
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 2014

This report should be read in conjunction with the
2014 Annual Report for the financial year ended
30 June 2014.

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 2014

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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 2014

Results for announcement to the market

(All comparisons to half-year ended 31 December 2013 unless stated otherwise)

\$AUD'000

All comparisons to half year ended 31 December 2013 unless stated otherwise
 \$'000 000

Revenues from ordinary activities	Up	18%	To	7,416
Loss from ordinary activities after tax	Down	41%	To	(580)
Net Loss for the period attributable to members	Down	39%	To	(598)
Net tangible asset backing per ordinary security	\$2.60 (30/06/2014: \$2.64)			
Entities over which control was gained or lost during the period	None (30/06/2014: None)			

Dividends (distributions)	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>		
Previous corresponding period <i>(Preliminary final report; half yearly report)</i>	Nil¢	Nil¢

Record date for determining entitlements to the dividend	N/A
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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:

Revenue includes:

- rental income of \$4,846,000 (2013: \$4,821,000) mainly from the commercial office property at 303 Collins Street, Melbourne CBD;
- revenue from the Hotel operations of \$1,606,000 (2013: \$1,462,000).
- revenue of \$964,000 from the sale of a development site at Broadmeadows.

The consolidated net operating loss before income tax for the year was \$828,000 (2013: \$1,397,000 loss). The decrease in loss by \$569,000 (before tax) for the period was mainly due to the following:

- The prior period loss includes a net asset impairment loss of \$1,620,000 to the carrying value of Rocklea Homemaker Centre in Bendigo (“Rocklea Homemaker Centre”), recognised to reflect its market valuation. None of the assets were further impaired during the period.

Appendix 4D: Half Yearly Report (continued)

Phileo Australia Ltd and Controlled Entities

Period ended 31 December 2014

- The current period loss was reduced by higher profitability compared to the prior period from rental and hotel operations:
 - I. The rental activities contributed profit before tax of \$1,170,000 (2013: \$933,000 profit). The increase in profitability was mainly on account of achieving cost savings and once off make good settlement income from an outgoing tenant during the period.
 - II. The hotel operations contributed \$448,000 to profits (before rent paid to parent entity) for the period (2013: \$362,000 profit). The improved profitability was due to increase in the room occupancy rate and increase in revenue from related activities such as café and hire of function rooms.
- The current period loss was also reduced by the profit before tax of \$107,000 from the sale of a development site at Broadmeadows.
- The above increases in the current period gain were offset by recognition of an additional loss of \$1,198,000 (2013: gain of \$364,000) resulting from the fair value accounting of interest swap held by the company at the reporting date.

The consolidated net loss for the year after income tax was \$580,000 (2013: \$978,000 loss). After minority interests, the loss attributable to members after tax was \$598,000 (2013: \$977,000).

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 2 cents per share totalling \$578,400, for 30 June 2014, was paid in October 2014.

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 2014.

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 OPERATION

The consolidated entity's total revenue for the period was \$7,485,000 (2013: \$6,717,000). The revenue for the period includes:

- rental income of \$4,846,000 (2013: \$4,821,000), which includes rental inclusive of recovery of outgoings from the following rental properties:
 - 303 Collins Street in the Melbourne central business district (30-storey commercial office building): rental income of \$3,873,000 (2013: 4,113,000)
 - Rocklea Homemaker Centre in Bendigo: rental income of \$972,000 (2013:\$708,000);
- revenue from the 108-room Ramada Encore business class hotel owned by wholly owned subsidiary Sequoia Management Pty Ltd (ABN 62 108 168 243). The hotel operation is operated from the property owned by the parent entity at McCrae Street, Dandenong earning revenue of \$1,606,000 (2013: \$1,462,000); and
- revenue of \$964,000 from the sale of a development site at Broadmeadows.

The consolidated net operating loss before income tax for the year was \$828,000 (2013: \$1,397,000 loss). The decrease in loss by \$569,000 (before tax) for the period was mainly due to the following:

- The prior period loss includes a net asset impairment loss of \$1,620,000 to the carrying value of Rocklea Homemaker Centre, recognised to reflect its market valuation. None of the assets were further impaired during the period.
- The current period loss was reduced by higher profitability compared to the prior period from rental and hotel operations:
 - I. The rental activities contributed profit before tax of \$1,170,000 (2013: \$933,000 profit). The increase in profitability was mainly on account of achieving cost savings and once off make good settlement income from an outgoing tenant during the period.
 - II. The hotel operations contributed \$448,000 to profits (before rent paid to parent entity) for the period (2013: \$362,000 profit). The improved profitability was due to increase in room occupancy rate and increase in revenue from related activities such as café and hire of function rooms.
- The current period loss was also reduced from profit before tax of \$107,000 from the sale of a development site at Broadmeadows.
- The above increases in the current period gain were offset by recognition of additional loss of \$1,198,000 (2013: gain of \$364,000) resulting from the fair value accounting of interest swap held by the company at the reporting date.

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

The consolidated net loss for the year after income tax was \$580,000 (2013: \$978,000 loss). After minority interests, the loss attributable to members after tax was \$598,000 (2013: \$977,000).

During the period, the company commenced construction of Stage 2 of the Rocklea Homemaker Centre. On completion, the total retail space area of the Centre will increase from 12,619 sqm to 18,380 sqm. The construction of stage 2 was commenced after securing leasing interests from 3 big national retailers who will occupy 62% of the available retail space of Stage 2. Completion of construction is expected in April/May 2015. The cost of construction is estimated at \$4,750,000. The cost incurred up to 31 December 2014 amounted to \$864,000.

At 31 December 2014 the consolidated entity's property portfolio had a carrying value of \$128,749,000 (30 June 2014: \$127,935,000).

The consolidated entity continued to hold the development land at Black Forest Road, Wyndham Vale and Federation Street, Box Hill for future development. The development land held at Northcorp Blvd, Broadmeadows was sold during the year for \$964,000.

As at 31 December 2014, the consolidated entity's net tangible asset backing was \$2.60 (30 June 2014: \$2.64).

Earnings per share during for the period was a loss of 2.01 cents (2013: 3.38 cents loss).

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 5 for the half year ended 31 December 2014.

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


.....
Rudy Eng Wah Koh
Managing Director
Melbourne
Dated: 25 February 2015

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

I declare that, to the best of my knowledge and belief, during the half year ended 31 December 2014, 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.

Nexia

NEXIA MELBOURNE
ABN 16 847 721 257



ANDREW JOHNSON
Partner
Audit & Assurance Services

Melbourne

25 February 2015

Nexia Melbourne

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PHILEO AUSTRALIA LIMITED AND CONTROLLED ENTITIES
INTERIM FINANCIAL REPORT
Consolidated Statement of Comprehensive Income for the
Half Year Ended 31 December 2014

	Consolidated Group 6 months ended 31-12-14 \$'000	6 months ended 31-12-13 \$'000
Revenue from sales or services		
Sale of development property	964	-
Rental income from properties	4,846	4,821
Hotel operation	1,606	1,462
Other	-	-
Total revenue from operations	7,416	6,283
Other Income:		
Interest revenue	18	12
Other	51	58
Gain on fair value adjustment of financial instrument	-	364
Gain on fair value adjustment of investment properties	-	-
Total Income	7,485	6,717
Less: Expenses		
Cost of development property	-857	-
Borrowing expenses	-1,757	-1,673
Loss on fair value adjustment of financial instrument	-1,198	-
Administrative expenses	-775	-800
Net loss on impairment of inventories	-	-1,620
Other Expenses from Ordinary Activities		
. Direct rental costs	-1,631	-1,956
. Hotel operating expenses	-1,157	-1,101
. Development activity	-651	-706
. Other	-287	-258
	-3,726	-4,021
Loss before income tax	-828	-1,397
Income tax benefit	248	419
Loss from continuing operations	-580	-978
(Loss)/profit from discontinued operations	-	-
Loss for the period	-580	-978
Other comprehensive loss	-	-
Total comprehensive loss for the period	-580	-978
Loss attributable to:		
Members of the parent entity	-598	-977
Non-controlling interest	18	-1
	-580	-978
Total comprehensive loss attributable to:		
Members of the parent entity	-598	-977
Non-controlling interest	18	-1
	-580	-978
Earnings per share		
From continuing and discontinued operations:		
Basic earnings per share (cents)	-2.01	-3.38
Diluted earnings per share (cents)	-2.01	-3.38
From continuing operations:		
Basic earnings per share (cents)	-2.01	-3.38
Diluted earnings per share (cents)	-2.01	-3.38

PHILEO AUSTRALIA LIMITED AND CONTROLLED ENTITIES
INTERIM FINANCIAL REPORT
Consolidated Statement of Financial Position
Half Year Ended 31 December 2014

	Consolidated Group	
	31-12-14	30-06-14
	\$'000	\$'000
CURRENT ASSETS		
Cash and cash equivalents	1,013	1,801
Trade and other receivables	426	114
Inventories	-	-
Other assets	1,983	935
	<u>3,422</u>	<u>2,850</u>
NON-CURRENT ASSETS		
Inventories	53,879	53,675
Investment properties	74,870	74,260
Plant and equipment	934	976
Deferred tax assets	7,916	7,339
Other assets	2,513	2,345
	<u>140,112</u>	<u>138,595</u>
TOTAL ASSETS	<u>143,534</u>	<u>141,445</u>
CURRENT LIABILITIES		
Financial liabilities	45,000	-
Trade and other creditors	2,299	1,659
Dividends payable	-	-
Income tax payable	129	129
Provisions	269	232
	<u>47,697</u>	<u>2,020</u>
NON-CURRENT LIABILITIES		
Financial liabilities	4,500	48,500
Interest swap	5,361	4,163
Trade and other creditors	319	282
Deferred tax liabilities	10,169	9,840
Loan from minority shareholder	236	236
Provisions	37	30
	<u>20,622</u>	<u>63,051</u>
TOTAL LIABILITIES	<u>68,319</u>	<u>65,071</u>
NET ASSETS	<u>75,215</u>	<u>76,374</u>
EQUITY		
Issued capital	19,911	19,911
Reserves	13	13
Retained earnings:		
- Parent entity interest	55,291	56,468
- Minority interest	-	-18
	55,291	56,450
TOTAL EQUITY	<u>75,215</u>	<u>76,374</u>

PHILEO AUSTRALIA LIMITED AND CONTROLLED ENTITIES
INTERIM FINANCIAL REPORT
Consolidated Statement of Changes in Equity for the
Half Year Ended 31 December 2014

	Issued Capital Ordinary \$'000	Other Reserves \$'000	Retained Earnings \$'000	Non- controlling Interests \$'000	Total \$'000
Balance at 1 July 2013					
Profit attributable to members of the parent entity	19,911	13	57,707	-16	77,615
Loss for the period	-	-	-660	-2	-662
Total other comprehensive income/(loss) 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
Balance at 1 July 2014					
Profit attributable to members of the parent entity	19,911	13	56,468	-18	76,374
Loss for the period	-	-	-598	18	-580
Total other comprehensive income/(loss) for the period	-	-	-	-	-
Subtotal	19,911	13	55,870	-	75,794
Dividends paid or provided for	-	-	-579	-	-579
Balance at 31 December 2014	19,911	13	55,291	-	75,215

PHILEO AUSTRALIA LIMITED AND CONTROLLED ENTITIES
INTERIM FINANCIAL REPORT
Consolidated Statement of Cash Flows for the
Half Year Ended 31 December 2014

	Consolidated Group 6 months ended 31-12-14 \$'000	6 months ended 31-12-13 \$'000
CASHFLOW FROM OPERATING ACTIVITIES		
Proceeds from sale of property	-	-
Receipts from ordinary activities	6,023	6,253
Payment for purchase of properties	-	-
Payment to suppliers & employees	-4,656	-5,870
Payment for property development	-205	-128
Income tax paid	-	-
<i>Net Cash produced (used) in Ordinary Activities</i>	1,162	255
CASHFLOW FROM INVESTING ACTIVITIES		
Payment for purchase of plant & equipment	-23	-11
Payment for improvement to investment properties	-609	-
<i>Cashflow from Investing Activities</i>	-632	-11
CASHFLOW FROM FINANCING ACTIVITIES		
Interest paid	-1,757	-1,670
Interest received	18	12
Dividend paid	-579	-579
Proceeds from borrowing	1,000	2,000
Repayment of borrowings	-	-
<i>Cashflow from Financing Activities</i>	-1,318	-237
Net increase (decrease) in cash	-788	7
Cash at beginning of period	1,801	1,447
Cash at end of period	1,013	1,454

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

NOTE 1: BASIS OF PREPARATION

These general purpose financial statements for the interim half-year reporting period ended 31 December 2014 ("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 2014, 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

A fully franked final dividend of 2 cents per share totaling to \$578,400 was paid in October 2014 in respect of the 12 months ended 30 June 2014.

NOTE 3: BUSINESS COMBINATIONS

There were no acquisitions or disposals, or changes to any business combinations during the period (30 June 2014: None).

PHILEO AUSTRALIA LIMITED AND CONTROLLED ENTITIES
INTERIM FINANCIAL REPORT

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

NOTE 4: 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.

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.

PHILEO AUSTRALIA LIMITED AND CONTROLLED ENTITIES
INTERIM FINANCIAL REPORT

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

NOTE 4: OPERATING SEGMENTS (continued)

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 2013: Same).

(v) Assets by geographical region

All segment assets were located within Australia (30 June 2014: Same).

(vi) Major tenants

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

NOTE 5: CONTINGENT LIABILITIES

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

NOTE 6: EVENTS SUBSEQUENT TO REPORTING DATE

There have not been any significant events subsequent to the reporting date.

NOTE 7: 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 \$44,275,000 at 31 December 2014.

At 31 December 2014, the existing commercial bank facility of \$45m was classified as a current liability, as it is due for renewal on 30 September 2015 (being period less than 12 months at the reporting date). This classification has resulted in the deficiency in working capital at 31 December 2014. This facility is secured against company's investment property at 303 Collins Street Melbourne.

Subsequent to the reporting date, Management of the company have initiated discussion with the bank for renewal of the above facility. Considering the market value of the security offered and the company's ability to meet the financial covenant obligations specified by the bank, management is confident that the facility will be renewed before 30 September 2015 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.

PHILEO AUSTRALIA LIMITED AND CONTROLLED ENTITIES
INTERIM FINANCIAL REPORT
Operating Segments
Half Year Ended 31 December 2014

(i) Segment performance

	Rental \$'000	Hotel \$'000	Develop- ment \$'000	Other \$'000	Total \$'000
6 months ended 31 December 2014					
Revenue					
External sales	4,846	1,606	964	51	7,467
Inter-segment sales	363	-	-	-	363
Interest revenue	-	-	-	18	18
Total segment revenue	5,209	1,606	964	69	7,848

*Reconciliation of segment revenue
to group revenue*

Inter-segment elimination	-363	-	-	-	-363
Total group revenue	4,846	1,606	964	69	7,485

Segment net profit/(loss) before tax

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

Segment net profit/(loss) before tax	1,170	448	-543	-1,904	-828
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Net loss before tax from
continuing operations

-828

Six months ended 31 December 2013

Revenue					
External sales	4,821	1,462	-	422	6,705
Inter-segment sales	334	-	-	-	334
Interest revenue	-	-	-	12	12
Total segment revenue	5,155	1,462	-	434	7,051

*Reconciliation of segment revenue
to group revenue*

Inter-segment elimination	-334	-	-	-	-334
Total group revenue	4,821	1,462	-	434	6,717

Segment net profit/(loss) before tax

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

Segment net profit/(loss) before tax	933	362	-781	-1,911	-1,397
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Net loss before tax from
continuing operations

-1,397

PHILEO AUSTRALIA LIMITED AND CONTROLLED ENTITIES
INTERIM FINANCIAL REPORT
Operating Segments
Half Year Ended 31 December 2014

(ii) Segment assets

	Rental \$'000	Hotel \$'000	Develop- ment \$'000	Other \$'000	Total \$'000
As at 31 December 2014					
Segment assets	93,021	8,722	27,006	14,785	143,534
Total group assets from continuing operations					<u>143,534</u>
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>

(iii) Segment liabilities

	Rental \$'000	Hotel \$'000	Develop- ment \$'000	Other \$'000	Total \$'000
As at 31 December 2014					
Segment liabilities	49,500	452	-	18,367	68,319
Total group liabilities from continuing operations					<u>68,319</u>
As at 30 June 2014					
Segment liabilities	48,500	484	-	16,087	65,071
Total group liabilities from continuing operations					<u>65,071</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 2014 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: 25 February 2015

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Phileo Australia and its controlled entities (the company), which comprises the condensed statement of financial position as at 31 December 2014, the condensed income statement, 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 2014 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.

Nexia Melbourne

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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 2014 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*.

Nexia

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25 February 2015