ASX CODE

AXI

ISSUED CAPITAL

Ordinary Shares
427.1 M

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AXIOM PROPERTIES LIMITED

22 February 2018

ASX ANNOUNCEMENT

APPENDIX 4D – HALF YEAR REPORT – 31 DECEMBER 2017
AXIOM REPORTS 121% INCREASE IN UNDERLYING NET PROFIT AFTER TAX

Adelaide, Australia, Thursday 22 February 2018: Axiom Properties Limited (ASX:AXI) lodges the attached Appendix 4D Half year report for the Half-year ended 31 December 2017.

HIGHLIGHTS FOR THE PERIOD

- Axiom's reported Net Profit After Tax **(NPAT)** was **$9.544 million** for the half year;
- **NPAT** represents an increase of **121%** over the previous corresponding period (pcp);
- Reported Net Tangible Assets **(NTA)** increases to **8.6 cents** (up from 6.2 cents), representing an increase of **39%** over pcp; and

In commenting on today's result, Axiom's Managing Director, Ben Laurance, said "the success of this result is underpinned by the out-performance of the Churchill Shopping Centre – both the successful sale of the South which completed in September 2017 as well as the pending sale of the North." The Group continues to deliver on its objectives of increasing the profitability of the business (up 121%), improve the NTA position (up 39%), and recycle its equity when appropriate in the development cycle to secure new opportunities." "Today's result underscores the Company's resolve to continue to strengthen the balance sheet and deliver superior returns from a limited capital base for our shareholders," Mr Laurance said.

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
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Appendix 4D

Half year report
Half-year ended 31 December 2017

Introduced 01/01/03 Amended 17/12/10

Name of entity

AXIOM PROPERTIES LIMITED

ABN

40 009 063 834

1.

Half-year ended ('current reporting period')	Half-year ended ('previous corresponding period')
31 DECEMBER 2017	31 DECEMBER 2016

2. Results for announcement to the market

				$A'000
2.1	Revenue from ordinary activities	~~up~~/down	15%	To 2,514
2.2	Profit from ordinary activities after tax attributable to members	up/~~down~~	121%	To 9,544
2.3	Profit for the period attributable to members	up/~~down~~	121%	To 9,544

Dividends		Amount per security	Franked amount per security
2.4	Final dividends	N/A	N/A
2.4	Interim dividends	N/A	N/A

2.5	Record date for determining entitlements to the dividends	N/A

2.6 Brief explanation of any of the figures in 2.1 to 2.4 necessary to enable the figures to be understood:

This report should be read in conjunction with Axiom Properties Limited's most recent Annual and Interim Financial Reports.

3. NTA backing

	Current reporting period	Previous corresponding period
3.1 Net tangible assets per security	8.64 cents	6.18 cents

4. Control gained over entities having material effect

4.1	Name of entity (or group of entities)	N/A
4.2	Date of gain of control	N/A
4.3	Consolidated profit (loss) from ordinary activities after tax of the controlled entity (or group of entities) since the date in the current period on which control was acquired	N/A
4.3	Profit (loss) from ordinary activities after tax of the controlled entity (or group of entities) for the whole of the previous corresponding period	N/A

Loss of control of entities having material effect

4.1	Name of entity (or group of entities)	N/A
4.2	Date of loss of control	N/A
4.3	Consolidated profit (loss) from ordinary activities after tax of the controlled entity (or group of entities) since the date in the current period on which control was acquired	N/A
4.3	Profit (loss) from ordinary activities after tax of the controlled entity (or group of entities) for the whole of the previous corresponding period	N/A

5. Dividends / distributions

Date the dividend / distribution is payable	N/A
Amount per security of foreign source dividend / distribution	N/A

Total dividends / distributions

Ordinary securities	N/A
Preference securities	N/A

6. Dividend / distribution plans

Dividend or distribution investment plans in operation:	N/A
The last date(s) for receipt of election notices for participation in dividend or distribution reinvestment plans	N/A

7. Details of aggregate share of profits (losses) of associates and joint venture entities

Name of associate / joint venture:	MB Estate Pty Ltd	
Holding in entities	50% holding in Joint Venture	
Group's aggregate share of associates' and joint venture entities':	Current reporting period $A'000	Previous corresponding period $A'000
Profit (loss) from ordinary activities before tax	-	-
Income tax on ordinary activities	-	-
Profit (loss) from ordinary activities after tax	-	-
Extraordinary items net of tax	-	-
Net profit (loss)	-	-
Adjustments	-	-
Share of net profit (loss) of associates and joint venture entities	-	-

Name of associate / joint venture:	Currie St Pty Ltd	
Holding in entities	50% holding in Joint Venture	
Group's aggregate share of associates' and joint venture entities':	Current reporting period $A'000	Previous corresponding period $A'000
Profit (loss) from ordinary activities before tax	-	-
Income tax on ordinary activities	-	-
Profit (loss) from ordinary activities after tax	-	-
Extraordinary items net of tax	-	-
Net profit (loss)	-	-
Adjustments	-	-

Share of net profit (loss) of associates and joint venture entities	-	-

Name of associate / joint venture:	Double Bay	
Holding in entities	40% holding in Joint Venture	
Group's aggregate share of associates' and joint venture entities':	Current reporting period $A'000	Previous corresponding period $A'000
Profit (loss) from ordinary activities before tax	-	-
Income tax on ordinary activities	-	-
Profit (loss) from ordinary activities after tax	-	-
Extraordinary items net of tax	-	-
Net profit (loss)	-	-
Adjustments	-	-
Share of net profit (loss) of associates and joint venture entities	-	-

8. Foreign entities

Which set of accounting standards is used in compiling the report (e.g. International Financial Reporting Standards):	N/A

9. All entities

A description of accounts subject to audit dispute or qualification:	N/A

A.B.N. 40 009 063 834

INTERIM FINANCIAL REPORT
31 December 2017

CONTENTS

DIRECTORS' REPORT

Your Directors submit the financial report of the consolidated entity, Axiom Properties Limited, ("Axiom" or "the Company") for the half-year ended 31 December 2017 ("the half-year"). 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 half-year and until the date of this report are as noted below. Directors were in office for this entire period unless otherwise stated.

Ian James Laurance AM	Non-executive Chairman
Benjamin 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)

OPERATING AND FINANCIAL REVIEW

Financial Results
It has been an exceptional reporting period for the Group, with the Company reporting a profit after tax of $9.544 million for the half-year ended 31 December 2017, up 121% on the previous half-year (31 December 2016: $4.322 million) and up 75% on preceding full-year (30 June 2017: $5.432 million).

In the past 6 months, the Company has settled the sale of its 100% owned Churchill South Centre for $22.35m, which resulted in a net equity return of $10.6m back to the Company's statement of financial position after paying out the senior debt facility and other associated costs. The Churchill South project which began in 2010, has delivered the Company outstanding cashflow and development profits over the 8-year association and demonstrates the Company's ability to derive superior returns for its shareholders from a limited capital base.

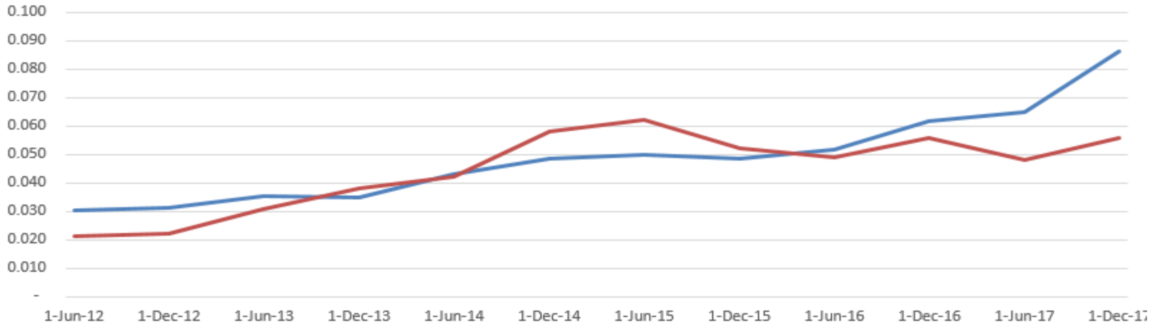
Additionally, during the reporting period the Company announced to the ASX on 12th December 2017, that it had agreed to the sale of its 50% interest in its flagship retail centre "Churchill North" for $42.50 million, reflecting a premium to its 30 June 2017 independent fair value. The sale is subject to several conditions including Due Diligence. Under the terms of the conditional sale, Axiom has agreed to apply for up to 25% of the units in the Purchaser's new Trust, and the Company will be appointed as the Development Manager of the last stage to be developed for a period of 5 years and is entitled to earn a performance fee depending on the final return.

The net effect of the sale of the Churchill North interest will be to return substantial equity to the Group's statement of financial position after costs and senior debt of approximately $12.75m, and the Company will have a passive stake in the Purchasing Trust of up to $4.75m representing up to 25%.

The sale of the Company's interest in the Churchill North Shopping Centre again highlights the Group's ability to deliver superior returns for shareholders from a limited capital base.

Importantly, this sale will realise the equity value of the asset, which is reflected in the net tangible asset (NTA) position of the Company in the below graph (compared to ASX price as at date of reporting).

OPERATING AND FINANCIAL REVIEW (continued)



	30-Jun-12	31-Dec-12	30-Jun-13	31-Dec-13	30-Jun-14	31-Dec-14	30-Jun-15	31-Dec-15	30-Jun-16	31-Dec-16	30-Jun-17	31-Dec-17
Reported NTA	0.030	0.031	0.035	0.035	0.043	0.049	0.050	0.048	0.052	0.062	0.065	0.086
ASX Price	0.021	0.022	0.031	0.038	0.042	0.058	0.062	0.052	0.049	0.056	0.048	0.056

Business Overview

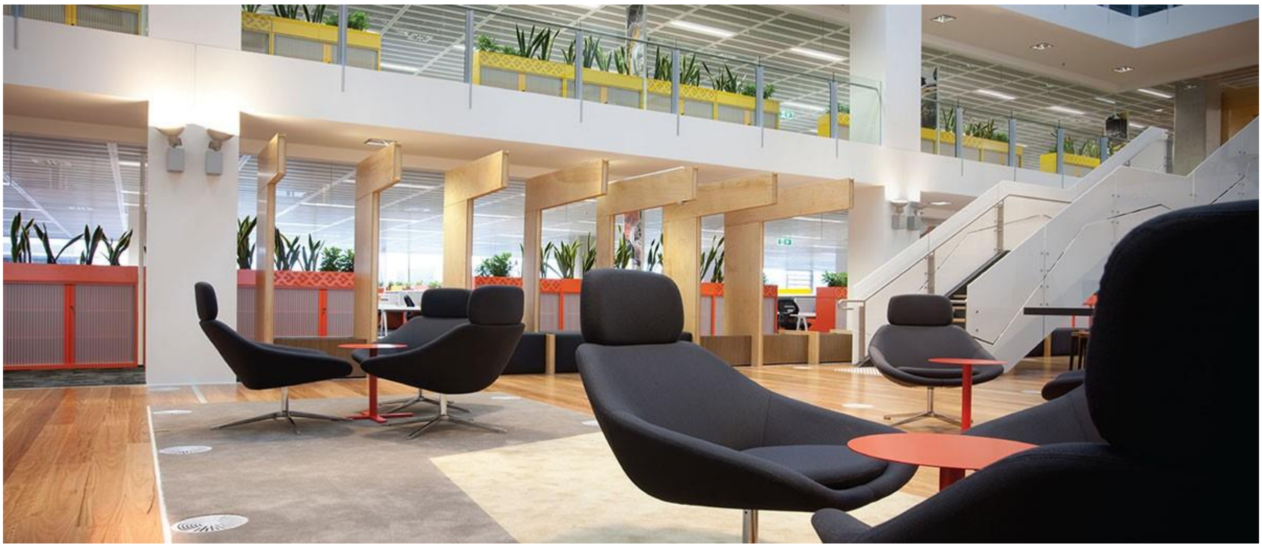
Churchill Centre North (50% Interest):
Churchill Centre North sits on 18 hectares of land and comprises South Australia's first and currently only Costco store as well as a major sub-regional shopping centre, consisting of a 5,500 sq.m. Coles supermarket, a 5,400 sq.m. Kmart Discount Department Store, 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. Two development applications have been lodged with Council to construct additional retail and standalone bulky-goods offerings covering the balance of the surplus land.

During the half-year, the Group agreed to a sale of its 50% interest in the asset as outlined previously in this report. Satisfaction of Due Diligence and execution of satisfactory Sales Agreement is expected imminently, and the Company expects to settle the sale of the property in April 2018 as well as subscribing to units in the new trust.

OPERATING AND FINANCIAL REVIEW (continued)



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 Estate" Mt Barker (50% Interest)

DIRECTORS' REPORT (continued)

OPERATING AND FINANCIAL REVIEW (continued)

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.

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 for the broad acre residential subdivision and was in the process of documenting and tendering for the commencement of works.

In December 2017 the Company announced that the Joint Venture had received finance approval from BankSA and that construction had commenced. 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. The Company is pleased with construction progress and level of interest with 15 lots contracted and deposits taken since completion of the sales centre in October 2017.

Double Bay, Sydney NSW (40% Interest)

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, 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.

During the half-year the Company progressed its negotiations and discussions with Council on both the outstanding commercial matters as well as the design and development applications.

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, as well as retail and commercial uses, offering ease of access to Adelaide airport along the city's major transit corridor.

During the half-year, Axiom and its partner engaged the services of a leading hotel consultant to investigate the demand drivers and positioning of an international hotel operator for the development. Early interest indicates there is a strong appetite for a hotel use.

Francis Street, Richmond NSW (100% Interest)

OPERATING AND FINANCIAL REVIEW (continued)

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. Subsequent to half-year end, the Company announced on 13 February 2018 that it had signed a conditional Agreement for a long-term Ground Lease with Estilo Group over the site. Under the terms of the agreement, Axiom has agreed to lease the entire 2,212 sq.m site to Estilo Group for 99 years and Estilo Group will be obliged to seek all approvals and construct the proposed 114 room hotel. Once the conditions that Estilo Group can achieve a Development Approval for the hotel, as well as demonstrate they have the necessary financing in place to fully fund the hotel's construction, Axiom will be entitled to exercise its conditional contract to purchase the Richmond land, after it has been sub-divided by the Club.

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 Estilo Group has been achieved.

END OF OPERATING AND FINANCIAL REVIEW

ROUNDING OF AMOUNTS

The Company has applied the relief available to it in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, and accordingly certain amounts in the interim financial report and the Directors' report have been rounded off to the nearest $1,000, unless otherwise indicated.

AUDITOR'S INDEPENDENCE DECLARATION

Section 307C of the Corporations Act 2001 requires our auditors, BDO Audit (SA) Pty Ltd, to provide the Directors of the Company with an Independence Declaration in relation to the review of the half-year financial report. This Independence Declaration is set out on page 13 and forms part of this Directors' Report for the half year ended 31 December 2017.

This report is signed in accordance with a resolution of the Board of Directors made pursuant to s.306(3) of the Corporations Act 2001.

Ben Laurance

Managing Director

Dated this 22nd day of February 2018

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

As lead auditor for the review of Axiom Properties Limited for the half-year ended 31 December 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 review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

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, 22 February 2018

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	Notes	31 December 2017 $'000	31 December 2016 $'000
Continuing Operations			
Revenue	2	2,514	2,941
Other income	2	10,435	4,713
Employee benefits expense		(1,538)	(1,242)
Depreciation and amortisation expense		(2)	(12)
Finance costs		(587)	(316)
Other expenses	2	(1,278)	(1,762)
Profit/(loss) before income tax		9,544	4,322
Income tax benefit / (expense)		-	-
Net Profit/(loss) for the period		9,544	4,322
Total comprehensive income/(loss) for the period		9,544	4,322
Basic earnings / (loss) per share (cents per share)		2.24 cents	1.05 cents
Diluted earnings / (loss) per share (cents per share)		2.24 cents	1.05 cents

The accompanying notes form part of these financial statements

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Notes	31 December 2017 $'000	30 June 2017 $'000
Assets			
Current Assets			
Cash and cash equivalents		11,651	1,983
Trade and other receivables		213	146
Other assets	6	183	190
		12,047	2,319
Assets classified as held for sale	7	51,718	22,350
Total Current Assets		63,765	24,669
Non-Current Assets			
Property, plant and equipment		5	7
Inventory	5	7,200	7,200
Other assets	6	-	127
Investment properties	8	108	41,297
Investments accounted for using the equity method	9	1,411	1,046
Total Non-Current Assets		8,724	49,677
Total Assets		72,489	74,346
Liabilities			
Current Liabilities			
Trade and other payables		981	763
Deferred revenue		106	349
Interest-bearing loans and borrowings	10	-	11,570
Provisions		267	255
Liabilities directly associated with assets classified as held for sale	7	34,218	-
Total Current Liabilities		35,572	12,937
Non-Current Liabilities			
Deferred revenue		-	9,069
Interest-bearing loans and borrowings	10	-	24,990
Other Financial Liabilities	11	-	77
Total Non-Current Liabilities		-	34,136
Total Liabilities		35,572	47,073
Net Assets		36,917	27,273
Equity			
Issued capital	3	62,660	62,298
Reserves		323	585
Accumulated losses		(26,066)	(35,610)
Total Equity		36,917	27,273

The accompanying notes form part of these financial statements

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	Issued Capital	Accumulated Losses	Reserves	**Total Equity**
	$'000	$'000	$'000	**$'000**
Balance at 1 July 2016	61,915	(41,042)	588	**21,461**
Profit for the period	-	4,322	-	**4,322**
Total comprehensive income for the period	-	4,322	-	**4,322**
Share-based payments expense (net of expired performance rights)	-	-	191	**191**
Reserve transfer – exercise of performance rights	383	-	(383)	**-**
Balance at 31 December 2016	62,298	(36,720)	396	**25,974**
Balance at 1 July 2017	62,298	(35,610)	585	**27,273**
Profit for the period	-	9,544	-	**9,544**
Total comprehensive income for the period	-	9,544	-	**9,544**
Share-based payments expense (net of expired performance rights)	-	-	100	**100**
Reserve transfer – exercise of performance rights	362	-	(362)	**-**
Balance at 31 December 2017	62,660	(26,066)	323	**36,917**

The accompanying notes form part of these financial statements

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	31 December 2017 $'000	31 December 2016 $'000
Cash flows from operating activities		
Receipts from customers	2,361	2,741
Payments to suppliers and employees	(2,369)	(2,249)
Payment of project development costs	(82)	(475)
Interest received	38	23
Finance costs	(669)	(704)
Net cash (outflow) from operating activities	(721)	(664)
Cash flows from investing activities		
Investment in joint venture	(365)	-
Proceeds from sale investment property	22,350	-
Purchase of investment property	(108)	-
Net cash inflow from investing activities	21,877	-
Cash flows from financing activities		
Proceeds from borrowings	82	150
Repayments of borrowings	(11,570)	(5)
Net cash (outflow)/inflow from financing activities	(11,488)	145
Net increase/(decrease) in cash held	9,668	(519)
Cash and cash equivalents at the beginning of the period	1,983	3,078
Cash and cash equivalents at the end of the period	11,651	2,559

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying notes form part of these financial statements

Statement of compliance

These half-year consolidated financial statements are general purpose financial statements prepared in accordance with the requirements of the Corporations Act 2001, applicable accounting standards including AASB 134 'Interim Financial Reporting', Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board ('AASB'). Compliance with AASB 134 ensures compliance with IAS 34 'Interim Financial Reporting'.

This condensed half-year financial report is intended to provide an update on the latest annual financial statements of Axiom Properties Limited and its controlled entities ("Group"). This condensed half-year financial report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the Group as in the full financial report.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2017 and any public announcements made by the Group during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

Basis of preparation

The half-year financial report has been prepared on a historical cost basis, except for the revaluation of certain financial instruments and investment properties to fair value. Cost is based on the fair value of the consideration given in exchange for assets. The Company is domiciled in Australia and all amounts are presented in Australian dollars, unless otherwise noted.

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, and accordingly, certain amounts in the Directors' Report and the half-year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

Accounting policies and methods of computation

The accounting policies and methods of computation adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

Adoption of new and revised Accounting Standards

The Group has reviewed all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for the current half-year. As a result of this review, the directors have determined that there is no material impact on the Group 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 half year ended 31 December 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).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Group had conducted a preliminary assessment of the impact of the standard change prior to the investment property being held for sale and expects initial application will result in a significant ROU asset and lease liability.

Other than the above, there is 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.

Significant accounting judgments and key estimates

The preparation of interim financial reports requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim report, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Group's annual financial statements for the year ended 30 June 2017 with the exception of the fair value assessment of investment property

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 outline the actions that have been taken and results achieved within the current financial 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

NOTE 2: PROFIT/(LOSS) BEFORE INCOME TAX EXPENSE

	31 December 2017 $'000	31 December 2016 $'000
The following revenue and expense items are relevant in explaining the financial performance for the half-year:		
Rental Revenue	3,297	2,941
Amortisation of lease incentives and costs	(783)	(174)
Interest income	95	24
Change in fair value of investment properties	10,339	4,689
Losses arising from jointly controlled operations	(52)	-
Rental outgoings	(928)	(1,219)
Audit and accountancy fees	(61)	(52)

NOTE 3: ISSUED CAPITAL

	31 December 2017 $'000	30 June 2017 $'000
Ordinary shares		
Issued and fully paid	62,660	62,298

	6 months to 31 Dec 2017		12 months to 30 June 2017	
	No.	$'000	No.	$'000
Movements in ordinary shares on issue				
At start of period	420,482,396	62,298	413,332,396	61,915
Issue on exercise of performance rights	6,650,000	362	7,150,000	383
At end of period	427,132,396	62,660	420,482,396	62,298

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

NOTE 4: SEGMENT REPORTING

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Board in order to allocate resources to the segment and to assess its performance.

Information regarding these segments is presented below. The accounting policies of the reportable segments are the same as the Group's accounting policies.

The following tables are an analysis of the Group's revenue, results from continuing operations and the Group's assets and liabilities by reportable segment provided to the Board for the half-year ended 31 December 2017 and 31 December 2016.

	Continuing operations			
	Investment Property $'000	Development $'000	Corporate $'000	Consolidated $'000
31 December 2017				
Segment revenue	2,438	76	-	2,514
Other income	10,361	-	74	10,435
Segment result	11,361	(76)	(1,741)	9,544
Results from continuing operations	11,361	(76)	(1,741)	9,544
31 December 2017				
Segment assets	52,142	8,736	11,611	72,489
Segment liabilities	34,550	-	1,022	35,572

	Continuing operations			
	Investment Property $'000	Development $'000	Corporate $'000	Consolidated $'000
31 December 2016				
Segment revenue	7,566	65	22	7,653
Segment result	5,933	(39)	(1,572)	4,322
Results from continuing operations	5,933	(39)	(1,572)	4,322
31 December 2016				
Segment assets	62,576	8,003	2,364	72,943
Segment liabilities	46,236	-	733	46,969

NOTE 5: INVENTORIES

	31 December 2017	30 June 2017
Non-Current	$'000	$'000
Land (development)	7,200	7,200

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

NOTE 6: OTHER ASSETS

	31 December 2017	30 June 2017
Current	$'000	$'000
Prepayments	183	190
Non-Current		
Financial assets carried at fair value through profit and loss (FVTPL)		
Interest rate swap (Note 9)	-	127

NOTE 7: ASSETS CLASSSIFED AS HELD FOR SALE

	31 December 2017	30 June 2017
Current	$'000	$'000
Assets Held For Sale – Investment Property	51,718	22,350
Liabilities directly associated with assets classified as held for sale consists of:		
Deferred revenue	9,167	-
Interest-bearing loans and borrowings	24,990	-
Other Financial Liabilities	61	-
	34,218	-

In December 2017, the directors of Axiom Properties Limited decided to sell their interest in Churchill Centre North. The sale is conditional upon Due Diligence and the execution of satisfactory Sales Agreements. 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 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

NOTE 8: INVESTMENT PROPERTIES

	31 December 2017 $'000	30 June 2017 $'000
Investment property at cost	108	-
Investment property at fair value	-	41,297
	108	41,297

The following table shows the reconciliation from the opening balance to the closing balance for Level 3 fair values:

	Churchill North $'000	Francis St $'000	31 December 2017 $'000
Balance at 1 July 2017	41,297	-	41,297
Additions	82	108	190
Change in fair value of investment properties (ii)	10,339	-	10,339
Transfer to asset held for sale	(51,718)	-	(51,718)
Closing balance at 31 December 2017	(i) -	108	108

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.

ii) The change in fair value of investment properties is recognised in other income in the statement of profit or loss and other comprehensive income. The valuation has been determined based on the expected sale price.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

NOTE 9: 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:

			Equity Participation Share	
			December 2017	**June 2017**
Name of entity	**Principal activity**	**Country of incorporation**	**%**	**%**
MB Estate Pty Ltd	Land subdivision	Australia	50	50
Currie St Pty Ltd	Land & building development	Australia	50	50
Double Bay	Land & building development	Australia	40	40

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

NOTE 9: INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (continued)

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

MB Estate Pty Ltd

	31 December 2017 $'000	30 June 2017 $'000
Opening carrying amount	1,046	391
Contributions to joint venture	241[1]	655[1]
Carrying value of the Group's interest in the joint venture	1,287	1,046

[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 proceeds 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.

Currie St Pty Ltd

	31 December 2017 $'000	30 June 2017 $'000
Opening carrying amount	-	-
Contributions to joint venture	28[2]	-
Carrying value of the Group's interest in the joint venture	28	-

[2] 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.

Double Bay

	31 December 2017 $'000	30 June 2017 $'000
Opening carrying amount	-	-
Contributions to joint venture	95[3]	-
Carrying value of the Group's interest in the joint venture	95	-

[3]Axiom is responsible for equity contributions equivalent to its share in the joint venture being 40%.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

NOTE 10: BORROWINGS

	31 December 2017 $'000	30 June 2017 $'000
Current Liability		
Bank loans	-[1]	11,570
Non -Current Liability		
Bank loans	-	24,990

Summary of borrowing arrangements

BankSA – Churchill Centre North
The Group along with its joint operation partner, Southern Cross Equity Group Pty Ltd, at last reporting date had an investment facility of $49.980 million with BankSA. The interest only investment facility matures in June 2020. 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 (30 days). In addition, there is an acceptance fee of 1.4% p.a. on the rolling bills.

In February 2016, the Group along with its joint operation partner entered into a 4-year swap facility with BankSA for $25.000 million. The fixed swap rate is 2.18% (plus bank margin) and is transferable between institutions and provides a hedge against the variability of interest payable on the $49.980 million facility.

Axiom's interest in the both the investment and swap facilities will be novated to ICAM as part of the sale as detailed in note 7. As such the bank loan has been reclassified to liabilities associated with assets held for sale.

BankSA – Churchill South
The Group at last reporting date had an investment facility of $11.570 million with BankSA. The interest only investment facility and swap were repaid and terminated on 5 September 2017 upon settlement of the sale of Churchill South.

NOTE 11: OTHER LIABILITIES

	31 December 2017	30 June 2017
Non-Current	$'000	$'000
Financial liabilities carried at fair value through profit and loss (FVTPL)	-	77
Interest rate swap (Note 10)	-	77

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.

NOTE 12: FINANCIAL INSTRUMENTS

The Directors consider that the carrying amount of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values and note the following;

Interest rate swaps – cash flow hedges

Interest-bearing loans of the Group currently bear a variable interest rate of 3.48% (June 2017: 3.64%). In order to protect against rising interest rates the Group has entered into an interest rate swap contract under which it has a right to receive interest at variable rates and to pay interest at fixed rates. The swap in place covers approximately 50% (June 2017: 66%) of the principal outstanding of the Group's debt exposure. The interest rate swap expires in February 2020. The fixed interest rate on the swap is 2.18% (June 2017: 2.18%) and the variable rate is the applicable facility margin plus the 90-day bank bill rate, which at reporting date was 1.78% (June 2017: 1.785%).

At 31 December 2017, the notional principal amounts and period of expiry of the interest rate swap contracts are as follows:

	Consolidated		*Fair Value*	
	31 December 2017 $'000	30 June 2017 $'000	31 December 2017 $'000	30 June 2017 $'000
3 – 4 years	12,500	12,500	61	77
4 – 5 years	-	11,570	-	(127)

NOTE 13: PERFORMANCE RIGHTS

Movement in performance rights over ordinary shares on issue:

	6 months to 31 December 2017 No. (thousands)	12 months to 30 June 2017 No. (thousands)
At start of period	13,350,000	20,550,000
Performance rights issued	-	-
Performance rights exercised	(6,650,000)	(7,150,000)
At end of period	6,700,000	13,350,000

NOTE 14: EVENTS SUBSEQUENT TO REPORTING DATE

With the exception of the sale of the Churchill North Shopping Centre, no other matters or circumstances have arisen since the end of the financial half-year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs in future financial years.

NOTE 15: CONTINGENT LIABILITIES

The Group had no contingent liabilities as at 31 December 2017.

DIRECTORS' DECLARATION

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

1. The financial statements and notes thereto, as set out on pages 14 to 27, are in accordance with the Corporations Act 2001 including:

   a. complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

   b. giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half-year then ended.

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

This declaration is signed in accordance with a resolution of the Board of Directors made pursuant to s.303 (5) of the Corporations Act 2001.

Ben Laurance

Managing Director

Dated this 22nd day of February 2018

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

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Axiom Properties Limited (the Company) and its subsidiaries (the Group), which comprises the condensed consolidated statement of financial position as at 31 December 2017, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the half-year then ended, and notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001* including:

(i) Giving a true and fair view of the Group's financial position as at 31 December 2017 and of its financial performance for the half-year ended on that date; and

(ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001.*

Directors' responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2017 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

BDO

BDO Audit (SA) Pty Ltd

Paul Gosnold

Paul Gosnold
Director

Adelaide, 22 February 2018