilities	-	-
Trade and other creditors	1,659	1,535
Dividends payable	-	-
Income tax payable	129	129
Provisions	232	198
	<u>2,020</u>	<u>1,862</u>
NON-CURRENT LIABILITIES		
Financial liabilities	48,500	45,000
Derivatives	4,163	3,861
Trade and other creditors	282	95
Deferred tax liabilities	9,840	8,979
Loan from minority shareholder	236	233
Provisions	30	19
	<u>63,051</u>	<u>58,187</u>
TOTAL LIABILITIES	<u>65,071</u>	<u>60,049</u>
NET ASSETS	<u>76,374</u>	<u>77,615</u>
EQUITY		
Issued capital	19,911	19,911
Reserves	13	13
Retained earnings:		
- Parent entity interest	56,468	57,707
- Minority interest	-18	-16
	<u>56,450</u>	<u>57,691</u>
TOTAL EQUITY	<u>76,374</u>	<u>77,615</u>

Phileo Australia Limited and Controlled Entities
Preliminary Final Report
Consolidated Statement of Changes in Equity for the
Year Ended 30 June 2014

	Issued Capital Ordinary \$'000	Other Reserves \$'000	Retained Earnings \$'000	Non- controlling Interests \$'000	Total \$'000
Balance at 1 July 2012	19,911	13	52,205	-15	72,114
Adjustment for minority interest	-	-	-	-	-
Profit for the period	-	-	6,081	-1	6,080
Total other comprehensive income for the period	-	-	-	-	-
Subtotal	19,911	13	58,286	-16	78,194
Dividends paid or provided for	-	-	-579	-	-579
Balance at 30 June 2013	19,911	13	57,707	-16	77,615
Balance at 1 July 2013	19,911	13	57,707	-16	77,615
Profit for the period	-	-	-660	-2	-662
Total other comprehensive income for the period	-	-	-	-	-
Subtotal	19,911	13	57,047	-18	76,953
Dividends paid or provided for	-	-	-579	-	-579
Balance at 30 June 2014	19,911	13	56,468	-18	76,374

Phileo Australia Limited and Controlled Entities
Preliminary Final Report
Consolidated Statement of Cash Flows for the
Year Ended 30 June 2014

	Consolidated Group	
	12 months ended 30/06/2014 \$'000	12 months ended 30/06/2013 \$'000
CASHFLOW FROM OPERATING ACTIVITIES		
Proceeds from sale of property	-	-
Receipts from ordinary activities	11,250	12,641
Payment for purchase of properties	-	-
Payment to suppliers & employees	-8,981	-9,149
Payment for property development	-1,007	-857
Income tax paid	-	-
<i>Net Cash produced (used) in Ordinary Activities</i>	<u>1,262</u>	<u>2,635</u>
CASHFLOW FROM INVESTING ACTIVITIES		
Payment for development of investment property	-450	-313
Payment for purchase of plant & equipment	-38	-32
<i>Cashflow from Investing Activities</i>	<u>-488</u>	<u>-345</u>
CASHFLOW FROM FINANCING ACTIVITIES		
Interest received	32	112
Interest paid	-3,376	-3,546
Dividend paid	-579	-579
Proceeds from borrowing	3,503	3
Repayment of borrowings	-	-
<i>Cashflow from Financing Activities</i>	<u>-420</u>	<u>-4,010</u>
 Net increase (decrease) in cash	 354	 -1,720
Cash at beginning of period	1,447	3,167
Cash at end of period	<u>1,801</u>	<u>1,447</u>

Phileo Australia Limited and Controlled Entities
Preliminary Final Report
Operating Segments
Year Ended 30 June 2014

(i) Segment performance

	Rental \$'000	Hotel \$'000	Develop- ment \$'000	Farming \$'000	Other \$'000	Total \$'000
12 months ended 30 June 2014						
Revenue						
External sales	9,459	3,000	-	-	386	12,845
Inter-segment sales	695	-	-	-	-	695
Interest revenue	-	-	-	-	32	32
Total segment revenue	10,154	3,000	-	-	418	13,572
<i>Reconciliation of segment revenue to group revenue</i>						
Inter-segment elimination	-695	-	-	-	-	-695
Total group revenue	9,459	3,000	-	-	418	12,877
Segment net profit before tax						
<i>Reconciliation of segment result to group net profit/(loss) before tax</i>						
Segment net profit before tax	1,991	638	-1,507	-	-1,938	-816
Net profit before tax from continuing operations						-816
12 months ended 30 June 2013						
Revenue						
External sales	9,034	2,800	-	-	13,361	25,195
Inter-segment sales	627	-	-	-	-	627
Interest revenue	-	-	-	-	112	112
Total segment revenue	9,661	2,80	-	-	13,473	25,934
<i>Reconciliation of segment revenue to group revenue</i>						
Inter-segment elimination	-627	-	-	-	-	-627
Total group revenue	9,034	2,800	-	-	13,473	25,307
Segment net profit before tax						
<i>Reconciliation of segment result to group net profit/(loss) before tax</i>						
Segment net profit before tax	1,404	351	-1,127	-	8,017	8,645
Net profit before tax from continuing operations						8,645

Phileo Australia Limited and Controlled Entities
Preliminary Final Report
Operating Segments
Year Ended 30 June 2014

(ii) Segment assets

	Rental \$'000	Hotel \$'000	Develop- ment \$'000	Farming \$'000	Other \$'000	Total \$'000
As at 30 June 2014						
Segment assets	91,548	8,722	27,665	-	13,510	141,445
Total group assets from continuing operations						<u>141,445</u>

As at 30 June 2013						
Segment assets	92,235	7,350	27,337	-	10,742	137,664
Total group assets from continuing operations						<u>137,664</u>

(iii) Segment liabilities

	Rental \$'000	Hotel \$'000	Develop- ment \$'000	Farming \$'000	Other \$'000	Total \$'000
As at 30 June 2014						
Segment liabilities	48,500	484	-	-	16,087	65,071
Total group liabilities from continuing operations						<u>65,071</u>

As at 30 June 2013						
Segment liabilities	45,000	544	-	-	14,505	60,049
Total group liabilities from continuing operations						<u>60,049</u>