

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 2015
("the year")

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Comparison is to previous corresponding year ended **30 June 2014** ("the previous year").
Unless stated otherwise, all amounts are shown to the nearest \$'000.

Revenue from ordinary activities	up by 6% to \$13,692,000 (2014: \$12,877,000)
Results from ordinary activities after tax	up by 2609% to \$16,611,000 profit (2014: \$662,000 loss)
Net profit attributable to members	up by 2614% to \$16,594,000 profit (2014: \$660,000 loss)
Earnings per share after tax	\$0.57 profit (2014: \$0.02 loss)
Net tangible asset per share	\$3.19 (2014: \$2.64)
Dividend distribution	The directors have declared and paid a fully franked \$0.02 per ordinary share final dividend for the financial (2014: \$0.02 final dividend fully franked). The dividend was declared after 30 June 2015 and has not been recorded in the accounts as at 30 June 2015.
Ex-dividend date	Friday, 4 September 2015
Record date for determining entitlement to the dividend	Monday, 7 September 2015
Approximate date of payment of dividend	Monday, 26 October 2015

The profit of \$16,611,000 after tax for the year was mainly due to:

- A fair value gain of \$19,918,000 (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;
- Gain of \$4,959,000 (before tax) which was recognised on partial recoupment of prior year accumulated impairment losses in respect to the property held at Rocklea Homemaker Centre in Bendigo

The above gain was reduced by a loss of \$741,000 (before tax) recognised on fair value accounting of the interest swap.

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.

During the year, the entity sold the industrial vacant land, 1-5 Northcorp Bvd, Broadmeadows, Vic, which was held by its 75% owned subsidiary – Shuttlecrest Pty Ltd.

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 profit before income tax for the year was \$23,742,000 (2014: \$816,000 loss). The consolidated net profit for the year after income tax was \$16,611,000 (2014: \$662,000 loss). The change in profit before tax of \$24,558,000 from 2014 was mainly due to the following:

- The current year profit includes a fair value gain of \$19,918,000 (before tax) 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 \$95,000,000 over its carrying value of \$75,082,000;
- The current year profit also includes a gain on partial recoupment of prior year accumulated impairment losses of \$4,959,000 (before tax) (2014: \$1,815,000 loss) in respect to the property held at Rocklea Homemaker Centre in Bendigo ("Rocklea Homemaker Centre"). An independent valuer assessed the current market value of this property at \$27,480,000, which represented an excess of \$5,312,000 over its carrying value of \$22,168,000. Consequently, after making an appropriate allowance for selling expenses, a gain of \$4,959,000 was recognised for the year.
- The above net fair value gains were partially offset by a loss of \$741,000 (before tax) (2014: \$303,000 loss) resulting from the fair value accounting of interest swap held by the company.

After deducting the profit attributable to minority interests, the profit attributable to members after tax was \$16,594,000 (2014: \$660,000 loss).

Total consolidated revenue for the year was \$13,692,000 (2014: \$12,877,000), excluding fair value gain on revaluation of the investment property of \$19,918,000, and recoupment of prior year impairment loss of \$4,959,000 in respect to the Rocklea Homemaker Centre. During the year, the consolidated entity:

- earned rental income totalling \$9,416,000 (2014: \$9,459,000) from its rental properties, which included rental of \$7,529,000 (2014: \$7,978,000) 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 \$3,215,000 (2014: \$3,000,000).

During the year, the entity successfully completed the development of Stage 2 of the Rocklea Homemaker Centre at cost of \$4,977,000. The Stage 2 development resulted in approximately 5785m² of additional leasing area. The increase in revenue from the occupancy of around 76% of the completed Rocklea Homemaker Centre was partially offset by a reduction in overall property occupancy rate at 303 Collins Street from 68% at the beginning of the financial year to 67% as at June 2015. 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 also decreased to \$1,843,000 (2014: \$1,991,000) mainly due to overall reduction in rental income and increase in the borrowing costs for the year.

REVIEW OF OPERATION (Continued)

The hotel's profitability before tax has improved to \$781,000 (2014: \$638,000 profit) due to increase in occupancy rate from 63% as at June 2014 to 69% as at June 2015.

The Metropolitan Planning Authority (MPA) has on or about 6th July 2015 begun the exhibition of Amendment C170 to the Wyndham Planning Scheme and Concurrent Planning Permit Application WYP7849/14 for public inspection. This exhibition relates to the land at Black Forest Road, Wyndham Vale (The Land) which is held by Daleston Pty Ltd (ABN 31 111 517 885), a wholly-owned subsidiary of Phileo Australia Limited. The land is currently leased for cattle grazing activities. This entity recorded loss after tax for the year of \$769,000 (2014: \$810,000 loss), arising mainly from land holding costs including land tax and council rates.

During the year, the company sold the vacant industrial land at Northcorp Industrial Park, Broadmeadows in Victoria ("Broadmeadows land") for \$964,000 which resulted in overall profit before tax of \$100,000. The property was owned by Shuttlecrest Pty Ltd (ABN 46 114 765 696), a 75% owned subsidiary company of Phileo Australia. Subsequent to the sale of the land, Shuttlecrest Pty Ltd discontinued its operation.

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 \$0.57 profit (2014: \$0.02 loss).

FINANCIAL OVERVIEW

At 30 June 2015 the consolidated entity's property portfolio had a carrying value of \$157,918,000 (2014: \$127,935,000). The carrying values of these properties were consistent with directors' valuation based on the latest available independent market valuations and/or 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 increased its \$8,000,000 loan facility (obtained in 2014) to \$10,500,000 to fund its future investment projects and working capital requirements. This facility is secured against the property-Rocklea Homemaker Centre. The total loan facility of the entity as at 30 June 2015 was \$55,500,000 (2014: \$53,000,000)

As at balance date the entity total bank borrowings amounted to \$53,500,000 (2014:\$48,500,000). 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 \$8,500,000, which is secured against the Rocklea Homemaker Centre, was drawn to fund the development of Stage 2 of the Rocklea Homemaker Centre and group working capital requirements. The entities' other properties are unencumbered at 30th June 2015.

As at balance date, the entity had approximately \$993,000 (2014: \$1,801,000) in cash and at bank, and \$35,792,000 (2014: \$36,387,000) 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 2015, the economic entity's net tangible asset backing per share was \$3.19 (2014: \$2.64).

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 2015 and has not been provided for in the accounts as at 30 June 2015. (2014: final dividend of \$0.02 fully franked declared after the year end. This dividend was paid in October 2014).

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 2015 that have not already been disclosed in this report.

FUTURE DEVELOPMENTS AND TRENDS

The main income stream will continue to be from rental of 303 Collins Street, Melbourne and the Rocklea Homemaker Centre.

Management, in consultation with reputed leasing agents, is actively looking for new tenants to lease the vacancies of 303 Collins Street, Melbourne & vacancies in the Rocklea Homemaker Centre.

The improved profitability of the Ramada Encore Hotel operation was mainly from an improved occupancy rate. This improved occupancy rate is expected to be maintained for future years.

The Wyndham Vale land is within Victoria's urban growth corridor with significant upside potential in a future development. As reported earlier, the MPA has begun the exhibition of Amendment C170 to the Wyndham Planning Scheme and Concurrent Planning Permit Application WYP7849/14 for public inspection. 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 development of the Box hill site will proceed when we finalise some outstanding matters with Environmental Protection Authority (EPA) and subject to approval by the relevant authorities.

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

Annual General Meeting

Place	Phileo Australia Limited's registered office at Level14, 303 Collins Street, Melbourne
Date	Thursday, 26 November 2015
Time	12.00 noon
Approximate date the Annual Report will be available	Monday, 26 October 2015

Phileo Australia Limited and Controlled Entities
Preliminary Final Report
Consolidated Statement of Comprehensive Income for the
Year Ended 30 June 2015

	Consolidated Group	
	12 months ended 30/06/2015 \$'000	12 months ended 30/06/2014 \$'000
Revenue from sales or services		
Sale of properties	964	-
Rental income from properties	9,416	9,459
Hotel operation	3,215	3,000
Total revenue	13,595	12,459
Other Income:		
Fair value gain on revaluation of investment property	19,918	-
Gain on recoupment of impairment of inventories	4,959	-
Interest revenue	26	32
Other income	71	386
Total other income	24,974	418
Total Revenue and Other Income	38,569	12,877
Less: Expenses		
Cost of development property	-855	-
Borrowing expenses	-3,566	-3,376
Net change in value of Interest swap	-741	-303
Administrative expenses	-1,709	-1,609
Impairment of inventories	-	-444
Other Expenses from Ordinary Activities		
. Direct rental costs	-3,486	-3,687
. Hotel	-2,434	-2,362
. Development activity	-1,515	-1,507
. Other	-521	-405
	-7,956	-7,961
Profit/(Loss) before income tax	23,742	-816
Income tax (expense)/benefit	-7,131	154
Profit/(Loss) from continuing operations	16,611	-662
(Loss)/profit from discontinued operations	-	-
Profit/(Loss) for the period	16,611	-662
Other comprehensive income	-	-
Total comprehensive income/(loss) for the period	16,611	-662
Profit/(Loss) attributable to:		
Members of the parent entity	16,594	-660
Non-controlling interest	17	-2
	16,611	-662
Total comprehensive income/(loss) attributable to:		
Members of the parent entity	16,594	-660
Non-controlling interest	17	-2
	16,611	-662

Phileo Australia Limited and Controlled Entities
Preliminary Final Report
Consolidated Statement of Financial Position
As at 30 June 2015

	Consolidated Group	
	30/06/2015	30/06/2014
	\$'000	\$'000
CURRENT ASSETS		
Cash and cash equivalents	993	1,801
Trade and other receivables	20	114
Other assets	589	935
	<u>1,602</u>	<u>2,850</u>
NON-CURRENT ASSETS		
Inventories	62,918	53,675
Investment properties	95,000	74,260
Plant and equipment	869	976
Deferred tax assets	6,974	7,339
Other assets	2,741	2,345
	<u>168,502</u>	<u>138,595</u>
TOTAL ASSETS	<u>170,104</u>	<u>141,445</u>
CURRENT LIABILITIES		
Financial liabilities	-	-
Trade and other creditors	1,915	1,659
Dividends payable	-	-
Income tax payable	129	129
Provisions	273	232
	<u>2,317</u>	<u>2,020</u>
NON-CURRENT LIABILITIES		
Financial liabilities	53,500	48,500
Derivatives	4,904	4,163
Trade and other creditors	323	282
Deferred tax liabilities	16,606	9,840
Loan from minority shareholder	8	236
Provisions	40	30
	<u>75,381</u>	<u>63,051</u>
TOTAL LIABILITIES	<u>77,698</u>	<u>65,071</u>
NET ASSETS	<u>92,406</u>	<u>76,374</u>
EQUITY		
Issued capital	19,911	19,911
Reserves	13	13
Retained earnings:		
- Parent entity interest	72,483	56,468
- Minority interest	-1	-18
	<u>72,482</u>	<u>56,450</u>
TOTAL EQUITY	<u>92,406</u>	<u>76,374</u>

Phileo Australia Limited and Controlled Entities
Preliminary Final Report
Consolidated Statement of Changes in Equity for the
Year Ended 30 June 2015

	Issued Capital Ordinary \$'000	Other Reserves \$'000	Retained Earnings \$'000	Non- controlling Interests \$'000	Total \$'000
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
Balance at 1 July 2014	19,911	13	56,468	-18	76,374
Profit for the period	-	-	16,594	17	16,611
Total other comprehensive income for the period	-	-	-	-	-
Subtotal	19,911	13	73,062	-1	92,985
Dividends paid or provided for	-	-	-579	-	-579
Balance at 30 June 2015	19,911	13	72,483	-1	92,406

Phileo Australia Limited and Controlled Entities
Preliminary Final Report
Consolidated Statement of Cash Flows for the
Year Ended 30 June 2015

	Consolidated Group	
	12 months	12 months
	ended	ended
	30/06/2015	30/06/2014
	\$'000	\$'000
CASHFLOW FROM OPERATING ACTIVITIES		
Proceeds from sale of property	1,060	-
Receipts from ordinary activities	12,304	11,250
Payment for purchase of properties	-	-
Payment to suppliers & employees	-8,866	-8,981
Payment for property development	-5,112	-1,007
Income tax paid	-	-
<i>Net Cash produced (used) in Ordinary Activities</i>	<u>-614</u>	<u>1,262</u>
CASHFLOW FROM INVESTING ACTIVITIES		
Payment for development of investment property	-821	-450
Payment for purchase of plant & equipment	-26	-38
<i>Cashflow from Investing Activities</i>	<u>-847</u>	<u>-488</u>
CASHFLOW FROM FINANCING ACTIVITIES		
Interest received	26	32
Interest paid	-3,566	-3,376
Dividend paid	-579	-579
Proceeds from borrowing	5,000	3,503
Repayment of borrowings	-228	-
<i>Cashflow from Financing Activities</i>	<u>653</u>	<u>-420</u>
 Net increase (decrease) in cash	 -808	 354
Cash at beginning of period	1,801	1,447
Cash at end of period	<u>993</u>	<u>1,801</u>

Operating Segments
Year Ended 30 June 2015

(i) Segment performance

	Rental \$'000	Hotel \$'000	Develop- ment \$'000	Other \$'000	Total \$'000
12 months ended 30 June 2015					
Revenue					
External sales	9,416	3,215	964	24,948	38,543
Inter-segment sales	711	-	-	-	711
Interest revenue	-	-	-	26	26
Total segment revenue	10,127	3,215	964	24,974	39,280
<i>Reconciliation of segment revenue to group revenue</i>					
Inter-segment elimination	-711	-	-	-	-711
Total group revenue	9,416	3,215	964	24,974	38,569
Segment net profit before tax					
<i>Reconciliation of segment result to group net profit/(loss) before tax</i>					
Segment net profit before tax	1,843	781	-1,406	22,524	23,742
Net profit before tax from continuing operations					<u>23,742</u>
12 months ended 30 June 2014					
Revenue					
External sales	9,459	3,000	-	386	12,845
Inter-segment sales	695	-	-	-	6,995
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					<u>-816</u>

Operating Segments
Year Ended 30 June 2015

(ii) Segment assets

	Rental \$'000	Hotel \$'000	Develop- ment \$'000	Other \$'000	Total \$'000
As at 30 June 2015					
Segment assets	122,126	8,722	27,070	12,186	170,104
Total group assets from continuing operations					<u>170,104</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 30 June 2015					
Segment liabilities	55,618	343	-	21,737	77,698
Total group liabilities from continuing operations					<u>77,698</u>

As at 30 June 2014					
Segment liabilities	50,486	484	-	14,101	65,071
Total group liabilities from continuing operations					<u>65,071</u>