

# 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 2010

("the year")

### RESULTS FOR ANNOUNCEMENT TO THE MARKET

Comparison is to previous corresponding year ended 30 June 2009 ("the previous year").

Unless stated otherwise, all amounts are shown to the nearest \$'000.

|  |   |
|--|---|
| Revenue from ordinary activities                                     | Up 91% to <b>\$13,857,000</b> (2009: <b>\$7,237,000</b> )   |
| Result from ordinary activities after tax                            | Up 257% to <b>\$2,058,000 profit</b> (2009: <b>\$577,000 profit</b> )   |
| Net result for the year attributable to members of the parent entity | Up 245% to <b>\$1,752,000 profit</b> (2009: <b>\$508,000 profit</b> )   |
| Earning per share after tax  | <b>\$0.07 profit</b> (2009: <b>\$0.02 profit</b> )  |
| Net tangible asset per share   | <b>\$2.55</b> (30 June 2009: <b>\$2.53</b> )  |
| Dividend distribution  | The directors have declared a fully franked \$0.05 per ordinary share final dividend for the financial year. (2009: \$0.05 final dividend fully franked.) |
| Ex-dividend date   | Friday, 3 September 2010  |
| Record date for determining entitlement to the dividend              | Thursday, 9 September 2010  |
| Approximate date of payment of dividend                              | Friday, 29 October 2010   |

## **PRINCIPAL ACTIVITIES**

The principal activities of the entity during the year were property development, the earning of rental income, farming and hotel operations. There were no significant changes in the nature of these activities during the year other than as noted below.

## **REVIEW OF OPERATION**

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 revenue for the economic entity for the year was \$13,857,000 (2009: \$7,237,000) and profit after tax of \$2,058,000 (2009: \$577,000 profit).

The increase in both revenue and profit after tax was mainly due to the full year's gross rental of approximately \$8.9 million from 303 Collins Street, Melbourne, a 29-level office located in the Melbourne Central Business District which was acquired on 30 June 2009.

In the previous financial year, the Group earned \$2,375,000 in interest income, compared to \$270,000 for the current year. The decline in interest income was due to less cash held in interest bearing deposits as a result of the settlement of the purchase of 303 Collins Street, Melbourne.

Bank borrowings amounting to \$45 million was used to partially fund the acquisition of 303 Collins Street, and are secured over that property and the Rocklea Homemaker Centre in Bendigo. The entities' other properties were unencumbered.

Most of the Rocklea Homemaker Centre - Stage 1 has been leased out. Another 5,832 m<sup>2</sup> for Stage 2 is expected to commence development when pre-leases are in place.

Sequoia Management Pty Ltd (ABN 62 108 168 243), an 80% (2009: 80%) owned subsidiary company of Phileo Australia Limited, continued to operate the 108-room Ramada Encore Dandenong business class hotel. The hotel operation contributed revenue of \$2,161,000 (2009: \$2,841,000) and profit of \$424,000 (2009: \$408,000 profit), to the economic entity in the year.

During the year, the economic entity wrote down \$692,000 (2009: \$1,646,000) in the value of its property portfolio to reflect the market value having consideration of the current economic conditions. Included in the amounts written of is provision for selling costs of \$209,000 (2009: \$283,000).

During the year the cultivation of wheat commenced on the rural property owned by Daleston Pty Ltd (ABN 31 111 517 885), a wholly-owned subsidiary company of Phileo Australia Limited. This entity recorded \$808,000 loss (2009: \$369,000 loss) for this year arising from farming activity.

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

The vacant land that has been rezoned for the 79-unit *Mont Albert Rise* proposed residential townhouse development at Box Hill continued to be held for future development.

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

During the year the entity's earning per share after tax was **\$0.07 profit** (2009: **\$0.02 profit**).

## **DIVIDENDS PAID OR RECOMMENDED**

The directors have declared a fully franked \$0.05 per ordinary share final dividend for this financial year (2009: Final dividend \$0.05 fully franked).

## **FINANCIAL OVERVIEW**

During the year, the carrying value of properties increased to \$114,342,000 (2009: \$113,799,000). The increase was mainly due to development costs capitalised on the Box Hill property.

The carrying values of these properties were consistent with directors' valuation based on the latest available independent market valuations and other available financial data. Where appropriate, the carrying value is written down to the estimated market value for the property concerned.

As for liabilities, the major items comprise bank borrowings of \$45,000,000 used for the settlement of 303 Collins Street.

During the year, vendor finance of \$5,337,000 on the rural property was fully paid by Daleston Pty Ltd.

As at balance date, the entity had approximately \$4,382,000 (2009: 10,271,000) in cash, cash management accounts and term deposits at bank, and \$34,398,000 in carrying value of unencumbered properties that are 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 (2009: \$Nil).

As at 30 June 2010, the economic entity's net tangible asset backing per share was **\$2.55** (2009: **\$2.53**).

## **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.

## **FUTURE DEVELOPMENTS AND TRENDS**

The purchase of the property at 303 Collins Street was settled on 30 June 2009 with the resultant first year's rental income stream commencing on 1 July 2009. The positive income stream from this acquisition together with the cash at bank will continue to provide opportunities for the economic entity to consider the possibility of new acquisitions and developments.

The entity's gearing is at a very conservative level which is especially appropriate in the current global economic environment where liquidity is critical, thus enhancing the entity's viability and future prospects.

New tenants continue to be sought to lease the remaining Stage 1 vacancies in the Rocklea Homemaker Centre. The development of Stage 2 is expected to commence when new tenants are secured for the additional space.

Steps are being taken to improve the occupancy and resultant profitability of the Ramada Encore Dandenong hotel business.

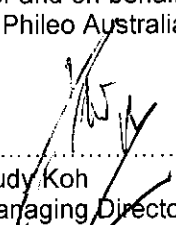
The Mont Albert Rise proposed residential development at Federation Street, Box Hill will commence when the economic environment is considered appropriate.

Wheat cultivation commenced at the rural property at the Wyndham Vale land with first harvest expected later this calendar year.

**COMPLIANCE STATEMENT**

The financial statements are in the process of being audited.

For and on behalf of the Board of Directors  
of Phileo Australia Limited

  
.....  
Rudy Koh  
Managing Director  
31 August 2010

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## Consolidated Income Statement

|   | Year ended<br>30 June 2010<br>\$'000 | Previous year ended<br>30 June 2009<br>\$'000 |
|---|--------------------------------------|---|
| Revenue from sales or services                            |                                      |   |
| - Sale of property  | -                                    | -   |
| - Rental income from properties                           | 11,330                               | 2,018   |
| - Hotel operation   | 2,161                                | 2,841   |
| - Farming activity  | -                                    | -   |
| Interest revenue  | 270                                  | 2,375   |
| Other   | 96                                   | 3   |
| <b>Total Revenue</b>                                      | <b>13,857</b>                        | <b>7,237</b>                                  |
| <i>Details of relevant expenses</i>                       |                                      |   |
| Property sold   | -                                    | -   |
| Direct rental expenses                                    | 2,871                                | 1,120   |
| Hotel expenses  | 1,812                                | 2,382   |
| Farming expenses  | 817                                  | 369   |
| Borrowing costs and interest                              | 3,535                                | 18  |
| Write down of property to independent<br>market valuation | 692                                  | 1,646   |
| Administrative expenses                                   | 1,308                                | 1,208   |
| Other   | 382                                  | 42  |

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|  |         |         |
|--|---------|---------|
| Total Expenses   | 11,417  | 6,785   |
| Net profit before tax attributable to ordinary activities              | 2,440   | 452     |
| Income tax expense   | (382)   | 125     |
| Net profit after income tax expense                                    | 2,058   | 577     |
| (Profit) loss attributable to outside equity interest                  | (306)   | (69)    |
| Net profit for the period attributable to members of the parent entity | 1,752   | 508     |
| Retained profits (losses) at the beginning of the financial period     | 53,481  | 54,419  |
| Dividend   | (1,446) | (1,446) |
| Retained profits at the end of the financial period                    | 53,787  | 53,481  |
| <b>Capitalised outlays</b>   |         |         |
| Interest costs capitalised in asset values                             | -       | -       |

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**Consolidated retained profits**

|   | Year ended<br>30 June 2010<br>\$'000 | Previous year<br>ended 30 June 2009<br>\$'000 |
|---|--------------------------------------|---|
| Retained profits (losses) at the beginning of the financial period      | 53,481                               | 54,419  |
| Net profit for the period attributable to members of the parent entity  | <b>1,752</b>                         | <b>508</b>                                    |
| Net transfers from (to) reserves <i>(details if material)</i>           | -                                    | -   |
| Net effect of changes in accounting policies                            | -                                    | -   |
| Dividends and other equity distributions paid or payable                | (1,446)                              | (1,446)                                       |
| <b>Retained profits (accumulated losses) at end of financial period</b> | <b>53,787</b>                        | <b>53,481</b>                                 |

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| Consolidated Balance Sheet                                   | As at<br>30 June 2010<br>\$'000 | As at<br>30 June 2009<br>\$'000 | As at<br>31 December 2009<br>\$'000 |
|--|---------------------------------|---------------------------------|-------------------------------------|
| <b>Current assets</b>  |                                 |                                 |                                     |
| Cash at bank and term deposits                               | 4,382                           | 10,271                          | 3,481                               |
| Receivables  | 534                             | 525                             | 699                                 |
| Inventories [Note 1]   | 9,169                           | 9,166                           | 9,166                               |
| Stocks   | 28                              | 12                              | 2                                   |
| Other  | 1,854                           | 1,546                           | 1,196                               |
| <b>Total current assets</b>                                  | <b>15,967</b>                   | <b>21,520</b>                   | <b>14,570</b>                       |
| <b>Non-current assets</b>                                    |                                 |                                 |                                     |
| Inventories [Note 1]   | 105,173                         | 104,633                         | 105,585                             |
| Other property, plant and equipment<br>(net of depreciation) | 405                             | 205                             | 108                                 |
| Deferred tax asset   | 1,745                           | 412                             | 1,485                               |
| Other (mainly prepayments)                                   | 2,048                           | 1,239                           | 3,073                               |
| <b>Total non-current assets</b>                              | <b>109,371</b>                  | <b>106,489</b>                  | <b>110,251</b>                      |
| <b>Total assets</b>  | <b>125,338</b>                  | <b>128,009</b>                  | <b>124,821</b>                      |
| <b>Current liabilities</b>                                   |                                 |                                 |                                     |
| Payables and accruals  | 1,555                           | 1,253                           | 2,594                               |
| Income tax payable   | 18                              | (316)                           | -                                   |
| Deferred tax liability                                       | -                               | -                               | -                                   |
| Interest bearing liabilities                                 | -                               | 47                              | 17                                  |
| Non-interest bearing liability [Note 2]                      | -                               | 5,337                           | -                                   |
| Dividend payable   | 1,446                           | 1,446                           | -                                   |
| Provisions excl. tax liabilities                             | 59                              | 59                              | 63                                  |
| <b>Total current liabilities</b>                             | <b>3,078</b>                    | <b>7,826</b>                    | <b>2,674</b>                        |
| <b>Non-current liabilities</b>                               |                                 |                                 |                                     |
| Payables   | 764                             | -                               | 66                                  |
| Interest bearing liabilities [Note 2]                        | 45,000                          | 45,000                          | 45,000                              |
| Income tax payable   | -                               | -                               | -                                   |
| Deferred tax liability                                       | 2,687                           | 1,305                           | 2,161                               |
| Other  | 120                             | 800                             | 803                                 |
| <b>Total non-current liabilities</b>                         | <b>48,571</b>                   | <b>47,105</b>                   | <b>48,030</b>                       |
| <b>Total liabilities</b>                                     | <b>51,649</b>                   | <b>54,931</b>                   | <b>50,704</b>                       |
| <b>Net assets</b>  | <b>73,689</b>                   | <b>73,077</b>                   | <b>74,117</b>                       |
| <b>Equity</b>  |                                 |                                 |                                     |
| Capital/contributed equity                                   | 19,911                          | 19,911                          | 19,911                              |
| Reserves   | 13                              | 13                              | 13                                  |
| Retained profits (accumulated losses)                        | 53,787                          | 53,481                          | 54,340                              |
| Outside equity interest                                      | (22)                            | (328)                           | (147)                               |
| Attributable to members of the parent entity                 | 53,765                          | 53,153                          | 54,193                              |
| <b>Total Equity</b>  | <b>73,689</b>                   | <b>73,077</b>                   | <b>74,117</b>                       |



Consolidated Balance Sheet (Continued)

Notes to Consolidated Balance Sheet -

**Note 1:** The carrying value of inventories does not exceed the latest available independent market valuations.

**Note 2:** Bank commercial bill facility fully drawn and expiring 29 June 2012.

| <i>Statement of Changes in Equity</i>    | Issued Capital<br>\$'000 | Accumulated<br>Profit (Losses)<br>\$'000 | Other<br>Reserves<br>\$'000 | Minority<br>Interests<br>\$'000 | Total<br>\$'000 |
|--|--------------------------|--|-----------------------------|---------------------------------|-----------------|
| <b>At 1 July 2008</b>                    | 19,911                   | 54,263                                   | 13                          | (413)                           | 73,775          |
| Net income recognized directly in equity | -                        | -  | -                           | -                               | -               |
| Profit for the year                      | -                        | 664                                      | -                           | 85                              | 748             |
| Dividend                                 | -                        | (1,446)                                  | -                           | -                               | (1,446)         |
| <b>At 30 June 2009</b>                   | 19,911                   | 53,481                                   | 13                          | (328)                           | 73,077          |
| <b>At 1 July 2009</b>                    | 19,911                   | 53,481                                   | 13                          | (328)                           | 73,077          |
| Net income recognized directly in equity | -                        | -  | -                           | -                               | -               |
| Profit for the year                      | -                        | 1,752                                    | -                           | 306                             | 2,058           |
| Dividend                                 | -                        | (1,446)                                  | -                           | -                               | (1,446)         |
| <b>At 30 June 2010</b>                   | 19,911                   | 53,787                                   | 13                          | (22)                            | 73,689          |

\* The minority shareholders equity is reflected in deficit. This treatment is acceptable per AASB 127: "Consolidated Financial Statements" due to the fact that the minority shareholders have made a loan to a subsidiary company with an undertaking that the loan will not be recalled until that subsidiary company's assets fairly valued exceeds its liabilities.

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## Condensed consolidated statement of cash flows

|  | Consolidated Group |                |
|--|--------------------|----------------|
|  | 30/06/2010         | 30/06/2009     |
|  | \$'000             | \$'000         |
| <b>CASHFLOW FROM OPERATING ACTIVITIES</b>              |                    |                |
| Proceeds from sale of property                         | -                  | -              |
| Receipts from ordinary activities                      | 13,577             | 4,704          |
| Payment for purchase of properties                     | -5,386             | -60,387        |
| Payment to suppliers & employees                       | -7,774             | -5,489         |
| Payment for property development                       | -1,348             | -1,633         |
| Dividend paid  | -1,446             | -2,893         |
| Income tax paid  | -                  | -23,733        |
| Interest received                                      | 510                | 2,553          |
| Interest paid  | -3,973             | -702           |
| <i>Net Cash produced (used) in Ordinary Activities</i> | <u>-5,841</u>      | <u>-87,579</u> |
| <b>CASHFLOW FROM INVESTING ACTIVITIES</b>              |                    |                |
| Payment for purchase of plant & equipment              | -                  | -2             |
| <i>Cashflow from Investing Activities</i>              | <u>-</u>           | <u>-2</u>      |
| <b>CASHFLOW FROM FINANCING ACTIVITIES</b>              |                    |                |
| proceeds from borrowing                                | -                  | 45,000         |
| Repayment of borrowings                                | -47                | -175           |
| <i>Cashflow from Financing Activities</i>              | <u>-47</u>         | <u>44,825</u>  |
| Net increase (decrease) in cash                        | -5,888             | -42,757        |
| Cash at beginning of period                            | 10,271             | 53,028         |
| Cash at end of period                                  | <u>4,382</u>       | <u>10,271</u>  |

## Reconciliation of cash

Reconciliation of cash at the end of the period (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

|                                    | Current period<br>\$'000 | Previous<br>corresponding<br>period<br>\$'000 |
|------------------------------------|--------------------------|---|
| Cash on hand and at bank           | 1,743                    | 6,029   |
| Deposits at call                   | 2,639                    | 4,242   |
| <b>Total cash at end of period</b> | <b>4,382</b>             | <b>10,271</b>                                 |

PHILEO AUSTRALIA LIMITED  
SEGMENT REPORTING FOR THE  
FINANCIAL YEAR ENDED 30 JUNE 2010

|                                      | 12 months<br>ended<br>30/06/2010<br>\$'000 | 12 months<br>ended<br>30/06/2009<br>\$'000 |
|--------------------------------------|--|--|
| <i>Operating Revenue:</i>            |  |  |
| Sale of property                     | -  | -  |
| Rental activity                      | 11,330                                     | 2,018                                      |
| Hotel operation                      | 2,161                                      | 2,841                                      |
| Interest earned                      | 270  | 2,375                                      |
| Development activities               | -  | -  |
| Other corporate activities           | 96   | 3  |
| Total operating revenue              | 13,857                                     | 7,237                                      |
| <i>Segment Result:</i>               |  |  |
| Rental activity                      | 5,364                                      | 898  |
| Hotel operation                      | 424  | 408  |
| Rural activity                       | (808)                                      | (369)                                      |
| Development activity                 | (133)                                      | (12)                                       |
| Write down of property               | (692)                                      | (1,646)                                    |
| Interest earned                      | 269  | 2,375                                      |
| Administration                       | (1,308)                                    | (1,208)                                    |
| Other corporate activities           | (676)                                      | 6  |
| Consolidated profit before tax       | 2,440                                      | 452  |
|                                      | As at<br>30/06/2010<br>\$'000              | As at<br>30/06/2009<br>\$'000              |
| <i>Segment Assets:</i>               |  |  |
| Hotel operation                      | 8,342                                      | 8,342                                      |
| Rental properties                    | 79,944                                     | 80,687                                     |
| Development sites                    | 9,407                                      | 9,112                                      |
| Properties held for sale             | 826  | 824  |
| Rural property                       | 15,806                                     | 14,811                                     |
| Interest bearing deposits            | 2,639                                      | 9,914                                      |
| Other corporate assets (Note 2)      | 8,373                                      | 4,319                                      |
| Total segment assets                 | 125,338                                    | 128,009                                    |
| <i>Segment Liabilities:</i>          |  |  |
| Hotel operation                      | 669  | 1,566                                      |
| Rental properties                    | 45,000                                     | 45,000                                     |
| Property held for sale               | -  | -  |
| Development activity                 | -  | -  |
| Development site                     | -  | -  |
| Rural activity                       | -  | 5,337                                      |
| Other corporate liabilities (Note 3) | 5,980                                      | 3,028                                      |
| Total segment liabilities            | 51,649                                     | 54,931                                     |

- 1) The group operates in one geographical region, that is in Australia.
- 2) Other corporate assets include cash at bank and term deposits, prepayments and deferred tax asset.
- 3) Other corporate liabilities include deferred tax liability, dividend payable, other payables and accruals.

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## Annual General Meeting

|  |  |
|--|--|
| Place  | Phileo Australia Limited's registered office at Level 8, 278 Collins Street, Melbourne |
| Date   | Friday, 26 November 2010   |
| Time   | 12.00 noon   |
| Approximate date the Annual Report will be available | Friday, 29 October 2010  |

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