

# 2015

## ANNUAL REPORT

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# Chairman's Address



I again welcome this opportunity to provide additional commentary on the activities of Phileo Australia Limited that is complementary to the business and statutory information that is addressed in this Annual Report.

Our principal investment holding is the thirty storey commercial office building known as 303 Collins Street Melbourne located on the south west corner with Elizabeth Street, by any measure a prime City location. We are actively marketing the vacant space in the building with our appointed leasing agents to attract new businesses and corporate tenancies. The vacancy factor is similar to other comparable CBD office buildings in Melbourne although we are achieving a high lease renewal rate with existing tenancies as they fall due.

The strength in the Bendigo regional residential market enabled the completion of the Stage 2 development of the Rocklea Homemaker Centre requiring an investment of \$4.977 million to add another 5,785 square meters of lettable space. We were able to obtain lease tenancies from established national retailers including Far Pavilions, Baby Bunting and Pillow Talk and through our leasing agents we are actively seeking additional compatible tenants. With the higher occupancy rate and the resultant valuation increase we were able to partially recoup

impairment losses to the value of \$4.959 million (before tax) on the previous year's valuation and the recent independent valuation of this property stands at \$27,480,000.

Our Ramada Encore Business Hotel in McCrae Street Dandenong continues to receive good support from local corporates and inbound tour groups with our overall year on year occupancy rate increasing from 63% to 69% with an increase in profit (before rental) from \$638,000 to \$781,000. We anticipate the occupancy rate to be maintained into the future.

By an announcement to the ASX on 8 July last we advised that the Metropolitan Planning Authority had begun an exhibition of an Amendment C170 to the Wyndham Planning Scheme together with a Concurrent Planning Application being placed

for public comments as part of a process that subsequently closed on 10 August. This includes the major broad acre land holding in Black Forest Road Wyndham Vale held by our wholly owned subsidiary Daleston Pty Ltd that is now within the urban growth boundary. This is obviously significant progress towards the future residential development of this land in Melbourne's buoyant north western residential quadrant where with an area of 360 hectares and subject to approvals there is potential to yield 4,500 to 5,000 lots ranging in size from between 300 to 600 square metres each.

We are working with the Metropolitan Planning Authority to finalise the rezoning and planning application for the sign-off by the Minister for Planning of the Victorian Government. I anticipate that your Directors during the coming year will



review a range of options with the potentials including the sale of the land, formation of a joint venture to develop, or a planned company owned development.

Our Mont Albert Rise rezoned vacant land in Box Hill, with the earlier plan of a proposed 79 unit residential townhouse development, is in the process of being reviewed for a larger scale and more innovative development.

Market values for both development sites and residential properties in the surrounding suburbs continue to rise strongly.

As previously advised the vacant industrial land at 1-5 Northcorp Boulevard in Broadmeadows held by our 75% owned subsidiary Shuttlecrest Pty Ltd was sold and realised an overall profit before tax of \$100,000.

Shareholders will have already received the final fully franked dividend of \$0.02 cents per share the same rate as the previous financial year.

Phileo Australia Limited continues to be supported by an experienced and competent management team that conducts the day by day operations of our business.

On behalf of my fellow Directors, it would be remiss of me not to acknowledge the contribution that our small management team makes to our continued property investment success and I thank them for their efforts accordingly.



**Graham Homes**

Chairman

14 September 2015



# Project Update







## 303 Collins Street, Melbourne

We continue to upgrade and refurbish our 30-storey building. All the lift cars have been refurbished. Plans are underway to refurbish the ground lobby.

## Black Forest road, Wyndham Vale

Our land measuring approximately 360 hectares comprises the majority of the Black Forest North Precinct Structure Plan area (PSP 42.1). To facilitate the development of the land in stages, we have lodged a planning permit application under section 96A of the Planning and Environment Act for a staged subdivision of the north-eastern section of the land of about 55 hectares. The PSP 42.1 was exhibited in early July 2015 and ended in August 2015. Upon resolving some issues with the relevant stakeholders and after receiving the sign off by the Minister of Planning, Victoria, the subject land will be ready for development in stages. The first stage will consist of about 673 residential lots of varying lot sizes. It will include a future school, wetlands and a range of sports fields and local parks for the community.

## Rocklea Homemaker Centre, Bendigo

We have completed construction of Stage Two of the Rocklea Homemakers' Centre adding 5,700 square metre of retail space to the existing 12,900 square metre of retail space. We have added many new National Name Tenants to the centre including Baby Bunting, Pillow Talk, Far Pavilions, Pets Domain and Adairs. These new Tenants together with the existing National Name Tenants like Fantastic Furniture, Focus On Furniture, Lincraft, Howards Storage World, Boating Camping Fishing (BCF), Early Settlers and Anytime Fitness have expanded the tenancy mix and retail choices, making the centre a vibrant retail destination.





# Corporate Governance Statement





Unless disclosed below, all the best practice recommendations of The ASX Corporate Governance Council have been applied for the entire financial year ended 30 June 2015.

## Board Composition

The skills, experience and expertise relevant to the position of each director who is in office at the date of the annual report and their term of office are detailed in the directors' report.

The names of the independent directors of the company are Graham Homes (Chairman) and Andrew Chooi Seng Hang.

When determining whether a non-executive director is independent the director must not fail any of the following materiality thresholds:

- less than 10% of company shares are held by the director and any entity or individual directly or indirectly associated with the director;
- no sales are made to or purchases made from any entity or individual directly or indirectly associated with the director; and
- none of the directors' income or the income from an individual or entity directly or indirectly associated with the director is derived from a contract with any member or the economic entity other than the income derived as a director of the entity.

The company does not have a formal nomination committee as it is a small cap company. It will do so when it expands.

## Ethical Standards

The Board acknowledges and emphasizes the importance of all directors and employees maintaining the highest standards of corporate governance practice and ethical conduct.

The Board has adopted a Code of Conduct requiring directors and employees to

- act honestly and in good faith;
- exercise due care and diligence in fulfilling the functions of office;
- avoid conflicts and make full disclosure of any possible conflict of interest;
- comply with the law;
- encourage the reporting and investigating of unlawful and unethical behaviour; and
- comply with the share trading policy outlined in the Code of Conduct.

Directors are obliged to be independent in judgment and ensure all reasonable steps are taken to ensure due care is taken by the Board in making sound decisions.

## Diversity Policy

Diversity includes, but is not limited to, gender, age, ethnicity and cultural background. The company recognises the benefits arising from employee and board diversity and the importance of benefiting from all available talent. Although the Board does not presently have a formalised policy on diversity, the company has employees of different gender, age, ethnicity and cultural background.

## Trading Policy

The company's policy regarding directors and employees trading in its securities is set by the Board. The policy restricts directors and employees from acting on material information until it has been released to the market and adequate time has been given for this to be reflected in the security's prices

## Audit Committee

All non-executive directors are the members of the Audit Committee. Michael Loke, is the chair for the Audit Committee meetings.

## Performance Evaluation

Due to the small size of the company, there is no formal board performance review structure as yet. However, the executive members of the Board work closely together and with management and other key staff and are therefore able to assess and encourage improved performance where applicable. Outside consultants are used where necessary to complement Board and management expertise in enhancing company performance.

## Board Roles and Responsibilities

Functions reserved to the Board and those delegated to management are formalized and structured. The main role of the board include:

- reviewing management's preceding month's operating and financial results including cash flows, projections and comparison with budgets, reviewing property reports, assessing proposed new projects and tenancies, major expenditures, reviewing funding requirements and financing options, and formulating action plans to achieve desired results;
- the formal approval and adoption of annual, half-yearly and monthly financial reports prepared by management;
- the establishment of the medium and long term goals of the company and strategic plans to achieve those goals;
- the review and adoption of management's annual operating budgets and cash flow budget for the financial performance of the company;



- monitoring the property market trend and opportunities, the competitive environment, business and financial risk factors, and developing action plans in anticipation or in response as may be required;
- assessing and providing oversight over management performance and operations; and
- ensuring that the company has implemented adequate policies, operating and back up/ recovery procedures, systems of internal and financial controls and risk management, financial reporting systems of integrity, and appropriate monitoring of compliance activities.

## Shareholder Rights

Any routine queries from shareholders are dealt with by the Company Secretary or referred to the company's share registry Boardroom Pty Limited. Any significant issues raised by members or of a non-routine nature where appropriate are brought to the board's attention for discussion and action as deemed necessary. Shareholders' correspondence and reasonable requests by shareholders are dealt with to the members' satisfaction as soon as possible by the Company Secretary or else referred to the share registry where appropriate.

The company's external auditor is invited to the company's Annual General Meeting and is available to reply to shareholders' questions.

## Stakeholders

The company's main stakeholders are employees, suppliers, contractors, customers, community, investors, and regulators. Although there is currently no formal code of conduct to guide compliance with legal and other obligations to such stakeholders, the Board is aware of its responsibilities. This includes ensuring employee entitlements are paid up to date, suppliers and contractors are paid within allowed credit terms, tenants and customers receive adequate support, developments are completed in line with investor, community and environmental expectations, and regulatory guidelines and legal requirements are complied with.

## Risk Management

In view of the small size of the company, the company does not yet have a formal risk management committee. Recognising and managing material risk is therefore the responsibility of the collective board. The board acknowledges that risk management is not about eliminating all risks but is about identifying and responding to risks in a way that creates value for the company and its shareholders.

Risk assessment continues to be considered at regular board meetings using property and financial reports presented and tabled at board meetings. Areas of risks discussed by management and the board include financial risk (cash flow and liquidity, solvency, gearing, satisfying banking covenants including interest cover/ loan-valuation ratios), business risks (ability of the company to remain competitive, trade profitably and remaining viable), and regulatory risks (ensuring that the company meets all applicable legal requirements, including corporate law, local government, planning legislations, EPA and Heritage Victoria as unique to the business). The board is confident that it has received all relevant information from management and is assured of the effectiveness of the company's management of its material business risks.

## Remuneration Committee and Remuneration Policies

Graham Homes and Rudy Koh are the members of the Remuneration Committee. This committee reviews the remuneration packages of all directors and executive officers on an annual basis. Remuneration packages are reviewed with due regard to performance and other relevant factors. Non-executive directors' remuneration is based on a structured scale as determined by the Remuneration Committee.



# Directors' Report



Your directors present their report, together with the financial statements of the Group, being the company and its controlled entities, for the financial year ended 30 June 2015 ("financial year").

Where applicable, figures presented in the Directors' Report are rounded to the nearest thousand in accordance with class order 98/100.

## Principal Activities and Significant Changes in Nature of Activities

The principal activities of the consolidated group during the financial year were property development, the earning of rental income and hotel operation.

There were no significant changes in the nature of these activities during the year.

The industrial vacant land, 1-5 Northcorp Boulevard, Broadmeadows, Victoria, which was held by its 75% owned subsidiary, Shuttlecrest Pty Ltd, was sold 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.

## Operating Results

The consolidated net operating profit before income tax for the year was \$23,742,000 (2014: \$815,000 loss). The consolidated net profit for the year after income tax was \$16,611,000 (2014: \$661,000 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; and
- 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).

## Review of Operations

All figures exclude GST unless otherwise stated. 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 year.

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 group:

- 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, Melbourne; and
- 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 by the group at McCrae Street, Dandenong. The hotel operation contributed revenue of \$3,215,000 (2014: \$3,000,000).

During the year, the group 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 5785m<sup>2</sup> of additional lettable 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, Melbourne from 68% at the beginning of the financial year to 67% as at June 2015. Management continues to work 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: \$1,994,000) mainly due to overall reduction in rental income and increase in the borrowing costs for the year.

The hotel's profitability before tax has improved to \$781,000 (2014: \$638,000 profit) due to the increase in the 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 group sold the vacant industrial land at Northcorp Industrial Park, Broadmeadows in Victoria 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 Limited. Subsequent to the sale of the land, Shuttlecrest Pty Ltd discontinued its operation.

During the year, the group 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 continuous to be 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 group's result per share after tax was \$0.57 profit (2014: \$0.02 loss).

## Financial Position

At 30 June 2015, the consolidated group'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 group 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 group as at 30 June 2015 was \$55,500,000 (2014: \$53,000,000).

As at balance date the group 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, Melbourne, 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 group's other properties are unencumbered at 30 June 2015.

As at balance date, the group 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 group's net tangible asset backing per share was \$3.19 (2014: \$2.64).

## Significant Changes in State of Affairs

During the financial year there was no significant change in the state of affairs of the consolidated group other than that referred to in the financial statements or notes thereto.

## 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.

A fully franked final dividend of 2 cents per ordinary share for the financial year ended 30 June 2014 was declared after 30 June 2014. This final dividend was paid in October 2014.

## Significant After Balance Date Events

As at the date of signing 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, Prospects and Business Strategies

The main income stream will continue to be rental from 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 and 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 is subject to approval by the relevant authorities.

## Environmental Issues

The company operates under the Environment Protection Act 1970 in respect of the proposed development site at Federation Street, Box Hill where reclamation and rehabilitation activities were conducted in accordance with EPA closure plans, and the proposed development is to comply with environmental guidelines and regulations.

As a property developer, the company operates within applicable Council regulations, planning guidelines and State laws with regards to its developments.

## Information on the Directors

The names and particulars of the directors of the company during or since the end of the financial year are:

### Graham Homes

Chairman, Non-Executive and Independent Director. A Fellow of the Real Estate Institute of Australia and Fellow of the Australian Property Institute. Aged 69. Joined the Board in December 1995 in a non-executive independent capacity. Member of the Remuneration and the Audit Committee. Graham has over 40 years of professional involvement in real estate agency, property portfolio management and consultancy in Melbourne. He established his own property consultancy, Homes Property Consultants, in 1991 that he sold in 2000. He is currently engaged as an independent property consultant.

### Rudy Eng Wah Koh

Managing Director and Chief Executive Officer. Former practising barrister and solicitor in Malaysia. Aged 56. Joined the Board in December 1995. Member of the Remuneration Committee. Formerly the Managing Director of a property development company and director of a bank, both listed publicly on the Kuala Lumpur Stock Exchange. Rudy has an extensive legal and commercial background, and significant experience in the property market and banking sectors.

### Alfred Sung

Executive Director. Registered Architect and was formerly a director of a Melbourne architecture firm. Aged 70. Joined the Board in September 1997. Alfred has over 30 years of professional experience as an architect on a wide variety of building types. He has extensive experience in the establishment and management of development projects with particular skills in building and property procurement.

### Michael Tan Chung Loke

Non-Executive Director. Chairman of the Audit Committee. A former barrister and solicitor in Malaysia. Aged 56. Joined the Board in March 1999. Michael was formerly a partner of a legal practice in Malaysia and has significant experience in property development with both private and public listed companies in Malaysia.

### Andrew Chooi Seng Hang

Non-Executive and Independent Director. Qualified engineer. Member of the Audit Committee. Property developer in Melbourne and Malaysia with over 20 years experience. Aged 62. Andrew joined the Board in July 2000.

The above named directors held office during and since the end of the financial year.

## Company Secretary

The Company Secretary and Group Financial Controller is Tejas Gandhi. Tejas is a member of Chartered Accountants Australia and New Zealand and has over 20 years experience in profession, audit, regulatory and corporate accounting, and financial management.



## Directors' Shareholdings

The relevant interests of each director in the ordinary shares of the company as at the date of this report are summarised below. These shareholdings include those held through director related entities. Where shareholdings are held through related entities common to more than one director, the shareholdings are listed under all directors involved.

DIRECTOR	FULLY PAID ORDINARY SHARES	PERCENTAGE HELD
Rudy Koh (Managing Director/CEO)	10,348,814	35.78%
Michael Loke (Non-Executive Director)	3,345,500	11.57%
Andrew Hang (Non-Executive Director and Independent Director)	2,590,196	8.95%
Alfred Sung (Executive Director)	1,896,849	6.56%
Graham Homes (Chairman, Non-Executive and Independent Director)	59,116	0.20%

The board collectively held 18,240,475 shares or 63.06% of the company's fully paid ordinary shares each entitled to one vote.

None of the directors held directorships in any other Australian public listed companies during the financial year.

## Meetings of Directors

The following table sets out the number of formal board of directors meetings held during the financial year and the number of board meetings attended by each director (while they were a director). During the financial year, 10 board meetings were held.

DIRECTOR	BOARD MEETINGS	
	HELD	ATTENDED
Graham Homes (Chairman, Non-Executive and Independent Director)	10	10
Rudy Koh (Managing Director/CEO)	10	10
Alfred Sung (Executive Director)	10	8
Andrew Hang (Non-Executive and Independent Director)	10	7
Michael Loke (Non-Executive Director)	10	4

## Meeting of the Audit Committee

Audit Committee meetings held during the year:

DIRECTOR	BOARD MEETINGS	
	HELD	ATTENDED
Michael Loke (Chairman)	2	2
Graham Homes	2	2
Andrew Hang	2	1

## Indemnifying Officers or Auditor

During the financial year the company paid a premium in respect of a contract insuring the directors of the company (as named in this report), the company secretary and all executive officers of the company against any liabilities incurred as such by a director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The company has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of the company or any related body corporate against any claims or liabilities incurred as such by an officer or auditor.

## Options

As at the date of this report, there were no share options or other options outstanding (2014: Nil).

## Proceedings on Behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year.

## Non-audit Services

The board of directors is satisfied that the provision of any non-audit services during the financial year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Board is satisfied that the services disclosed below did not compromise the external auditor's independences for the following reasons:

- all non-audit services are reviewed by the board prior to commencement to ensure that they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence as set out in The Institute of Chartered Accountants in Australia and CPA Australia's Professional Statement FI: Professional Independence.

There were no fees for non-audit services paid or payable to the external auditor during the financial year ended 30 June 2015.

## Auditor's Independence Declaration

The lead auditor's independence declaration for the financial year ended 30 June 2015 has been received and can be found on page 19 of the Annual Report.

## Remuneration Report (Audited)

### Remuneration Committee

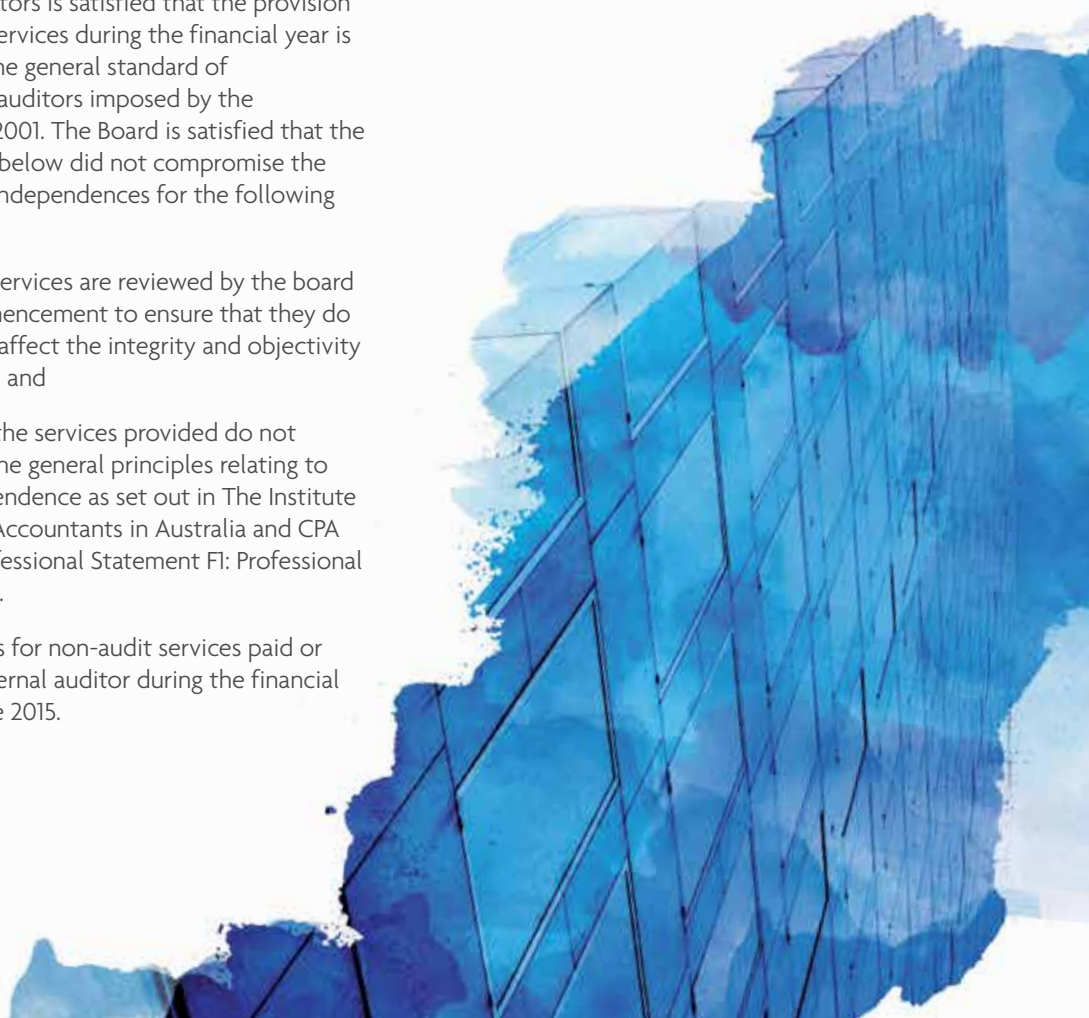
Graham Homes and Rudy Koh form the Remuneration Committee. This committee reviews the remuneration packages of all directors and executive officers on an annual basis. Remuneration packages are reviewed with due regard to performance and other relevant factors. Non-executive directors' remuneration is based on a structured scale as determined by the Remuneration Committee.

In order to retain and attract executives of sufficient calibre to facilitate the efficient and effective management of the company's operations, the remuneration committee would consider industry practice in connection with the structure of remuneration packages and may seek the advice of an external independent consultant.

### Remuneration Policy

The Remuneration Committee has fixed remuneration packages for board members to include the following key elements:

- a) Salary and/or fees; and
- b) Benefits, including statutory and salary-sacrificed superannuation and fringe benefits that comprises the directors' remuneration package.





## Table of Benefits and Payments for the Year Ended 30 June 2015.

The following table discloses the remuneration of the Board of Directors of the company and the highest remunerated executives of the company including executive directors:

NAME	OFFICE	SALARY & FEES \$	BENEFITS, INCL. SUPERANNUATION \$	TOTAL \$
Rudy Koh	Managing Director/CEO	404,663	46,998	451,661
Alfred Sung	Executive Director	362,059	73,460	435,519
Graham Homes	Chairman, Non-Executive and Independent Director	36,000	—	36,000
Andrew Hang	Non-Executive and Independent Director	24,000	5,185	29,185
Michael Loke	Non-Executive Director	24,000	2,280	26,280
Total		850,722	127,923	978,645

There were no other persons who were, during the financial year, members of key management personnel of the consolidated group, other than the members of the Board of Directors.

### Performance-based Remuneration

No part of executive remuneration paid above was as the result of meeting company quantified performance targets or budgets.

### Cash Bonuses, Performance-related Benefits and Share-based Payments

There were no share issue schemes, share option arrangements or retirement benefits or termination arrangements, bonuses, profit-sharing, allowances, bonus, commission or incentive payments, loans or advances to directors made during the financial year, whether performance-related or not. There were no benefits of a non-monetary nature received by the directors not otherwise disclosed in this report.

End of Remuneration Report (Audited).

The Directors' Report, incorporating the Remuneration Report, is signed in accordance with a resolution of the Board of Directors.



**Rudy Koh**  
Managing Director

Melbourne  
14 September 2015





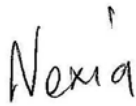
# Auditor's Independent Declaration



**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 year ended 30 June 2015, 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 MELBOURNE**  
ABN 16 847 721 257



**ANDREW JOHNSON**  
**Partner**  
**Audit & Assurance Services**

Melbourne

14 September 2015

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

### **Report on the Financial Report**

We have audited the accompanying financial report of Phileo Australia Limited and Controlled Entities (the group), which comprises the consolidated statement of financial position as at 30 June 2015, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

#### *Directors' Responsibility for the Financial Report*

The directors of the group are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements that the financial statements comply with International Financial Reporting Standards (IFRS).

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the group's preparation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Independence*

In conducting our audit, 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 Phileo Australia Limited and Controlled Entities, would be in the same terms if provided to the directors as at the date of this auditor's report.

#### **Nexia Melbourne**

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*Auditor's Opinion*

In our opinion:

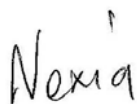
- a. the financial report of Phileo Australia Limited and Controlled Entities is in accordance with the *Corporations Act 2001*, including:
  - i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
  - ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

**Report on the Remuneration Report**

We have audited the remuneration report included in pages 16 to 17 of the directors' report for the year ended 30 June 2015. The directors of the group are responsible for the preparation and presentation of the remuneration report in accordance with s 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

*Auditor's Opinion*

In our opinion the remuneration report of Phileo Australia Limited and Controlled Entities for the year ended 30 June 2015 complies with s 300A of the *Corporations Act 2001*.



**NEXIA MELBOURNE**  
ABN 16 847 721 257



**ANDREW JOHNSON**  
**Partner**  
**Audit & Assurance Services**

Melbourne

14 September 2015



# Directors' Declaration



The Directors declare that:

1. The financial statements and notes, as set out on pages 24 to 60, are in accordance with the Corporations Act 2001 and:
  - a) comply with Accounting Standards which, as stated in accounting policy Note 1 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and
  - b) give a true and fair view of the financial position as at 30 June 2015 and of the performance for the year ended on that date of the company and the consolidated group.
2. The Chief Executive Officer and Chief Finance Officer have each declared that:
  - a) the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
  - b) the financial statements and notes for the financial year comply with the Accounting Standards; and
  - c) the financial statements and notes for the financial year give a true and fair view.
3. 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 Koh**  
Managing Director

Melbourne  
14 September 2015



# Consolidated Income Statement

	<b>NOTE</b>	<b>CONSOLIDATED GROUP</b>	
		<b>2015 \$</b>	<b>2014 \$</b>
<b>Revenue and other income</b>	4	38,569,085	12,877,341
Rental property expenses		(3,900,095)	(3,984,721)
Hotel operating expenses		(1,566,463)	(1,514,937)
Development property expenses		(2,369,957)	(1,507,124)
Employee benefits expense		(2,053,820)	(1,939,470)
Depreciation and amortisation expense	18	(133,635)	(131,724)
Finance costs		(3,566,094)	(3,375,699)
Inventory write down	15	—	(443,681)
Net change in value of Interest swap	16	(741,064)	(302,594)
Other expenses		(496,309)	(492,499)
<b>Profit (Loss) before income tax</b>	5	23,741,648	(815,108)
Income tax benefit (expense)	6	(7,131,160)	153,675
<b>Profit (Loss) from continuing operations</b>		16,610,488	(661,433)
<b>Profit (Loss) for the year</b>	5	16,610,488	(661,433)
Profit (Loss) attributable to:			
Members of the parent entity		16,593,609	(659,856)
Non-controlling interest		16,879	(1,577)
		16,610,488	(661,433)
<b>Earnings per share</b>			
From continuing and discontinued operations:			
Basic profit (loss) in cents per share	11	57	(2)
Diluted profit (loss) in cents per share	11	57	(2)
From continuing operations:			
Basic profit (loss) in cents per share	11	57	(2)
Diluted profit (loss) in cents per share	11	57	(2)



# Consolidated Statement of Other Comprehensive Income

	<u>NOTE</u>	<u>CONSOLIDATED GROUP</u>	
		2015 \$	2014 \$
<b>Profit (Loss) for the year</b>		16,610,488	(661,433)
Add (Less) Comprehensive income/ (expense) for the year		—	—
<b>Total comprehensive profit (loss) income for the year</b>		<u>16,610,488</u>	<u>(661,433)</u>
Total comprehensive profit (loss) attributable to:			
Members of the parent entity		16,593,609	(659,856)
Non-controlling interest		<u>16,879</u>	<u>(1,577)</u>
		<u>16,610,488</u>	<u>(661,433)</u>

# Consolidated Statement of Financial Position

	<b>NOTE</b>	<b>CONSOLIDATED GROUP</b>	
		<b>2015 \$</b>	<b>2014 \$</b>
<b>CURRENT ASSETS</b>			
Cash	12	992,789	1,800,761
Receivables	13	20,277	114,404
Inventory	15	—	—
Other	19	588,523	934,577
<b>TOTAL CURRENT ASSETS</b>		<b>1,601,589</b>	<b>2,849,742</b>
<b>NON-CURRENT ASSETS</b>			
Inventory	15	62,917,559	53,674,704
Investment Property	17	95,000,000	74,260,497
Plant and equipment	18	870,071	977,574
Deferred tax asset	6	6,973,578	7,339,035
Other	19	2,741,011	2,345,370
<b>TOTAL NON-CURRENT ASSETS</b>		<b>168,502,219</b>	<b>138,597,180</b>
<b>TOTAL ASSETS</b>		<b>170,103,808</b>	<b>141,446,922</b>
<b>CURRENT LIABILITIES</b>			
Payables	20	1,914,661	1,659,109
Current tax payable		129,216	129,216
Dividend payable	10	—	—
Provisions	22	272,876	232,266
<b>TOTAL CURRENT LIABILITIES</b>		<b>2,316,753</b>	<b>2,020,591</b>
<b>NON-CURRENT LIABILITIES</b>			
Interest bearing liabilities	21	53,500,000	48,500,000
Derivatives	16	4,904,475	4,163,409
Deferred tax liability	6	16,605,717	9,840,014
Loans from minority shareholder	29	7,520	235,967
Other creditors	20	322,795	282,407
Provisions	22	40,118	30,052
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>75,380,625</b>	<b>63,051,849</b>
<b>TOTAL LIABILITIES</b>		<b>77,697,378</b>	<b>65,072,440</b>
<b>NET ASSETS</b>		<b>92,406,430</b>	<b>76,374,482</b>
<b>EQUITY</b>			
Issued capital	23	19,910,650	19,910,650
Reserves	28	13,539	13,539
Retained earnings	28	72,483,734	56,468,665
Minority interest		(1,493)	(18,372)
<b>TOTAL EQUITY</b>		<b>92,406,430</b>	<b>76,374,482</b>



# Consolidated Statement of Changes in Equity

	NOTE	ISSUED CAPITAL \$	OTHER RESERVES \$	RETAINED EARNINGS \$	MINORITY INTERESTS \$	TOTAL \$
<b>Balance at 1 July 2013</b>		19,910,650	13,539	57,707,061	(16,795)	77,614,455
Profit/(Loss) for the year		—	—	(659,856)	(1,577)	(661,433)
<b>Subtotal</b>		19,910,650	13,539	57,047,205	(18,372)	76,953,022
Dividends paid or provided for	10	—	—	(578,540)	—	(578,540)
<b>Balance at 30 June 2014</b>	23,28	19,910,650	13,539	56,468,665	(18,372)	76,374,482
<b>Balance at 1 July 2014</b>		19,910,650	13,539	56,468,665	(18,372)	76,374,482
Profit/(Loss) for the year		—	—	16,593,609	16,879	16,610,488
<b>Subtotal</b>		19,910,650	13,539	73,062,274	(1,493)	92,984,970
Dividends paid or provided for	10	—	—	(578,540)	—	(578,540)
<b>Balance at 30 June 2015</b>	23,28	19,910,650	13,539	72,483,734	(1,493)	92,406,430

# Consolidated Statement of Cash Flows

	<b>NOTE</b>	<b>CONSOLIDATED GROUP</b>	
		<b>2015 \$</b>	<b>2014 \$</b>
<b>CASHFLOW FROM OPERATING ACTIVITIES</b>			
Receipts from ordinary activities		13,364,592	11,223,523
Payment to suppliers & employees		(8,865,529)	(8,954,176)
Payment for property development		(5,112,604)	(1,006,611)
Net Cash produced/(used) in Operating Activities	25	(613,541)	1,262,736
<b>CASHFLOW FROM INVESTING ACTIVITIES</b>			
Payment for investment property development		(821,450)	(450,756)
Payment for purchase of plant & equipment		(26,132)	(38,305)
Cash flow from/(used) in Investing Activities		(847,582)	(489,061)
<b>CASHFLOW FROM FINANCING ACTIVITIES</b>			
Interest paid		(3,566,094)	(3,375,699)
Interest received		26,232	32,249
Loan received (net)		4,771,553	3,502,500
Dividend paid		(578,540)	(578,540)
Cash flow from/(used) in Financing Activities		653,151	(419,490)
<b>Net increase (decrease) in cash</b>		(807,972)	354,185
<b>Cash at beginning of the year</b>		1,800,761	1,446,576
<b>Cash at end of the year</b>	12	992,789	1,800,761



# Notes to the Financial Statement



For the financial year ended 30 June 2015.

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## 1. Statement of Significant Accounting Policies

This financial report includes the consolidated financial statements and notes of Phileo Australia Limited and controlled entities ('Consolidated Group' or 'Group'), and the separate financial statements and notes of Phileo Australia Limited as an individual parent entity ('Parent Entity') where applicable.

### Basis of Preparation

The financial report are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the Corporations Act 2001.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

### a) Principles of Consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of all of the subsidiaries controlled by Phileo Australia Limited at the end of the reporting period. Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of controlled entities is contained in Note 14 to the financial statements.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as "non-controlling interests". The Group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary's net assets on liquidation at either fair value or at the non-controlling interests' proportionate share of the subsidiary's net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of comprehensive income.

### b) Plant and Equipment

#### Plant and Equipment

Plant and equipment are measured on the cost basis. The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount. The recoverable amount is assessed on the basis of expected net cash flows that will be received from the assets employment and subsequent disposal.

At present the group does not hold any property that meets the definition of Plant and Equipment, as all property currently meets the definition of inventory or investment property, refer to Note 1 (c) & 1 (d).

#### Depreciation

Depreciation is provided on plant and equipment but excluding land and development properties which are inventories. Depreciation is calculated on a reducing balance basis so as to write off the net cost of each asset over its expected useful life.

Assets are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using either the reducing balance method or the prime cost method as appropriate.

For the financial year ended 30 June 2015.

The following estimated useful lives are used in the calculation of depreciation:

Leasehold improvements	Over the term of the lease
Plant and equipment	2 – 15 years
Office equipment, furniture and fittings	2 – 15 years
Plant and machinery under finance lease	3 – 15 years
Office equipment, furniture and fittings under finance lease	2 – 15 years

### c) Inventories

After initial recognition, inventories are measured at the lower of cost and net realisable value.

Inventories comprise the property assets of the consolidated group which includes the cost of each property, borrowing costs to the extent allowable under AASB, and development costs incurred in getting each property to its present location and condition.

### d) Investment Properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the period in which they arise. Fair values are evaluated annually either by an accredited external, independent valuer, applying a valuation model recommended by the International Valuation Standards Committee or by director's valuation. The director's valuation takes into consideration, among other things, rental income from current leases and reasonable assumptions that represent what knowledgeable, willing parties would assume about rental income from future leases in the light of current conditions. The director's valuation also considers any cash outflows (including rental payments and other outflows) that could be expected in respect of the property.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the income statement in the period of derecognition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to investment property that will be carried at fair value, any difference between the fair value of the property at that date and its previous carrying amount shall be recognized in profit or loss.

### e) Profit and Revenue Recognition

#### Rental Revenue

Rental revenue comprises rent received and receivable, and recoverable outgoings charged to tenants in accordance with the lease agreements. Rental revenue is recognised on a straight line basis across the life of the lease in accordance with AASB 117: Accounting for Leases.

#### Revenue and Profit Recognition on Sale of Inventories (Properties)

Revenue and profits from sale of inventory are recognised in the period in which contract of sale conditions are fulfilled. Anticipated future losses are taken to the profit and loss statement as soon as identified by writing down inventory to net realisable value in accordance with Note 1(c).

#### Revenue from Services Rendered

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

All revenue is stated net of the amount of goods and services tax (GST).

### f) Borrowing Costs

Borrowing costs directly attributable to the acquisition, or construction of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in income in the period in which they are incurred.



**g) Leased Assets**

Leased assets classified as finance leases are capitalised as fixed assets. The amount initially brought to account is the present value of minimum lease payments.

A finance lease is one that effectively transfers from the lessor to the lessee substantially all the risks and benefits incidental to ownership of the leased property.

Capitalised leased assets are amortised using the reducing balance method over the estimated useful life of the asset.

Finance lease payments are allocated between interest expense and reduction of lease liability over the term of the lease. The interest expense is determined by applying the interest rate implicit in the lease to the outstanding lease liability at the beginning of each lease payment period.

Operating lease payments are recognised as an expense on a basis that reflects the pattern in which economic benefits from the leased asset are consumed.

**h) Provisions**

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

**i) Receivables**

Trade receivables and other receivables are recorded at amounts due less any provision for doubtful debts.

**j) Accounts Payable**

Trade payables and other accounts payable are recognised when the group becomes obliged to make future payments resulting from the purchase of goods and services.

**k) Employee Entitlements**

Provision is made for the group's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within one year, together with benefits arising from wages and salaries, annual leave, have been measured at the amounts expected to be paid when the liability is settled plus related on-costs. Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Contributions are made by the group to an employee superannuation fund and are charged as expenses when incurred.

**l) Income Tax**

The income tax expense (income) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

For the financial year ended 30 June 2015.

## m) Goods and Services Tax

Revenues, expenses, assets and liabilities are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

## n) Rental Lease

Rental receivable from tenants on non-cancellable operating leases is recognised on an accrual basis. Lease payments receivable for the remaining period of the lease contract for the applicable tenancy have been disclosed in note 30 to the financial statements. Commissions paid to property agents to secure the tenancy leases, where material, are classified as prepayment and amortised over the period of the tenancy.

## o) Financial Instruments

### Recognition and Initial Measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the group becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below. Subsequent to initial recognition, investments in subsidiaries are measured at cost in the company financial statements.

### Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

### Classification and Subsequent Measurement

#### i) Financial assets at fair value through profit or loss

Financial assets are classified at fair value through profit or loss when they are held for trading for the purpose of short term profit taking, where they are derivatives not held for hedging purposes, or designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Realised and unrealised gains and losses arising from changes in fair value are included in profit or loss in the period in which they arise.

#### ii) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

#### iii) Held-to-maturity Investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the group's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

#### iv) Available-for-sale Financial Assets

Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

#### v) Financial Liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

### Fair Value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arms length transactions, reference to similar instruments and option pricing models.



**Impairment of Financial Assets**

A financial asset (or a group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial assets.

In the case of available-for-sale financial assets, a significant or prolonged decline in the market value of the instrument is considered to constitute a loss event. Impairment losses are recognised in profit or loss immediately. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account.

**Financial Guarantees**

Where material, financial guarantees issued, which require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due, are recognised as a financial liability at fair value on initial recognition.

The guarantee is subsequently measured at the higher of the best estimate of the obligation and the amount initially recognised less, when appropriate, cumulative amortisation in accordance with AASB 118: Revenue. Where the entity gives guarantees in exchange for a fee, revenue is recognised under AASB 118.

The fair value of financial guarantee contracts has been assessed using a probability weighted discounted cash flow approach. The probability has been based on:

- The likelihood of the guaranteed party defaulting in a year period;
- The proportion of the exposure that is not expected to be recovered due to the guaranteed party defaulting; and
- The maximum loss exposed if the guaranteed party were to default.

**p) Impairment of Non-Financial Assets**

At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

**Calculation of Recoverable Amount:**

Value in use is determined by discounting the expected future net cash flows to their present value. Cashflows relating to short term receivables are not discounted if the effect of discounting is immaterial.

Fair value for assets approximate the directors' estimation that is mainly based on the most recently obtained independent market valuation for that property less costs to sell if applicable

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

**Reversals of Impairment:**

An impairment loss in respect of goodwill is not reversed. In respect of other assets, an impairment loss is reversed when there is an indication that the impairment loss may no longer exist and there has been a change in estimates used to determine the recoverable amount.

An impairment loss is reversed (other than goodwill) only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

**q) Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-highly liquid investments with original maturities of three months or less, and bank overdrafts,

Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

**r) Derivatives Instruments**

The Group holds derivative financial instruments to hedge its interest rate risk exposures (cash flow hedge).

The derivative financial instrument qualifies for hedge accounting when at the inception of the transaction the relationship between hedging instruments and hedged items, as well as the Group's risk management objective and strategy for undertaking various hedge transactions, is documented. The group is also required to document an assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items. Such derivatives are initially recognised at fair value. Subsequent to initial recognition, the changes in the fair value of derivatives are accounted for as follows:

**Cash Flow Hedge:**

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is deferred to a hedge reserve in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

**Other Non-trading Derivates:**

The derivative financial instrument which does not qualify for hedge accounting is initially recognised at fair value through profit and loss account. Subsequent to initial recognition, the changes in its fair value are also recognised immediately in profit and loss.

**s) Key Estimates****i) Inventory**

The directors' estimates of the net realisable value of inventory are based on the most recent independent valuation of each property, and an analysis of each property's performance and general property market trends between the date of the most recent valuation and balance date. In the event that directors' estimates result in a net realisable value that is less than the carrying amount of the property, an inventory write down is recognised.

The frequency of formal external valuations depends upon the changes in net realisable value of the inventory (properties). When the directors assessment of net realisable value of a property is less than its carrying amount a formal external valuation is required, or where determined appropriate by the directors.

**ii) Measurement of Fair Value**

The Group measures and recognises the following assets and liabilities at fair value on a recurring basis after initial recognition:

- derivative financial instruments; and
- investment properties.

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

**Level 1:**

Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

**Level 2:**

Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

**Level 3:**

Measurements based on unobservable inputs for the asset or liability.

The group has an established framework with respect to the measurement of fair values which includes use of an independent expert. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.



The Group selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Group are consistent with one or more of the following valuation approaches:

**Market approach:** valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.

**Income approach:** valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Group gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

Further information about the assumptions made in measuring fair values is included in the following notes:

Note 16 – Derivative financial instrument;

Note 17(b) – Investment properties.

#### t) Comparative Amounts

Certain comparative figures have been reclassified or adjusted so as to be comparable, to the extent possible, with the figures presented for the financial year.

## 2. New Accounting Standards for Application in Future Periods

Accounting Standards and Interpretations issued by the AASB that are not yet mandatorily applicable to the Group, together with an assessment of the potential impact of such pronouncements on the Group when adopted in future periods, are discussed below:

- AASB 9: Financial Instruments and associated Amending Standards (applicable for annual reporting periods commencing on or after 1 January 2018).

The Standard will be applicable retrospectively (subject to the comment on hedge accounting below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

The key changes made to the Standard that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the entity elect to change its hedge policies in line with the new hedge accounting requirements of AASB 9, the application of such accounting would be largely prospective.

Although the directors anticipate that the adoption of AASB 9 may have an impact on the Group's financial instruments, including hedging activity, it is impracticable at this stage to provide a reasonable estimate of such impact.

- AASB 15: Revenue from Contracts with Customers (applicable to annual reporting periods commencing on or after 1 January 2017).

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

For the financial year ended 30 June 2015.

- identify the contract(s) with a customer;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

This Standard will require retrospective restatement, as well as enhanced disclosures regarding revenue.

Although the directors anticipate that the adoption of AASB 15 may have an impact on the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

### 3. Parent Information

The following information has been extracted from the books and records of the parent entity and has been prepared in accordance with Accounting Standards.

	<b>PARENT ENTITY</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
<b>STATEMENT OF FINANCIAL POSITION</b>		
<b>ASSETS</b>		
Current assets	725,099	1,799,174
Non-current assets	87,034,218	77,077,402
<b>TOTAL ASSETS</b>	<b>87,759,317</b>	<b>78,876,576</b>
<b>LIABILITIES</b>		
Current liabilities	1,308,256	1,349,734
Non-current liabilities	12,222,620	6,820,991
<b>TOTAL LIABILITIES</b>	<b>13,530,876</b>	<b>8,170,725</b>
<b>NET ASSETS</b>	<b>74,228,441</b>	<b>70,705,851</b>
<b>EQUITY</b>		
Issued capital	19,910,650	19,910,650
Retained earnings	54,304,252	50,781,662
Capital profits reserve	13,539	13,539
<b>TOTAL EQUITY</b>	<b>74,228,441</b>	<b>70,705,851</b>
<b>STATEMENT OF COMPREHENSIVE INCOME</b>		
Total Profit/(loss)	4,101,130	143,240
Total comprehensive income/(loss)	4,101,130	143,240

#### Guarantees

Phileo Australia Limited has provided guarantee for commercial bill facility of \$45 million obtained by its 100% owned subsidiary – Phileo 303 Collins Pty Ltd.

Other than above, Phileo Australia Limited has not entered into any other guarantees in relation to the debts of its subsidiaries.

#### Contingent Liabilities

At 30 June 2015, Phileo Australia Limited had no material undisclosed contingent liabilities (2014: \$Nil).

#### Contractual Commitments

At 30 June 2015, Phileo Australia Limited had not entered into any material contractual commitments for the acquisition of property, plant and equipment (2014: \$Nil).



NOTE	CONSOLIDATED GROUP	
	2015 \$	2014 \$

## 4. Revenue and Other Income

### a) Revenue from continuing operations

Sale of property	964,000	—
Other revenue from ordinary activities:		
Rental income from properties	9,416,217	9,458,921
Hotel income	3,214,715	2,999,944
Interest revenue – bank	26,232	32,249
Other	71,174	386,227
<b>TOTAL REVENUE</b>	<b>13,692,338</b>	<b>12,877,341</b>

### b) Other income

Gain on recoupment of impairment of inventories	15	4,958,694	—
Gain on fair value adjustment of investment properties	17	19,918,053	—
		<b>38,569,085</b>	<b>12,877,341</b>

## 5. Profit (Loss) for the Year

Profit (Loss) before income tax from continuing operations includes the following specific expenses:

Borrowing costs – financial institutions	3,566,094	3,375,699
Land tax and rates	2,506,135	2,469,017
Bad debts written off	8,826	17,219
Rental expense on operating leases		
– minimum office lease payments	140,398	135,502
Inventory write down/(up) – Rocklea Homemaker Centre	(4,958,694)	1,815,681
Inventory write down/(up) – McCrae Street, Dandenong	—	(1,372,000)

## 6. Income Tax

### a) The component of tax (benefit) expense comprises of:

Current tax	—	—
Deferred tax	7,131,160	(153,675)
	<b>7,131,160</b>	<b>(153,675)</b>

### b) The prima facie tax/(benefit) on profit (loss) from ordinary activities before income tax is reconciled to the income tax as follows:

Operating (loss) profit	23,741,648	(815,108)
Income tax expense (benefit) calculated at 30% (2014: 30%) of operating (loss) profit from ordinary activities before income tax	7,122,494	(244,532)
<b>Add/(less), Tax effect of permanent differences:</b>		
Non-deductible items	578	29,616
Adjustment relating to prior years	6,042	61,241
Other	2,046	—
	<b>8,666</b>	<b>90,857</b>
<b>Income Tax Expense (Benefit) Attributable to Profit from Ordinary Activities before Income Tax</b>	<b>7,131,160</b>	<b>(153,675)</b>

For the financial year ended 30 June 2015.

### c) Deferred Tax Asset ("DTA")

Deferred tax asset mainly comprises of income tax losses brought forward. The taxation benefits of tax losses and timing differences brought to account will only be obtained if:

- assessable income is derived of a nature and of an amount sufficient to enable the benefit from the deductions to be realised;
- conditions of deductibility imposed by the law are complied with; and
- no changes in tax legislation adversely affect the realisation of the benefit.

Tax and capital losses of companies in the consolidated group were as follows:

Entity		30 JUNE 2015	30 JUNE 2014
Phileo Australia Limited	Tax losses	\$2,786,431	\$7,244,678
Phileo 303 Collins Pty Ltd	Tax losses	\$9,730,361	\$7,931,484
Daleston Pty Ltd	Tax losses	\$4,843,660	\$3,744,014
Sequoia Management Pty Ltd	Tax losses	\$330,084	\$399,497
Shuttlecrest Pty Ltd	Tax losses	–	\$83,451
Phileo Australia Limited	Capital losses	\$79,684	\$79,684

	CONSOLIDATED GROUP	
	2015 \$	2014 \$
Deferred tax asset	6,973,578	7,339,035
<b>Deferred tax asset reconciliation:</b>		
Opening balance at 1 July	7,339,035	6,323,495
Adjustment to prior year's timing differences	157,250	(61,481)
Restated opening balance	7,496,285	6,262,014
Tax losses/(utilised)	(675,941)	915,820
Other timing differences	155,280	161,201
Tax losses not recognised	(2,046)	–
Closing balance at 30 June	6,973,578	7,339,035

### d) Deferred Tax Liability ("DTL")

Deferred tax liability reconciliation:		
Opening balance at 1 July	9,840,014	8,978,148
Adjustment to prior year's timing differences	163,292	(240)
Restated opening balance	10,003,306	8,977,908
Difference between tax and accounting written down values (includes Deferred tax liability of \$9,967,755 (2014:\$3,992,339) recognised on fair value adjustment to the investment property)	6,602,411	862,106
Closing balance at 30 June	16,605,717	9,840,014



## 7. Discontinued Operations

There were no discontinued operations during the financial year.

## 8. Interests of Key Management Personnel (“KMP”)

Refer to the Remuneration Report (Audited) contained in the Directors’ Report for details of the remuneration paid or payable to each member of the Group’s key management personnel for the year ended 30 June 2015.

In summary, the totals of remuneration paid to KMP of the company and the Group during the year are as follows:

	<b>CONSOLIDATED GROUP</b>	
	<b>2015</b> <b>\$</b>	<b>2014</b> <b>\$</b>
Short-term employee benefits	978,645	902,137
	<u>978,645</u>	<u>902,137</u>

### KMP Shareholdings

The number of ordinary shares in Phileo Australia Limited held by each KMP of the Group during the financial year is as follows:

<b>30 JUNE 2015</b>	<b>BALANCE AT BEGINNING OF YEAR</b>	<b>GRANTED AS REMUNERATION DURING THE YEAR</b>	<b>ISSUED ON EXERCISE OF OPTIONS DURING THE YEAR</b>	<b>OTHER CHANGES DURING THE YEAR</b>	<b>BALANCE AT END OF YEAR</b>
Graham Homes	59,305	—	—	(189)	59,116
Rudy Koh	10,348,814	—	—	—	10,348,814
Alfred Sung	1,896,849	—	—	—	1,896,849
Michael Loke	3,345,500	—	—	—	3,345,500
Andrew Hang	2,590,196	—	—	—	2,590,196
	<u>18,240,664</u>	<u>—</u>	<u>—</u>	<u>(189)</u>	<u>18,240,475</u>

<b>30 JUNE 2014</b>	<b>BALANCE AT BEGINNING OF YEAR</b>	<b>GRANTED AS REMUNERATION DURING THE YEAR</b>	<b>ISSUED ON EXERCISE OF OPTIONS DURING THE YEAR</b>	<b>OTHER CHANGES DURING THE YEAR</b>	<b>BALANCE AT END OF YEAR</b>
Graham Homes	59,305	—	—	—	59,305
Rudy Koh	10,284,314	—	—	64,500	10,348,814
Alfred Sung	1,896,849	—	—	—	1,896,849
Michael Loke	3,345,500	—	—	—	3,345,500
Andrew Hang	2,590,196	—	—	—	2,590,196
	<u>18,176,164</u>	<u>—</u>	<u>—</u>	<u>64,500</u>	<u>18,240,664</u>

### Other KMP Transactions

There have been no other transactions involving equity instruments other than those described in the tables above.

For details of other transactions with KMP, refer to Note 26: Related Party Disclosures.

There were no loans to KMP during the financial year (2014: \$Nil).

**CONSOLIDATED GROUP**

2015	2014
\$	\$

## 9. Auditor's Remuneration

### Remuneration of the auditor for:

Auditing or reviewing the financial statements	42,050	42,050
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## 10. Dividends

### a) Distributions Paid:

2014 final dividend (fully franked) of 2 cents per share declared and paid in 2015	578,540	578,540
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### b) Declared final 2015 fully franked ordinary dividend \$Nil (2014: Nil cents) per share franked at the tax rate of 30% (2014: 30%)

—	—
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### c) Movement in Franking Account:

Balance at 1 July	20,137,490	20,385,436
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Franking debits arising from payment of proposed dividends (above)	(247,946)	(247,946)
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Balance at 30 June	19,889,544	20,137,490
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The directors have declared a fully franked \$0.02 per ordinary share final dividend for this financial year after 30 June 2015. Therefore, the dividend has not been provided for in the accounts as at 30 June 2015.

## 11. Earnings Per Share

Profit/(Loss) profit after tax	16,610,488	(661,433)
Add/(Less): (Profit)/Loss profit attributable to minority equity interest	(16,879)	1,577
Profit/(Loss) profit attributable to members of the parent entity	16,593,609	(659,856)

The Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	28,927,016	28,927,016
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Basic gain/(loss) profit per share in cents	57	(2)
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There were no options outstanding, or converting preference shares on issue, for the purpose of calculating diluted earnings per share.

## 12. Cash and Cash Equivalents

	<b>CONSOLIDATED GROUP</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
Cash at bank and in hand	992,789	900,761
Short-term bank deposits	–	900,000
	<hr/>	<hr/>
25	992,789	1,800,761
	<hr/>	<hr/>

The effective interest rate on short-term bank deposits was Nil% (2014: 3.15%); These deposits have an average maturity of Nil days (2014: 60 days).

### Reconciliation of Cash

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:

Cash and cash equivalents	992,789	1,800,761
	<hr/>	<hr/>
25	992,789	1,800,761
	<hr/>	<hr/>

## 13. Trade and Other Receivables

### CURRENT

Trade receivables	20,277	114,404
Provision for impairment	–	–
	<hr/>	<hr/>
Total current trade and other receivables	20,277	114,404
	<hr/>	<hr/>

Trade receivables comprise mainly rent and hotel account receivables.

### Provision for Impairment of Receivables

Current trade and term receivables are non-interest bearing loans and generally on 30-day terms. Non-current trade and term receivables are assessed for recoverability based on the underlying terms of the contract. A provision for impairment is recognised when there is objective evidence that an individual trade or term receivable is impaired. These amounts have been included in the other expenses item.

There has not been movement in the provision for impairment of receivables during the financial year.

### Credit Risk

The Group has no significant concentration of credit risk with respect to any single counterparty or group of counterparties other than those receivables specifically provided for and mentioned in this note, if any. The class of assets described as “trade and other receivables” is considered to be the main source of credit risk related to the Group.



For the financial year ended 30 June 2015.

	GROSS AMOUNT \$	PAST DUE AND IMPAIRED \$	PAST DUE BUT NOT IMPAIRED (DAYS OVERDUE)				WITHIN INITIAL TRADE TERMS \$
			<30 \$	31 – 60 \$	61 – 90 \$	>90 \$	
<b>2015</b>							
Trade receivables	20,277	—	16,159	3,588	530	—	16,159
Total	20,277	—	16,159	3,588	530	—	16,159
<b>2014</b>							
Trade receivables	114,404	—	82,840	6,878	23,632	1,054	82,840
Total	114,404	—	82,840	6,878	23,632	1,054	82,840

Neither the Group nor parent entity holds any financial assets with terms that have been renegotiated, which would otherwise be past due or impaired.

#### Collateral Held as Security

There was no collateral received from a related party of the debtor in the form of a financial guarantee.

#### Collateral Pledged

Group has not provided any charges over the trade receivables.

## 14. Controlled Entities

#### a) Controlled Entities Consolidated and Principal Activities

Subsidiaries of Phileo Australia Limited:

Phileo 303 Collins Pty Ltd (investment property holding)

Sequoia Management Pty Ltd (hotel operation)

Daleston Pty Ltd (property holding)

Shuttlecrest Pty Ltd (dormant)

Rocklea Homemaker Centre Pty Ltd (dormant)

COUNTRY OF INCORPORATION	PERCENTAGE OWNED	
	2015	2014
Australia	100%	100%
Australia	100%	100%
Australia	100%	100%
Australia	75%	75%
Australia	100%	100%

#### b) Acquisition of Controlled Entities

There were no entities acquired during the financial year.



For the financial year ended 30 June 2015.

**CONSOLIDATED GROUP**

	2015 \$	2014 \$
--	------------	------------

**15. Inventory****a) Current:**

	–	–
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**b) Non-Current: (i)**

Freehold land and buildings (at cost) – Opening	53,674,704	53,111,774
Add: Development cost incurred during the year	5,112,604	1,006,611
Add: Write up during the year (ii)	4,958,694	1,372,000
Less: Cost of development land sold during the year	(828,443)	–
Less: Write down during the year (ii)	–	(1,815,681)
	<u>62,917,559</u>	<u>53,674,704</u>
Acquisition cost	26,867,926	27,678,667
Development cost	40,505,640	35,436,226
Borrowing cost	1,352,131	1,352,131
Inventory write down (ii)	(5,808,138)	(10,792,320)
Total non-current inventory	<u>62,917,559</u>	<u>53,674,704</u>
Total (iii)	<u>62,917,559</u>	<u>53,674,704</u>

**c) Inventory pledged as security**

The following properties have been pledged to a financial institution as security in consideration for loan facilities:

**Rocklea Homemaker Centre**

– Carrying amount	27,125,800	17,287,200
– Loan facility	10,500,000	8,000,000

- i) Non-Current Inventory. Includes the vacant land at 14 Federation Street in Box Hill, the vacant land at Black Forest Road in Wyndham Vale; the Rocklea Homemaker Centre at Kangaroo Flat, off the Calder Highway near Bendigo; the 108-room business class hotel at 50-52 McCrae Street, Dandenong; all stated at lower of cost or market value. The vacant land at Northcorp Industrial Park in Broadmeadows was sold during the year.

The company reviews the intended use of each of the properties to ensure that the classification, measurement and presentation of its property portfolio are correct in light of the current economic climate and intended use of each of the properties.

- ii) Inventory Write Down: As at balance date, the write down of \$5,808,138 represents the balance of inventory write down recognised in prior periods for the Rocklea Homemaker Centre of \$2,002,880 (2014: \$6,961,574), and the write down for the McCrae Street property of \$3,805,258 (2014: \$3,805,258).
- iii) Aggregate carrying value: The aggregate carrying value of all inventory held at 30 June 2015, based on the lower of cost and net realisable value was estimated at \$62,917,559 (2014: \$53,674,704).

The directors' assessment of net realisable value for the properties comprising this balance had included consideration of:

- the Rocklea Homemaker Centre fully developed, at latest independent valuation of \$27,480,000 obtained in February 2015;
- the Federation Street residential development land at latest independent valuation of \$12,600,000 obtained in January 2012;
- the Wyndham Vale future residential development land at the latest Council valuation of \$45,443,000 per rates notice issued in August 2015.
- the McCrae Street building at latest independent valuation of \$8,900,000 obtained in June 2014.

**CONSOLIDATED GROUP**

	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>

**16. Derivatives**

Interest rate swap for hedging the commercial bills	4,904,475	4,163,409
Total non-current derivatives	4,904,475	4,163,409

Interest rate swaps are used to hedge cash flow risk associated with future transactions. The interest swap does not qualify for hedge accounting therefore the gains and losses arising from changes in the fair value of derivatives are recognised in profit and loss.

The fair value measurement of interest rate swaps has been categorised as a Level 2 fair value based on the Market comparison technique (Refer Note 1(s) (ii)). The fair value is based on broker quote. Similar contracts are traded in an active market and the quotes reflect the actual transactions in similar instruments.

**17. Investment Property**

Opening balance at 1 July	74,260,497	73,809,741
Add: Transfer from Inventory (17 (a))	—	—
Add: Additions for the period	821,450	450,756
Add/(Less): Net gain/(loss) from fair value adjustment (17 (b))	19,918,053	—
Closing Balance at 30 June	95,000,000	74,260,497

**17 a): Transfer from inventory**

In 2013, the company reviewed the intended use of each of the properties to ensure that the classification, measurement and presentation of its property portfolio are correct in light of the economic environment and intended use of each of the properties.

Following the review, it was considered appropriate to classify property at 303 Collins Street, Melbourne from Inventory to Investment property.

**17 b): Determining fair value**

- i) As stated in the accounting policy note, Investment properties are stated at fair value. The fair value of the investment property has been determined at \$95,000,000 based on valuation performed by Knight Frank Valuations Victoria (KF), an accredited independent valuer, as at 24th April 2015. Knight Frank Valuations Victoria is a specialist firm in valuing these types of investment properties. The directors reviewed the valuation at the reporting date and determined the fair value of the property at \$95,000,000. The directors' estimate of the fair value of investment property is based on the KF's valuation for the property, amended for changes to the leasing and market conditions at the reporting date. The key assumptions used in the director's estimate of the fair value are listed below as 17(b) (ii). All of the key assumptions have been compared to the last independent valuation report for the investment property.

The directors intend to continue to obtain independent valuation of the investment property at least annually.

- ii) The fair value of the properties has been determined using methods such as Capitalisation of Net Income (CAP) and Discounted Cash Flow approach (DCF). The arrived value under the two primary methods of valuation has also been compared to the transactions observable in the market. The critical assumptions underlying the estimate of fair value relates to the receipt of contractual rent including outgoing, expected future market rentals, maintenance requirements, discount and capitalisation rates that reflects current market uncertainties. If there is any change in these assumptions or economic conditions, the fair value of investment properties may differ. The fair value measurement of investment property has therefore been categorised as a Level 3 fair value (refer Note 1(s) (ii)) based on the inputs to the valuation technique used.



For the financial year ended 30 June 2015.

The following primary inputs have been used.

#### **CAP APPROACH ASSUMPTIONS**

Adopted Cap Rate	7.00%
PV of adjustments	8.25%

#### **DCF APPROACH ASSUMPTIONS**

Discount Rate	8.20%
Terminal Yield	7.50%
Weighted rental growth (Average 10 years)	3.50%
CPI (Average 10 years)	2.50%

#### **CONSOLIDATED GROUP**

**2015**  
**\$**

**2014**  
**\$**

#### **17(c): Investment property pledged as security**

303 Collins Street, Melbourne

– Carrying amount	95,000,000	74,260,497
– Loan facility	45,000,000	45,000,000

## **18. Plant and Equipment**

#### **Leasehold improvements:**

At cost	943,065	943,065
less: Accumulated depreciation	(269,528)	(202,146)
	673,537	740,919

#### **Plant and machinery:**

At cost	334,181	315,728
less: Accumulated depreciation	(305,067)	(293,080)
	29,114	22,648

#### **Office equipment, furniture and fittings:**

At cost	760,659	752,980
less: Accumulated depreciation	(593,239)	(538,973)
	167,420	214,007
	870,071	977,574

Movements in the carrying amounts for each class of plant and equipment between the beginning and the end of the current financial year for the group:

	<b>LEASEHOLD IMPROVEMENTS</b>	<b>PLANT AND MACHINERY</b>	<b>OFFICE EQUIPMENT, FURNITURE AND FITTINGS</b>	<b>TOTAL</b>
<b>CONSOLIDATED GROUP</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Balance at beginning of the year	740,919	22,648	214,007	977,574
Additions	–	18,453	7,679	26,132
Deductions/Adjustments	–	–	–	–
Depreciation expense	(67,382)	(11,987)	(54,266)	(133,635)
Carrying amounts at end of year	673,537	29,114	167,420	870,071

For the financial year ended 30 June 2015.

## 19. Other Assets

### CURRENT

Prepayments  
Hotel stocks  
Other debtors

### CONSOLIDATED GROUP

2015  
\$

2014  
\$

572,190	914,398
9,654	15,401
6,679	4,778
<b>588,523</b>	<b>934,577</b>

### NON-CURRENT

Prepayments  
Other debtor

2,684,215	2,289,583
56,796	55,787
<b>2,741,011</b>	<b>2,345,370</b>

Prepayments include pre-paid land tax, insurance, bank interest, lease incentives and property agents' commissions amortised over the relevant tenancy period.

## 20. Trade and Other Payables

### CURRENT

#### Unsecured liabilities:

Trade payables  
Sundry payables and accrued expenses

908,344	673,186
1,006,317	985,923
<b>1,914,661</b>	<b>1,659,109</b>

### NON-CURRENT

#### Unsecured liabilities:

Tenants' bond monies

322,795	282,407
<b>322,795</b>	<b>282,407</b>

Trade payables include builders' supplies and retention.  
Sundry payables include rates and taxes and GST.

## 21. Borrowings

### NON-CURRENT

#### Secured liabilities:

Commercial bills  
Total non-current borrowings  
Total borrowings

53,500,000	48,500,000
<b>53,500,000</b>	<b>48,500,000</b>
<b>53,500,000</b>	<b>48,500,000</b>

**CONSOLIDATED GROUP**

	2015 \$	2014 \$
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**a) Total current and non-current secured liabilities:**

Commercial bills	53,500,000	48,500,000
	53,500,000	48,500,000

**b) The carrying amounts of non-current assets pledged as security are:**

Freehold land and buildings	122,125,800	91,547,697
	122,125,800	91,547,697

**c) Collateral provided**

The commercial bills secured by a first registered mortgage over property at 303 Collins Street Melbourne and Rocklea Homemaker Centre (2014: same) owned by the Group.

Covenants imposed by the bank for loan against 303 Collins Street, Melbourne require total bank debt not to exceed 65% (2014: 65%) of total independent valuation of the pledged securities and 1.35 (2014:1.25) times interest cover.

Covenants imposed by the bank for loan against Rocklea Homemaker Centre require total bank debt not to exceed 50% (2014: 50%) of total independent valuation of the pledged securities and 2 (2014: 2) times interest cover.

**CONSOLIDATED GROUP**

<b>MATURITY DATES</b>	<b>EFFECTIVE INTEREST RATE (%)</b>	<b>2015 \$</b>	<b>2014 \$</b>
30 September 2018	7.17	45,000,000	45,000,000
30 September 2016	4.29	8,500,000	3,500,000
		53,500,000	48,500,000

- d) During the year the group increased its loan facility with a limit of \$8,000,000 to \$10,500,000 to fund its future projects and working capital requirements. This facility is secured against the Rocklea Homemaker Centre.

The total loan facility of the group as at 30 June 2015 was \$55,500,000 (2014: \$53,000,000), of which a balance of \$2,000,000 is available to fund company's working capital requirement and future development projects.

**22. Provisions**

<b>CONSOLIDATED GROUP</b>	<b>ANNUAL LEAVE \$</b>	<b>LONG SERVICE LEAVE \$</b>	<b>TOTAL \$</b>
Opening balance at 1 July	55,986	206,332	262,318
Additional provisions	10,650	40,026	50,676
Amounts used	—	—	—
Balance at 30 June	66,636	246,358	312,994



	<b>CONSOLIDATED GROUP</b>	
	<b>2015 \$</b>	<b>2014 \$</b>
<b>Analysis of total provisions</b>		
Current	272,876	232,266
Non-current	40,118	30,052
	<u>312,994</u>	<u>262,318</u>

**Provision for Current Employee Benefits**

Provision for current employee entitlements is in respect of annual leave not yet taken and accrued as at the end of the financial period.

**Provision for Non-Current Employee Benefits**

A provision has been recognised for employee entitlements relating to long service leave. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data. The measurement and recognition criteria relating to employee benefits have been included in Note 1.

## 23. Issued Capital

**a) Issued Share Capital**

28,927,016 (2014: 28,927,016) ordinary shares each fully paid	<u>19,910,650</u>	<u>19,910,650</u>
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Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held. At shareholders meetings, each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

**b) Authorised Share Capital**

Authorised share capital consists of 198,000,000 (2014: 198,000,000) ordinary shares and 2,000,000 (2014: 2,000,000) preference shares.

**c) Share Options**

At 30 June 2015 there were no options outstanding (2014: Nil).

**Capital Management**

Management controls the capital of the Group in order to maintain a good long term external debt to equity ratio, provide the shareholders with adequate returns and ensure that the Group can fund its operations and continue as a going concern.

The Group's long term debt and capital includes ordinary share capital and bank borrowings, supported by financial assets.

There are no externally imposed capital requirements.

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

For the financial year ended 30 June 2015.

There have been no changes in the strategy adopted by management to control the capital of the Group since the prior year. This strategy is to ensure that the Group's capital gearing ratio remains between 50% and 70%. The gearing ratios for the year ended 30 June 2015 and 30 June 2014 are as follows:

	<b>CONSOLIDATED GROUP</b>	
	<b>2015 \$</b>	<b>2014 \$</b>
Total borrowings	53,500,000	48,500,000
Less cash and cash equivalents	(992,789)	(1,800,761)
Net debt	52,507,211	46,699,239
Total equity	92,406,430	76,374,482
Capital gearing ratio	57%	61%

## 24. 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 as the diversification of the Group's operations inherently have notably different risk profiles and performance assessment criteria. Operating segments are therefore determined on the same basis.

#### Types of products and services by segment

**Rental of properties.** These comprise finished buildings from which rental income is derived based on non-cancellable leases over the term of the lease (Note 30). The main rental properties during the year were the 30-level office building 303 Collins Street, Melbourne and the Rocklea Homemaker Centre.

**Hotel operation.** The Group own and operate the 108-room hotel, the Ramada Encore at Dandenong CBD.

**Development sites.** Development sites comprise the proposed residential land at Box Hill and proposed residential vacant land in Wyndham Vale

**Investment at bank.** The Group's surplus cash is invested in interest bearing term deposits or in cash management accounts.

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

Unless stated otherwise, all amounts reported to the Board of Directors, being 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

Any inter-segment or intra-group transactions are eliminated on consolidation of the Group's financial statements.

#### Segment assets

Where an asset is used across multiple segments, the asset is allocated to that segment that receives majority economic value from that asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

#### Segment liabilities

Liabilities are allocated to segments where there is a direct nexus between the incurrance of the liability and the operations of the segment. Tax liabilities are generally considered to relate to the Group as a whole and are not allocated. Segment liabilities include trade and other payables and certain borrowings.

#### Unallocated items

These include mainly administrative and statutory costs of operation, inventory write up/(down), depreciation, deferred tax assets and liabilities and derivatives. They are not allocated to any particular segments because they are not considered part of the core operations of any segment.

## Notes to the Financial Statement

For the financial year ended 30 June 2015.

	<u>REVENUES</u>		<u>RESULTS</u>		<u>ASSETS</u>		<u>LIABILITIES</u>	
	2015 \$	2014 \$	2015 \$	2014 \$	2015 \$	2014 \$	2015 \$	2014 \$
<b>INDUSTRY SEGMENTS</b>								
Rental of properties	9,416,217	9,458,921	1,843,269	1,994,200	122,125,800	91,547,697	55,617,369	48,500,000
Hotel operation	3,214,715	2,999,944	780,585	637,652	8,722,000	8,722,000	343,415	459,072
Development sites	964,000	—	(1,405,957)	(1,507,124)	27,069,759	27,665,504	—	—
Investment at bank	26,232	32,249	26,232	32,249	888,553	1,763,148	—	—
Administration	—	—	(1,709,338)	(1,612,037)	—	—	—	—
Unallocated items (c)	24,947,921	386,227	24,206,857	(360,048)	11,297,696	11,748,573	21,736,594	16,113,368
<b>Total</b>	38,569,085	12,877,341	23,741,648	(815,108)	170,103,808	141,446,922	77,697,378	65,072,440

a) The above total reconciles to –  
Amount reported in Note 4:

Group revenue	38,569,085	12,877,341	—	—	—	—	—	—
Amount reported on the Income Statement before Income tax	—	—	23,741,648	(815,108)	—	—	—	—
Amount reported on the Balance Sheet	—	—	—	—	170,103,808	141,446,922	77,697,378	65,072,440

b) Intra-group rent and outgoings excluded from 'Rental of properties' (above)

	710,625	694,914	710,625	694,914	—	—	—	—
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c) Significant non-cash items included in the results (above)

(i) Gain on fair value adjustment to investment properties	19,918,053	—	19,918,053	—	—	—	—	—
(ii) Loss on fair value adjustment to Interest swap	—	—	(741,064)	(302,594)	—	—	—	—
(iii) Recoupment of impairment / (impairment) of inventories	4,958,694	—	4,958,694	(443,681)	—	—	—	—
(iv) Depreciation	—	—	(133,635)	(131,724)	—	—	—	—

The consolidated group operates predominantly in one geographic segment, being Australia.



For the financial year ended 30 June 2015.

## 25. Cash Flow Information

### CONSOLIDATED GROUP

2015  
\$

2014  
\$

#### a) Reconciliation of cash

For the purposes of the statement of cash flows, cash includes cash on hand and at bank and investments in term deposits, net of any outstanding bank overdrafts. Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:

Cash at bank and in hand	992,789	1,800,761
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#### b) Reconciliation of net cash provided by ordinary activities to operating profit or loss after income tax

Profit (Loss) after income tax	16,610,488	(661,433)
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#### Non-cash flows in profit or loss from ordinary activities:

Gain on fair value adjustments from investment properties	(19,918,053)	—
Loss on fair value adjustments for interest swap	741,064	302,594
Current year's depreciation	133,635	131,724
Bad Debts written off	8,826	17,219
Loss on disposal/discard of assets	—	—
Write down/(up) of inventory	(4,958,694)	443,681

#### Items treated from Financing activities:

Interest Paid	3,566,094	3,375,699
Interest Received	(26,232)	(32,249)

#### Changes in net assets and liabilities

##### (Increase) decrease in:

Current receivables	85,303	(51,346)
Inventory	(4,284,161)	(1,006,611)
Other current assets	346,054	101,586
Deferred tax assets	365,457	(1,015,541)
Other non current assets	(395,641)	(1,560,986)

##### Increase (decrease) in:

Payables	295,940	311,347
Other creditors	—	—
Deferred tax liability	6,765,703	861,866
Current tax payable	—	—
Employee provisions	50,676	45,186
Net cash produced/(used) in operating activities	(613,541)	1,262,736

#### c) Financing facilities

##### Secured commercial bank facilities:

Drawn	53,500,000	48,500,000
Undrawn	2,000,000	4,500,000

For the financial year ended 30 June 2015.

#### d) Interest rates

The effective interest rate on short-term bank deposits during the period was approximately Nil% p.a. (2014: 3.15% p.a. approximately).

#### e) Non-cash financing and investing activities

There were no non-cash financing and investing activities during the financial years ended 30 June 2015 and 30 June 2014.

## 26. Related Party Disclosures

### a) Transactions with directors and director-related entities

- i) Details of directors' remuneration are disclosed in Note 8: Interests of Key Management Personnel to the financial statements.
- ii) Other than directors' remuneration, the following were the additional transactions with directors or their related entities during the financial year. The terms and conditions of the transaction with the directors or their related entities were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-related entities on an arm's length basis.

Transaction	TRANSACTION VALUE		BALANCE OUTSTANDING AS AT	
	2015	2014	30/06/15	30/06/14
Consultancy fees*	\$48,600	\$31,560	—	—

\*Consultancy fees were paid to a company owned by son of one of the directors in relation to advice over the development of the investment and development properties.

### b) Directors' shareholdings

As at 30 June 2015, fully paid ordinary shares in Phileo Australia Limited held by directors and their director related entities amounted to 18,240,475 shares representing 63.06% controlling interest (2014: 18,240,664 ordinary shares representing 63.07% controlling interest).

There were no shares issued to directors or their director related entities, or redeemed, exercised or bought back during the financial year from directors and their director related entities.

### c) Transactions within the group

Group entities are disclosed in Note 14: Controlled Entities.

Transactions between the group entities during the financial year consisted of rental payments, intercompany loans and related interest charges amongst companies forming the consolidated group. These intra-group transactions and balances are eliminated on group consolidation.

Components of the group entities and their activities are disclosed in Note 14.

### d) Controlling entities

The parent entity of the group is Phileo Australia Limited.

For the financial year ended 30 June 2015.

## 27. Financial Risk Management

### Financial Risk Management Objectives and Policies

The group's principal financial instruments during the financial year comprised short and medium term (1-3 years) debt facilities, cash and short term deposits and derivatives. The group has various other financial assets and liabilities such as accounts receivable and trade payables, which arise from its operations. The risks arising from the group's financial instruments are market risk (including interest rate risk), credit risk and liquidity risk.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

	<b>CONSOLIDATED GROUP</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
<b>Financial Assets</b>		
Cash	992,789	1,800,761
Receivables	20,277	114,404
	<u>1,013,066</u>	<u>1,915,165</u>
<b>Financial Liabilities</b>		
Payables	2,237,456	1,659,109
Interest bearing liabilities	53,500,000	48,500,000
Interest swap – fair value through profit and loss account	4,904,475	4,163,409
Income tax payable	129,216	129,216
Loan from minority shareholder	7,520	235,967
	<u>60,778,667</u>	<u>54,687,701</u>
<b>Net Position</b>	<u>(59,765,601)</u>	<u>(52,772,536)</u>

The carrying cost of the above financial instruments, except for the Interest swap, approximates its fair value. The fair value of Interest swap is determined by the quoted bid prices at the end of the reporting period

As in the previous financial year end, the deficit in the group's net financial asset position at 30 June 2015 was mainly due to borrowings to assist the acquisition of 303 Collins Street, Melbourne, funding of development of Stage 2 of the Rocklea Homemaker Centre and company's working capital requirements.

Details of significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognized, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 1.

Risk management is undertaken in accordance with the group's financial risk policies. The group's overall risk management program focuses on minimizing the potential adverse effects of the unpredictability of the financial markets on the financial performance of the company. The group uses different methods to measure different types of risks to which it is exposed.

Primary responsibility for identification and control of financial assets rests with the Board of Directors. The Board reviews and agrees on policies with management for managing each of the risks the group is exposed to, in addition to reviewing cash flow projections to monitor the liquidity profile of the group.



For the financial year ended 30 June 2015.

### Interest Rate Risk

A portion of the group's and parent entity's financial instruments are exposed to interest rate variations. The other instruments either do not attract/bear interest, or have a fixed rate of interest.

Interest bearing assets and liabilities comprise interest earning cash deposits at banks, commercial bills, interest swap and financial leases. Examples of non-interest bearing instruments are amounts owed by customers, owed to suppliers, vendor finance of a property, tax liability, provisions and prepayments.

Interest rate risk is managed using interest rate swaps to convert the debt to fixed rate. Interest rate swap transactions are entered into by the Group to exchange variable and fixed interest payment obligations to protect long-term borrowings from the risk of increasing interest rates. At 30 June 2015, 84% of the group variable rate debt is swapped at fixed rate.

The notional principal amount of the swap contracts equals to the group's borrowing facility for 303 Collins Street, Melbourne of \$45,000,000. The net interest payment, or receipt settlements of the swap contracts occur on every first working day of each month and correspond with interest payment dates on the borrowings. The net settlement amounts are brought to account as an adjustment to borrowing costs.

At the end of the reporting period, the details of outstanding contracts, of which \$45,000,000 (84%) (2014: \$45,000,000 – 93%) are to pay-fixed interest rate swaps, are as follows:

CONSOLIDATED GROUP	EFFECTIVE AVERAGE FIXED INTEREST RATE PAYABLE		NOTIONAL PRINCIPAL	
	2015 %	2014 %	2015 \$	2014 \$
Maturity of notional amounts				
Less than 1 year			–	–
1 to 2 Years	4.29%	7.17%	8,500,000	45,000,000
2 to 5 years	7.17%	4.51%	45,000,000	3,500,000
			<u>53,500,000</u>	<u>48,500,000</u>

The interest swap does not qualify for hedge accounting therefore the gains and losses arising from changes in the fair value of derivatives are recognised in profit and loss.

There are also several intercompany loans between the parent and subsidiary companies forming the consolidated group. Interest calculated at market rate has been paid on intercompany loans where applicable and is eliminated on consolidation.

The instruments which are exposed to interest rate risk are given below:

	CONSOLIDATED GROUP	
	2015 \$	2014 \$
<b>Financial Assets</b>		
Cash	992,789	1,800,761
	<u>992,789</u>	<u>1,800,761</u>
<b>Financial Liabilities</b>		
Interest bearing liabilities	53,500,000	48,500,000
	<u>53,500,000</u>	<u>48,500,000</u>
<b>Net Position</b>	<u>(52,507,211)</u>	<u>(46,699,239)</u>

As in the previous financial year end, the deficit in the net position at 30 June 2015 was mainly due to borrowings to assist in the acquisition of 303 Collins Street, Melbourne and development of Stage 2 of the Rocklea Homemaker Centre. Borrowings by the group include commercial bills which are interest bearing at commercial interest rates sourced from an Australian financial institution.

For the financial year ended 30 June 2015.

### Interest Rate Risk – Sensitivity Analysis

The following table shows the effect of interest rate risk exposure at the balance sheet date:

	POST TAX PROFIT HIGHER/(LOWER)		EQUITY HIGHER/(LOWER)	
	2015 \$	2014 \$	2015 \$	2014 \$
<b>Consolidated Group</b>				
Plus 1% (100 basis points)	(511,524)	(476,000)	(511,524)	(476,000)
Minus 1% (100 basis points)	511,524	476,000	511,524	476,000
<b>Parent Entity</b>				
Plus 1% (100 basis points)	(61,524)	(26,000)	(61,524)	(26,000)
Minus 1% (100 basis points)	61,524	26,000	61,524	26,000

This analysis includes interest bearing liabilities.

### Foreign Currency Risk

The group does not transact in foreign currency and therefore does not have foreign currency exposure.

### Price and Commodity Risk

The group is mainly engaged in property investment and development, and holds commercial property assets which are affected by market prices of such properties and the cost of development from time to time. The market prices are in turn mainly determined by demand of such properties, rental yields, interest rates and market transaction prices of properties in the vicinity. Exposure to price risk are mitigated by acquiring suitable property assets at the lower end of the cycle, minimizing holding and development costs, and maximizing realisable value by transacting at the higher end of the cycle. Type of property, location and timing of transactions are therefore critical in mitigating price risk. Where possible the Board seeks opportunities to diversify the type of properties held by obtaining other revenue streams.

The following table shows the effect of real estate price exposure at the balance sheet date:

	POST TAX PROFIT HIGHER/(LOWER)		EQUITY HIGHER/(LOWER)	
	2015 \$	2014 \$	2015 \$	2014 \$
<b>Consolidated Group</b>				
Plus 1% (100 basis points)	1,308,478	1,002,697	1,308,478	1,002,697
Minus 1% (100 basis points)	(1,308,478)	(1,002,697)	(1,308,478)	(1,002,697)
<b>Parent Entity</b>				
Plus 1% (100 basis points)	358,478	260,092	358,478	260,092
Minus 1% (100 basis points)	(358,478)	(260,092)	(358,478)	(260,092)

### Credit Risk

The group's credit risk arises mainly from receivables. The maximum exposure to credit risk is represented by the total amount of the trade receivables on the balance sheet. Such trade receivables include rent receivable from tenants under non-cancellable leases, commercial clients of the hotel and purchasers of property from time to time. Credit risk is mitigated by having recourse in leases like bank or corporate guarantees, rent deposits and rent paid at least one month in advance. Hotel receivables exposure to bad debts is minimal as most clients pay by credit cards or subject to trade terms. Exposure to property sale credit risk is mitigated by deposit, usually 5% paid up front on signing of the commercial contract of sale of real estate which is usually not subject to a cooling off period. At balance date, all trade receivables shown in the balance sheet were considered recoverable.

For the financial year ended 30 June 2015.

### Liquidity Risk

The group's exposure to liquidity risk arises from matching of cash inflows and outflows arising from the business, and having access to suitable external financing arrangements to meet any short term funding requirements.

The group has sufficient financial resources to meet the day to day needs of the business. The group surplus cash, if any, are invested in interest bearing term deposits. Interest bearing borrowings by the group include commercial bill and finance leasing facilities. Some of the group's property assets are unencumbered and are available for use as security to raise additional finance should the need arises.

The liquidity profile of the financial instruments of the group demonstrates that, based on the closing position as at 30 June 2015 the company has sufficient cash and undrawn funds to meet the short-mid term financing obligations. As reported in Note 21(d), during the year, the group increased the loan facility secured against the Rocklea Homemaker Centre to \$10.5 million. The group has undrawn amount of \$2 million from this facility to fund its working capital requirements. The overall deficit position in the consolidated group is due to part of the interest bearing liability used to fund the acquisition of 303 Collins Street, Melbourne and development of Stage 2 of the Rocklea Homemaker Centre. The group intends to renew the borrowing facilities at the end of the term to manage its liquidity position.

### Liquidity Profile

	BALANCE AT 30/06/2015 \$	0 – 6 MONTHS \$	6 – 12 MONTHS \$	OVER 1 YEAR LESS THAN 5 YEARS \$	OVER 5 YEARS \$	TOTAL \$
<b>CONSOLIDATED GROUP</b>						
<b>Financial Assets</b>						
Cash	992,789	992,789	–	–	–	992,789
Receivables	20,277	20,277	–	–	–	20,277
	1,013,066	1,013,066	–	–	–	1,013,066
<b>Financial Liabilities</b>						
Payables	2,237,456	1,914,661	–	322,795	–	2,237,456
Interest bearing liability	53,500,000	–	–	53,500,000	–	53,500,000
Interest swap – fair value through profit and loss account	4,904,475	–	–	–	4,904,475	4,904,475
Income tax payable	129,216	–	129,216	–	–	129,216
Dividend payable	–	–	–	–	–	–
Loan from minority shareholder	7,520	7,520	–	–	–	7,520
	60,778,667	1,922,181	129,216	53,822,795	4,904,475	60,778,667
<b>Net Position</b>	(59,765,601)	(909,115)	(129,216)	(53,822,795)	(4,904,475)	(59,765,601)

	BALANCE AT 30/06/2014 \$	0 – 6 MONTHS \$	6 – 12 MONTHS \$	OVER 1 YEAR LESS THAN 5 YEARS \$	OVER 5 YEARS \$	TOTAL \$
<b>CONSOLIDATED GROUP</b>						
<b>Financial Assets</b>						
Cash	1,800,761	1,800,761	–	–	–	1,800,761
Receivables	114,404	114,404	–	–	–	114,404
	1,915,165	1,915,165	–	–	–	1,915,165
<b>Financial Liabilities</b>						
Payables	1,659,109	1,659,109	–	–	–	1,659,109
Interest bearing liability	48,500,000	–	–	48,500,000	–	48,500,000
Interest swap – fair value through profit and loss account	4,163,409	–	–	–	4,163,409	4,163,409
Income tax payable	129,216	–	129,216	–	–	129,216
Dividend payable	–	–	–	–	–	–
Loan from minority shareholder	235,967	–	–	235,967	–	235,967
	54,687,701	1,659,109	129,216	48,735,967	4,163,409	54,687,701
<b>Net Position</b>	(52,772,536)	256,056	(129,216)	(48,735,967)	(4,163,409)	(52,772,536)



**CONSOLIDATED GROUP**

2015 \$	2014 \$
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**28. Retained Profits and Reserves**

Retained profits at beginning	56,468,665	57,707,061
(Loss) profit for the financial year attributable to members of the parent entity	16,593,609	(659,866)
Adjustment relating to prior years	—	—
Adjustment for minority interest	—	—
Dividends provided	(578,540)	(578,540)
Retained profits at end	72,483,734	56,468,655

Capital profits

13,539	13,539
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There was no movement in capital profits reserves during the financial year (2014: \$Nil).

**29. Loan from Minority Shareholder**

Loan from minority shareholder at fair value	7,520	235,967
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The minority shareholder has made a loan to Shuttlecrest Pty Ltd \$7,520 (2014: \$235,967). There is no interest payable on this loan nor are there any fixed repayment terms.

**30. Rental Lease Receivables****Non-cancellable operating leases:**

Not longer than one year	7,048,485	6,693,200
Longer than one year and not longer than 5 years	15,871,845	15,046,324
Longer than 5 years	3,008,130	187,930
<b>Future rental lease receivables</b>	25,928,460	21,927,454

**a) Non-cancellable operating leases**

The group derived part of its revenue during the financial year from its rental properties. In the financial year, rental and fixed and variable outgoings recovered had totalled \$9,416,217 (2014: \$9,458,921)

Where applicable, rental lease receivables include agreements to lease that are in place and which provides for the construction of new floor space for new tenants. Rental commences when each facility is completed and the tenant takes occupancy of the new or an existing facility subject to the applicable tenancy agreement.

Amounts comprising rental lease receivables include fixed outgoings recoverable where applicable but exclude GST, variable type outgoings which are recharged to tenants when incurred, future market review and Consumer Price Index adjustments as and when they fall due.

- b) As at 30 June 2015, the group owned properties at McCrae Street (Dandenong), Rocklea Homemaker Centre (Kangaroo Flats, Bendigo) and 303 Collins Street, Melbourne that are being leased to various tenants over varying periods and are secured by non-cancellable operating lease contracts.
- c) As at 30 June 2015 the carrying value of leasable properties was \$130,847,800 (2014: \$100,269,697) and the net lettable area was 43,990 square metres (2014: 38,416 square metres).

For the financial year ended 30 June 2015.

	<b>CONSOLIDATED GROUP</b>	
	<b>2015 \$</b>	<b>2014 \$</b>
Rental properties	103,430,089	97,728,733
Fair value adjustments	33,225,848	13,307,795
Write (downs) to net realisable value	(5,277,337)	(10,236,031)
Provision for selling costs	(530,800)	(530,800)
Net rental properties	130,847,800	100,269,697
Other properties, including land	27,069,759	27,665,504
Total properties	157,917,559	127,935,201
Total write (downs)/up to net realisable value during the year	24,876,746	(443,681)

### 31. Economic Dependency

The group is not dependent on a single customer or supplier for its continuing operation.

### 32. Events after the Reporting Period

The directors have declared a fully franked \$0.02 per ordinary share final dividend for this financial year (2014: final dividend \$0.02 fully franked). The dividend was declared after 30 June 2015 and has not been provided for in the accounts as at 30 June 2015.

Other than the above, there were no other events, matters or circumstances that have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the group, the results of those operations, or the state of affairs of the group in future financial years.

### 33. Capital Commitment

For rental property	—	507,484
For development land	—	125,095



# Additional Stock Exchange Information





As at 10 September 2015.

## Number of Shareholders

### Ordinary Share Capital

The company has an issued share capital of 28,927,016 ordinary shares each fully paid and held by 282 individual shareholders. There were no partly paid ordinary shares issued at the date of this report. All issued ordinary shares carry one vote per share.

### Preference Share Capital

There was no preference shares issued at the date of this report.

### Options

There were no options outstanding at the date of this report.

## Distribution of Shareholders

The distribution of shareholding according to the number of shares held is as follows:

HOLDINGS RANGES	HOLDERS	TOTAL UNITS	%
1–1,000	47	18,140	0.063
1,001–5,000	157	404,851	1.400
5,001–10,000	38	296,562	1.025
10,001–100,000	23	583,222	2.016
100,001–99,999,999,999	17	27,624,241	95.496
Totals	282	28,927,016	100.000

### Holdings less than a marketable Parcel

1 – 54	11	178	0.0006
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## Substantial Shareholders

### ORDINARY SHAREHOLDERS

	FULLY PAID NUMBER	%
PAL INVESTMENTS (AUST) PTY LTD	10,053,678	34.755
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	6,920,381	23.924
PIUCO ENTERPRISES CORP	2,750,000	9.507
BEELYE PTY LIMITED <B L SUPER FUND A/C>	1,962,196	6.783
ACEQ PTY LTD <SUPERANNUATION FUND A/C>	1,896,849	6.557
RADIANCE GROUP TRADING LTD	1,470,824	5.085
	25,053,928	86.611

## Twenty Largest Shareholders

ORDINARY SHAREHOLDERS		FULLY PAID SHARES	%
1	PAL INVESTMENTS (AUST) PTY LTD	10,053,678	34.755
2	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	6,920,381	23.924
3	PIUCO ENTERPRISES CORP	2,750,000	9.507
4	BEELYE PTY LIMITED <B L SUPER FUND A/C>	1,962,196	6.783
5	ACEQ PTY LTD (SUPERANNUATION FUND)	1,896,849	6.557
6	RADIANCE GROUP TRADING LTD	1,470,824	5.085
7	SLW CORPORATION PTY LTD	620,000	2.143
8	BENGER SUPERANNUATION PTY LIMITED <BENGER SUPER FUND>	460,991	1.594
9	HAYMAN INVESTMENTS CO LTD	381,204	1.318
10	SIENA NOMINEES PTY LTD <THE SLATTERY FAMILY S/F A/C>	300,000	1.037
11	ZELCREST CAPITAL LIMITED	237,422	0.821
12	MR BRIAN GARFIELD BENGER	192,811	0.667
13	MR RUDY ENG WAH KOH & MRS FUI KYUN CHIEW <KOH S/F A/C>	159,834	0.553
14	EQUITY BRIDGE SDN BHD	122,749	0.424
15	KRR INVESTMENTS PTY LTD	115,302	0.398
16	SHANDORA ONE PTY LTD <BENGER SUPER FUND A/C>	64,879	0.224
17	HOMEGOOD NOMINEES PTY LTD <HOMES PROPERTY FUND A/C>	59,116	0.204
18	DR LENG LU SOH & MRS ROSY SOH <LL & R SOH FAMILY S/F A/C>	56,045	0.194
19	PETER & OLGA ABRAHAMS SUPERANNUATION FUND	50,000	0.173
20	GARDEN INVESTMENT & TRADE PTY LTD <KEE SAW & CO SUPERFUND A/C>	39,517	0.136
Total shares held by twenty largest shareholders		27,913,798	96.497
Total shares held by other shareholders		1,013,218	3.503
Total number of shares		28,927,016	100.000

### Company Secretary

Tejas Gandhi, Chartered Accountant

### Principal Registered Office and Principal Place of Business

Level 14, 303 Collins Street  
Melbourne, Victoria 3000  
Ph: (61 3) 9663 8018  
Fax: (61 3) 9663 8038  
phileo@palltd.com.au

### Share Registry

Boardroom Pty Limited  
(ABN 14 003 209 836)  
Level 12, 225 George Street  
Sydney NSW 2000  
(Correspondence: GPO Box 3993, Sydney 2001)  
General Ph: (61 2) 9290 9600  
Fax: (61 2) 9279 0664  
Contact: Ms Bridgette Rogers, Client Service Manager  
bridgette.rogers@boardroomlimited.com.au  
www.boardroomlimited.com.au

### Stock Exchange Listings

Phileo Australia Limited's ordinary shares are quoted on the Australian Stock Exchange and traded under the code "PHI".





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