Appendix 4E

Preliminary final report

Lodged with The Australian Stock Exchange
under Listing Rule 4.3A

PHILEO AUSTRALIA LIMITED

ABN 52 007 608 755
ASX code: PHI

and Controlled Entities

Financial year ended 30 June 2016
("the year")

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Comparison is to previous corresponding year ended **30 June 2015** ("the previous year")**.**
Unless stated otherwise, all amounts are shown to the nearest $'000.

Revenue from ordinary activities	down by 4% to **$13,151,000** (2015: $13,692,000)
Results from ordinary activities after tax	down by 43% to **$9,538,000 profit** (2015: $16,611,000 profit)
Net profit attributable to members	down by 43% to **$9,537,000 profit** (2015: $16,594,000 profit)
Earnings per share after tax	**$0.33 profit** (2015: $0.57 profit)
Net tangible asset per share	**$3.50** (2015: $3.19)
Dividend distribution	The directors have declared a fully franked final dividend of $0.02 per ordinary share for the financial year ended 30 June 2016 (2015: $0.02 final dividend fully franked). The dividend was declared after 30 June 2016 and has not been recorded in the accounts as at 30 June 2016.
Ex-dividend date	Monday, 5 September 2016
Record date for determining entitlement to the dividend	Tuesday, 6 September 2016
Approximate date of payment of dividend	Monday, 24 October 2016

The profit before tax for the year of $13,681,000 (profit after tax: $9,538,000) was mainly due to:

- A fair value gain of $12,466,000 (before tax) which was recognised on revaluation of investment property at 303 Collins Street, Melbourne. The current year gain represents the excess of the asset's current fair value over its previous carrying value;

- Gain of $2,003,000 (before tax) which was recognised on recoupment of remaining prior year accumulated impairment losses in respect to the development property held at Rocklea Homemaker Centre in Bendigo

The above gain was reduced by a loss of $297,000 (before tax) recognised on fair value accounting of the interest swap.

PRINCIPAL ACTIVITIES

The principal activities of the entity during the year were property investment and development, the earning of rental income, and hotel operation.

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

During the year, the entity deregistered its 75% owned subsidiary – Shuttlecrest Pty Ltd.

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

REVIEW OF OPERATION

The consolidated net operating profit before income tax for the year was $13,681,000 (2015: $23,742,000 profit). The consolidated net profit for the year after income tax was $9,538,000 (2015: $16,611,000 profit). The change in profit before tax of $10,061,000 from 2015 was mainly due to the following:

- The current year profit includes a fair value gain of $12,466,000 (before tax) (2015:19,918,000) which was recognised on revaluation of investment property at 303 Collins Street, Melbourne. The current year gain represents the excess of an independent valuer assessment of the asset's current fair value of $108,000,000 over its previous carrying value of $95,534,000;

- The current year profit also includes a gain on recoupment of remaining prior year accumulated impairment losses of $2,003,000 (before tax) (2015: $4,959,000 profit) in respect to the development property held at Rocklea Homemaker Centre in Bendigo ("Rocklea Homemaker Centre"). An independent valuer assessed the current market value of this property at $32,620,000, which is in excess of total development costs of this property. Consequently, after making an appropriate allowance for selling expenses, a gain of $2,003,000 was recognised for the year.

- The above net fair value gains were partially offset by a loss of $297,000 (before tax) (2015: $741,000 loss) resulting from the fair value accounting of interest swap held by the company.

- In 2015, the entity sold the industrial vacant land, 1-5 Northcorp Bvd, Broadmeadows, Vic, which was held by its 75% owned subsidiary – Shuttlecrest Pty Ltd for a profit before tax of $109,000. No development properties were sold during the year.

After deducting the profit attributable to minority interests, the profit attributable to members after tax was $9,537,000 (2015: $16,594,000 profit).

Total consolidated revenue for the year was $13,151,000 (2015: $13,692,000), excluding fair value gain on revaluation of the investment property of $12,466,000, and recoupment of remaining prior year impairment loss of $2,003,000 in respect to the Rocklea Homemaker Centre. During the year, the consolidated entity:

- earned rental income totalling $9,781,000 (2015: $9,416,000) from its rental properties, which included rental of $7,364,000 (2015: $7,529,000) inclusive of recovery of outgoings from the 30-storey commercial office building at 303 Collins Street, Melbourne;

- continued to operate the 108-room Ramada Encore business class hotel through its wholly owned subsidiary Sequoia Management Pty Ltd (ABN 62 108 168 243). The hotel operation is operated from the property owned at McCrae Street, Dandenong. The hotel operation contributed revenue of $3,249,000 (2015: $3,215,000).

The increase in rental revenue was mainly from the increased occupancy of around 84% (2015: 76%) at the Rocklea Homemaker Centre. This increase in revenue was partially offset by a reduction in the occupancy rate at 303 Collins Street, Melbourne from 67% at the beginning of the financial year to 65% as at June 2016.

Management is currently working on various strategies to improve the occupancy rate of its commercial rental property at 303 Collins Street, Melbourne.

REVIEW OF OPERATION (Continued)

Profit (before tax but after borrowing costs) from rental activities has increased to $2,039,000 (2015: $1,843,000) mainly due to overall increase in rental income and reduction in the borrowing costs for the year.

The hotel's profitability before tax has reduced marginally to $771,000 (2015: $781,000 profit). The room occupancy rate for the year has increased by 4% from 69% as at June 2015 to 73% as at June 2016. However, the lower average room rate for the year resulted in an increase in the revenue by approximately 1% only. The effect of lower average room rate together with the increase in operating costs resulted in reduced profitability from the hotel operation for the year.

During the period, the company appointed CBRE as a selling agent to market the Rocklea Homemaker Centre for sale. CBRE advised to market the property by Expression of Interest (EOI). The EOI was closed on 3/12/15. Upon review of the offers received, the company has decided that it will enhance the value of the centre by filling up the existing vacancies before selling the centre.

During the year, the Minister for Planning signed the Wyndham Planning Scheme Amendment C170, being the approved Black forest North Precinct plan which includes the land at Black Forest Road, Wyndham Vale (The Land) held by Daleston Pty Ltd (ABN 31 111 517 885), a wholly-owned subsidiary of Phileo Australia Limited. This approval was published in the Government Gazette on 11th February 2016.

Subsequent to the above, the company appointed an independent valuer to assess the current market value of the land. The independent valuer assessed the current market value of the land at $120,000,000, which represented an increase of approximately 164% over the Site Value of $45,433,000 reflected in the Council rates notice for 2015-16. The Land is classified as part of "Non Current Inventory" in the financial report, which is measured at the lower of cost or net realisable value. As a consequence, the results for the financial year ending 30 June 2016 do not include any gain resulting from the excess of the asset's market value over its current carrying value.

The land is currently leased for cattle grazing activities. The company recorded loss after tax for the year of $846,000 (2015: $769,000 loss), arising mainly from land holding costs, including land tax and council rates, in relation to this property.

In 2015, the company sold the vacant industrial land at Northcorp Industrial Park, Broadmeadows in Victoria. The property was owned by Shuttlecrest Pty Ltd (ABN 46 114 765 696), a 75% owned subsidiary company of Phileo Australia. Subsequent to the sale of the land, Shuttlecrest Pty Ltd discontinued its operation, and was deregistered during the year. Consequently, the group no longer has a minority interest at the reporting date.

During the year, the entity continued to hold the vacant land that has been rezoned for the 79-unit Mont Albert Rise proposed residential townhouse development at Box Hill ("Box Hill property"), for future development.
During the year, the company appointed an independent valuer to assess the current market value of the Box Hill property. The independent valuer assessed the current market value of this property at $20,000,000, which represented an increase of approximately 58% over the last independent valuation (dated 25/1/2012) which reflected a Site Value of $12,600,000. The Box Hill property is classified as part of "Non Current Inventory" in the financial report, which is measured at the lower of cost or net realisable value. As a consequence, the results for the financial year ending 30 June 2016 do not include any gain resulting from the excess of the asset's market value over its current carrying value.

During the year the entity's result per share after tax was $0.33 profit (2015: $0.57 profit).

FINANCIAL OVERVIEW

At 30 June 2016 the consolidated entity's property portfolio had a carrying value of $173,828,000 (2015: $157,918,000). The carrying values of these properties were consistent with directors' valuation based on the latest available independent market valuations and/or other available financial data.

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

The entity increased its $10,500,000 loan facility to $12,500,000 to fund its future investment/development projects and working capital requirements. This facility is secured against the property-Rocklea Homemaker Centre. The total loan facility of the entity as at 30 June 2016 was $57,500,000 (2015: $55,000,000)

As at balance date the entity total bank borrowings amounted to $56,500,000 (2015:$53,500,000). Of the total borrowings, loan of $45,000,000 was used to partially fund the acquisition of 303 Collins Street property, and is secured against that property. The balance of the bank borrowings of $11,500,000, is secured against the Rocklea Homemaker Centre and was mainly used to fund the development of Stage 2 of the Rocklea Homemaker Centre and the group's investments and working capital requirements. The entities' other properties are unencumbered at 30th June 2016.

As at balance date, the entity had approximately $924,000 (2015: $993,000) in cash and at bank, and $36,127,000 (2015: $35,792,000) 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 2016, the economic entity's net tangible asset backing per share was $3.50 (2015: $3.19).

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 2016 and has not been provided for in the accounts as at 30 June 2016. (2015: final dividend of $0.02 fully franked declared after the year end. This dividend was paid in October 2015).

AFTER BALANCE DATE EVENTS

As at the date of this report, there have not been any events of a significant nature after the balance date of 30 June 2016 that have not already been disclosed in this report.

FUTURE DEVELOPMENTS AND TRENDS

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

In June 2016, the company negotiated new lease agreements for the remaining vacancies at the Rocklea Homemaker Centre. The lease commencement dates for these new leases range from August to September 2016. Including these new leases, the occupancy rate for the Rocklea Homemaker Centre for 2016-17 will be around 98%. With improved near full occupancy, the company is in process of appointing a selling agent for marketing the property for sale.

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

The company is currently holding a vacant land adjoining its fully completed Rocklea Homemaker Centre in Bendigo. This vacant land is currently zoned as a Residential land. The company intends to apply for rezoning of this vacant land to service industry zone and is in initial discussions with the relevant authorities. If successful, the company is considering developing and selling approximately 50 workshops suitable for small to mid-sized business.

The Land at Wyndham Vale is within Victoria's urban growth corridor with significant upside potential in a future development. As reported earlier, the Minister for Planning has signed the Wyndham Planning Scheme Amendment C170, being the approved Black forest North Precinct plan which includes the land Subject to approval from the relevant authorities, the land of 360 Hectares is likely to yield approximately 4,500 to 5,000 lots of about 300 to 600 sqm each. The Company is considering development of this project in stages, however, it will continue to explore all possibilities including sale of the land, sale in super lots, or enter into a joint venture to develop the land, at the appropriate time.

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

COMPLIANCE STATEMENT

The financial statements are in the process of being audited.

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

Signed for and on behalf of the Board of Directors
of Phileo Australia Limited

Alfred Sung
Executive Director
Date: 26th August 2016

Annual General Meeting

Place	Phileo Australia Limited's registered office at Level14, 303 Collins Street, Melbourne
Date	Thursday, 24 November 2016
Time	12.00 noon
Approximate date the Annual Report will be available	Monday, 24 October 2016

Consolidated Statement of Comprehensive Income for the Year Ended 30 June 2016

	Consolidated Group	
	12 months ended **30/06/2016** $'000	12 months ended **30/06/2015** $'000
Revenue from sales or services		
Sale of properties	-	964
Rental income from properties	9,781	9,416
Hotel operation	3,249	3,215
Total revenue	13,030	13,595
Other Income:		
Fair value gain on revaluation of investment property	12,466	19,918
Gain on recoupment of impairment of inventories	2,003	4,959
Interest revenue	14	26
Other income	107	71
Total other income	14,590	24,974
Total Revenue and Other Income	27,620	38,569
Less: Expenses		
Cost of development property	-	-855
Borrowing expenses	-3,208	-3,566
Net change in value of Interest swap	-297	-741
Administrative expenses	-1,967	-1,709
Other Expenses from Ordinary Activities		
. Direct rental costs	-4,213	-3,486
. Hotel	-2,478	-2,434
. Development activity	-1,455	-1,515
. Other	-321	-521
	-8,467	-7,956
Total Expenses	-13,939	-14,827
Profit/(Loss) before income tax	13,681	23,742
Income tax (expense)/benefit	-4,143	-7131
Profit/(Loss) from continuing operations	9,538	16,611
(Loss)/profit from discontinued operations	-	-
Profit/(Loss) for the period	9,538	16,611
Other comprehensive income	-	-
Total comprehensive income/(loss) for the period	9,538	16,611
Profit/(Loss) attributable to:		
Members of the parent entity	9,537	16,594
Non-controlling interest	1	17
	9,538	16,611
Total comprehensive income/(loss) attributable to:		
Members of the parent entity	9,537	16,594
Non-controlling interest	1	17
	9,538	16,611

Consolidated Statement of Financial Position
As at 30 June 2016

	Consolidated Group	
	30/06/2016	30/06/2015
	$'000	$'000
CURRENT ASSETS		
Cash and cash equivalents	924	993
Trade and other receivables	196	20
Inventories	-	-
Other assets	646	589
	1,766	1,602
NON-CURRENT ASSETS		
Inventories	65,828	62,918
Investment properties	108,000	95,000
Plant and equipment	794	869
Deferred tax assets	7,276	6,974
Other assets	2,813	2,741
	184,711	168,502
TOTAL ASSETS	186,477	170,104
CURRENT LIABILITIES		
Financial liabilities	-	-
Trade and other creditors	1,288	1,915
Dividends payable	-	-
Income tax payable	129	129
Provisions	287	273
	1,704	2,317
NON-CURRENT LIABILITIES		
Financial liabilities	56,500	53,500
Derivatives	5,201	4,904
Trade and other creditors	610	323
Deferred tax liabilities	21,050	16,606
Loan from minority shareholder	-	8
Provisions	47	40
	83,408	75,381
TOTAL LIABILITIES	85,112	77,698
NET ASSETS	101,365	92,406
EQUITY		
Issued capital	19,911	19,911
Reserves	13	13
Retained earnings:		
- Parent entity interest	81,441	72,483
- Minority interest	-	-1
	81,441	72,482
TOTAL EQUITY	101,365	92,406

Consolidated Statement of Changes in Equity for the Year Ended 30 June 2016

	Issued Capital Ordinary $'000	Other Reserves $'000	Retained Earnings $'000	Non-controlling Interests $'000	Total $'000
Balance at 1 July 2014	19,911	13	56,468	-18	76,374
Profit for the period	-	-	16,594	17	16,611
Total other comprehensive income for the period	-	-	-	-	-
Subtotal	19,911	13	73,062	-1	92,985
Dividends paid or provided for	-	-	-579	-	-579
Balance at 30 June 2015	19,911	13	72,483	-1	92,406
Balance at 1 July 2015	19,911	13	72,483	-1	92,406
Profit for the period	-	-	9,537	1	9,538
Total other comprehensive income for the period	-	-	-	-	-
Subtotal	19,911	13	82,020	-	101,944
Dividends paid or provided for	-	-	-579	-	-579
Balance at 30 June 2016	19,911	13	81,441	-	101,365

Consolidated Statement of Cash Flows for the Year Ended 30 June 2016

	Consolidated Group	
	12 months ended 30/06/2016 $'000	12 months ended 30/06/2015 $'000
CASHFLOW FROM OPERATING ACTIVITIES		
Proceeds from sale of property	-	1,060
Receipts from ordinary activities	12,889	12,304
Payment for purchase of properties	-	-
Payment to suppliers & employees	-9,852	-8,866
Payment for property development	-1,737	-5,112
Income tax paid	-	-
Net Cash produced (used) in Ordinary Activities	1,300	-614
CASHFLOW FROM INVESTING ACTIVITIES		
Payment for development of investment property	-533	-821
Payment for purchase of plant & equipment	-55	-26
Cashflow from Investing Activities	-588	-847
CASHFLOW FROM FINANCING ACTIVITIES		
Interest received	14	26
Interest paid	-3,208	-3,566
Dividend paid	-579	-579
Proceeds from borrowing	3,000	5,000
Repayment of borrowings	-8	-228
Cashflow from Financing Activities	-781	653
Net increase (decrease) in cash	-69	-808
Cash at beginning of period	993	1,801
Cash at end of period	924	993

Operating Segments
Year Ended 30 June 2016

(i) Segment performance

	Rental $'000	Hotel $'000	Develop -ment $'000	Other $'000	Total $'000
12 months ended 30 June 2016					
Revenue					
External sales	9,781	3,249	-	14,576	27,606
Inter-segment sales	756	-	-	-	756
Interest revenue	-	-	-	14	14
Total segment revenue	10,537	3,249	-	14,590	28,376
Reconciliation of segment revenue to group revenue					
Inter-segment elimination	-756	-	-	-	-756
Total group revenue	9,781	3,249	-	14,590	27,620
Segment net profit before tax					
Reconciliation of segment result to group net profit/(loss) before tax					
Segment net profit before tax	2,039	771	-1,455	12,326	13,681
Net profit before tax from continuing operations					13,681
12 months ended 30 June 2015					
Revenue					
External sales	9,416	3,215	964	24,948	38,543
Inter-segment sales	711	-	-	-	711
Interest revenue	-	-	-	26	26
Total segment revenue	10,127	3,215	964	24,974	39,280
Reconciliation of segment revenue to group revenue					
Inter-segment elimination	-711	-	-	-	-711
Total group revenue	9,416	3,215	964	24,974	38,569
Segment net profit before tax					
Reconciliation of segment result to group net profit/(loss) before tax					
Segment net profit before tax	1,843	781	-1,406	22,524	23,742
Net profit before tax from continuing operations					23,742

Operating Segments
Year Ended 30 June 2016

(ii) Segment assets

	Rental $'000	Hotel $'000	Develop-ment $'000	Other $'000	Total $'000
As at 30 June 2016					
Segment assets	141,123	9,048	27,405	8,901	186,477
Total group assets from continuing operations					186,477
As at 30 June 2015					
Segment assets	125,404	8,983	27,070	8,647	170,104
Total group assets from continuing operations					170,104

(iii) Segment liabilities

	Rental $'000	Hotel $'000	Develop-ment $'000	Other $'000	Total $'000
As at 30 June 2016					
Segment liabilities	51,745	419	-	32,948	85,112
Total group liabilities from continuing operations					85,112
As at 30 June 2015					
Segment liabilities	51,631	104	-	25,963	77,698
Total group liabilities from continuing operations					77,698