ASX CODE

AXI

ISSUED CAPITAL

Ordinary Shares
427.1 M

CONTACT

**South Australia**

Level 3, Stafford House
25 Leigh Street
Adelaide SA 5000

Phone: (08) 8120 2400
Email: paul@axiompl.com.au

**New South Wales**

Suite 2001, Lvl 20 Australia Square
264-278 George Street
Sydney NSW 2000

Phone: (02) 8243 2800
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AXIOM PROPERTIES LIMITED

*23 August 2017*

# ASX ANNOUNCEMENT

## APPENDIX 4E AND ANNUAL REPORT – 30 JUNE 2017

**Adelaide, Australia, Wednesday 23 August 2017: Axiom Properties Limited (ASX:AXI)** lodges the attached Appendix 4E Preliminary Final Report along with Audited Annual Report for the financial year ended 30 June 2017.

Highlights for the full year included:

- Profit of $5.4 million;
- Announced sale of Churchill Centre South for $22.35 million;
- Returns net cash of $10.5 million back to Group to pursue new opportunities; and
- Improved operating performance of Churchill Centre North.

**About Axiom Properties Ltd**

Axiom Properties Ltd is a property development and investment business focused on developing and delivering quality property solutions. Axiom's principal objective is to create long term value for shareholders through creating a well-respected property development and investment company that consistently delivers above industry returns on capital.

For more information, please contact:
Paul Santinon
Company Secretary
+61 8 8120 2400

# Appendix 4E
## *PRELIMINARY FINAL REPORT*

Name of entity:

AXIOM PROPERTIES LIMITED

| ABN or equivalent company reference: | Reporting period: | Previous corresponding period: |
|---|---|---|
| 40 0090 63834 | Year ended 30 June 2017 | Year ended 30 June 2016 |

## Results for announcement to the market

| | | | | $A'000 |
|---|---|---|---|---|
| Revenues from ordinary activities | up/~~down~~ | 5% | to | 5,141 |
| Profit from ordinary activities after tax attributable to members | up/~~down~~ | 1,115% | to | 5,432 |
| Net Profit for the period attributable to members | up/~~down~~ | 1,115% | to | 5,432 |

***Dividends***
It is not proposed to pay dividends.

This report includes and is to be read in conjunction with the Annual Report and any public announcements made by the Company during the reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

AXIOM

PROPERTIES LIMITED

ABN 40 009 063 834

# ANNUAL REPORT

## 30 JUNE 2017

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|---|---|

## CHAIRMAN'S STATEMENT

Dear Shareholder

This years announced profit of $5.4 million is the fifth consecutive year that your Company has recorded a profit. The Board and Management are delighted with this result and with maintaining a consistent record of producing profits.

The most significant event for the year was the announced sale of the Churchill South Large Format Retail Centre for $22.350 million. This Centre will settle on 1st September.

In addition to the sale of the Churchill South Centre, the Company's major asset, the Churchill North Shopping Centre, continued its strong growth profit with foot traffic through the Centre growing to over 3.2 million in the last 12 months.

The past year has also been characterised by an expansion in the number of projects the Company is undertaking, with the granting of Development approval for our Mt Barker residential project, the Currie Street Joint Venture opportunity in the Adelaide CBD, and two projects in the Sydney market at Double Bay and Richmond.

As always, the Board pays tribute for this outstanding result to our Managing Director, Ben Laurance and General Manager Operations, Paul Rouvray and our Chief Financial Officer, Paul Santinon. Their dedicated efforts have placed the Company in a very strong position. During the year, we also announced the appointment of Anthony Lombardo to our Sydney office. Anthony comes with an impeccable record with major property development companies and will assist in developing further opportunities and particularly in the Sydney market.

In closing, I wish to acknowledge the contribution of my colleagues on the Board, Mr John Howe, Mr Liu Ying Chun and Alternate Director, Ms Doris Chung Gim Lian. Their advice and support is greatly appreciated.

**Ian Laurance AM**
CHAIRMAN

## MANAGING DIRECTOR'S REVIEW

Dear Shareholder,

The financial year just completed has delivered the Company a reported net profit of $5,432,409. This result was particularly pleasing for numerous reasons. Primarily, the headline profit figure was a result of various initiatives the Board and management have in place and a resolute commitment to the strategy of delivering quality property solutions. Additionally, this outstanding result was testament to the Group's ability to leverage its expertise and effectively manage its risk profile associated with its development activities. This year's result also reflects the continued out-performance of its two investment retail centres, being Churchill Centre South and Churchill Centre North.

During the year, Churchill Centre South continued to improve in value, contributing substantially to the full year result. The Company leased the last Stage of the development to Hungry Jacks, allowing them to provide additional external patron seating and carparking for their existing restaurant. Given the passive nature of this project being fully developed, the Board took the view during the year that the majority of the value of this development asset had been captured and agreed therefore to divest it at a price above book value.  Subsequent to year end, the sale of Churchill Centre South became unconditional, and settlement is scheduled to occur on 1st September. Importantly, the divestment will return approximately $10.5m cash back to the Company after paying senior debt and all transaction costs.

Similarly, Churchill Centre North shopping centre continued to improve in value and performance during the year. The Company and its partner lodged a Development Application to construct an additional 5,700 sq.m of retail space for the last and final Stage of the development. Contemporaneously, a marketing and leasing strategy was put in place to secure major commitments to anchor this final stage. The early signs from this pre-leasing campaign are promising.

The Company's other development projects are progressing steadily. In Sydney's Double Bay, the Company and its partner, national construction and development group Built., are advancing their commercial and planning discussions with Woollahra Council under the Private Public Partnership after being announced as the successful proponent following an exhaustive two-and-a-half-year Expression of Interest campaign. The mixed-use residential, retail, cinema and carparking development is an exciting project for the Company and provides the Group with exposure to the buoyant Sydney residential market.

The Company's Glenlea Estate at Mt Barker, SA received approval for its masterplan of 600 residential allotments during the year. The display suite housing its sales and marketing team was completed subsequent to year end, and sales are expected to commence for the first stage in September 2017. The Group remains confident of the demand for its lots in this subdivision.

**New Projects**

During the year, the Company announced it had entered into a Joint Venture with the owners of a prime CBD site in Adelaide for a mixed-use retail, hotel, apartment development. Under the terms of the agreement, Axiom has the right to purchase a 50% interest in the development, once the project has been substantially de-risked over the next 3 years. Again, this demonstrates the Company's ability to effectively manage its risk profile and leverage its expertise to deliver a new project opportunity.

## MANAGING DIRECTOR'S REVIEW (continued)

Subsequent to year end, the Company also agreed to purchase a site in Richmond, Western Sydney from The Richmond Club, to develop a 115-room hotel. The land forms part of the Club's wider land holding and was deemed non-core. This exciting opportunity gives the Company exposure to the fast-growing western corridor of Sydney which is experiencing strong growth from significant infrastructure expenditure.

**Outlook**

The Group remains confident and comfortable with its strategy of continuing to constantly evaluate its current developments and new opportunities, and is confident in its ability to effectively manage the risks associated with its development activities. The divestment of Churchill Centre South will release cash back to the Company which is expected to be recycled into new projects to deliver superior returns than otherwise might be gained from more passive investments. The Group's strategy to grow the NTA of the business, and strengthen the balance sheet through strategic developments and divestments is expected to continue to drive strong underlying results.

Lastly, may I add my ongoing thanks and appreciation to our shareholders for their ongoing support, as well as adding my sincere thanks to the Axiom team, Directors and its network of consultants and advisors for their assistance and dedication throughout the year. Of particular mention, I'd like to thank both Paul Rouvray, our outstanding General Manager and Paul Santinon, our dedicated Chief Financial Officer for their support and application over the past year. We also welcome Anthony Lombardo to our Sydney office and look forward to him making positive contribution to the Group.

**Ben Laurance**
MANAGING DIRECTOR

# CORPORATE INFORMATION

## ABN 40 009 063 834

**Directors**

| | |
|---|---|
| Ian James Laurance AM | Non-Executive Chairman |
| Ben Peter Laurance | Managing Director |
| John Sylvester Howe | Non-Executive Director |
| Liu Ying Chun | Non-executive Director |
| Doris Chung Gim Lian | Non-executive Director (alternate director) |

**Company Secretary and Chief Financial Officer**
Paul Santinon

**Registered Office**
Level 3, Stafford House
25 Leigh Street
ADELAIDE SA 5000
(08) 8120 2400

**Principal Place of Business**

| | |
|---|---|
| Level 3, Stafford House | Suite 2001, Level 20, Australia Square |
| 25 Leigh Street | 264 – 278 George Street |
| ADELAIDE SA 5000 | SYDNEY NSW 2000 |

**Share Registry**
Computershare Investor Services Pty Limited
Level 5
115 Grenfell Street
ADELAIDE SA 5000
Phone: 1300 55 70 10
www.computershare.com.au

**Solicitors**
Cowell Clarke
Level 5
63 Pirie Street
ADELAIDE SA 5000

**Auditors**
BDO Audit (SA) Pty Ltd
Level 7, 420 King William Street
ADELAIDE SA 5000

**Securities Exchange Listing**
Axiom Properties Limited's shares are listed on the Australian Securities Exchange (ASX: AXI).

**Website**
www.axiompl.com.au

## DIRECTORS' REPORT

Your directors submit the annual financial report of the Consolidated Entity (or Group) consisting of Axiom Properties Limited and the entities it controlled during the financial year ended 30 June 2017. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

### Directors

The names of directors who held office during or since the end of the year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

| Name | Particulars |
|---|---|
| <br>Ian James Laurance AM<br>(Non-Executive Chairman) | Mr Laurance is an economics graduate from the University of Western Australia. He spent 14 years as a Member of the Western Australian Parliament and is a former State Minister for Housing, Tourism, Lands and Regional Development. He was appointed by the Western Australian Government as the inaugural Chairman of the Midland Redevelopment Authority and was previously Chairman of the Western Australian Sports Centre Trust for ten years. He also chaired the publicly listed mining company Arafura Resources for several years.<br><br>Mr Laurance also spent seven years as Chairman of the Perth Convention Bureau. The Bureau is charged with the responsibility of attracting Business Events to Perth and Western Australia.<br><br>In a voluntary capacity, Mr Laurance has served as Chairman and Director of a number of not-for-profit and charitable bodies.<br><br>In 2006 Mr Laurance was made a Member of the Order of Australia (AM).<br><br>Mr Laurance is a member of the Group's Audit Committee, Remuneration Committee and Nomination Committee.<br><br>*Other Public Company Directorships*<br>None<br><br>*Former Public Company Directorships in last three years*<br>Arafura Resources Limited |
| <br>Ben Peter Laurance<br>(Managing Director) | Mr Laurance is the Managing Director of Axiom Properties Ltd, and an Executive Director of Axiom's major shareholder, Pivot Group Pty Ltd. Mr Laurance's role as Managing Director of Axiom is to source, manage and deliver investment grade development projects across various asset classes around Australia. He is also responsible for the day to day management and operation of the Company. With his expertise in the corporate and financial markets, Mr Laurance has been instrumental in the guidance and management of Axiom's business strategy.<br><br>Mr Laurance has a Bachelor of Economics from the University of Western Australia, and he is also a member of the Group's Audit Committee, Remuneration Committee and Nomination Committee.<br><br>*Other Public Company Directorships*<br>None<br><br>*Former Public Company Directorships in last three years*<br>None |

**DIRECTORS' REPORT (continued)**

John Sylvester Howe
(Non-Executive Director)

Mr Howe has over 30 years of business experience in the development and construction industry. He established a national and international reputation across a range of sectors including property, integrated tourism resorts, theme parks, special events and tall buildings.

As the former Executive Chairman of Weathered Howe Pty Ltd, Mr Howe is a recognised industry leader with memberships in many Queensland associations and industry-based councils. Currently Mr Howe is the Chairman of iEDM, one of Australia's leaders in the delivery of Tourism, Leisure and Events Projects. Mr Howe holds the Degree of Bachelor of Engineering (Civil), is a member of the Institution of Engineers Australia and is currently the honorary Professor of Integrated Engineering at Griffith University and previously an Adjunct Professor at the Mirvac School of Sustainable Development at Bond University.

Mr Howe is a member of the Group's Audit Committee, Remuneration Committee and Nomination Committee.

*Other Public Company Directorships*
None

*Former Public Company Directorships in last three years*
None

Liu Ying Chun
(Non-executive Director)

Mr. Liu Ying Chun is the Chief Executive Officer and an Executive Director of Oriental University City Holdings (H.K.) Limited ("OUCHK"), a company listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited. He is primarily responsible for managing the overall operations of OUCHK. Mr. Liu is currently also a director of Langfang Education Consultancy.

Mr. Liu's previous appointments include Chairman of Langfang Huaxi Construction Consultancy Company Limited, Vice-Head in the Langfang Audit Office and Head of Construction Center Department.

Mr. Liu possesses a Diploma in Business Economics awarded by the Renmin University of China. Mr. Liu is also registered as an engineer in the People's Republic of China ("PRC"), a valuer with the China Appraisal Society and a qualified auditor accredited by the National Audit Office in the PRC.

**DIRECTORS' REPORT (continued)**

Doris Chung Gim Lian
(Non-executive Director)
(Alternate Director)

Ms Doris Chung Gim Lian is currently the Director of Operations and Human Resource for Raffles Education Corporation Limited ("REC", and together with its subsidiaries, "REC Group"), having been appointed since February 2000 to oversee the operational efficiency and human resource needs of the REC Group.

Ms Doris Chung is concurrently a Director for several of REC's subsidiaries including Raffles K12 Sdn. Bhd. that operates the Raffles American School in Educity, a fully integrated education hub at Iskandar, Malaysia. She is directly responsible for the management of the Raffles American School.

Over the past 16 years, Doris has directed all aspects of college operations. She has researched and developed new operational functions and procedures for the colleges to increase efficiency. Further, she has collaborated with financial teams to study operational expenses, revenues and cash flows. As HR Director, she has developed plans for managing / retaining talent inside the organization and for improving leadership strength.

Additionally, she has also integrated functional strategies, utilizing business expertise to reach financial and operational objectives. In her roles, she has to meet with board members to conduct presentations on strategies and enhancement projects.

On account of her vast experience in the operations of REC colleges since its inception in 1990, Doris has been actively involved in and is spearheading the Group's recent strategic expansion into Europe.

She is also the Executive Director of Chew Hua Seng Foundation which was incorporated in 2007 by her spouse, Mr. Chew Hua Seng, the founder of REC to help disadvantaged youths by granting them the resources they need to develop their talents and unlock their potential in life. The Foundation believes education is the cornerstone to building bright futures and stronger communities.

**Company Secretary**

Paul Santinon
Chief Financial Officer

Mr Paul Santinon is Company Secretary and Chief Financial Officer of Axiom Properties Ltd. Mr Santinon is responsible for the overall finance function, including taxation, treasury, management accounting, corporate accounting and planning and analysis for reporting to Board members and senior executives. He is also responsible for company secretarial services and compliance, risk and governance systems and practices across the Group.

Mr Santinon has more than 14 years' experience in finance management in Australia and overseas. Prior to joining the Group he worked for French multinational company Capgemini and lead diverse finance teams in Australia and China. Mr Santinon started his career working in insolvency, advisory and audit disciplines within a large chartered accounting firm.

In a volunteer capacity, Mr Santinon currently serves as Treasurer and Board Member for a not-for-profit childcare centre.

Mr Santinon is a Certified Practicing Accountant and a member of CPA Australia, a member of the Australian Institute of Company Directors, holds a Masters of Business Administration from the University of South Australia and a Bachelor of Commerce from the University of Adelaide.

## DIRECTORS' REPORT (continued)

**Interests in the shares and rights of the Company and related bodies corporate**
The following relevant interest in shares and performance rights of the Company were held by the Directors as at the date of this report.

| Directors | Fully Paid Ordinary Shares (at the date of this report) | | Performance Rights (at the date of this report) | |
|---|---|---|---|---|
| | Directly | Indirectly | Directly | Indirectly |
| I J Laurance AM | - | 4,250,000 | - | 1,000,000 |
| B P Laurance | - | 63,400,505 | - | 2,000,000 |
| J S Howe | - | 8,590,450 | - | 700,000 |
| Y C Liu | - | - | - | - |
| D G L Chung | - | 82,250,000 | - | - |

Details of ordinary shares issued by the Company during or since the end of the financial year as a result of the exercise of a performance right are:

| *Number of shares* | *Amount paid per share* |
|---|---|
| 13,800,000 | Nil |

In accordance with the Group's Performance Rights Plan, once issued, these performance rights are restricted from trade on the ASX for a period of 2 years from issue date.

At the date of this report, unissued shares of the Company subject to performance rights are:

| *Measurement Date* | *Exercise Price* | *Number of Shares* | *Expiry Date* |
|---|---|---|---|
| 16 December 2015 | Nil | 6,700,000 | 30 June 2019 |

### DIVIDENDS
No dividends have been paid or declared since the start of the financial year and the directors do not recommend the payment of a dividend in respect of the financial year.

### PRINCIPAL ACTIVITIES
The principal activities during the year of the Consolidated Entity consisted of property investment and development. No significant change in the nature of the Group's property investment, development and funds management activities took place during the year.

# DIRECTORS' REPORT (continued)

## OPERATING AND FINANCIAL REVIEW

### Financial Results

The Group recorded profit after tax of $5.432 million for the year ended 30 June 2017, up 1,115% on the previous year (30 June 2016: $447,000 after tax).

In the past 12 months, the Company has benefited from the continual compression of capitalisation rates across Australian commercial property markets. This compression, along with the embedded rental increases across the Company's tenancy portfolio, has been reflected in the increase to valuation of the Churchill Centre North asset by approximately 7%, which contributes a $2.68 million increase to profit in the period.

Additionally, during the year, the Company took advantage of the improvements in the commercial markets for retail assets and agreed to the sale of the 100% owned Churchill Centre South for $22.350 million, reflecting a capitalisation rate of approximately 7.2% across the Centre at a 6.9% premium to book value. The sale, due to settle on 1st September 2017, contributes a $4.152 million increase to profit in the period. Most importantly, this sale will release net equity back to the Company, after senior debt and all costs, of approximately $10.5m, leaving the Company in a strong financial position and fresh capital to pursue new opportunities.

### Business Overview


*Churchill Centre North and South looking south back to Adelaide CBD*

*Churchill Centre North*

# DIRECTORS' REPORT (continued)

## OPERATING AND FINANCIAL REVIEW (continued)

*Churchill Centre North (50% Interest):*
Churchill Centre North sits on 18 hectares of land, and comprises South Australia's first and currently only Costco store as well as a major sub-regional shopping centre, consisting of a 5,500 sq.m. Coles supermarket, a 5,400 sq.m. Kmart Discount Department Store, a 1,600 sq.m Aldi supermarket, several other mini-major retailers and approximately 55 specialty shops. The Centre also incorporates a Coles service station alongside several other pad sites of fast food outlets incorporating McDonalds and KFC restaurants, and other strategic retailing uses, including Repco and a Kmart Tyre and Auto centre. In total, this northern stage is designed to incorporate more than 40,000 sqm of quality destination retail.

The ongoing success of the Centre as a prominent South Australian retail destination is evident in the continued increase in both customer foot traffic to the Centre as well as the Centre turnover.

The Company and its partner are working on various schemes to fully develop the (approximately) 3 hectares of surplus land and has had some strong interest from national and international retailers and other groups to anchor the subsequent stages.

A development application has been lodged with Council to construct an additional 5,700 sq.m of retail floor space covering the balance of the surplus land. Approval for this final stage is expected subsequent to year end.

*Churchill Centre South*

*Churchill Centre South (100% Interest):*
Since the successful development and sale of Bunnings in 2010, the Group has continued to hold a 100% interest in the balance of the 3-hectare parcel of land. The first stage of 5,500 sq.m was pre-leased to US retailer Savers, Auto barn and Pet Barn with construction completed and opened for trade in December 2014 with Beacon Lighting subsequently opening in March 2015.

The following Stage of the project comprised another 2,000 sq.m (approx.) of mixed use retail as well as a 2,000 sq.m (approximately) pad site which was pre-committed and completed in September 2015. Major tenants in this precinct include national auto mechanic chain Ultra Tune, national playcentre operator "Croc's PlayCafe", German power tools manufacturer Stihl and Hungry Jack's.

During the year, the last remaining undeveloped pad site adjacent to Hungry Jack's of approximately 2,000 sq.m was leased on a long-term basis to Hungry Jack's given the success of their neighbouring restaurant, enabling the fast food giant to expand their patron seating area and carparking.

Importantly, during the year, the Company announced it had entered into a conditional option arrangement to sell its holding in the Churchill South centre for $22.35m. Subsequent to year end, the Company exercised the put option it held with the purchaser to sell the property. All conditions have now been met, and accordingly, the Group expects to settle the sale of the property on 1st September 2017. The impact of this sale is reflected herein the 2017 annual report.

## DIRECTORS' REPORT (continued)

### OPERATING AND FINANCIAL REVIEW (continued)

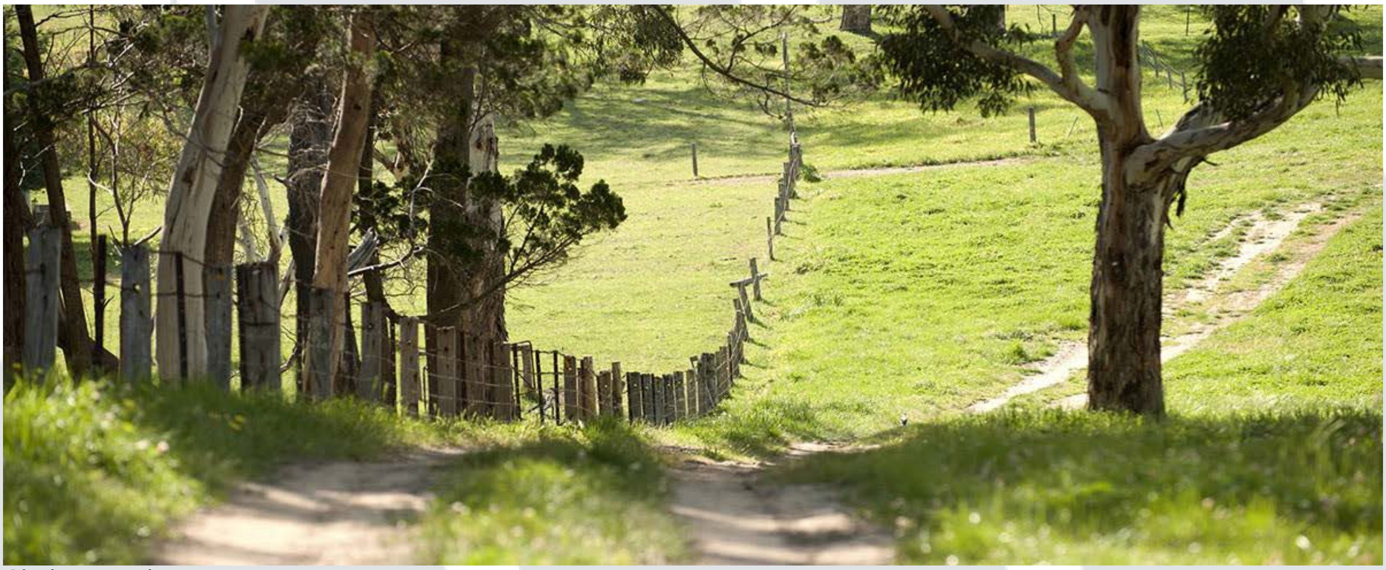

*World Park 01 atrium*

*World Park 01, Keswick SA (100% Interest)*
Worldpark:01 is a campus-style, green office park on the fringe of the Adelaide CBD with a master plan approval to construct 3 boutique office buildings. The first of these buildings, the Stage One "Coffey" Building was successfully pre-committed, developed and delivered in October 2010 to a 5-star green Star rating, and subsequently sold for $46m in December 2010.

Axiom retains ownership of the balance of the land of approximately 2 hectares and is actively marketing and promoting it to secure a pre-commitment sufficient to commence construction of the next stage of the project. The development provides a unique boutique office solution with abundant car-parking in Adelaide's fringe CBD market.

The Company continues to generate income from the site through temporary car-parking revenue, sufficient to minimise holding costs on the site.

The Company is continually reviewing its options for this site and exploring new opportunities for its development.


*Glenlea Mt Barker*

*Mt Barker (50% Interest)*
In May 2015, the Company announced it had entered into a 50/50 Joint Venture Agreement with the landowners of a 50-hectare parcel of land in Mount Barker, South Australia to develop a major residential sub-division. Mt Barker is one of SA's fastest growing regions as well as being one of the nation's fastest growing inland towns. The Company has been working with the land owners to develop a circa 600 allotment scheme that is in keeping with the natural and majestic environment of the area.

## DIRECTORS' REPORT (continued)

### OPERATING AND FINANCIAL REVIEW (continued)

This broad acre subdivision opportunity gives the Company a low risk exposure to the residential sector, and is expected to start contributing to earnings in FY 18. Under the terms of the Joint Venture Agreement, Axiom is responsible for the delivery and management of the entire project, and will be entitled to share in the net proceeds of the residential sales. In July 2016, the Company announced that it had received Development Approval to construct a total of 600 lots and is now in the process of documenting and tendering for the commencement of works.

Subsequent to year end, the Company and its partner have received from its financier an indicative financing proposal that is expected to enable the commencement of works for Stage One of the project. This Stage One is expected to comprise the construction of the first 68 allotments, to satisfy the early interest that has been shown in the project.

*Double Bay*

*Double Bay, Sydney NSW*

In July 2016, the Company announced that it had been selected as the Preferred Proponent to develop a major mixed-use project on the Council-owned Cross St carpark in Sydney's Double Bay as part of a joint venture with major national and development company Built. The development provides Axiom with significant exposure into the strong Sydney residential market and an opportunity to transform a high profile strategic site into a spectacular and unique complex, incorporating a new Council carpark, a multi-screen Palace cinema complex, general retail, food precinct and residential apartments.

Axiom and Built, together with Council have agreed the broad commercial and planning terms associated with the re-development of this 4,000 sq.m site, and are currently working collaboratively on the project to deliver an exceptional outcome for Council, the development partners and the broader community.

*Adelaide CBD*

## DIRECTORS' REPORT (continued)

### OPERATING AND FINANCIAL REVIEW (continued)

*Currie Street, Adelaide SA (50% Interest)*
In June 2017, the Company announced that it had executed a Joint Venture Agreement with the owners of a strategic site in the heart of Adelaide's CBD. The 1,238 sq.m site at 62 Currie St is located adjacent to the Government's vibrant city key laneway and street transformation projects, offering thriving food and wine precincts in the middle of the main working hub in Adelaide as well as being in close proximity to the redeveloped Adelaide Oval, new Royal Adelaide Hospital and Adelaide and University of South Australia new medical precincts.

Under the terms of the Joint Venture Agreement, Axiom has the right to contribute equity of up to $6.0m over the course of the next 3 years to earn a 50% interest in the project, and will be responsible for delivering the development. Axiom also has the right to earn a development management fee during the project's life-cycle.

The mixed-use development is expected to include a hotel/serviced apartment offering, as well as retail and commercial uses, car-parking and residential apartments, offering ease of access to Adelaide airport along the city's major transit corridor. The Company will also investigate incorporating a major student accommodation component within the development.

*Artist impression of hotel accommodation*

*Francis Street, Richmond NSW (100% Interest)*
Subsequent to year end, in July 2017, the Company announced that it had entered into an agreement to purchase a freehold site on the corner of Francis and East Market Streets in Richmond, Western Sydney. Axiom intends to purchase the approx. 2,212 sq.m site from the Richmond Club, one of New South Wales' longest standing ex-servicemen's clubs, and develop it into high-quality hotel accommodation. To that end, Axiom is in final negotiations with an integrated hotel development group to deliver on that outcome.

Once an agreement has been reached with the selected hotel operator, the planning approval process will commence, with construction expected to start on site following all consents being issued.

This opportunity gives Axiom an exposure to the fast-growing Western Sydney corridor, which is benefitting from a multi-billion-dollar government capital expenditure program on infrastructure. Settlement of the land purchase is expected to occur once all development approvals are in place and financial close for a hotel operator has been achieved.

**Outlook**

The Company's executives continue to work on, and evaluate, projects where they can substantially mitigate the risks associated in property development, and to pursue opportunities where they believe they can utilise their experience in de-risking developments and leveraging their expertise.

The Group's management team continue to look for development opportunities where they expect they can generate superior risk adjusted returns for shareholders.

## DIRECTORS' REPORT (continued)

### OPERATING AND FINANCIAL REVIEW (continued)

Churchill Centre North will continue to drive rental yield growth and annual revenue for the Group. This is evidenced by double digit moving annual turnover growth in supermarket sales as well as single digit growth in discount department store and mini-major sales. The Centre's moving annual customer count continues to also increase with over 3.2 million visitors in the past 12 months. The Company believes that whilst this asset continues to provide an above average growth profile for the Group and its shareholders, it will maintain its ownership, but the Company constantly evaluates alternative uses of its capital in the current market environment.

Mount Barker has been in recent times one of the fastest growing inland towns in Australia, with population growth and demand continuing to remain balanced. The Directors and Management of the Group therefore expect competitive pricing and strong demand for allotments at Glenlea Estate when the first allotments come to market in the third quarter of calendar year 2017. Profit and net cash flow return to the Group from the sale of allotments is not expected until subsequent stages of the development, being due to cost requirements of stage 1 for site infrastructure and amenity.

With regards to the Company's Double Bay development, key economic drivers in Sydney are positive, with strong consumer confidence to transact in residential apartments bolstered by low interest rates and inflation, positive population growth and continued shortages. Double Bay is a desirable and aspirational location for investment and living and this growth trend is expected to continue.

The Directors continue to have a positive outlook regarding the Group's pipeline of projects. The Company is now in a much stronger financial position and expects to have sufficient cash reserves to fund its project pipeline following the settlement of sale of Churchill Centre South on 1 September 2017.

### END OF REVIEW OF OPERATIONS

### SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

### FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

The prospects and business strategies of the Group are discussed on pages 10 – 15 of this Report.

### ENVIRONMENTAL LEGISLATION

The Group's operations are subject to various environmental regulations under both Commonwealth and State legislation, particularly in relation to its property development activities. The Group's practice is to ensure that where operations are subject to environmental regulations, those obligations are identified and appropriately addressed. This includes the obtaining of approvals, consents and requisite licences from the relevant authorities and complying with their conditions. There have been no significant known breaches of environmental regulations to which the Group is subject.

### INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company has agreed to indemnify all of the Directors of the Company for any liabilities to another person (other than the Company or related body corporate) that may arise from their position as Directors of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith. In accordance with common practice, the insurance policy prohibits disclosure of the nature of the liability insured against and the amount of the premium.

### REMUNERATION REPORT (AUDITED)

This report, which forms part of the directors' report, outlines the remuneration arrangements in place for the key management personnel ("KMP") of Axiom Properties Limited (the "Company") for the financial year ended 30 June 2017. The information provided in this remuneration report has been audited as required by Section 308(3C) of the Corporations Act 2001.

## DIRECTORS' REPORT (continued)

### REMUNERATION REPORT (continued)

The remuneration report details the remuneration arrangements for KMP who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any Director (whether executive or otherwise) of the parent company, and includes the top executives of the Parent and the Group receiving the highest remuneration.

*Key Management Personnel*

**(i) Directors**

Ian Laurance (Non-Executive Chairman)
Ben Laurance (Managing Director)
John Howe (Non-Executive Director)
Liu Ying Chun (Non-executive Director - appointed 25 November 2015)
Doris Chung Gim Lian (Non-executive Director - alternate director - appointed 25 November 2015)

**(ii) Other key management personnel**

Paul Rouvray (General Manager)

*Remuneration Philosophy*

The performance of the Company depends upon the quality of the Directors and other key management personnel. The philosophy of the Company in determining remuneration levels is to:

- Set competitive remuneration packages to attract and retain high calibre employees; and
- Link executive rewards to shareholder value creation.

*Remuneration Committee*

The Remuneration Committee of the Board of Directors of the Company is responsible for determining and reviewing compensation arrangements for the Directors, the Managing Director and the company secretary. The Remuneration Committee assesses the appropriateness of the nature and amount of remuneration of Directors and other key management personnel on a periodic basis by reference to relevant employment market conditions with an overall objective of ensuring maximum shareholder benefit from the retention of a high-quality Board.

*Remuneration Structure*

In accordance with best practice corporate governance, the structure of non-executive director and other key management personnel remuneration is separate and distinct.

*Company's Remuneration Policies*

The Board, subject to the approval of shareholders in the Annual General Meeting, sets the remuneration level of the non-executive members of the Board. Remuneration is set according to the skills, experience and length of service of each Director. Remuneration of the Non-Executive Chairman is determined by the Board of Directors and is also determined by the skills, experience and length of service of the Non-Executive Chairman. Non-Executive Directors receive a fixed fee and statutory superannuation for services as Directors.

The Company's Constitution provides that Directors may collectively be paid a fixed sum, not exceeding the aggregate maximum per annum from time to time, as determined by the Company and approved by shareholders. A Director may be paid fees or other amounts as the Directors determine where a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director. There is no direct link between remuneration paid to Non-Executive Directors and corporate performance such as bonus payments for achievement of certain key performance indicators.

Remuneration for Executive Directors and Senior Managers is based upon a number of factors, including length of service, particular experience of the individual concerned, and overall performance of the Company.

## DIRECTORS' REPORT (continued)

### REMUNERATION REPORT (continued)

The contracts for service between Executive Directors and the Company are on a continuing basis the terms of which are not expected to change. Remuneration packages may include base salary, superannuation, fringe benefits, bonuses and performance rights.

*Service Agreements*
The following Directors are engaged by the Company through Service Agreements:

*I J Laurance AM – Non-Executive Chairman*
The terms and conditions of the service agreement dated 7 July 2006 (amended 1 January 2013) are:

- Mr Laurance is to provide executive chair services for 20 hours per week as required for Axiom Properties Limited;
- In exchange for Mr Laurance's services, an annual remuneration package of $78,000 plus benefits is payable;
- The Company may terminate this contract at any time with one month's notice if Mr Laurance defaults in the performance and observance of his obligations under the agreement or declared bankrupt.

*B P Laurance – Managing Director*
The terms and conditions of the service agreement dated 24 November 2006 (amended effective 1 January 2008) are:

- Mr Laurance is to provide managing directorial services as required for Axiom Properties Limited;
- In exchange for Mr Laurance's services, an annual remuneration package of $495,000 plus benefits is payable;
- The Company may terminate this contract at any time with one month's notice if Mr Laurance defaults in the performance and observance of his obligations under the agreement or declared bankrupt.

*J S Howe – Non-Executive Director*
The terms and conditions of the letter of appointment dated 22 April 2008 are:
- Mr Howe is to provide non-executive director services as required for Axiom Properties Limited;
- In exchange for Mr Howe's services, an annual director fee of $57,000 plus benefits is payable;
- The Company may terminate this contract at any time with one month's notice if Mr Laurance defaults in the performance and observance of his obligations under the agreement or declared bankrupt.

*Y C Liu – Non-Executive Director*
The terms and conditions of the letter of appointment dated 25 November 2015 are:
- Mr Liu is to provide non-executive director services as required for Axiom Properties Limited;
- In exchange for Mr Liu's services, Oriental University City Holdings (H.K.) Limited will receive an annual fee of $55,000;
- The Company may terminate this contract at any time with one month's notice if Mr Liu defaults in the performance and observance of his obligations under the agreement or declared bankrupt.

*D G L Chung – Non-Executive Director (alternate)*
The terms and conditions of the letter of appointment dated 25 November 2015 are:
- Ms Chung is to provide non-executive director services as Mr Liu's alternate as required for Axiom Properties Limited;
- The Company may terminate this contract at any time with one month's notice if Ms Chung defaults in the performance and observance of her obligations under the agreement or declared bankrupt.

*P J Rouvray – General Manager*
The terms and conditions of the service agreement dated 4 January 2007 are:

- Mr Rouvray is to provide general manager services as required for Axiom Properties Limited;
- In exchange for Mr Rouvray's services, an annual remuneration package of $350,000 plus benefits is payable;
- The Company may terminate this contract at any time with one months' notice if Mr Rouvray defaults in the performance and observance of his obligations under the agreement.

## DIRECTORS' REPORT (continued)

### REMUNERATION REPORT (continued)

***Remuneration of Directors and other KMP***

**Table 1: Directors' and other KMP's remuneration for the years ended 30 June 2017**

| | Short-term employee benefits | | | Post-employment benefits | Long-term benefits | Share-based payments | | Proportion of remuneration that is performance based |
|---|---|---|---|---|---|---|---|---|
| **2017** | **Cash salary and fees** | **Cash bonus** | **Non-monetary benefits** | **Superannuation** | **Long service leave** | **Performance Rights** | **Total** | |
| ***Name*** | **$** | **$** | **$** | **$** | **$** | **$** | **$** | **%** |
| ***Directors*** | | | | | | | | |
| I J Laurance AM | 76,321 | 20,000 | 10,934 | 7,251 | - | 56,959 | 169,176 | 44% |
| J S Howe | 55,881 | 10,000 | - | 5,309 | - | 38,098 | 106,726 | 43% |
| Y C Liu | 55,000 | - | - | - | - | - | 55,000 | - |
| D G L Chung | - | - | - | - | - | - | - | - |
| B P Laurance | 487,385 | 150,000 | 5,141 | 46,258 | (3,003) | 113,918 | 795,121 | 33% |
| | | | | | | | | |
| ***Other KMP*** | | | | | | | | |
| P J Rouvray | 342,384 | 150,000 | 30,740 | 32,483 | 12,349 | 113,918 | 681,874 | 39% |
| | | | | | | | | |
| **Total KMP compensation** | **1,016,971** | **330,000** | **46,815** | **91,301** | **9,346** | **322,895** | **1,843,063** | |

## DIRECTORS' REPORT (continued)

### REMUNERATION REPORT (continued)

**Table 2: Directors' and other KMP's remuneration for the years ended 30 June 2017**

| | Short-term employee benefits | | | Post-employment benefits | Long-term benefits | Share-based payments | | Proportion of remuneration that is performance based |
|---|---|---|---|---|---|---|---|---|
| **2016** | **Cash salary and fees** | **Cash bonus** | **Non-monetary benefits** | **Superannuation** | **Long service leave** | **Performance Rights** | **Total** | |
| ***Name*** | **$** | **$** | **$** | **$** | **$** | **$** | **$** | **%** |
| ***Directors*** | | | | | | | | |
| I J Laurance AM | 72,205 | 70,000 | 15,839 | 6,859 | - | 85,216 | 250,119 | 62% |
| J S Howe | 55,000 | 10,000 | - | 5,224 | - | 76,811 | 147,035 | 59% |
| Y C Liu | 55,000 | - | - | - | - | - | 55,000 | - |
| D G L Chung | - | - | - | - | - | - | - | - |
| B P Laurance | 484,903 | 100,000 | 5,380 | 46,065 | 24,076 | 170,432 | 830,856 | 33% |
| | | | | | | | | |
| ***Other KMP*** | | | | | | | | |
| P J Rouvray | 339,750 | 100,000 | 30,187 | 32,276 | 15,918 | 170,432 | 688,563 | 39% |
| | | | | | | | | |
| **Total KMP compensation** | **1,006,858** | **280,000** | **51,406** | **90,424** | **39,994** | **502,891** | **1,971,573** | |

# DIRECTORS' REPORT (continued)

## REMUNERATION REPORT (continued)

**Table 3: Cash bonuses for the year ended 30 June 2017**

Cash bonuses granted to Mr I J Laurance, MR J S Howe, Mr B P Laurance and Mr P J Rouvray were paid on 11 January 2017 at the discretion of the Board acting in its capacity as Remuneration Committee. The bonuses therefore vested 100% during the financial year ended 30 June 2017.

The short-term cash incentive was based on the following performance criteria:

1. Achievement of profitability and NTA targets of the company
2. Delivery of current pipeline of projects
3. Securing of new projects and investments

Details of these short-term incentives recognised as remuneration, forfeited or available for vesting in future financial years is outlined below:

| Name | Included in Remuneration | % Vested in current year | % Forfeited in current year | % Available for vesting in future years | Maximum $ available for vesting in future years | Minimum $ available for vesting in future years |
|---|---|---|---|---|---|---|
| ***Directors*** | **$** | | | | **$** | **$** |
| I J Laurance AM | 20,000 | 100% | 0% | N/A | N/A | N/A |
| J S Howe | 10,000 | 100% | 0% | N/A | N/A | N/A |
| B P Laurance | 150,000 | 100% | 0% | N/A | N/A | N/A |
| ***Other KMP*** | | | | | | |
| P J Rouvray | 150,000 | 100% | 0% | N/A | N/A | N/A |

**Table 4: Performance rights in existence during the financial year**

| Performance Right Grant Date | Expiry Date | Grant date fair value | Number of Rights | Vesting Date |
|---|---|---|---|---|
| Tranche 2: 16 December 2015 | 30 June 2019 | $0.0546 | 5,650,000 | 30 June 2017 |
| Tranche 3: 16 December 2015 | 30 June 2019 | $0.0546 | 5,700,000 | 30 June 2018 |

## DIRECTORS' REPORT (continued)

### REMUNERATION REPORT (continued)

**Table 5: Performance rights available during the year to key management personnel**

Key management personnel are also entitled to receive a specified number of performance rights each year under the Axiom Properties Limited Performance Rights Plan provided that certain performance criteria are met as follows:

1. Achievement of profitability and NTA targets of the company
2. Delivery of current pipeline of projects
3. Securing of new projects and investments

There were no alterations to the terms and conditions of performance rights granted as remuneration since grant date. Details of performance rights issued during the year and whether they vested or not are set out below:

| Name | Option series | No. Granted 16 December 2015 | No. Vested financial year 2016 Tranche 1 | No. Vested current year Tranche 2 | % Vested in current year | % Forfeited in current year | % Available for vesting in future years |
|---|---|---|---|---|---|---|---|
| ***Directors*** | | | | | | | |
| I J Laurance AM | Tranche 1, 2 & 3 | 3,000,000 | 1,000,000 | 1,000,000 | 33% | - | 33% |
| J S Howe | Tranche 1, 2 & 3 | 2,000,000 | 650,000 | 650,000 | 33% | - | 35% |
| B P Laurance | Tranche 1, 2 & 3 | 6,000,000 | 2,000,000 | 2,000,000 | 33% | - | 33% |
| ***Other KMP*** | | | | | | | |
| P J Rouvray | Tranche 1, 2 & 3 | 6,000,000 | 2,000,000 | 2,000,000 | 33% | - | 33% |

# DIRECTORS' REPORT (continued)

## REMUNERATION REPORT (continued)

### Table 6: Shareholding of key management personnel

Number of shares held by parent entity Directors and specified executives directly or beneficially

| 2017 | Balance 1 July 2016 | Received as Remuneration | Rights Exercised | Net Change Other | Balance 30 June 2017 |
|---|---|---|---|---|---|
| **Directors** | | | | | |
| I J Laurance | 2,250,000 | - | 1,000,000 | - | 3,250,000 |
| B P Laurance | 59,400,505 | - | 2,000,000 | - | 61,400,505 |
| J S Howe | 7,290,450 | - | 650,000 | - | 7,940,450 |
| D G L Chung | 82,250,000 | - | - | - | 82,250,000 |
| | 151,190,955 | - | 3,650,000 | - | 154,840,955 |
| **Other KMP** | | | | | |
| P Rouvray | 6,000,000 | - | 2,000,000 | - | 8,000,000 |
| | 6,000,000 | - | 2,000,000 | - | 8,000,000 |

### Table 7: Rights holdings of key management personnel

| 2017 | Balance 1 July 2016 | Rights Exercised[1] | Balance 30 June 2017 | Vested at 30 June 2017[2] | Value of Rights Exercised[1] |
|---|---|---|---|---|---|
| ***Directors*** | | | | | |
| I J Laurance | 3,000,000 | (1,000,000) | 2,000,000 | 1,000,000 | 46,000 |
| B P Laurance | 6,000,000 | (2,000,000) | 4,000,000 | 2,000,000 | 92,000 |
| J S Howe | 2,000,000 | (650,000) | 1,350,000 | 650,000 | 29,900 |
| | 11,000,000 | (3,650,000) | 7,350,000 | 3,650,000 | 167,900 |
| **Other KMP** | | | | | |
| P J Rouvray | 6,000,000 | (2,000,000) | 4,000,000 | 2,000,000 | 92,000 |
| | 6,000,000 | (2,000,000) | 4,000,000 | 2,000,000 | 92,000 |

[1]All rights exercised on 26 July 2016. Value of rights based on share value of 4.60 cents each on this date as all rights exercised during the year were for nil consideration.

[2] All rights are exercisable immediately when vested

### Table 8: Group performance

The table below shows the Group's earnings performance as well as the movement in the Group's Earnings Per Share (EPS) and share price over the last 5 years.

| Financial Report Date | Profit / (Loss) After Tax $'000 | Basic EPS Cents | Share Price cents | Return on Market Capitalisation % |
|---|---|---|---|---|
| 30 June 2013 | 2,374 | 0.54 | 3.10 | 16.32% |
| 30 June 2014 | 2,846 | 0.64 | 4.20 | 13.13% |
| 30 June 2015 | 3,615 | 0.85 | 6.10 | 14.18% |
| 30 June 2016 | 447 | 0.11 | 4.90 | 2.21% |
| 30 June 2017 | 5,432 | 1.29 | 4.80 | 26.91% |

# DIRECTORS' REPORT (continued)

## REMUNERATION REPORT (continued)

### Other transactions with key management personnel

Pivot Group Pty Ltd, a Director related entity of Mr B P Laurance, was reimbursed for travel and accommodation costs in connection with consultancy services provided to the Board by its Chairman Peter Laurance, an advisor to the Board. The expenses were reimbursed at cost. The total charged to the Company was $4,496 (2016: $10,873).

## END OF AUDITED REMUNERATION REPORT

## DIRECTORS' MEETINGS

The number of meetings of the board of directors (including board committees) held during the year ended 30 June 2017, and the number of meetings attended by each director are set out below:

| | Board | | Audit Committee | | Remuneration Committee | | Nomination Committee | |
|---|---|---|---|---|---|---|---|---|
| **Name** | **Held** | **Attended** | **Held** | **Attended** | **Held** | **Attended** | **Held** | **Attended** |
| I J Laurance AM | 10 | 10 | 2 | 2 | 1 | 1 | - | - |
| J S Howe | 10 | 9 | 2 | 2 | 1 | - | - | - |
| Y C Liu | 10 | 8 | 2 | 1 | 1 | - | - | - |
| D G L Chung | 10 | 5 | 2 | 1 | 1 | - | - | - |
| B P Laurance | 10 | 8 | 2 | 2 | 1 | 1 | - | - |

## 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 or those proceedings. The Company was not a party to any such proceedings.

## ROUNDING OFF OF AMOUNTS

The Group is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and in accordance with that Instrument, amounts in the consolidated financial statements and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

## AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

Section 307(C) of the Corporations Act 2001 requires the Company's auditors, BDO Audit (SA) Pty Ltd, to provide the Directors of the Company with an Independence Declaration in relation to the audit of the financial report. This Independence Declaration is set out on page 34 and forms part of the Directors' Report for the year ended 30 June 2016.

## NON-AUDIT SERVICES

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in Note 28 to the financial statements. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The Directors are of the opinion that the services do not compromise the auditor's independence as all non-audit services have been reviewed to ensure that they do not impact the impartiality and objectivity of the auditor and none of the services undermine the general principles relating to auditor independence as set out in the Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board.

## DIRECTORS' REPORT (continued)

**EVENTS AFTER THE REPORTING DATE**

In July 2017, the group announced that it had entered into an agreement to purchase a freehold site on the corner of Francis and East Market St in Richmond, Western Sydney. Settlement of the land purchase is expected to occur once all development approvals are in place and financial close for a hotel operator has been achieved.

Subsequent to year end, the Company exercised the put option it held with the purchaser to sell Churchill Centre South. All conditions have now been met, and accordingly, the Group expects to settle the sale of the property on 1st September 2017.

No other matter or circumstance has arisen since 30 June 2017 that has significantly affected, or may significantly affect:

- the Group's operations in future financial years; or
- the results of those operations in future financial years; or
- the Group's state of affairs in future financial years.

Signed in accordance with a resolution of the Directors:

**Ben Laurance**
MANAGING DIRECTOR

Adelaide, South Australia
Dated: 23 August 2017

# CORPORATE GOVERNANCE STATEMENT

Axiom Properties Limited (**Company**) has established a corporate governance framework, the key features of which are set out in this statement. In establishing its corporate governance framework, the Company has referred to ASX Corporate Governance Council Principles and Recommendations 3rd edition (**Principles & Recommendations**). The Company has followed each recommendation where the Board has considered the recommendation to be an appropriate benchmark for its corporate governance practices. Where the Company's corporate governance practices follow a recommendation, the Board has made appropriate statements reporting on the adoption of the recommendation. In compliance with the "if not, why not" reporting regime, where, after due consideration, the Company's corporate governance practices do not follow a recommendation, the Board has explained it reasons for not following the recommendation and disclosed what, if any, alternative practices the Company has adopted instead of those in the recommendation.

The following governance-related documents can be found on the Company's website at https://www.axiompl.com.au/about under the section marked "Corporate Governance":

**Charters**
Board
Audit Committee
Nomination Committee
Remuneration Committee

**Policies and Procedures**
Policy and Procedure for Selection and (Re) Appointment of Directors
Process for Performance Evaluations
Policy on Assessing the Independence of Directors
Diversity Policy (summary)
Code of Conduct (summary)
Policy on Continuous Disclosure (summary)
Compliance Procedures (summary)
Procedure for the Selection, Appointment and Rotation of External Auditor
Shareholder Communication Policy
Risk Management Policy (summary)
Policy for Trading in Company Securities

The Company reports below on whether it has followed each of the recommendations during the 2017 financial year (**Reporting Period**). The information in this statement is current at 23 August 2017.

## Board

**Roles and responsibilities of the Board, Company Secretary and Senior Executives (Recommendations: 1.1, 1.4)**

The Company has established the functions reserved to the Board, and those delegated to senior executives and has set out these functions in its Board Charter, which is disclosed on the Company's website.

The Board is collectively responsible for promoting the success of the Company through its key functions of overseeing the management of the Company, providing overall corporate governance of the Company, monitoring the financial performance of the Company, engaging appropriate management commensurate with the Company's structure and objectives, involvement in the development of corporate strategy and performance objectives, and reviewing, ratifying and monitoring systems of risk management and internal control, codes of conduct and legal compliance.

Senior executives are responsible for supporting the Managing Director and assisting the Managing Director in implementing the running of the general operations and financial business of the Company in accordance with the delegated authority of the Board. Senior executives are responsible for reporting all matters which fall within the Company's materiality thresholds at first instance to the Managing Director or, if the matter concerns the Managing Director, directly to the Chair or the lead independent director, as appropriate.

Under the Board Charter, the Company Secretary is accountable directly to the Board in relation to all matters to do with the proper functioning of the Board. Specific matters for the Company Secretary are set out in the Board Charter.

## CORPORATE GOVERNANCE STATEMENT (continued)

**Skills, experience, expertise and period of office of each Director**
**(Recommendation: 2.2)**

A profile of each Director setting out their skills, experience, expertise and period of office is set out in the Directors' Report on page 7 of the 2017 Annual Report.

The Board reviews the competencies of the existing Board regularly to ensure that its members have the mix of skills, experience, expertise and diversity that will best increase the Board's effectiveness. The Board is of the view that its current composition represents the mix of sills and diversity for which the Board is looking to achieve in membership of the Board. The Board comprises directors with the following skills and experience that the Board considers to be particularly relevant to the Company: strategic thinking; financial management and analytical skills; experience in business management; risk management knowledge and expertise; fund raising skills; industry knowledge and expertise; people management skills; change management skills and marketing and public relations experience.

**Director independence**
**(Recommendations: 2.3, 2.4, 2.5)**

The Board has a combination of independent and non-independent directors. The Board considers its composition is, and continues to be, appropriate for the Company's current operations. The Company considers that each of its directors possess the right combination of skills and experience suitable for building the Company. The Board will continue to monitor its composition as the Company's operations evolve, and will appoint further independent directors if considered appropriate.

The Board considers the independence of directors having regard to the relationships listed in Box 2.3 of the Principles & Recommendations and the Company's materiality thresholds and has adopted a Policy on Assessing the Independence of Directors. The Board has agreed on the following guidelines, as set out in the Company's Board Charter for assessing the materiality of matters:

- Balance sheet items are material if they have a value of more than 10% of pro-forma net asset.
- Profit and loss items are material if they will have an impact on the current year operating result of 10% or more.
- Items are also material if they impact on the reputation of the Company, involve a breach of legislation, are outside the ordinary course of business, could affect the Company's rights to its assets, if accumulated would trigger the quantitative tests, involve a contingent liability that would have a probable effect of 10% or more on balance sheet or profit and loss items, or will have an effect on operations which is likely to result in an increase or decrease in net income or dividend distribution of more than 10%.

Contracts will be considered material if they are outside the ordinary course of business, contain exceptionally onerous provisions in the opinion of the Board, impact on income or distribution in excess of the quantitative tests, there is a likelihood that either party will default, and the default may trigger any of the quantitative or qualitative tests, are essential to the activities of the Company and cannot be replaced, or cannot be replaced without an increase in cost which triggers any of the quantitative tests, contain or trigger change of control provisions, are between or for the benefit of related parties, or otherwise trigger the quantitative tests.

The independent directors of the Company during the Reporting Period were John Howe, Liu Ying Chun and Doris Chung Gim Lian (alternate director to Mr Liu). Mr Howe, Mr Liu and Ms Chung are independent as they are non-executive directors who are not members of management and who are free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of their judgment.

The non-independent directors of the Company during the Reporting Period were Mr Ian Laurance (Chair) and Mr Ben Laurance (Managing Director).

The non-independent Chair of the Board is Mr Ian Laurance. Mr Laurance was an executive Chair, however his role became non-executive on 1 January 2013. Mr Laurance does not satisfy paragraph 2 of the independence criteria set out in Box 2.3 of the Principles & Recommendations.

## CORPORATE GOVERNANCE STATEMENT (continued)

### Director independence (continued)

The Board continues to believe that Mr Laurance is the most appropriate person to Chair the Board because of his industry experience, including as former State Minister for Housing, Tourism and Lands, former Chairman of the Midland Redevelopment Authority, former chair of rare earths company, Arafura Resources Limited and current director a number of not-for-profit boards. The Board (in the absence of Mr Laurance) believes that Mr Laurance makes decisions that are in the best interests of the Company. Mr Howe has been appointed lead independent director to take the role of Chair when Mr Laurance is unable to act as Chair due to any conflict of interest.

The Managing Director is Mr Ben Laurance who is not Chair of the Board.

### Board committees

**Nomination Committee**
**(Recommendations: 2.1)**

The Board has not established a separate Nomination Committee. The role of the Nomination Committee is carried out by the full Board in accordance with the Company's Nomination Committee Charter. Given the current size and composition of the Board, the Board believes that there would be no efficiencies gained by establishing a separate Nomination Committee. Items that are usually required to be discussed by a Nomination Committee are marked as separate agenda items at Board meetings when required. When the Board convenes as the Nomination Committee it carries out those functions which are delegated to it in the Company's Nomination Committee Charter. The Board deals with any conflicts of interest that may occur when convening in the capacity of the Nomination Committee by ensuring that the director with conflicting interests is not party to the relevant discussions.

The full Board did not officially convene in its capacity as a Nomination Committee during the Reporting Period, however nomination-related discussions occurred from time to time during the year as required.

The Board has adopted a Nomination Committee Charter which describes the role, composition, functions and responsibilities of the full Board in its capacity as the Nomination Committee. The Company's Nomination Committee Charter is disclosed on the Company's website.

**Safeguard Integrity in Corporate Reporting**
**(Recommendations: 4.1, 4.2, 4.3)**

The Board has not established a separate Audit Committee and accordingly, is not structured in accordance with Recommendation 4.1. Given the size and composition of the Board, the Board believes that there would be no efficiencies gained by establishing a separate Audit Committee. Items that are usually required to be discussed by an Audit Committee are marked as separate agenda items at Board meetings when required. When the Board convenes as the Audit Committee it carries out those functions which are delegated to it in the Company's Audit Committee Charter. The Board deals with any conflicts of interest that may occur when convening in the capacity of the Audit Committee by ensuring that the director with conflicting interests is not party to the relevant discussions. Mr Howe chairs the meeting when the full Board meets in its capacity as the Audit Committee.

The Company has adopted an Audit Committee Charter which describes the role, composition, functions and responsibilities of the full Board in its capacity as the Audit Committee.

Details of director attendance at Audit Committee meetings during the Reporting Period are set out in a table in the Directors' Report on page 24 of the 2017 Annual Report. The full Board in its capacity as the Audit Committee held 2 meetings during the Reporting Period.

Details of each of the director's qualifications are set out in the Directors' Report on page 7 of the 2017 Annual Report. Each of the Board members considers themselves to be financially literate and have industry knowledge. Furthermore, Board members may seek external advice from the Company's auditors to assist with financial matters, if required. It should also be noted that the Company's Chief Financial Officer attends meetings if required to assist the full Board in its capacity as the Audit Committee.

The Company has established a Procedure for the Selection, Appointment and Rotation of its External Auditor. The Board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises, as recommended by the Audit Committee (or its equivalent).

## CORPORATE GOVERNANCE STATEMENT (continued)

### Safeguard Integrity in Corporate Reporting (continued)

Candidates for the position of external auditor must demonstrate complete independence from the Company through the engagement period. The Board may otherwise select an external auditor based on criteria relevant to the Company's business and circumstances. The performance of the external auditor is reviewed on an annual basis by the Audit Committee (or its equivalent) and any recommendations are made to the Board.

The Company's Audit Committee Charter and Procedure for Selection, Appointment and Rotation of External Auditor are disclosed on the Company's website. The Company's auditor is required to attend the Company's AGM and is required to answer questions from shareholders relevant to the audit.

### Certification of Financial Statements

**(Recommendations: 4.2)**

The Managing Director and the Chief Financial Officer have provided a declaration to the Board in accordance with section 295A of the Corporations Act and in respect of all financial statements of the Company and its consolidated entities that:

- the financial records of the Company have been properly maintained;
- the financial statements comply with appropriate accounting standards and give a true and fair view of the financial position and performance of the Company; and
- have stated to the Board that such declaration is founded on a sound system of risk management and internal control and that the system is operating effectively.

### Remuneration Committee
**(Recommendations: 8.1, 8.2, 8.3)**

The Board has not established a separate Remuneration Committee. Accordingly, the Remuneration Committee is not structured in accordance with Recommendation 8.1. Given the size and composition of the Company, the Board believes that there would be no efficiencies gained by establishing a separate Remuneration Committee. Accordingly, the Board performs the role of Remuneration Committee. Items that are usually required to be discussed by a Remuneration Committee are marked as separate agenda items at Board meetings when required. When the Board convenes as the Remuneration Committee it carries out those functions which are delegated to it in the Company's Remuneration Committee Charter. The Board deals with any conflicts of interest that may occur when convening in the capacity of the Remuneration Committee by ensuring that the director with conflicting interests is not party to the relevant discussions.

The full Board did not officially convene in its capacity as a Remuneration Committee during the Reporting Period, however remuneration-related discussions occurred from time to time during the year as required.

Details of remuneration, including the Company's policy on remuneration, are contained in the "Remuneration Report" which forms of part of the Directors' Report and commences on page 14. The Company's policy on remuneration clearly distinguishes the structure of non-executive directors' remuneration from that of executive directors and senior executives.

Non-executive directors are remunerated at a fixed fee for time, commitment and responsibilities. Remuneration for non-executive directors is not linked to individual performance. From time to time, the Company may grant options to non-executive directors. The grant of options is designed to attract and retain suitably qualified non-executive directors.

Executive pay and reward consists of a base salary and long and short performance incentives, based upon length of service, experience and performance of the Company. Short term performance incentives may include cash bonuses. Long term performance incentives may include options granted at the discretion of the Board and subject to obtaining the relevant approvals. The grant of options is designed to recognise and reward efforts as well as to provide additional incentive and may be subject to the successful completion of performance hurdles. Executives are offered a competitive level of base pay at market rates (for comparable companies) and are reviewed annually to ensure market competitiveness.

## CORPORATE GOVERNANCE STATEMENT (continued)

**Remuneration Committee (continued)**

There are no termination or retirement benefits for non-executive directors (other than for superannuation).

The Board has adopted a Remuneration Committee Charter which describes the role, composition, functions and responsibilities of the Remuneration Committee. The Company's Remuneration Committee Charter includes a statement of the Company's policy on prohibiting transactions in associated products which limit the risk of participating in unvested entitlements under any equity based remuneration schemes. The Company's Remuneration Committee Charter is disclosed on the Company's website.

### Performance evaluation

**Senior executives**
**(Recommendations: 1.7)**

The Managing Director in consultation with the Board reviews the performance of the Senior Executives. The current size and structure of the Company allows the Managing Director to conduct informal evaluation of the Company's senior executives regularly. Open and regular communication with senior executives allows the Managing Director to ensure that senior executives meet their responsibilities as outlined in their contracts with the Company, and to provide feedback and guidance, particularly where any performance issues are evident. Annually, individual performance may be more formally assessed in conjunction with a remuneration review. As the Company grows, it will review the need for a more formalised approach to senior executive performance evaluation.

During the Reporting Period, a performance evaluation of the Company's senior executives took place in accordance with the process disclosed above.

**Board, its committees and individual directors**
**(Recommendations: 1.6, 2.6)**

The Chair evaluates and monitors the performance of the Board on an ongoing regular basis. The Chair meets with each individual director at least annually and also meets with the Board as a whole to discuss performance of directors. Measures against which the performance of the Board and its individual directors are measured include:

- assessment of the skills, performance and contribution of individual members of the Board;
- the performance of the Board as a whole;
- awareness of directors of their responsibilities an duties as directors of the Company and of corporate governance and compliance requirements;
- awareness of directors of the Company's strategic direction;
- understanding by the directors of the Company's business and the industry and environment in which it operates;
- avenues for continuing improvement of Board functions and further development of director skill base.

Given the current size and structure of the Company, the performance of the Managing Director is evaluated informally through open and regular communication with the Board during which feedback, guidance and support is provided. In addition, the Managing Director's performance is reviewed by the Board by meeting and discussion annually based on observations and interactions during the previous 12 months.

During the Reporting Period, an evaluation of the Board, individual directors and the Managing Director took place in accordance with the process disclosed above. The Company also provides appropriate opportunities for professional development of directors to develop and maintain their skills and knowledge needed to perform their roles effectively.

The Company's Process for Performance Evaluation is disclosed on the Company's website.

## CORPORATE GOVERNANCE STATEMENT (continued)

### Ethical and responsible decision making

**Code of Conduct**
**(Recommendations: 3.1)**

The Company has established a Code of Conduct as to the practices necessary to maintain confidence in the Company's integrity, the practices necessary to take into account its legal obligations and the reasonable expectations of its stakeholders and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

A summary of the Company's Code of Conduct is disclosed on the Company's website.

**Diversity**
**(Recommendations: 1.5)**

The Company has established a Diversity Policy. However, the policy does not include a requirement for the Board to establish measurable objectives for achieving gender diversity. Rather, the policy states that the Board may set measurable objectives that are appropriate for the Company, which will be disclosed if established.

The Board has not set measurable objectives for achieving gender diversity as the Board does not consider it practical at this stage to do so. The Board will review its position on establishing measurable objectives as the Company's circumstances change, and the number of employees and level of activities of the Company increase to a level that the Board considers will enable it to set meaningful and achievable objectives.

There is one woman in the organisation. The proportion of women employees in the whole organisation, women in senior executive positions and women on the Board as at the date of this statement are set out in the following table:

| | **Proportion of women** |
|---|---|
| Whole organisation | 1 out of 7 (14%) |
| Senior Executive positions | 0 out of 2 (0%) |
| Board | 1 out of 5 (20%) |

A summary of the Company's Diversity Policy is disclosed on the Company's website.

### Continuous Disclosure
**(Recommendations: 5.1)**

The Company has established written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and accountability at a senior executive level for that compliance.

A summary of the Company's Policy on Continuous Disclosure and Compliance Procedures are disclosed on the Company's website.

### Shareholder Communication
**(Recommendations: 6.1, 6.2, 6.3, 6.4)**

The Company has designed a communications policy for promoting effective communication with shareholders, informing shareholders about itself via its website and encouraging shareholder participation at general meetings.

As part of the Company communications policy, the Company also facilitates effective two-way communication with investors and encourages investors to use the Company's website and to receive and send communications electronically.

The Company's Investor Relations Policy is disclosed on the Company's website.

## CORPORATE GOVERNANCE STATEMENT (continued)

### Risk Management
**(Recommendations: 7.1, 7.2, 7.3, 7.4)**

The Board has adopted a Risk Management Policy, which sets out the Company's risk profile. Under the policy, the Board is responsible for approving the Company's policies on risk oversight and management and satisfying itself that management has developed and implemented a sound system of risk management and internal control.

Under the policy, the Board delegates day-to-day management of risk to the Managing Director**,** who is responsible for identifying, assessing, monitoring and managing risks. The Managing Director is also responsible for updating the Company's material business risks to reflect any material changes, with the approval of the Board. The Board has not considered it necessary to have a separate risk committee.

In fulfilling the duties of risk management, the Managing Director may have unrestricted access to Company employees, contractors and records and may obtain independent expert advice on any matter they believe appropriate, with the prior approval of the Board.

In addition, the following risk management measures have been adopted by the Board to manage the Company's material business risks:

- the Board has established authority limits for management, which, if proposed to be exceeded, requires prior Board approval;
- the Board has adopted a compliance procedure for the purpose of ensuring compliance with the Company's continuous disclosure obligations; and
- the Board has reviewed its corporate governance manual which contains other policies to assist the Company to establish and maintain its governance practices.

The Company has formalised its approach to risk management by documenting all material business risks in a risk map and allocating ownership for material business risks to the Managing Director and management of individual material business risks to senior management and individuals within the organisation. The risk map is reviewed by management and updated on a quarterly basis and presented to the Board. All risks identified in the risk map are reviewed and assessed by management and the Board at least annually. The Board however does not have an internal audit function.

The categories of risk reported on as part of the Company’s risk management systems are: reputational; strategic; corporate governance; new investment; existing investment control; development projects; sale of investments; finance; operational risk; compliance and regulatory; legal; tax, environmental, economic, social sustainability and personnel.

The Board has required management to design, implement and maintain risk management and internal control systems to manage the Company's material business risks.  The Board also requires management to report to it confirming that those risks are being managed effectively. The Board has received a report from management as to the effectiveness of the Company's management of its material business risks for the Reporting Period.

A summary of the Company’s Risk Management Policy is disclosed on the Company’s website.

## CORPORATE GOVERNANCE STATEMENT (continued)

| Skills and experience | Board |
|---|---|
| **Total Directors** | **4 Directors** |
| **Executive leadership**<br>Sustainable success in business at a very senior executive level in a successful career. | 4 |
| **Global experience**<br>Senior management or equivalent experience in multiple global locations, exposed to a range of political, cultural, regulatory and business environments. | 4 |
| **Governance and people management**<br>Commitment to the highest standards of governance, including experience with a major organisation that is subject to rigorous governance standards, and an ability to assess the effectiveness of senior management. | 4 |
| **Strategic thinking and risk management**<br>Track record of developing and implementing a successful strategy, including appropriately probing and challenging management on the delivery of agreed strategic planning objectives. Track record in developing an asset or business portfolio over the long term that remains resilient to systemic risk. | 4 |
| **Financial management and acumen**<br>Senior executive or equivalent experience in financial accounting and reporting, corporate finance and internal financial controls, including an ability to probe the adequacies of financial and risk controls. | 4 |
| **Industry knowledge and fund raising**<br>Experience working in property and infrastructure industry with projects involving capital outlays and long-term investment horizons. Ability to raise funds from various sources domestically and internationally. | 4 |
| **Health, safety and environment**<br>Experience related to workplace health and safety, environmental and social responsibility, and community. | 4 |
| **Remuneration**<br>Board Remuneration Committee membership or management experience in relation to remuneration, including incentive programs and pensions/superannuation and the legislation and contractual framework governing remuneration. | 4 |
| **Marketing**<br>Senior executive experience in marketing and a detailed understanding of the Group's corporate purpose to create long-term shareholder value through the discovery, acquisition, development and marketing of property development and investment opportunities. | 4 |
| **Public and government policy**<br>Experience in public, government and regulatory policy, including how it affects corporations. | 4 |

| Geographic experience | Number of Directors |
|---|---|
| Australia and New Zealand | 4 |
| China | 2 |
| Middle East | 2 |

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## DECLARATION OF INDEPENDENCE
## BY PAUL GOSNOLD
## TO THE DIRECTORS OF AXIOM PROPERTIES LIMITED

As lead auditor of Axiom Properties Limited for the year ended 30 June 2017, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Axiom Properties Limited and the entities it controlled during the period.

Paul Gosnold
Director

**BDO Audit (SA) Pty Ltd**

Adelaide, 23 August 2017

## STATEMENT OF COMPREHENSIVE INCOME
## FOR THE YEAR ENDED 30 JUNE 2017

| | Notes | Consolidated 2017 $'000 | Consolidated 2016 $'000 |
|---|---|---|---|
| Revenue | 2 | 5,141 | 4,890 |
| Other income | 2 | 6,878 | 2,624 |
| Share of net loss of joint venture | | - | - |
| Employee benefits expense | | (2,225) | (2,164) |
| Depreciation and amortisation expense | | (14) | (20) |
| Finance costs | | (981) | (1,322) |
| Other expenses | 2 | (3,367) | (3,561) |
| **Profit before income tax benefit** | | 5,432 | 447 |
| Income tax expense | 3 | - | - |
| **Profit for the year** | | 5,432 | 447 |
| **Other comprehensive income for the year** | | - | - |
| **Total comprehensive income for the year** | | 5,432 | 447 |
| | | | |
| Basic earnings per share (cents per share) | 5 | 1.29 cents | 0.11 cents |
| Diluted earnings per share (cents per share) | | 1.25 cents | 0.11 cents |

The accompanying notes form part of these financial statements

## STATEMENT OF FINANCIAL POSITION
## AS AT 30 JUNE 2017

| | | Consolidated | |
|---|---|---|---|
| | Notes | 2017 $'000 | 2016 $'000 |
| **Current Assets** | | | |
| Cash and cash equivalents | 6 | 1,983 | 3,078 |
| Trade and other receivables | 7 | 146 | 127 |
| Other assets | 9 | 190 | 106 |
| | | 2,319 | 3,311 |
| Assets Classified as held for sale | 10 | 22,350 | - |
| **Total Current Assets** | | 24,669 | 3,311 |
| **Non-Current Assets** | | | |
| Property, plant and equipment | | 7 | 18 |
| Inventory | 8 | 7,200 | - |
| Other assets | 9 | 127 | 7,200 |
| Investment properties | 11 | 41,297 | 57,465 |
| Investments accounted for using the equity method | 12 | 1,046 | 391 |
| **Total Non-Current Assets** | | 49,677 | 65,074 |
| **Total Assets** | | 74,346 | 68,385 |
| **Current Liabilities** | | | |
| Trade and other payables | 13 | 763 | 344 |
| Deferred revenue | 14 | 349 | 410 |
| Borrowings | 16 | 11,570 | 7 |
| Provisions | 15 | 255 | 268 |
| **Total Current Liabilities** | | 12,937 | 1,029 |
| **Non-Current Liabilities** | | | |
| Deferred revenue | 14 | 9,069 | 9,266 |
| Borrowings | 16 | 24,990 | 36,409 |
| Other liabilities | 17 | 77 | 220 |
| **Total Non-Current Liabilities** | | 34,136 | 45,895 |
| **Total Liabilities** | | 47,073 | 46,924 |
| **Net Assets** | | 27,273 | 21,461 |
| **Equity** | | | |
| Issued capital | 18 | 62,298 | 61,915 |
| Reserves | | 585 | 588 |
| Accumulated losses | | (35,610) | (41,042) |
| **Total Equity** | | 27,273 | 21,461 |

The accompanying notes form part of these financial statements.

## STATEMENT OF CHANGES IN EQUITY
## FOR THE YEAR ENDED 30 JUNE 2017

| Consolidated | Issued capital | Accumulated losses | Reserves | Total |
|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 |
| **Balance as at 1 July 2016** | **61,915** | **(41,042)** | **588** | **21,461** |
| Profit for the year | - | 5,432 | - | 5,432 |
| **Total comprehensive income for the year** | - | 5,432 | - | 5,432 |
| Share-based payments expense | - | - | 380 | 380 |
| Reserves transfer - exercise of performance rights | 383 | - | (383) | - |
| **Balance at 30 June 2017** | **62,298** | **(35,610)** | **585** | **27,273** |
| **Balance as at 1 July 2015** | **61,833** | **(41,489)** | **94** | **20,438** |
| Profit for the year | - | 447 | - | 447 |
| **Total comprehensive income for the year** | - | 447 | - | 447 |
| Share-based payments expense | - | - | 576 | 576 |
| Share buy-back | - | - | - | - |
| Reserves transfer - exercise of performance rights | 82 | - | (82) | - |
| **Balance at 30 June 2016** | **61,915** | **(41,042)** | **588** | **21,461** |

The accompanying notes form part of these financial statements

## STATEMENT OF CASH FLOWS
## FOR THE YEAR ENDED 30 JUNE 2017

| | Notes | Consolidated 2017 $'000 | Consolidated 2016 $'000 |
|---|---|---|---|
| | | Inflows / (Outflows) | |
| **Cash flows from operating activities** | | | |
| Receipts from customers | | 5,661 | 4,586 |
| Payments to suppliers and employees | | (4,752) | (5,196) |
| Payment of project development costs | | (153) | (8,734) |
| Interest received | | 43 | 92 |
| Finance costs | | (1,379) | (1,102) |
| **Net cash used in operating activities** | 6(ii) | (580) | (10,354) |
| | | | |
| **Cash flows from investing activities** | | | |
| Investment in joint venture | | (656) | (329) |
| Purchase of non-current assets | | (3) | (7) |
| **Net cash used in investing activities** | | (659) | (336) |
| | | | |
| **Cash flows from financing activities** | | | |
| Proceeds from borrowings | | 144 | 7,938 |
| **Net cash provided by financing activities** | | 144 | 7,938 |
| | | | |
| Net decrease in cash and cash equivalents | | (1095) | (2,752) |
| Cash and cash equivalents at beginning of year | | 3,078 | 5,830 |
| **Cash and cash equivalents at end of year** | 6(i) | 1,983 | 3,078 |

The accompanying notes form part of these financial statements

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE YEAR ENDED 30 JUNE 2017

## NOTE 1: GENERAL ACCOUNTING POLICIES

### (a) Basis of Preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standards and Interpretations and complies with other requirements of the law. The financial statements comprise the consolidated financial statements for the Group. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity.

The accounting policies detailed below have been consistently applied to all of the years presented unless otherwise stated. The financial statements are for the Group consisting Axiom Properties Limited and its subsidiaries.

The financial report has also been prepared on a historical cost basis, except for investment properties and derivative financial instruments, which are measured at fair value. Historical cost is based on the fair values of the consideration given in exchange for assets.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated under the option available to the Company under ASIC Corporations (Rounding in Financial/Directors' Reports) instrument 2016/191.

The Company is a listed public company, incorporated in Australia and operating in Australia. The entity's principal activities are property investment and development.

### (b) Adoption of new and revised standards

*Standards and Interpretations applicable to 30 June 2017*

In the year ended 30 June 2017, the directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Company and effective for the current annual reporting period.

As a result of this review, the directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Company and, therefore, no material change is necessary to Group accounting policies.

*Standards and Interpretations in issue not yet adopted*

The directors have also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 30 June 2017. As a result of this review the Directors have determined that the following Standards and Interpretations will have a material effect on the Company in future reporting periods.

*AASB 16 Leases*

Effective 1 January 2019, the new leases standard – AASB 16 (IFRS 16) – requires companies to bring the majority of operating leases on-balance sheet. Property and equipment leases previously recognised off-balance sheet will be accounted for as a right-of-use (ROU) asset and lease liability which will bring more transparency about the Group's lease commitments and change key financial metrics such as gearing ratios, asset turnover and EBITDA. Lessor accounting will be largely unchanged from the current leases standard, AASB 117 (IAS 17).

The Group has conducted a preliminary assessment of the impact of the standard change and expects initial application will result in a significant ROU asset and lease liability, as indicated by the large operating lease commitments in note 22. The Group will continue to conduct a detailed assessment and manage the impact to, for example, debt covenants, credit ratings, leasing strategy, impairment testing and tax-effected accounting prior to the effective date.

Other than the above, there are no other material impact of the new and revised Standards and Interpretations on the Group and therefore no change is necessary to Group accounting policies.

## NOTES TO THE FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 JUNE 2017

### NOTE 1: GENERAL ACCOUNTING POLICIES (continued)

**(c) Statement of compliance**

The financial report was authorised for issue on 23 August 2017.

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). The financial statements also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board .

**(d) Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement in with the investee; and
- has the ability to its power to affect its returns.

The Company reassess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements listed above.

When the Company has less than a majority of the voting rights if an investee, it has the power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties; rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholder meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members are eliminated in full on consolidation.

**(e) Significant accounting estimates and judgements**

The application of accounting policies requires the use of judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions are recognised in the period in which the estimate is revised if it affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE YEAR ENDED 30 JUNE 2017

## NOTE 1: GENERAL ACCOUNTING POLICIES (continued)

### (f) Going concern

The Directors have presented the financial statements on the basis that the Group will continue as a going concern. The Managing Director's report and the Chairman's Statement outline the actions that have been taken and results achieved within the past year in respect to improving the Group's financial position and mitigating risks and uncertainties facing the Group.

The Directors have examined significant areas of possible financial risk and have satisfied themselves that the Group has adequate resources to continue in operational existence for the foreseeable future. After due consideration the Board believes it is appropriate to adopt the going concern basis in preparing the financial statements.

### (g) Borrowing costs

Borrowing costs are recognised as an expense when incurred except those that relate to the acquisition, construction or production of qualifying assets where the borrowing cost is added to the cost of those assets until such time as the assets are substantially ready for their intended use of sale.

### (h) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised at their fair value or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the general policy on borrowing costs - refer Note 1(g).

Finance leased assets are depreciated on a straight line basis over the estimated useful life of the asset.

Operating lease payments are recognised as an expense on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

### (i) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

## NOTES TO THE FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 JUNE 2017

### NOTE 1: GENERAL ACCOUNTING POLICIES (continued)

**(i) Other taxes (continued)**

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

**(j) Impairment of tangible and intangible assets other than goodwill**

The Group assesses at each balance date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each balance date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount.

**(k) Impairment of tangible and intangible assets other than goodwill (continued)**

That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no Impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

### NOTE 2: REVENUE AND EXPENSES

| | Consolidated | |
|---|---|---|
| | 2017 | 2016 |
| | $'000 | $'000 |
| **(a) Revenue** | | |
| Rental revenue | 5,938 | 5,325 |
| Less Leasing incentives | (797) | (516) |
| Net rental revenue | 5,141 | 4,809 |
| Development fee income | - | 81 |
| | 5,141 | 4,890 |
| **(b) Other income** | | |
| Interest received | 43 | 92 |
| Change in fair value of investment properties | 6,835 | 2,501 |
| Other income | - | 31 |
| | 6,878 | 2,624 |
| **(c) Other expenses** | | |
| Audit and accountancy fees | 163 | 180 |
| Legal and consultancy fees | 385 | 159 |
| Insurances | 71 | 104 |
| Rent and outgoings | 2,404 | 2,143 |
| Travel and accommodation | 67 | 178 |
| Joint venture consideration fee | - | 500 |
| Other expenses | 277 | 297 |
| | 3,367 | 3,561 |
| (**d) Employee benefits expense** | | |
| *Employee benefits expense includes the following specific amounts:* | | |
| Share based payments expense | 380 | 576 |
| Superannuation expense | 111 | 187 |

Revenue is recognised on an accruals basis at fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

*Interest income*
Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE YEAR ENDED 30 JUNE 2017

## NOTE 2: REVENUE AND EXPENSES (continued)

*Rental income*

Rental income from investment properties is accounted for on a straight-line basis over the lease term. Contingent rental income is recognised as income in the periods in which it is earned. Lease incentives granted are recognised as a reduction as rental income received on a straight-line basis from the lease commencement date to the end of the lease term.

## NOTE 3: INCOME TAX EXPENSE

| | Consolidated | |
|---|---|---|
| | **2017 $'000** | **2016 $'000** |
| **a) The prima facie income tax expense on the operating profit is reconciled to the income tax benefit as follows:** | | |
| Operating profit before income tax | 5,432 | 447 |
| Income tax expense calculated at 30% (2016: 30%) | 1,629 | 134 |
| Adjusted for tax effect of: | | |
| Non-deductible expenses | 120 | 381 |
| Non-assessable income | - | - |
| Utilisation of carried forward prior year tax losses – revenue | (150) | (187) |
| Unused tax losses not recognised as deferred tax assets | 881 | 628 |
| Other deferred tax assets and tax liabilities not recognised | (2,480) | (956) |
| Income tax expense applicable to ordinary activities | - | - |
| **b) Deferred tax balances** | | |
| Deferred tax assets comprise: | | |
| Losses available for offset against future taxable income – revenue | 14,492 | 13,478 |
| Losses available for offset against future taxable income – capital | 1,880 | 1,880 |
| Properties | 998 | 998 |
| Impairment of properties | 728 | 728 |
| Share issue expenses | 4 | 5 |
| Depreciation timing differences | 48 | 48 |
| Provisions and accruals | 94 | 105 |
| Unrealised loss on hedge | - | 66 |
| Other | 4 | 7 |
| Deferred tax assets not recognised | (9,922) | (11,694) |
| | 8,326 | 5,621 |

Deferred tax assets have been recognised to the extent of deferred tax liabilities. The balance of deferred tax assets are not recognised.

| | | |
|---|---|---|
| Deferred tax liabilities comprise: | | |
| Construction expenditure capitalised | 1,273 | 1,272 |
| Lease incentives | 606 | 434 |
| Properties | 6,411 | 3,878 |
| Other | 36 | 37 |
| | 8,326 | 5,621 |
| Net deferred tax liability | - | - |

## NOTES TO THE FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 JUNE 2017

### NOTE 3: INCOME TAX EXPENSE (continued)

Legislation has been enacted to allow groups, comprising of a parent entity and its Australian resident wholly owned entities, to elect to be consolidated and be treated as a single entity for income tax purposes. The legislation, which includes both mandatory and elective elements, is applicable to Axiom Properties Limited.

As at the reporting date, the Directors have not made an election to be taxed as a single entity. The financial effect of the legislation has therefore not been brought to account in the financial statements for the year ended 30 June 2017.

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary difference and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance date.

Deferred income tax is provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

## NOTES TO THE FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 JUNE 2017

### NOTE 3: INCOME TAX EXPENSE (continued)

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

### NOTE 4: SEGMENT INFORMATION

The following table represents revenue and results on an aggregated basis provided to the chief operating decision maker for the years ended 30 June 2016 and 30 June 2017.

The basis for the segment reporting of the Group is that used by the Managing Director for monthly reporting to the Board. The two segments of the group are Investment Property and Development. Corporate is not considered a segment but rather a reconciling category.

| | Continuing operations | | | |
|---|---|---|---|---|
| | **Investment Property** | **Development** | **Corporate** | **Consolidated** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| **30 June 2017** | | | | |
| Segment revenue | 5,020 | 121 | - | 5,141 |
| Other Income | 6,837 | - | 41 | 6,878 |
| Segment expenditure | (3,412) | (183) | (i)(2,992) | (6,587) |
| Results from continuing operations | **8,445** | **(62)** | **(2,951)** | **5,432** |
| Included within segment result: | | | | |
| Rental revenue | 5,020 | 121 | - | 5,141 |
| Investment property direct operating expenses | (4,034) | - | - | (4,034) |
| Depreciation | - | - | (14) | (14) |
| Interest revenue | 2 | - | 41 | 43 |
| Share-based payments expense | - | - | 380 | 380 |
| Segment assets | 64,204 | 8,255 | (ii)1,887 | 74,346 |
| Investments in joint venture | - | 1,046 | - | 1,046 |
| Segment liabilities | 46,629 | - | 444 | 47,073 |
| Capital Expenditure | 143 | 655 | 3 | 801 |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

### NOTE 4: SEGMENT INFORMATION (continued)

| | Continuing operations | | | |
|---|---|---|---|---|
| | Investment Property $'000 | Development $'000 | Corporate $'000 | Consolidated $'000 |
| **30 June 2016** | | | | |
| Segment revenue | 4,695 | 195 | - | 4,890 |
| Other revenue | 2,504 | 31 | 89 | 2,624 |
| Segment expenditure | (3,312) | (161) | (3,594) | (7,067) |
| Results from continuing operations | 3,887 | 65 | (3,505) | **447** |
| Included within segment result: | | | | |
| Rental revenue | 4,695 | 114 | - | 4,809 |
| Investment property direct operating expenses | (3,312) | - | - | (3,312) |
| Depreciation | - | - | (20) | (20) |
| Interest revenue | 2 | - | 90 | 92 |
| Share-based payments expense | - | - | 576 | 576 |
| Segment assets | 57,857 | 7,589 | 2,939 | 68,385 |
| Investments in joint venture | - | 391 | - | 391 |
| Segment liabilities | 46,510 | - | 414 | 46,924 |
| Capital Expenditure | 2,122 | 6,971 | 7 | 9,100 |

(i) Corporate Expenditure Summary

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| KMP and employee benefits expense | 2,225 | 2,164 |
| Audit and accounting expense | 154 | 231 |
| Consultants | 78 | 67 |
| Insurance | 57 | 89 |
| Legal | 66 | 79 |
| Office rent and outgoings | 92 | 79 |
| Other | 320 | 885 |
| | 2,992 | 3,594 |

(ii) Corporate Asset Summary

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| Cash and cash equivalents | 1,750 | 2,810 |
| Other | 137 | 129 |
| | 1,887 | 2,939 |

**Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of Axiom Properties Limited.

All Group assets are located in Australia, hence all revenue received was in Australia.

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE YEAR ENDED 30 JUNE 2017

## NOTE 5: EARNINGS PER SHARE

| | Consolidated | |
|---|---|---|
| | **2017** | **2016** |
| | **Cents per share** | **Cents per share** |
| Basic earnings per share | 1.29 | 0.11 |
| Diluted earnings per share | 1.25 | 0.11 |

| | **2017 Number** | **2016 Number** |
|---|---|---|
| The weighted average number of shares on issue used in the calculation of basic earnings per share. | 419,973,081 | 413,217,642 |
| Adjustment for employee rights outstanding | 13,859,315 | - |
| The weighted average number of shares on issue used in the calculation of diluted earnings per share | 433,832,396 | 413,217,642 |

There are no reconciling items between the net result attributable to members of the parent entity as shown in the Statement of Comprehensive Income and the amount used to calculate basic and diluted earnings per share.

Basic earnings per share is calculated as net profit/loss attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share are calculated as net profit/loss attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses;
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; and
- divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

## NOTE 6: CASH AND CASH EQUIVALENTS

| | Consolidated | |
|---|---|---|
| | **2017 $'000** | **2016 $'000** |
| Cash at bank and on hand | 683 | 1,555 |
| Short-term deposits | 1,300 | 1,523 |
| | 1,983 | 3,078 |

Cash comprises cash at bank and in hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts

## NOTES TO THE FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 JUNE 2017

### NOTE 6: CASH AND CASH EQUIVALENTS (continued)

Cash at bank earns interest at floating rates based on daily and/or monthly bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

**(i) Reconciliation to the Consolidated Statement of Cash Flows:**
For the purposes of the Consolidated Statement of Cash Flows, cash and cash equivalents comprise cash on hand and at bank and investments in money market instruments, net of outstanding bank overdrafts.

Cash and cash equivalents as shown in the Consolidated Statement of Cash Flows, is reconciled to the related items in the Consolidated Statement of Financial Position as follows:

| | Consolidated | |
|---|---|---|
| | **2016 $'000** | **2016 $'000** |
| Cash and cash equivalents | 1,983 | 3,078 |

| | Consolidated | |
|---|---|---|
| | **2017 $'000** | **2016 $'000** |
| **(ii) Reconciliation of profit for the year to net cash used in operating activities** | | |
| Operating profit for the year after tax | 5,432 | 447 |
| Other income | - | (30) |
| Change in fair value of investment property | (6,835) | (2,501) |
| Fair value adjustments on Hedge | (270) | 220 |
| Impairment of other assets | - | - |
| Expenditure on development assets | (142) | (8,198) |
| Depreciation and amortisation | 14 | 19 |
| Equity-settled share-based payment | 380 | 576 |
| Leasing incentives | 797 | - |
| (Increase)/decrease in trade and other receivables | (19) | (4) |
| (Increase)/decrease in other assets | (84) | 9 |
| (Decrease)/increase in trade and other payables | 405 | (675) |
| (Decrease)/increase in deferred revenue | (258) | (217) |
| Net cash used in operating activities | (580) | (10,354) |

**Non-cash Financing and Investing Activities**

7,150,000 shares were issued on exercise of performance rights during the financial year. Further information on these rights are included in note 19.

## NOTES TO THE FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 JUNE 2017

### NOTE 7: CURRENT TRADE AND OTHER RECEIVABLES

| | Consolidated | |
|---|---|---|
| | **2017** | **2016** |
| | **$'000** | **$'000** |
| Trade receivables | 113 | 52 |
| Accrued Interest | 3 | 41 |
| GST recoverable | 30 | 34 |
| | 146 | 127 |

Trade receivables are measured on initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. Trade receivables are generally due for settlement within periods ranging from 15 days to 30 days.

Impairment of trade receivables is continually reviewed and those that are considered uncollectible are written off by reducing the carrying amount directly. An allowance account is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual terms. Factors considered by the Group in making this determination include known significant financial difficulties of the debtor, review of financial information and significant delinquency in making contractual payments to the Group. The impairment allowance is set equal to the difference between the carrying amount of the receivable and the present value of the estimated future cash flows, discounted at the original effective interest rate. Where receivables are short term discounting is not applied in determining the allowance.

The amount of the impairment loss is recognised in the statement of comprehensive income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of comprehensive income. There were no past due trade receivables at reporting date.

In determining the recoverability of a trade receivable, the Group considers any changes in the credit quality of the trade receivable from the date credit was initially granted up to the balance date. The concentration of credit risk is limited. Accordingly, the Directors believe that there is no further provision required in excess of the allowance for impairment.

### NOTE 8: INVENTORY

| | Consolidated | |
|---|---|---|
| | **2017** | **2016** |
| *Non-Current* | **$'000** | **$'000** |
| Land (development) | 7,200 | - |

Axiom has 100% ownership interest in Worldpark land situated in Keswick, South Australia. The asset has been transferred from other assets during the current financial year. The write down of inventories to net realisable value during the current financial year amounted to $nil (2016: $nil).

Costs relating to the acquisition and development of land are capitalised and carried forward at cost, as inventories. As developed lots are settled the associated value of inventories is expensed to the statement of comprehensive income. Profits are brought to account on the contract of sale settlement.

Inventories are valued at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

## NOTES TO THE FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 JUNE 2017

### NOTE 9: OTHER ASSETS

| | Consolidated | |
|---|---|---|
| | 2017 | 2016 |
| *Current* | $'000 | $'000 |
| Prepayments | 190 | 106 |
| | | |
| *Non-Current* | | |
| Land (development) at valuation | - | 7,200 |
| ***Financial assets carried at fair value through profit and loss (FVTPL)*** | | |
| Interest rate swap (Note 20(d)) | 127 | - |
| | 127 | 7,200 |

| | Carrying Value 2016 $'000 | Additions $'000 | Disposals $'000 | Transfer $'000 | Impairment | Carrying Value 2017 $'000 |
|---|---|---|---|---|---|---|
| Land (development) at valuation | 7,200 | - | - | (7,200) | - | - |
| Interest rate swap | - | 127 | - | - | - | 127 |
| | 7,200 | 127 | - | (7,200) | - | 127 |

Axiom has 100% ownership interest in Worldpark land situated in Keswick, South Australia. The asset has now been reclassified as inventory and reflected at Note 8.

### NOTE 10: ASSETS CLASSSIFED AS HELD FOR SALE

| | Consolidated | |
|---|---|---|
| | 2017 | 2016 |
| | $'000 | $'000 |
| **Asset held for sale - Investment property** | 22,350 | - |

In June 2017, the directors of Axiom Properties Limited decided to sell Churchill Centre South. The sale is expected to be completed in September 2017. The asset is presented within total assets of the investment property segment in Note 4.

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE YEAR ENDED 30 JUNE 2017

## NOTE 11: INVESTMENT PROPERTIES

| | Consolidated 2017 $'000 | Consolidated 2016 $'000 |
|---|---|---|
| **Investment property at fair value** | 41,297 | 57,465 |

### Measurement of fair values

*Fair value hierarchy*

Investment properties are measured at fair value. Fair value is determined on the basis of either an independent valuation prepared by external valuers as at the date of the statement of financial position, or directors' valuation. Independent valuations of property investments are obtained at intervals of not more than three years. Independent valuations were performed by external, independent property valuers, having appropriate professional qualifications and recent experience in the location and category of the property being valued.

The fair value measurement for investment property of $41.297 million has been categorised as a Level 3 fair value based on the inputs to the valuation technique used, as noted below. The following table shows the reconciliation from the opening balance to the closing balance for Level 3 fair values:

| | Churchill North $'000 | Churchill South $'000 | Total $'000 |
|---|---|---|---|
| Balance at 1 July 2016 | 38,865 | 18,600 | 57,465 |
| Additions | 33 | 110 | 143 |
| Lease incentives, net of amortisation | (216) | (339) | (555) |
| Lease fees, net of amortisation | (68) | (173) | (241) |
| Change in fair value of investment properties | 2,683 | 4,152 | 6,835 |
| Transfer to asset held for sale | - | (22,350) | (22,350) |
| Balance at 30 June 2017 | 41,297 | - | 41,297 |

| | Churchill North $'000 | Churchill South $'000 | Total $'000 |
|---|---|---|---|
| Balance at 1 July 2015 | 33,965 | 11,500 | 45,465 |
| Additions | 1,522 | 600 | 2,122 |
| Transfer from other assets | 3,604 | 4,169 | 7,773 |
| Lease incentives, net of amortisation | (410) | 122 | (288) |
| Lease fees, net of amortisation | (61) | (47) | (108) |
| Change in fair value of investment properties | 245 | 2,256 | 2,501 |
| Balance at 30 June 2016 | 38,865 | 18,600 | 57,465 |

(i) Axiom has a 50% ownership interest in Churchill North which is situated on land under a 97 year ground lease with the South Australian Government. An independent valuation was performed on 30 June 2017.

## NOTES TO THE FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 JUNE 2017

### NOTE 11: INVESTMENT PROPERTIES (continued)

(ii) Axiom has a 100% ownership interest in Churchill South which is situated on land under a 97 year ground lease with the South Australian Government. This asset has been re-classified in accordance with AASB 5 Non-current assets held for sale and discontinued operations, fair value less cost to sell.

*Valuation technique and significant unobservable inputs*
The following table shows the valuation technique used in measuring the fair value of the investment property as well as the significant unobservable inputs used.

| Valuation technique | Significant unobservable inputs | Inter-relationship between key unobservable inputs and fair value measurement |
|---|---|---|
| Capitalisation method and discounted cashflow approach: Axiom considers both techniques, and reconciles and weighs the estimates under each technique based on its assessment of the judgement that market participants would apply.<br><br>The capitalisation method estimates the sustainable net income (where applicable) of any asset held for sale, and then applies a capitalisation (or discount/risk) rate to this sustainable net income to derive the value of asset.<br><br>The discounted cashflow approach considers the present value of net cash flows to be generated from the property, taking into account the receipt of contractual rentals, expected future market rentals, letting up periods, escalation (of sales and costs), occupancy rate, lease incentive costs such as rent-free periods and other costs not paid by tenants. The expected net cash flows are discounted using risk-adjusted discount rates. Among other factors, the discount rate estimation considers the quality of a building and its location, tenant credit quality and lease terms. | 1. Capitalisation (or discount / risk) rate (6.0% - 7.0%)<br>2. Market income rates ($214 – $2,448 per square metre)<br>3. Terminal yield (7.00% - 7.77%)<br>4. Escalation rates (rent: 1.36% - 3.01%, costs: 1.86% - 2.51%)<br>5. Discount rate i.e. 10 year target IRR – (7.75%) | The estimated fair value would increase (decrease) if:<br>1. Capitalisation (or discount / risk) rate is lower (higher)<br>2. Market income rates were higher (lower)<br>3. Terminal yield is higher (lower)<br>4. Rent escalation is higher (lower)<br>5. Cost escalation is lower (higher)<br>6. Discount rate is (higher) lower |

Investment properties are those properties that are held to earn rental income or for capital appreciation, or both. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are carried at fair value with any change therein recognised in profit and loss.

A property interest under an operating lease is classified and accounted for on a property-by-property basis when the Group holds it to earn rentals or for capital appreciation or both. Any such property interest under an operating lease classified as an investment property is carried at fair value.

Prospective lessees may be offered incentives as an inducement to enter into operating leases. These incentives may take various forms including cash payments, rent free periods or as a contribution to certain lease costs such as fitout costs or relocation costs. The carrying amount of the lease incentives is reflected in the fair value of investment properties.

*Key Estimate*
Investment properties are measured at fair value at each balance date with any gains and losses arising from a change in fair value recognised in profit or loss. The Group relies upon independent valuations using either the capitalisation or discounted cashflow method and judgement is required in estimating the inputs to the model.

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE YEAR ENDED 30 JUNE 2017

## NOTE 12: INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

*Joint venture*

Details of the Group's joint venture at the end of the reporting period is as follows:

| Name of entity | Principal activity | Country of incorporation | Equity Participation Share[1] 2017 % | 2016 % |
|---|---|---|---|---|
| MB Estate Pty Ltd | Land subdivision | Australia | 50 | 50 |

*Reconciliation of carrying amount of the interest in joint venture recognised in the Group financial statements*

| | Consolidated 2017 $'000 | 2016 $'000 |
|---|---|---|
| Opening carrying amount | 391 | 30 |
| Contributions to joint venture | 655[1] | 361[1] |
| Carrying value of the Group's interest in the joint venture | **1,046** | **391** |

[1]Axiom is responsible for initial equity contributions for the venture. The other party will contribute land and hold the land for the benefit of the joint venture until allotments are sold. After an initial distribution of capped profits paid to the other party, and a project management fee paid to Axiom, the remaining profits are to be distributed in accordance with the above equity participation share.

Summarised financial information of material joint venture

| | Consolidated 2017 $'000 | 2016 $'000 |
|---|---|---|
| *Financial position* | | |
| Current assets | - | - |
| Non-current assets | 1,148 | 391 |
| Current liabilities | (102) | - |
| Non-current liabilities | - | - |
| **Net assets** | **1,046** | **391** |

| *Financial performance* | Consolidated 2017 $'000 | 2016 $'000 |
|---|---|---|
| The group's share of profit/(loss) from continuing operations | - | - |
| The group's share of other comprehensive income | - | - |
| The group's share of total comprehensive income | - | - |

A joint venture is an arrangement where the parties have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with AASB 5. Under the equity method, an investment in a joint venture is initially recognised in the consolidated statement of financial position and adjusted thereafter to recognise the Group's share of the profit or loss in other comprehensive income of the joint venture. When the Group's share of losses of a joint venture exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in joint venture, the Group discontinues to recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE YEAR ENDED 30 JUNE 2017

## NOTE 12: INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (continued)

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of AASB 139 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in joint ventures. When necessary, the entire carrying amount if the investment (including goodwill) is tested for impairment in accordance with AASB 136 'Impairment of Assets' as a single asset by comparing its recoverable amount (higher of value in use less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with AASB 136 to the extent that the recoverable amount of the investment subsequently increases.

## NOTE 13: TRADE AND OTHER PAYABLES

| | Consolidated | |
|---|---|---|
| | 2017 | 2016 |
| *Current* | $'000 | $'000 |
| Trade payables (i) | 385 | 185 |
| GST payable | - | - |
| Accrued expenses | 378 | 159 |
| | 763 | 344 |

(i) Trade payables are non-interest bearing and are normally settled on 30-day terms.

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. Trade and other payables are presented as current liabilities unless payment is not due within 12 months.

## NOTE 14: DEFERRED REVENUE

| | Consolidated | |
|---|---|---|
| | 2017 | 2016 |
| *Current* | $'000 | $'000 |
| Rent received in advance | 349 | 410 |
| *Non-Current* | | |
| Rent received in advance | 9,069 | 9,266 |

Rent received in advance is amortised over the term of the lease to which it relates.

## NOTE 15: PROVISIONS

| | Consolidated | |
|---|---|---|
| | 2017 | 2016 |
| *Current* | $'000 | $'000 |
| Employee benefits | 255 | 268 |
| | 255 | 268 |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

### NOTE 15: PROVISIONS (continued)

Employee benefits represents amounts accrued for annual leave and long service leave.

The current liability includes the total amount accrued for annual leave entitlements and amounts accrued for long service leave entitlements that have vested due to employees having completed the required period of service. Based on past experience, the Group does not expect the full amount of annual leave or long service leave to be settled within the next 12 months. However, these amounts must be classified as current liabilities since the Group does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their entitlement.

In calculating the present value of future cash flows in respect of annual leave and long service leave, the probability of leave being taken is based on historical data. The measurement and recognition criteria relating to employee benefits have been discussed below.

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statements of comprehensive income, net of any reimbursement.

Provisions are measured at the present value or management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

Employee leave benefits

(i) Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the balance date are recognised in other payables or provisions in respect of employees' services up to the balance date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the balance date. Consideration is given to expected future wage and salary levels, experience of employee departures, and period of service. Expected future payments are discounted using market yields at the balance date on corporate bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE YEAR ENDED 30 JUNE 2017

## NOTE 16: BORROWINGS

| | Consolidated | |
|---|---|---|
| | 2017 | 2016 |
| | $‘000 | $’000 |
| **Secured at amortised cost** | | |
| *Current* | | |
| Bank loans | 11,570 | - |
| Other loans | - | 7 |
| | 11,570 | 7 |
| *Non-Current* | | |
| Bank loans | 24,990 | 36,409 |
| Other loans | - | - |
| | 24,990 | 36,409 |

*Summary of borrowing arrangements*

*BankSA – Churchill Centre North*
The Group along with its joint operation partner, Southern Cross Equity Group Pty Ltd, at December 2016 had an investment facility of $49.980 million with BankSA. The interest only investment facility matures in December 2018. The guarantee of each party is limited to 50% of the total facility limit, interest, northern ground rent and fees and costs. The base rate of the facility is BBSY (90 days). In addition, there is a quarterly acceptance fee of 0.70% p.a. on the rolling bills as well as a monthly line fee of 1.00%.

In February 2016, the Group along with its joint operation partner entered into a 4 year swap facility with BankSA for $25 million. The fixed swap rate is 2.36% (plus acceptance and line fee) and is transferable between institutions and provides a hedge against the variability of interest payable on the $49.980 million facility.

*BankSA – Churchill South*
The Group at December 2016 had an investment facility of $11.570 million with BankSA. The interest only investment facility matures in December 2018. The base rate of the facility is BBSY (30 days). In addition, there is a monthly acceptance fee of 0.70% p.a. on the rolling bills as well as a monthly line fee of 1.00%.

In September 2016, the Group entered into a 4 year and 9 month swap facility with BankSA for $11.570 million. The fixed swap rate is 1.87% (plus acceptance and line fee) and is transferable between institutions and provides a hedge against the variability of interest payable on the $11.570 million facility.

The interest only investment facility and swap will be repaid and terminated on 1 September 2017 upon settlement of the sale of Churchill South.

All loans and borrowings are initially recognised at the fair value received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

## NOTES TO THE FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 JUNE 2017

### NOTE 16: BORROWINGS (continued)

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income of finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

| | Consolidated | |
|---|---|---|
| | 2017<br>$'000 | 2016<br>$'000 |
| Total facilities: | | |
| • Secured bank loans | 36,560 | 36,560 |
| | 36,560 | 36,560 |
| Facilities used at balance date | | |
| • bank loans | 36,560 | 36,409 |
| | 36,560 | 36,409 |
| Total facilities | | |
| Facilities used at balance date | 36,560 | 36,409 |
| Facilities unused at balance date | - | 151 |

| | Consolidated | |
|---|---|---|
| *Assets pledged as security*<br>The carrying amounts of assets pledged as security for current and non-current interest bearing liabilities are: | 2017<br>$'000 | 2016<br>$'000 |
| *Fixed and floating charge* | | |
| Cash at bank | 1,983 | 3,078 |
| Receivables | 146 | 127 |
| Assets held for sale | 22,350 | - |
| Investment property | 41,297 | 57,465 |
| Total assets pledged as security | 65,776 | 60,670 |

### NOTE 17: OTHER LIABILITIES

| | Consolidated | |
|---|---|---|
| | 2017 | 2016 |
| *Non-Current* | $'000 | $'000 |
| ***Financial liabilities carried at fair value through profit and loss (FVTPL)*** | | |
| Interest rate swaps (Note 20(d)) | 77 | 220 |
| | 77 | 220 |

The Group uses derivative financial instruments, such as interest rate swaps, to hedge its risks associated with interest rate fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured to fair value. The fair value of interest rate swap contracts is determined by reference to market values from similar instruments. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to net profit or loss for the year. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

## NOTES TO THE FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 JUNE 2017

### NOTE 18: ISSUED CAPITAL

| | Consolidated | |
|---|---|---|
| | **2017**<br>**$'000** | **2016**<br>**$'000** |
| 420,482,396 (2016: 413,332,396) Ordinary shares issued and fully paid | 62,298 | 61,915 |

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares have no par value and the company does not have a limited amount of authorised capital.

| | **2017** | | **2016** | |
|---|---|---|---|---|
| | **No.** | **$'000** | **No.** | **$'000** |
| *Movement in ordinary shares on issue* | | | | |
| Balance at beginning of financial year | 413,332,396 | 61,915 | 411,332,396 | 61,833 |
| Issued on exercise of performance rights | 7,150,000 | 383 | 2,000,000 | 82 |
| Balance at end of financial year | 420,482,396 | 62,298 | 413,332,396 | 61,915 |

*Performance rights*

The company has a performance rights based payment scheme under which rights to subscribe for the company's shares have been granted to certain Directors and senior executives, refer Note 19.

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds**.**

### NOTE 19: SHARE BASED PAYMENTS

| | Grant Date | Test Date | Expiry Date | Balance at 1 July 2016 | Issued | Exercised | Balance at 30 June 2017 |
|---|---|---|---|---|---|---|---|
| Tranche 4 | 18 Nov 2013 | 30 June 2016 | 30 June 2018 | 500,000 | - | (500,000) | - |
| Tranche 1 | 16 Dec 2015 | 30 June 2016 | 30 June 2019 | 6,650,000 | - | (6,650,000) | - |
| Tranche 2 | 16 Dec 2015 | 30 June 2017 | 30 June 2019 | 6,650,000 | - | - | 6,650,000 |
| Tranche 3 | 16 Dec 2015 | 30 June 2018 | 30 June 2019 | 6,700,000 | - | - | 6,700,000 |
| | | | | **20,500,000** | - | (7,150,000) | 13,350,000 |

## NOTES TO THE FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 JUNE 2017

### NOTE 19: SHARE BASED PAYMENTS (continued)

The Company's Performance Rights were issued to employees and directors by the board pursuant to the Company's Performance Rights Plan, approved by the Shareholders of the Company at the Annual General Meeting on 25 November 2015. The Performance Rights of the Company have a nil exercise price and confer the right to be issued one fully paid ordinary share in the Company ranking pari passu with existing fully paid shares. The Performance Rights constitute a share-based payment, and in accordance with the Company's accounting policy, have been valued at the date they were granted.

The value assigned to the performance rights was 5.46 cents, which represented the market value of the company shares on the date of measurement.

Equity settled transactions:
The Group provides benefits to employees (including Directors and senior executives) of the Group in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

There is currently one plan in place to provide these benefits; the Performance Rights Plan ('PRP'), which provides benefits to Directors, key management personnel and senior management.

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Axiom Properties Limited (market conditions) if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-settled transactions at each balance date until vesting date reflects:

- the extent to which the vesting period has expired; and
- the Group's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The statement of comprehensive income charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition. If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph. The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share (see Note 5)

## NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2017

### NOTE 20: FINANCIAL INSTRUMENTS

**(a) Financial risk management objectives**

The Group is exposed to a variety of financial risks: interest rate risk, credit risk, liquidity risk and capital risk management. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

The use of financial derivatives is covered by the Group's policies approved by the Board of Directors, which provide written principles on interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by management on a continuous basis. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

| | Consolidated | |
|---|---|---|
| **(b) Categories of financial assets and liabilities** | **2017 $'000** | **2016 $'000** |
| *Financial Assets* | | |
| Cash and cash equivalents | 1,983 | 3,078 |
| Trade and other receivables | 146 | 127 |
| Derivatives | 127 | - |
| | 2,256 | 3,205 |
| *Financial Liabilities* | | |
| Trade and other payables | 763 | 344 |
| Borrowings | 36,560 | 36,416 |
| Derivatives | 77 | 220 |
| | 37,400 | 36,980 |

**(c) Capital risk management**

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balances.

The capital structure of the Group consists of debt, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings. None of the Group's entities are subject to externally imposed capital requirements.

Operating cash flows are used to maintain and expand operations, as well as to make routine expenditures such as tax and general administrative outgoings. Gearing levels are reviewed by the Board on a regular basis in line with its target gearing ratio, the cost of capital and the risks associated with each class of capital.

The Group's strategy remains unchanged from 2016. The gearing ratios as at 30 June 2017 and 2016 were as follows:

| | *Consolidated* | |
|---|---|---|
| | **2017 $'000** | **2016 $'000** |
| Loans and other borrowings | 37,400 | 36,980 |
| Less: cash and cash equivalents | (1,983) | (3,078) |
| Net debt | 35,417 | 33,902 |
| Total equity | 27,273 | 21,461 |
| Total capital | 62,690 | 55,363 |
| **Gearing ratio (%)** | **56.50%** | **61.23%** |

## NOTES TO THE FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 JUNE 2017

### NOTE 20: FINANCIAL INSTRUMENTS (continued)

**(c) Capital risk management (continued)**
The decrease in the gearing ratio during 2017 resulted from the revaluation of Churchill Centre North and South. The Board continues to monitor the level of gearing into the next financial year and has taken steps to reduce the overhead liability of the Group going forward.

**(d) Interest rate swaps – cash flow hedges**
Interest-bearing loans of the Group currently bear an average variable interest rate of 3.64% (2016: 3.45%). In order to protect against rising interest rates the Group has entered into interest rate swap contracts under which it has a right to receive interest at variable rates and to pay interest at fixed rates. The swaps in place cover approximately 66% (June 2016: 34%) of the principal outstanding of the Group's debt exposure. The interest rate swaps expire in February 2020 (North) and June 2021 (South). The fixed interest rate on the swaps are 2.36% (North) and 1.87% (South) (June 2016: 2.18% - North). The variable rate for North is the applicable facility margin plus the 90 day bank bill rate, which at balance date was 1.785% (June 2016: 1.895%).The variable rate for South is the applicable facility margin plus the 30 day bank bill rate, which at balance date was 1.65%.

At 30 June 2017, the notional principal amounts and period of expiry of the interest rate swap contracts are as follows:

| | ***Consolidated*** | | ***Fair Value*** | |
|---|---|---|---|---|
| | **2017 $'000** | **2016 $'000** | **2017 $'000** | **2016 $'000** |
| 2 – 3 years | 12,500 | - | 77 | - |
| 3 – 4 years | 11,570 | 12,500 | (127) | 220 |

**(e) Interest rate risk**
The Group has a 3-month term deposit of $1.0 million, a 2 month term deposit of $150,000 and a 1 month term deposit of $150,000 with BankSA which mature in July and August 2017. The Group is exposed to interest rate risk upon maturity of the term deposits. The Group's income and operating cash flows are substantially independent of changes in market interest rates.

However, the Group is exposed to interest rate risk on its borrowings that are used to fund its development activities as entities in the Group borrow funds at both fixed and floating interest rates. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. The Group seeks to minimise the effect of this risk by using derivative financial instruments to hedge the risk exposure wherever it is prudent to do so. The use of financial instruments is dependent on management's assessment of the interest rate risk going forward and this is assessed on a case by case basis. Financial institutions may also require the Group to enter into derivatives though loan facility documentation.

The Company's and Group's exposures to interest rate on financial liabilities are detailed in the liquidity risk management section of the note.

*Interest Rate Sensitivity Analysis*
The sensitivity analysis below have been determined based on the exposure to interest rates for non-derivative instruments at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. A 50 basis point increase or decrease is a reasonable basis on which to base the sensitivity analyses.

At reporting date, if interest rates had been 50 basis points higher or lower and all other variables are held constant the Group's:

- Net profit before tax would decrease by $50K (2016: $155K) or increase by $50K (2016: $155K). This is due to the Group's exposure to variable interest rates on its finance facilities.

## NOTES TO THE FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 JUNE 2017

### NOTE 20: FINANCIAL INSTRUMENTS (continued)

**(f) Credit risk management**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group is exposed to credit risk from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposure from tenants. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The credit risk on cash and cash equivalents is limited due to the high proportion of funds being held with high rated banking institutions. The table below shows the balance of cash and cash equivalents held with various financial institutions at the end of the reporting period.

| Bank | Ratings at 30 June 2017 | Balance at 30 June 2017 $'000 | Ratings at 30 June 2016 | Balance at 30 June 2016 $'000 |
|---|---|---|---|---|
| Bank of South Australia Limited | AA- | 1,983 | AA- | 3,078 |

*Source: Standard & Poors*

Whilst the Group does have exposure to a small spread of counterparties the Directors are of the view that there is no significantly elevated credit risk arising from these concentrated exposures. The carrying amount of financial assets recorded in the financial statements, net of any provisions for losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral or other security obtained.

**(g) Liquidity Risk Management**

Liquidity risk is the risk that the Group will be unable to meet its financial commitments. Ultimate responsibility for liquidity risk management rests with the Board of Directors, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate cash reserves and borrowing facilities and by monitoring forecast versus actual cash flows and matching where ever possible the maturity profiles of financial assets and liabilities. Included in Note 16 is a listing of undrawn facilities that the Group has at its disposal.

The following tables detail the Group's remaining maturities for its non-derivative financial assets and financial liabilities. These are based upon the undiscounted cash flows of financial instruments based upon the earliest date on which the Group can be required to pay.

| 2017 | Weighted Average Interest rate % | Less than 1 month $'000 | 1-3 months $'000 | 3 months - 1 year $'000 | 1-5 years $'000 | 5 + years $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|
| **Financial Assets** | | | | | | | |
| Interest Bearing | 1.68 | 683 | 1,300 | - | - | - | 1,983 |
| Non-interest Bearing | - | 146 | - | - | - | - | 146 |
| | | 829 | 1,300 | - | - | - | 2,129 |
| **Financial Liabilities** | | | | | | | |
| Non-interest Bearing | - | 763 | - | - | - | - | 763 |
| Interest Rate Bearing Instruments | 3.64 | 74 | 12,056 | 1,388 | 25,943 | - | 39,461 |
| | | 837 | 12,056 | 1,388 | 25,943 | - | 40,224 |
| Net Financial Assets | | (8) | (10,756) | (1,388) | (25,943) | - | (38,095) |

## NOTES TO THE FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 JUNE 2017

### NOTE 20: FINANCIAL INSTRUMENTS (continued)

| 2016 | Weighted Average Interest rate % | Less than 1 month $'000 | 1-3 months $'000 | 3 months - 1 year $'000 | 1-5 years $'000 | 5 + years $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|
| **Financial Assets** | | | | | | | |
| Interest Bearing | 1.85 | 1,555 | - | 1,523 | - | - | 3,078 |
| Non-interest Bearing | - | 195 | - | - | - | - | 195 |
| | | 1,750 | - | 1,523 | - | - | 3,273 |
| **Financial Liabilities** | | | | | | | |
| Non-interest Bearing | - | 344 | - | - | - | - | 344 |
| Interest Rate Bearing Instruments | 3.45 | 109 | 216 | 954 | 36,764 | - | 38,043 |
| | | 453 | 216 | 954 | 36,764 | - | 38,387 |
| Net Financial Assets | | 1,297 | (216) | 569 | (36,764) | - | (35,114) |

**(h) Net fair value**

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair value of these financial assets and financial liabilities are determined (in particular, the valuation technique and inputs used).

| Financial assets / financial liabilities | Fair value as at 2017 $'000 | 2016 $'000 | Fair value hierarchy | Valuation techniques and key inputs |
|---|---|---|---|---|
| Interest rate swaps (Note 9) | Asset not designated for hedging $127 | - | Level 2 | Discounted cash flow. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contract interest rates, discounted at a rate that reflects the credit risk of various counterparties. |
| Interest rate swaps (Note 17) | Liabilities not designated for hedging $77 | Liabilities not designated for hedging $220 | Level 2 | |

The carrying amount of financial assets and financial liabilities that are not measured at fair value (but fair value disclosures are required), presented in the financial statements approximates their net fair values, determined in accordance with the accounting policies disclosed in Note 17 to the financial statements.

### NOTE 21: OPERATING LEASES

**Leases as lessor**

The Company leases out its investment property under operating leases. The future minimum lease payments receivable under non-cancellable leases are as follows:

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| Less than one year | 7,408 | 9,176 |
| Later than one year and not later than five years | 29,227 | 36,704 |
| Later than five years | 46,898 | 55,875 |
| | 83,533 | 101,755 |

## NOTES TO THE FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 JUNE 2017

### NOTE 22: COMMITMENTS AND CONTINGENCIES

**Hire purchase commitments**
The Group has entered into a commercial hire purchase on one motor vehicle. This contract has a term of 36 months with a renewal option on the balloon repayment. There are no restrictions placed upon the Group by entering into this contract.

Future minimum rentals payable under the hire purchase contract as at 30 June are as follows:

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | 2017 $'000 | 2016 $'000 | 2017 $'000 | 2016 $'000 |
| Within one year | - | 7 | - | 7 |
| After one year but not more than five years | - | - | - | - |
| More than five years | - | - | - | - |
| | - | 7 | - | 7 |

**Operating lease commitments**

Future Group lease commitments as at 30 June are as follows:

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | 2017 $'000 | 2016 $'000 | 2017 $'000 | 2016 $'000 |
| Within one year | 1,100 | 1,262 | 34 | 34 |
| After one year but not more than five years | 5,339 | 6,181 | 8 | 41 |
| More than five years | 72,607 | 84,817 | - | - |
| | 79,046 | 92,260 | 42 | 75 |

The commitments comprise the Churchill North Ground Rent (which ends in 2092) and Sydney and Adelaide Office Leases. The prior year commitment included the Churchill South Ground Rent.

**Capital commitments**

Future Group capital commitments as at 30 June are as follows:

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | 2017 $'000 | 2016 $'000 | 2017 $'000 | 2016 $'000 |
| Within one year | - | 60 | - | - |
| After one year but not more than five years | - | - | - | - |
| More than five years | - | - | - | - |
| | - | 60 | - | - |

## NOTES TO THE FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 JUNE 2017

### NOTE 23: INTERESTS IN JOINT OPERATIONS

The Group has interests in the following jointly controlled operations:

| | | Interest in Joint Venture Net Assets at Balance Date | | Voting Power and Net Profit Entitlement | |
|---|---|---|---|---|---|
| **Name of Entity** | **Principal Activity** | **2017 %** | **2016 %** | **2017 %** | **2016 %** |
| Churchill North Joint Venture | Development of land at Churchill Road North site | 50 | 50 | 50 | 50 |
| Currie Street Joint Venture | Development of land at Currie Street site | 50 | - | 50 | - |

The share of assets, liabilities, revenue and expenses of the joint operations, are included in the financial statements.

There are no contingent liabilities, other than those disclosed in Note 22, of the joint venture for which the Group can be held liable, including guarantees for other ventures.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When a group entity undertakes its activities under joint operations, the Group as a joint operator recognises in relation to its interests a joint operation:

- Its assets, including its share of any assets held jointly;
- Its liabilities, including its share of any liabilities incurred jointly;
- Its revenue from the sale of its share of the output arising from the joint operation;
- Its share of the revenue from the sale of the output by the joint operation; and
- Its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the relevant standards and interpretations applicable to the particular assets, liabilities, revenues and expenses.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognised in the Group's consolidated financial statements only to the extent of other parties' interests in the joint operation.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a purchase of assets), the Group does not recognise its share of the gains and losses until it resells those assets to a third party

### NOTE 24: RELATED PARTY DISCLOSURE

*a) Pivot Group Pty Ltd*

Pivot Group Pty Ltd, a Director related entity of Mr B P Laurance, was reimbursed for travel and accommodation costs in connection with consultancy services provided to the Board. The expenses were reimbursed at cost. The total charged to the Company was $4,496 (2016: $10,873).

## NOTES TO THE FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 JUNE 2017

### NOTE 24: RELATED PARTY DISCLOSURE (continued)

*b) Churchill North Pty Ltd*
Axiom Islington North Pty Ltd as trustee for the Axiom Islington Project (Northern) Trust has a 50% interest in Churchill North Pty Ltd (Churchill North). Churchill North is jointly controlled with Southern Cross Equity Pty Ltd as trustee for the Churchill Road Trust. Churchill North forms part of the jointly controlled operation disclosed in Note 23.

c) *MB Estate Pty Ltd*
Axiom Mt Barker Pty Ltd as trustee for the Axiom Mt Barker Trust has a 50% interest in MB Estate Pty Ltd (MB Estate). MB Estate forms part of the investments accounted for using the equity method as disclosed in Note 12.

*d) Currie St Pty Ltd*
Axiom Currie St Pty Ltd as trustee for the Axiom Currie St Trust has a 50% interest in Currie St Pty Ltd (Currie St). Currie St is jointly controlled with Auspac Networks Pty Ltd. Currie St forms part of the jointly controlled operation disclosed in Note 23.

e) Balances between the company and subsidiaries (Note 29), which are related parties of the Company, have been eliminated on consolidation and not disclosed in this note.

**Ultimate Parent Entity**
The parent entity in the Group is Axiom Properties Limited. The ultimate parent entity is Axiom Properties Limited.

### NOTE 25: KEY MANAGEMENT PERSONNEL DISCLOSURES

The aggregate compensation made to key management personnel of the Group is set out below:

| | Consolidated | |
|---|---|---|
| | **2017** | **2016** |
| | **$** | **$** |
| Short-term employee benefits | 1,419,521 | 1,338,264 |
| Post-employment benefits | 91,301 | 90,424 |
| Share-based payment | 322,895 | 502,891 |
| Long-term employee benefits | 9,346 | 39,994 |
| | 1,843,063 | 1,971,573 |

### NOTE 26: PARENT ENTITY DISCLOSURES

***Financial position***

| | **2017** | **2016** |
|---|---|---|
| | **$'000** | **$'000** |
| **Assets** | | |
| Current assets | 1,881 | 2,920 |
| Non-current assets | 19,347 | 18,630 |
| Total assets | 21,228 | 21,550 |
| **Liabilities** | | |
| Current liabilities | 444 | 414 |
| Non-current liabilities | 21,116 | 18,897 |
| Total liabilities | 21,560 | 19,311 |
| Net Assets | (332) | 2,239 |

## NOTES TO THE FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 JUNE 2017

### NOTE 26: PARENT ENTITY DISCLOSURES (continued)

| | | |
|---|---|---|
| **Equity** | | |
| Issued capital | 62,298 | 61,915 |
| Accumulated losses | (63,215) | (60,264) |
| Share based payment reserve | 585 | 588 |
| Total Equity | (332) | 2,239 |

***Financial performance***

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| Loss for the year | 2,951 | 3,341 |
| Other comprehensive income | - | - |
| Total comprehensive income | 2,951 | 3,341 |

**Contingent liabilities of the parent entity**
There are no contingent liabilities of the parent entity at balance date.

**Commitments for the acquisition of property, plant and equipment by the parent entity**
There are no commitments by the parent entity at balance date other than those disclosed at Note 22.

The financial information for the parent entity, Axiom Properties Limited, disclosed above has been prepared on the same basis as the consolidated financial statements, except as set out below.

*(i) Investments in subsidiaries, associates and joint venture entities*
Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of Axiom Properties Limited. Any dividends received from associates are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

### NOTE 27: EVENTS AFTER THE REPORTING DATE

In July 2017, the group announced that it had entered into an agreement to purchase a freehold site on the corner of Francis and East Market St in Richmond, Western Sydney. Settlement of the land purchase is expected to occur once all development approvals are in place and financial close for a hotel operator has been achieved. Churchill Centre South sale settlement is on 1 September 2017.

No other matter or circumstance has arisen since 30 June 2017 that has significantly affected, or may significantly affect:

- the Group's operations in future financial years; or
- the results of those operations in future financial years; or
- the Group's state of affairs in future financial years.

### NOTE 28: AUDITOR'S REMUNERATION

The auditor of Axiom Properties Limited is BDO Audit (SA) Pty Ltd (2016: HLB Mann Judd). Amounts received or due and receivable:

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | 2017 $ | 2016 $ | 2017 $ | 2016 $ |
| Audit and review of the financial reports | 73,350 | 82,000 | 73,350 | 82,000 |
| Other services | - | - | - | - |
| | 73,350 | 82,000 | 73,350 | 82,000 |

## NOTES TO THE FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 JUNE 2017

### NOTE 29: PARTICULARS IN RELATION TO SUBSIDIARIES

| | Country Incorporation/ Formation | Interest Held | |
|---|---|---|---|
| ***Parent*** | | **2017 %** | **2016 %** |
| Axiom Properties Ltd (ultimate parent of the Group) | Australia | | |
| ***Subsidiaries*** | | | |
| Axiom Resorts Pty Ltd | Australia | 100 | 100 |
| Axiom Resorts Management Pty Ltd | Australia | 100 | 100 |
| Superior Properties Pty Ltd | Australia | 100 | 100 |
| Axiom Property Funds Ltd | Australia | 100 | 100 |
| Axiom Development Management Pty Ltd | Australia | 100 | 100 |
| Axiom Worldpark Trust | Australia | 100 | 100 |
| Axiom Worldpark Adelaide Pty Ltd | Australia | 100 | 100 |
| Axiom Worldpark Adelaide Trust | Australia | 100 | 100 |
| Axiom Islington South Pty Ltd | Australia | 100 | 100 |
| Axiom Islington Project (Southern) Trust | Australia | 100 | 100 |
| Axiom Islington North Pty Ltd | Australia | 100 | 100 |
| Axiom Islington Project (Northern) Trust | Australia | 100 | 100 |
| Axiom Resources Pty Ltd | Australia | 100 | 100 |
| Axiom Mt Barker Estate Pty Ltd | Australia | 100 | 100 |
| Axiom Mt Barker Trust | Australia | 100 | 100 |
| Axiom Currie St Pty Ltd | Australia | 100 | - |
| Axiom Currie St Trust | Australia | 100 | - |
| Axiom CBD Investments Pty Ltd | Australia | 100 | - |
| Axiom CBD Investments Trust | Australia | 100 | - |
| Axiom Francis St Pty Ltd | Australia | 100 | - |
| Axiom Francis St Trust | Australia | 100 | - |

## DIRECTORS' DECLARATION

1. In the opinion of the Directors of Axiom Properties Limited (the 'Company'):

    a. the accompanying financial statements and notes are in accordance with the Corporations Act 2001 including:

        i) giving a true and fair view of the Group's financial position as at 30 June 2017 and its performance for the year then ended; and

        ii) complying with Australian Accounting Standards, Corporations Regulations 2001, professional reporting requirements and other mandatory requirements;

    b. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

    c. the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2017.

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

**Ben Laurance**
MANAGING DIRECTOR

Adelaide, South Australia
Dated: 23 August 2017

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# INDEPENDENT AUDITOR'S REPORT
# TO THE MEMBERS OF AXIOM PROPERTIES LIMITED

## Report on the Audit of the Financial Report

### Opinion

We have audited the financial report of Axiom Properties Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

(i) Giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Accounting Treatment of Churchill South

| Key audit matter | How the matter was addressed in our audit |
|---|---|
| As disclosed in Note 10, in June 2017, the directors of Axiom Properties Limited resolved to sell Churchill Centre South, with a settlement date in September 2017. The associated asset has been recognised as 'held for sale' in the 30 June 2017 statement of financial position.<br>This was determined to be a key audit matter because the sale of the Churchill South site represents a significant unique transaction to the Group. | Our audit procedures included, among others:<br>▶ examining the underlying documentation to support the transaction to consider if the classification as a 'held for sale' asset is appropriate and in line with the criteria in AASB 5;<br>▶ assessing the separate disclosure requirements of a 'held for sale' asset in the statement of financial position and the impact on other disclosures within the consolidated financial statements; and<br>▶ challenging management's estimates and assumptions in determining costs to sell. |

### Valuation of Investment Property

| Key audit matter | How the matter was addressed in our audit |
|---|---|
| As disclosed in Note 11, at 30 June 2017, the Group held \$41,297,000 of investment property at fair value.<br>The valuation of these assets was determined to be a key audit matter because it involves the use of assumptions and significant unobservable inputs. These inputs, which include the capitalisation rate, market income rates, terminal yield, escalation rates and discount rates, are complex and require a significant degree of management judgement. Changes in these inputs can have a material impact on the value of these assets. | Our audit procedures included, among others:<br>▶ examining the independent valuation report obtained by the Group to determine if the valuation supported asset carrying values;<br>▶ assessing the competence, capability and objectivity of the external valuation expert which included considering their experience and qualifications in undertaking similar types of asset valuations; and<br>▶ discussing, evaluating consistency and challenging the valuation process, significant judgements and assumptions applied in the valuation model, including the significant unobservable inputs disclosed in Note 11. |

### Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of the directors for the Financial Report**

The directors of the Company 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the Financial Report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at: http://www.auasb.gov.au/auditors_files/ar2.pdf

This description forms part of our auditor's report.

## Report on the Remuneration Report

**Opinion on the Remuneration Report**

We have audited the Remuneration Report included in pages 16 to 23 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Axiom Properties Limited, for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

**Responsibilities**

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 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.

BDO

**BDO Audit (SA) Pty Ltd**

Paul Gosnold

Paul Gosnold
Director

Adelaide, 23 August 2017

## AUSTRALIAN SECURITIES EXCHANGE INFORMATION

### TOP TWENTY SHAREHOLDERS

The percentage of the total holding of the 20 largest shareholders, as shown in the Company's Register of Members as at 17 August 2017 is 83.09% (2016: 81.58%) and the names and number of shares are as follows:

| NAME | NUMBER | PERCENTAGE OF TOTAL SHAREHOLDINGS |
|---|---:|---:|
| PIVOT GROUP PTY LTD | 155,367,254 | 36.37 |
| ORIENTAL UNIVERSITY CITY HOLDINGS (HK) LTD | 82,250,000 | 19.26 |
| STARTREND INVESTMENTS PTY LTD | 34,000,000 | 7.96 |
| STARTREND INVESTMENTS PTY LTD | 14,000,000 | 3.28 |
| BEEJAYEL PTY LTD <BEEJAYEL SUPERFUND A/C> | 8,800,000 | 2.06 |
| WEATHERED HOWE & ASSOCIATES PTY LTD <WEATHERED HOWE PENSION A/C> | 8,590,450 | 2.01 |
| MS LEANNE ROUVRAY <ROUVRAY FAMILY A/C> | 7,000,000 | 1.64 |
| BEAUVAIS PTY LTD <JOHN BISHOP FAMILY A/C> | 5,000,000 | 1.17 |
| STARTREND INVESTMENTS PTY LTD <STARTREND INVESTMENTS A/C> | 4,641,834 | 1.09 |
| COBBADAH PTY LTD <KENSINGTON A/C> | 4,636,105 | 1.09 |
| SEAMIST PTY LTD | 4,250,000 | 1.00 |
| CALAMA HOLDINGS PTY LTD <MAMBAT SUPER FUND A/C> | 3,720,398 | 0.87 |
| TEEPEE INVESTMENTS PTY LTD | 3,500,000 | 0.82 |
| SILVERLAKE NOMINEES PTY LTD <D'ESPEISSIS SUPER A/C> | 3,350,000 | 0.78 |
| PLS & BAJ PTY LTD <JAMISON &SANTINON FAMILY A/C> | 3,075,000 | 0.72 |
| BELL POTTER NOMINEES LTD <BB NOMINEES A/C> | 2,996,455 | 0.70 |
| HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 2,898,783 | 0.68 |
| CARLISLE AND CO PTY LTD <WATTLE SUPERFUND A/C> | 2,668,500 | 0.62 |
| OAKMOUNT NOMINEES PTY LTD <NARROMINE SUPER FUND A/C> | 2,154,268 | 0.50 |
| GRATEDOCK PTY LTD <SUPER A/C> | 2,000,000 | 0.47 |
| | **354,899,047** | **83.09%** |

The substantial shareholders' notices received by the Company as at 17 August 2017 are:

| SHAREHOLDER | No. of Shares advised |
|---|---:|
| Peter Laurance | 155,367,254 |
| Oriental University City Holdings (HK) Ltd | 82,250,000 |
| Ben Laurance | 63,400,505 |

### DISTRIBUTION OF SHAREHOLDERS AS AT 17 AUGUST 2017

There were 678 shareholders holding issued ordinary shares in the Company which were distributed among shareholders as follows:

| CATEGORY | No. of Shareholders |
|---|---:|
| 1-1,000 | 26 |
| 1,001-5,000 | 103 |
| 5,001 – 10,000 | 88 |
| 10,001-100,000 | 286 |
| 100,001- and over | 144 |
| | 647 |

There were 217 shareholders with less than the marketable parcel (10,205 shares).

### VOTING RIGHTS

On a show of hands, every member present in person or by proxy or attorney or duly appointed representative shall have one vote. On a poll, every member present as aforesaid shall have one vote for each share of which the member is the holder.