



ABN 40 0090 638 34

**ANNUAL FINANCIAL REPORT**

**30 JUNE 2011**

For Personal Use Only

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## CHAIRMAN'S LETTER

Dear Shareholder,

Your Group reported a loss for the year 2010/2011 of \$1.22 million – less than half the loss for 2009/2010 (\$2.69 million) and heading in the right direction.

The Company is predicting a return to profitability in the 2011/2012 financial year – although at the time of writing this report the world has been thrown back into a period of financial turmoil and volatility brought on by the European debt crisis and continuing problems in the United States.

The most positive factor coming out of the past financial year has been the successful sale of major assets at the Gepps Cross Bulky Goods Centre and Building A at the World Park office development. These sales have allowed us to sell down debt and to be within our banking covenants.

You will see from Managing Director Ben Laurance's Report and the Review of Operations that the Islington Railyards Project: Churchill Centre South and Churchill Centre North is a major and exciting development for the Company as we go forward.

Once again, I wish to place on record my appreciation to my fellow Directors and to our staff for their ongoing commitment and dedication – particularly Paul Rouvray and Dean Veldhuyzen in our Adelaide office.



**Ian Laurance AM**  
CHAIRMAN

## MANAGING DIRECTOR'S REVIEW

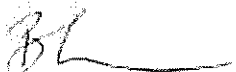
The Company has had a very busy year as it emerges from the clutches of the GFC and adapts its business operations to the constraints and rigours of the new, post-GFC world.

The key highlights of this year for the Company have been:

- The delivery of Stage One (Building A) at Worldpark:01 Adelaide on time and on budget for tenants Coffey International and SA Government;
- The successful divestment of approximately \$80m worth of assets, being Stage One Worldpark:01 (\$46.5m) and 50% of the Company's interest in the Gepps Cross Centre (\$31.8m). The net effect of these sales was to reduce the Group's debt to a comfortable and sustainable level, secured against a strong asset base;
- Successful negotiations with the State Government of South Australia and subsequent entering into of the 99 year ground lease over 24 hectares of strategic land known as Islington Railyards, in Adelaide's inner northwest;
- The subsequent rezoning of the Islington Railyards land from an industrial rezoning to a mixed use retail zone;
- The successful launch of "Churchill Centre", the major mixed use retail and bulky goods development at Islington Railyards;
- The securing of Bunnings to commit to their largest format store, a 12,600 sqm, hardware and outdoor living store, to anchor the first stage of Churchill Centre South. Construction is on track to be completed by mid-November, with Bunnings targeting a store opening by mid December 2011; and
- Leasing of the other precincts at Churchill Centre continued to attract very strong interest during the year, with a number of key tenancies and anchor retailers under Heads of Agreements.

As the Company has announced previously, we see the Churchill Centre development as an exciting project for the group, and capable of delivering strong returns over the medium term. The Company is focused on leasing and delivering this exciting project and it believes that this project, together with the other development opportunities it currently has and is currently evaluating, will give the Company a solid foundation on which to re-build the business following the events of the last few years.

May I add my appreciation to the Chairman's words in his Letter to Axiom's staff and to its shareholders who have stuck by the Group during this period of uncertainty, and may I assure you of our continued dedication to improving the outlook for the Group.



**Ben Laurance**  
MANAGING DIRECTOR

## CORPORATE INFORMATION

### Directors

|                           |                        |
|---------------------------|------------------------|
| Ian James Laurance AM     | Executive Chairman     |
| Ben Peter Laurance        | Managing Director      |
| Umberto Bruno Gianotti    | Non-Executive Director |
| Michael Gerrard Blakiston | Non-Executive Director |
| John Sylvester Howe       | Non-Executive Director |

### Company Secretary

|               |                       |
|---------------|-----------------------|
| Michael Lynch | resigned 6 July 2011  |
| Edita Nuic    | appointed 6 July 2011 |

### Registered Office and Principal Place of Business

Axiom Properties Limited is a company limited by shares that is registered and domiciled in Australia. Its registered office and principal place of business is:

Level 18, Westpac Building  
109 St Georges Terrace  
PERTH WA 6000

### Share Registry

Computershare Investor Services Pty Limited  
Level 2, Reserve Bank Building  
45 St George's Terrace  
PERTH Western Australia 6000

### Solicitors

Gilbert & Tobin  
1202 Hay Street  
WEST PERTH Western Australia 6005

### Auditors

HLB Mann Judd  
Chartered Accountants  
Level 4, 130 Stirling Street  
PERTH Western Australia 6000

### Securities Exchange Listing

Axiom Properties Limited's shares are listed on the Australian Securities Exchange Limited.

### Website

[www.axiompl.com.au](http://www.axiompl.com.au)

## DIRECTORS' REPORT

Your directors submit the annual financial report of the consolidated entity consisting of Axiom Properties Limited and the entities it controlled during the financial year ended 30 June 2011. In order to comply with the provisions of the Corporations Act, the Directors report as follows:

### Directors

The names and particulars of the Directors of Axiom Properties Limited in office during or since the end of the financial year and until the date of this report are as follows:

| Name  | Particulars   |
|---|---|
| Ian James Laurance AM<br>(Executive Chairman) | <p>In addition to being Chairman of Axiom Properties Limited, Mr Laurance is Chairman of the listed rare earths developer, Arafura Resources Limited.</p> <p>Mr Laurance 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 (2000 – 2004) and was previously Chairman of the Western Australian Sports Centre Trust for ten years (1993 – 2003).</p> <p>Mr Laurance is also Chairman of the not-for-profit organisation, Perth Convention Bureau. The Bureau is charged with the responsibility of attracting Business Events to Perth and Western Australia.</p> <p>In a voluntary capacity, Mr Laurance has served as Chairman and Director of a number of not-for-profit and charitable bodies.</p> <p>In 2006 Mr Laurance was made a Member of the Order of Australia (AM).</p> <p>Mr Laurance is a member of the Group's Audit Committee.</p> <p><i>Other Public Company Directorships</i><br/>Arafura Resources Limited</p> <p><i>Former Public Company Directorships in last three years</i><br/>None</p> |
| Ben Peter Laurance<br>(Managing Director)     | <p>Mr Laurance is the Managing Director of Axiom Properties Ltd, and an Executive Director of Axiom's major shareholder, Pivot Group Pty Ltd.</p> <p>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.</p> <p>Mr Laurance has a Bachelor of Economics from the University of Western Australia, and he is also a Director of Axiom's Funds Management Division.</p> <p><i>Other Public Company Directorships</i><br/>None</p> <p><i>Former Public Company Directorships in last three years</i><br/>None</p>  |

**DIRECTORS' REPORT (continued)**

Umberto Bruno Gianotti  
(Non Executive Director)

Mr Gianotti is a Property and Construction lawyer. He is a former partner of a national law firm and has specialised in property law for 33 years.

Mr Gianotti is a member of the Group's Audit Committee.

*Other Public Company Directorships*  
None

*Former Public Company Directorships in last three years*  
None

Michael Gerrard Blakiston  
(Non Executive Director)

Mr Blakiston is a practicing solicitor with legal experience in the resources sector. Mr Blakiston holds the degrees of Bachelor of Jurisprudence and Bachelor of Laws from the University of Western Australia and is a partner of the national firm, Gilbert & Tobin. Mr Blakiston has been practicing law for over 30 years.

Mr Blakiston has extensive commercial experience both in advisory and directorial capacities having been involved in project assessment, structuring and financing, joint ventures and strategic alliances in the resource industry. In addition, Mr Blakiston has experience in initial public offerings, takeovers and mergers, corporate and project fundraisings (either with debt or equity), construction, offtake and sales contracts.

Mr Blakiston is a member of the Group's Audit Committee.

*Other Public Company Directorships*  
Platinum Australia Ltd and Sundance Resources Limited.

*Former Public Company Directorships in the last three years.*  
Vulcan Resources Limited, Aurora Oil & Gas Limited and Rox Resources Limited.

John Sylvester Howe  
(Non Executive Director)

Mr Howe has over 26 years of business experience in the development and construction industry. He founded and developed his company, Weathered Howe into a highly successful international consulting group. He established a national and international reputation across a range of sectors including property, integrated tourism resorts, theme parks, special events and tall buildings.

In 2005, Mr Howe led the successful sale and integration of Weathered Howe into the 4,000 strong Hyder International Consulting Group. He now acts as an adviser to Hyder Consulting and separately acts as a special advisor to Dubai Properties on the US\$10 billion Culture Village project in Dubai. Mr Howe also acts as a specialist advisor to Limitless, the real estate development arm of Dubai World, on international and Dubai based 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 is an Adjunct Professor at the Mirvac School of Sustainable Development at Bond University.

Mr Howe is a member of the Group's Audit Committee.

*Other Public Company Directorships*  
None

*Former Public Company Directorships in the last three years.*  
None

**DIRECTORS' REPORT (continued)**

**Company Secretary**

Edita Nuic Ms Nuic is a Chartered Accountant and was appointed as Company Secretary of Axiom Properties Limited on 6 July 2011.

Michael Lynch Mr Lynch is a Chartered resigned as Company Secretary of Axiom Properties Limited on 6 July 2011.

**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<br>(at the date of this report) |            | Performance Rights<br>(at the date of this report) |            |
|-----------------|--|------------|--|------------|
|                 | Directly   | Indirectly | Directly   | Indirectly |
| I J Laurance AM | -  | 1,250,000  | -  | 1,000,000  |
| B P Laurance    | -  | 54,400,081 | -  | 2,000,000  |
| U B Gianotti    | 2,000,000  | 2,114,029  | 2,000,000  | -          |
| M G Blakiston   | -  | 2,400,000  | -  | 1,000,000  |
| J S Howe        | 1,000,000  | 4,315,900  | 1,000,000  | -          |

The following performance rights of Axiom Properties Limited were granted to Directors and to the most highly remunerated officers of the Company during the financial year as part of their remuneration

| Directors and officers | Number of performance rights granted<br>(at the date of this report) |            |
|------------------------|--|------------|
|                        | Directly   | Indirectly |
| I J Laurance AM        | -  | 2,000,000  |
| B P Laurance           | -  | 4,000,000  |
| U B Gianotti           | 4,000,000  | -          |
| M G Blakiston          | -  | 2,000,000  |
| J S Howe               | 2,000,000  | -          |
| P Rouvray              | -  | 2,000,000  |

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:

| <i>Number of shares</i> | <i>Amount paid per share</i> |
|-------------------------|------------------------------|
| 8,000,000               | Nil                          |

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

| <i>Measurement Date</i> | <i>Exercise Price</i> | <i>Number of Shares</i> |
|-------------------------|-----------------------|-------------------------|
| 30 June 2011            | Nil                   | 1,000,000               |
| 30 June 2012            | Nil                   | 4,500,000               |
| 30 June 2013            | Nil                   | 3,500,000               |



## DIRECTORS' REPORT (continued)

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

### Review of Operations

#### Islington Railyards

The Islington Railyards site consists of two separate large tracts of land of 6 hectares (south) and 18 hectares (north) for a total of 24 hectares, strategically located in the inner northwest suburbs of Adelaide, 5kms from the CBD. The Company has "ownership" of the land under a 99 year lease with the South Australian Government. The master plan for the two sites will result in a major retail destination, servicing the needs of Adelaide's inner northwestern suburbs. The masterplan will incorporate a mix of bulky goods and hardware tenancies, alongside a major supermarket, shopping centre and a mix of other exciting retail opportunities.

The Company considers this development as a key component to the future success of the Company, being a major plank of the development and investment portfolio over the short to medium term.

The two distinct sites are referred to as Churchill Centre South and Churchill Centre North:

#### *Churchill Centre South*

This 6 hectare site received development approval during the year for a 12,600 sqm Bunnings Hardware and Outdoor Living alongside 6,700 sqm of ancillary bulky goods and retail tenancies. The confirmation of Bunnings as the first tenant is a strong endorsement of this master plan, and testament to the quality of the development and the profile of the location. During the year, the Company secured a favourable construction facility with BankSA and works commenced on the Bunnings tenancy in February 2011. Work is expected to be completed by November 2011 and Bunnings are expected to commence trading in mid-December 2011.

During the year and subsequent to year end, the Company also secured a number of pre-leases with strategic retailers to occupy the balance of the South bulky goods retail space. These pre-leases are currently being documented and when finalised, will represent approximately 90% of the available space. Construction is expected to commence on this portion of the South precinct once documentation has been agreed.

#### *Churchill Centre North*

The northern component of this project sits on 18 hectares of land, and will comprise a major supermarket, shopping centre, service station and other mixed-use retail offering. Several pad sites will incorporate fast food outlets as well as other strategic retailing uses. This northern stage is designed to incorporate in excess of 40,000 sqm of quality destination retail. Stage one of the northern precinct received development approval subsequent to year end.

During the year, the Company secured the supermarket to anchor the first stage of the shopping centre, which is currently being documented. Several other offers have been received for various other tenancies.

#### **Gepps Cross Bulky Goods Centre, Gepps Cross SA**

The Company manages a 50% interest in The Gepps Cross Centre, Australia's largest bulky goods retail centre comprising 62,000 sqm of bulky goods retail space located at Gepps Cross SA. It was officially opened by the Premier of South Australia on 28 November 2009. The other 50% of the Centre is owned by Harvey Norman and a private Adelaide family.

The Centre spreads over 2 sites, with Axiom having an ownership interest in half of both sites. During the year, the Company sold half its ownership interest in one of the sites to family interests associated with Gerry Harvey for \$31.8m. This sale settled on 23<sup>rd</sup> December 2010, and the proceeds were used to pay down the existing debt. Following the sale, the Company is no longer in breach of its financing facilities, and is back in line with its lending covenants.

## **DIRECTORS' REPORT (continued)**

### **Review of Operations (continued)**

Prior to year-end, the Company put its remaining stake in the other half of the Centre for sale under an Expression of Interest campaign. This campaign is expected to be finalised subsequent to the end of this calendar year.

### **World Park 01, Keswick SA**

Worldpark:01 is a campus-style, green office park on the fringe of the Adelaide CBD with an approval to construct 3 boutique office buildings. The first of these buildings was fully pre-committed by Axiom. During the year, the Company successfully completed the delivery and handover of the Stage One, Building A to the 2 major tenants, the State Government of South Australia and ASX Top 300 Company, Coffey International.

During the year, the Company sold Building A to ASX listed company, Growthpoint Properties for \$46.5m. This sale was settled in early December and the proceeds were used to pay down the construction facility held with BankSA. The balance of the proceeds were applied towards working capital.

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.

### **Gepps Cross Industrial**

The Company and its partners, Harvey Norman and Charter Hall, continued to assess development options for the leasehold interest over 6.5 hectares of vacant land adjacent to the Gepps Cross Bulky Goods Centre in Gepps Cross SA. The Company has a one third interest in this long term ground lease. During the year the Company secured a tenant to pre-lease the first stage of the development. This agreement is currently being documented, and once executed, the partners intend on commencing construction.

### **Port Geographe, Busselton, WA**

The Company's subsidiary, Tallwood Nominees Pty Ltd, has a 40% interest in the Port Geographe Joint Venture, an oceanfront, residential subdivision at Port Geographe, 1km north of the city of Busselton, WA. The Port Geographe development comprises some 600 residential lots, the majority of which have canal frontages with direct access to the Geographe Bay.

During the year, the Company and its 60% partner, MacSea (a 50/50 Joint Venture between Macquarie Bank and private developer Saracen Properties) continued to work co-operatively with the financier, St George, through a review process, given the previously disclosed breach of the financial facility. Difficulties continue to exist with the local and State authorities to obtain agreement to practical wording for subdivision conditions which are required to obtain clearances for titles.

Subsequent to year end, the Directors of Tallwood Nominees appointed PPB Advisory as Administrators to the Company.

### **Other**

The Company is also evaluating a number of other strategic corporate, investment and development opportunities in the property and other sectors.

The Group notes there is significantly more value in the underlying assets of the Group than is reflected in the financial statements. The accounting standards adopted for the purposes of valuing the Group's properties using the Cost Model are set out in Note 1(p) and 1(y).

### **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.

### **Significant Events After Balance Date**

At the date of this report there has not been any matter or circumstance that has arisen after balance date that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years other than those matters disclosed elsewhere in this report such as the appointment of Administrators to the Tallwood Nominees Pty Ltd as explained above.

**DIRECTORS' REPORT (continued)**

**Review of Operations (continued)**

**Likely Developments and Expected Results**

Disclosure of information regarding likely developments in the operations of the Group in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Group. Accordingly, this information has not been disclosed in this report.

**Environmental Legislation**

As part of the Group's land development operations certain deeds have been entered into which require regular environmental monitoring under state and local government legislation.

The Directors are not aware of any significant breaches of those requirements during the period covered by this report.

## DIRECTORS' REPORT (continued)

### Remuneration Report

This report outlines the remuneration arrangements in place for the key management personnel of Axiom Properties Limited ("Company") for the financial year ended 30 June 2011. The information provided in this remuneration report has been audited as required by Section 308(3C) of the Corporations Act 2001.

The remuneration report details the remuneration arrangements for key management personnel ("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, and includes the top executives of the Company and the Group receiving the highest remuneration.

#### *Key Management Personnel*

##### (i) Directors

Ian Laurance (Executive Chairman)  
Ben Laurance (Managing Director)  
Umberto Gianotti  
Michael Blakiston  
John Howe

##### (ii) Executives

Paul Rouvray (General Manager)  
Edita Nuic (appointed 6 July 2011)  
Michael Lynch (appointed 10 January 2011; resigned 6 July 2011)  
Gordon Hough (appointed 21 July 2010; resigned 22 October 2010)

#### *Remuneration Philosophy*

The performance of the Company depends upon the quality of the Directors and executives. The philosophy of the Company in determining remuneration levels is to:

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

### 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 Executive Chairman is determined by the Board of Directors and is also determined by the skills, experience and length of service of the 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. 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 is based upon a number of factors, including length of service, particular experience of the individual concerned, and overall performance of the Company. 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 and performance rights.

The following table discloses the Directors of the Company, including executive Directors, and executive officers who received remuneration during the year.

**DIRECTORS' REPORT (continued)**

**Remuneration of Directors and named executives**

Director Remuneration for the year ended 30 June 2011 is as follows:

|                 |      | Primary Benefits |         |                       | Post Employment |                     | Equity             | Total   | Performance Related |
|-----------------|------|------------------|---------|-----------------------|-----------------|---------------------|--------------------|---------|---------------------|
|                 |      | Salary and Fees  | Bonuses | Non Monetary Benefits | Superannuation  | Prescribed Benefits | Performance Rights |         |                     |
| I J Laurance AM | 2011 | 48,399           | -       | 17,595                | 28,600          | -                   | 51,891             | 146,485 | -                   |
|                 | 2010 | 40,590           | -       | 10,672                | 36,410          | -                   | -                  | 87,762  | -                   |
| B P Laurance    | 2011 | 299,999          | -       | 31,726                | 25,000          | -                   | 103,782            | 460,507 | -                   |
|                 | 2010 | 302,000          | -       | -                     | 25,000          | -                   | -                  | 327,000 | -                   |
| U B Gianotti    | 2011 | 390,000          | -       | -                     | 2,700           | -                   | 103,782            | 496,482 | -                   |
|                 | 2010 | 386,880          | -       | -                     | 2,700           | -                   | -                  | 389,580 | -                   |
| M G Blakiston   | 2011 | 30,000           | -       | -                     | 2,700           | -                   | 51,891             | 84,591  | -                   |
|                 | 2010 | 30,000           | -       | -                     | 2,700           | -                   | -                  | 32,700  | -                   |
| J S Howe        | 2011 | 30,000           | -       | -                     | 2,700           | -                   | 51,891             | 84,591  | -                   |
|                 | 2010 | 30,000           | -       | -                     | 2,700           | -                   | -                  | 32,700  | -                   |

**Service Agreements**

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

*I J Laurance AM – Executive Chairman*

The terms and conditions of the service agreement dated 7 July 2006 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 \$70,000 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 \$300,000 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.

*U B Gianotti – Non Executive Director (Executive Director 1 July 2008 to 30 June 2009)*

The terms and conditions of the service agreement dated 4 August 2008 were:

- Mr Gianotti provided executive directorial services primarily as in-house legal counsel for Axiom Properties Limited;
- In exchange for Mr Gianotti's services an annual package of \$300,000 plus a short term incentive (based upon in-house legal counsel hours achieved) plus other benefits was payable;
- The Company and Mr Gianotti mutually terminated the Agreement for nil consideration as a part of the Company's cost saving measures on 30 June 2009. As of 1st July 2009 Mr Gianotti was engaged as a consultant for Axiom Properties Limited pursuant to a Consulting Agreement for \$30,000 per month. This Agreement is still in operation at the date of this report.

**DIRECTORS' REPORT (continued)**

**Service Agreements (continued)**

Remuneration of named executives who received the highest remuneration for the year ended 30 June 2011 is as follows:

|               |      | Primary Benefits |         |                       | Post Employment |                     | Equity             | Total   | % Performance Related |
|---------------|------|------------------|---------|-----------------------|-----------------|---------------------|--------------------|---------|-----------------------|
|               |      | Salary and Fees  | Bonuses | Non Monetary Benefits | Superannuation  | Prescribed Benefits | Performance Rights |         |                       |
| P J Rouvray   | 2011 | 229,999          | -       | 22,552                | 20,700          | -                   | 52,248             | 325,499 | -                     |
|               | 2010 | 230,000          | 20,000  | 11,236                | 22,500          | -                   | -                  | 283,736 | 7%                    |
| Michael Lynch | 2011 | 44,999           | -       | -                     | 4,050           | -                   | -                  | 49,049  | -                     |
|               | 2010 | -                | -       | -                     | -               | -                   | -                  | -       | -                     |
| Gordon Hough  | 2011 | 45,440           | -       | -                     | 4,090           | -                   | -                  | 49,530  | -                     |
|               | 2010 | -                | -       | -                     | -               | -                   | -                  | -       | -                     |

**Directors' Meetings**

The following table sets out the number of meetings attended whilst a Director. During the year, 12 meetings were held.

|                 | <i>A</i> | <i>B</i> |
|-----------------|----------|----------|
| I J Laurance AM | 12       | 12       |
| B P Laurance    | 12       | 12       |
| U B Gianotti    | 12       | 12       |
| M G Blakiston   | 12       | 12       |
| J S Howe        | 12       | 12       |

*A*- Number of meetings attended.

*B*- Number of meetings eligible to attend.

**Consolidated Results**

The net amount of consolidated loss of the Group for the financial year after income tax was \$1,220,000 (2010: Loss \$2,696,000).

**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.

**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 amounts contained in this report and in the financial report have been rounded to the nearest \$1,000 (where rounding is applicable) under the option available to the Company under ASIC Class Order 98/100. The Company is an entity to which the Class Order applies.

**DIRECTORS' REPORT (continued)**

**Auditor Independence and Non-Audit Services**

Section 307(C) of the Corporations Act 2001 requires the Company's auditors, HLB Mann Judd, to provide the Directors of the Company with an Independence Declaration in relation to the audit of the Annual Report. This Independence Declaration is set out on page 24 and forms part of the Directors' Report for the year ended 30 June 2011.

**Non-Audit Services**

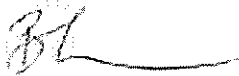
Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in Note 23 to the financial statements. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors 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 integrity 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.

HLB Mann Judd and associated entities of HLB Mann Judd received or are due to receive the following amounts for the provision of non-audit services:

|               |                 |                                   |
|---------------|-----------------|-----------------------------------|
| HLB Mann Judd | \$77,422        | Preparation of Income Tax Returns |
|               | <u>\$15,932</u> | Tax consulting services           |
|               | <u>\$93,354</u> |                                   |

Signed in accordance with a resolution of the Directors:



Ben Laurance  
MANAGING DIRECTOR

Perth, Western Australia  
Dated: 31 August 2011

## CORPORATE GOVERNANCE STATEMENT

Axiom Properties Limited ("Company") has made it a priority to adopt systems of control and accountability as the basis for the administration of corporate governance. Some of these policies and procedures are summarised in this statement. Commensurate with the spirit of the ASX Corporate Governance Council's, Corporate Governance Principles and Recommendations ("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. Where, after due consideration, the Company's corporate governance practices depart from a recommendation, the Board has offered full disclosure and reason for the adoption of its own practice, in compliance with the "if not, why not" regime.

### Disclosure of Corporate Governance Practices

#### Summary Statement

|                                 | ASX P&R <sup>1</sup> | If not, why not <sup>2</sup> |                                 | ASX P&R <sup>1</sup> | If not, why not <sup>2</sup> |
|---------------------------------|----------------------|------------------------------|---------------------------------|----------------------|------------------------------|
| Recommendation 1.1              | ✓                    |                              | Recommendation 4.3              | ✓                    |                              |
| Recommendation 1.2              | ✓                    |                              | Recommendation 4.4 <sup>3</sup> | n/a                  | n/a                          |
| Recommendation 1.3 <sup>3</sup> | n/a                  | n/a                          | Recommendation 5.1              | ✓                    |                              |
| Recommendation 2.1              |                      | ✓                            | Recommendation 5.2 <sup>3</sup> | n/a                  | n/a                          |
| Recommendation 2.2              |                      | ✓                            | Recommendation 6.1              | ✓                    |                              |
| Recommendation 2.3              | ✓                    |                              | Recommendation 6.2 <sup>3</sup> | n/a                  | n/a                          |
| Recommendation 2.4              |                      | ✓                            | Recommendation 7.1              | ✓                    |                              |
| Recommendation 2.5              | ✓                    |                              | Recommendation 7.2              | ✓                    |                              |
| Recommendation 2.6 <sup>3</sup> | n/a                  | n/a                          | Recommendation 7.3              | ✓                    |                              |
| Recommendation 3.1              | ✓                    |                              | Recommendation 7.4 <sup>3</sup> | n/a                  | n/a                          |
| Recommendation 3.2              | ✓                    |                              | Recommendation 8.1              |                      | ✓                            |
| Recommendation 3.3 <sup>3</sup> | n/a                  | n/a                          | Recommendation 8.2              | ✓                    |                              |
| Recommendation 4.1              | ✓                    |                              | Recommendation 8.3 <sup>3</sup> | n/a                  | n/a                          |
| Recommendation 4.2              | ✓                    |                              |                                 |                      |                              |

1 Indicates where the Company has followed the Principles & Recommendations.

2 Indicates where the Company has provided "if not, why not" disclosure.

3 Indicates an information based recommendation. Information based recommendations are not adopted or reported against using "if not, why not" disclosure – information required is either provided or it is not.

### Website Disclosures

Further information about the Company's charters, policies and procedures may be found at the Company's website at [www.axiompl.com.au](http://www.axiompl.com.au) under the section marked Corporate Governance. A list of the charters, policies and procedures which are referred to in this Corporate Governance Statement, together with the Recommendations to which they relate, are set out below.

| Charters  | Recommendation(s) |
|---|-------------------|
| Board   | 1.1               |
| Audit Committee   | 4.1               |
| Nomination Committee  | 2.6               |
| Remuneration Committee  | 2.4, 8.1          |
| <b>Policies and Procedures</b>  |                   |
| Policy and Procedure for Selection and (Re)Appointment of Directors   | 2.6               |
| Process for Performance Evaluation                                    | 1.2, 2.5          |
| Policy on Assessing the Independence of Directors                     | 2.6               |
| Policy for Trading in Company Securities (summary)                    | 3.2, 3.3          |
| Code of Conduct (summary)   | 3.1, 3.3          |
| Policy on Continuous Disclosure (summary)                             | 5.1, 5.2          |
| Procedure for Selection, Appointment and Rotation of External Auditor | 4.4               |
| Shareholder Communication Policy                                      | 6.1, 6.2          |
| Risk Management Policy (summary)                                      | 7.1, 7.4          |



## **CORPORATE GOVERNANCE STATEMENT (continued)**

### **Disclosure – Principles & Recommendations**

The Company reports below on how it has followed (or otherwise departed from) each of the Principles & Recommendations during the financial year ended 30 June 2011 ("Reporting Period").

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### **Principle 1 – Lay solid foundations for management and oversight**

#### **Recommendation 1.1:**

Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.

#### **Disclosure:**

The Company has established the functions reserved to the Board and has set out these functions in its Board Charter. 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.

The Company has established the functions delegated to senior executives and has set out these functions in its Board Charter. 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, then directly to the Chair or the lead independent Director, as appropriate.

#### **Recommendation 1.2:**

Companies should disclose the process for evaluating the performance of senior executives.

#### **Disclosure:**

The Managing Director is responsible for evaluating the senior executives. The Managing Director evaluates the performance of all executives of the Company utilising personal interview processes. This disclosed process was adopted by the Company when it adopted its new Corporate Governance Manual on 26 March 2009.

#### **Recommendation 1.3:**

Companies should provide the information indicated in the *Guide to reporting on Principle 1*.

#### **Disclosure:**

During the reporting period, an evaluation of the senior executives occurred in accordance with the process disclosed at Recommendation 1.2.

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### **Principle 2 – Structure the Board to add value**

#### **Recommendation 2.1:**

A majority of the Board should be independent Directors.

#### **Notification of Departure:**

Only two of the five Directors (Mr Michael Blakiston and Mr John Howe) are considered independent.

#### **Explanation for Departure:**

The independent Directors of the Board are Messrs Michael Blakiston and Mr John Howe and the non-independent Directors of the Board are Messrs Ian Laurance, Umberto Gianotti and Ben Laurance.

The Board considers its structure is, and continues to be, appropriate in the context of the Company's current operations. The Company considers that each of the non-independent Directors possess the right combination of skills and experience suitable for building the Company.

## CORPORATE GOVERNANCE STATEMENT (continued)

### Principle 2 – Structure the Board to add value (continued)

The Board continues to monitor its composition as the Company's operations evolve and will appoint further independent Directors if considered appropriate.

#### Recommendation 2.2:

The Chair should be an independent Director.

#### Notification of Departure:

The Chair does not satisfy the test of independence as set out in Box 2.1 of the ASX Corporate Governance Principles and Recommendations Independence Test ("**Independence Test**").

#### Explanation for Departure:

Mr Ian Laurance, the current Chair, does not satisfy paragraph 2 of the Independence Test as he carries out the role of executive Chair. The Board continues to believe that Mr Laurance is the most appropriate person for the position as Chair because of his industry experience, including former State Minister for Housing, Tourism and Lands, former Chairman of Midland Redevelopment Authority, current Chair of rare earths company, Arafura Resources Limited, and current Director of a number of not-for-profit Boards. If or when matters of conflict arise, Mr Ian Laurance declares his interest and abstains from voting on the matter and the Board appoints another Director that does not have a conflict of interest. The Board believes that Mr Laurance makes decisions that are in the best interests of the Company. Further, the Board has appointed Mr Michael Blakiston and Mr John Howe as independent Directors and in this capacity Messrs Blakiston and Howe can facilitate any areas where it may be inappropriate for Mr Laurance to do so should such circumstances arise.

#### Recommendation 2.3:

The roles of the Chair and Managing Director should not be exercised by the same individual.

#### Disclosure:

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

#### Recommendation 2.4:

The Board should establish a Nomination Committee.

#### Notification of Departure:

The Company has not established a separate Nomination Committee.

#### Explanation for Departure:

The role of the Nomination Committee is carried out by the full Board in accordance with the Nomination Committee Charter. The Board considers that, at this stage, no efficiencies or other benefits would be 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 in the Company's Nomination Committee Charter. The Board deals with any conflicts of interest that may occur when convening in the capacity of Nomination Committee by ensuring the Director with conflicting interests is not party to the relevant discussions.

#### Recommendation 2.5:

Companies should disclose the process for evaluating the performance of the Board, its committees and individual Directors.

#### Disclosure:

The Chair is responsible for evaluation of the Board and, when deemed appropriate, Board committees and individual Directors. The full Board is responsible for evaluating the Managing Director.

This disclosed process was adopted by the Company when it adopted its new Corporate Governance Manual on 26 March 2009. The Chair reviews the performance of the Board as a whole. The reviews are undertaken by way of informal discussions relating to how the Board functions and operates effectively. Further, the Chair issues questionnaires to individual members of the Board, including the Managing Director, for the purposes of reviewing their individual performance.

## CORPORATE GOVERNANCE STATEMENT (continued)

### Recommendation 2.6:

Companies should provide the information indicated in the *Guide to reporting on Principle 2*.

### Disclosure:

#### Skills, Experience, Expertise and Term of Office of each Director

A profile of each Director containing their skills, experience, expertise and term of office is set out in the Directors' Report.

#### Identification of Independent Directors

The independent Directors of the Company are Messrs Michael Blakiston and John Howe.

Mr Blakiston is a principal of the firm Gilbert & Tobin (formally Blakiston & Crabb). Gilbert & Tobin have provided legal services to the Company. The Company pays legal fees on a normal commercial basis to Gilbert & Tobin. As a result of Mr Blakiston being a principal of Gilbert & Tobin, he does not fit within paragraph 3 of the independence criteria set out in the Board's *Policy on Assessing the Independence of Directors*. Mr Blakiston passes all other aspects of the independence criteria set out in the Board's *Policy on Assessing the Independence of Directors*. The Board (in the absence of Mr Blakiston) considers he is capable of and demonstrates that he consistently makes decisions and takes actions which are designed to be for the best interests of the Company. The Board notes the fees paid to Blakiston & Crabb are not material to the Company and are not of a high enough level to be material to Mr Blakiston's practice or the firm Gilbert & Tobin. Therefore the Board considers Mr Blakiston to be independent.

Mr John Howe is a principal of the firm Integrated Engineering and Delivery Management. Integrated Engineering and Delivery Management has provided professional services to the Company on a normal commercial basis to the Company throughout the reporting period. The Board notes that the fees that have been paid to Integrated Engineering and Delivery Management are not material to the Company or to Integrated Engineering and Delivery Management. The Board therefore considers Mr Howe to be independent.

Independence is measured having regard to the relationships listed in Box 2.1 of the Principles & Recommendations and the Company's materiality thresholds. The materiality thresholds are set out below.

#### Company's Materiality Thresholds

The Board has agreed on the following guidelines for assessing the materiality of matters, as set out in the Company's Board Charter:

- Statements of Financial Position items are material if they have a value of more than 10% of net assets.
- 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, they could affect the Company's rights to its assets, if accumulated they 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 they 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 of such a quantum, triggering any of the quantitative tests, contain or trigger change of control provisions, they are between or for the benefit of related parties, or otherwise trigger the quantitative tests.

#### Statement concerning availability of Independent Professional Advice

To assist Directors with independent judgement, it is the Board's policy that if a Director considers it necessary to obtain independent professional advice to properly discharge the responsibility of their office as a Director then, provided the Director first obtains approval for incurring such expense from the Chair, the Company will pay the reasonable expenses associated with obtaining such advice.

## CORPORATE GOVERNANCE STATEMENT (continued)

### Nomination Matters

The full Board carries out the role of the Nomination Committee and this matter is constantly under review by the Board. The full Board did not officially convene as a Nomination Committee during the reporting period, however, the Board discussed nomination related matters from time to time during the year as required. To assist the Board to fulfil its function as the Nomination Committee, it has adopted a Nomination Committee Charter.

The explanation for departure set out under Recommendation 2.4 above explains how the functions of the Nomination Committee are performed.

### Performance Evaluation

This disclosed process was adopted by the Company when it adopted its new Corporate Governance Manual on 26 March 2009. The Chair reviews the performance of the Board as a whole. The reviews are undertaken by way of informal discussions relating to how the Board functions and operates effectively. Further, the Chair issues questionnaires to individual members of the Board, including the Managing Director, for the purposes of reviewing their individual performance.

### Selection and (Re) Appointment of Directors

In determining candidates for the Board, the Nomination Committee (or equivalent) follows a prescribed procedure whereby it considers the balance of independent Directors on the Board as well as the skills and qualifications of potential candidates that will best enhance the Board's effectiveness.

The Board recognises that Board renewal is critical to performance and the impact of Board tenure on succession planning. The Company's constitution requires one third of Directors to retire by rotation at every Annual General Meeting. Directors are eligible for re-election however re-appointment of Directors is not automatic.

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## Principle 3 – Promote ethical and responsible decision-making

### Recommendation 3.1:

Companies should establish a Code of Conduct and disclose the code or a summary of the code as to the practices necessary to maintain confidence in the company's integrity, the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

### Disclosure:

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

### Recommendation 3.2:

Companies should establish a policy concerning trading in company securities by Directors, senior executives and employees, and disclose the policy or a summary of that policy.

### Disclosure:

The Company has established a policy concerning trading in the Company's securities by Directors, senior executives and employees.

### Recommendation 3.3:

Companies should provide the information indicated in the *Guide to reporting on Principle 3*.

### Disclosure:

Please refer to the section above marked Website Disclosures.

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## CORPORATE GOVERNANCE STATEMENT (continued)

### Principle 4 – Safeguard integrity in financial reporting

#### Recommendation 4.1:

The Board should establish an Audit Committee.

#### Disclosure:

The Company has established an Audit Committee.

#### Recommendation 4.2:

The Audit Committee should be structured so that it:

- consists only of non-executive Directors
- consists of a majority of independent Directors
- is chaired by an independent Chair, who is not Chair of the Board
- has at least three members.

#### Disclosure:

The Audit Committee meets the requirements for composition. For the reporting period, the Audit Committee comprised of three members. Further, for a majority of the reporting period, the Audit Committee did not consist of only non-executive Directors and a majority of independent Directors.

#### Recommendation 4.3:

The Audit Committee should have a formal charter.

#### Disclosure:

The Company has adopted an Audit Committee Charter.

#### Recommendation 4.4:

Companies should provide the information indicated in the *Guide to reporting on Principle 4*.

#### Disclosure:

The Audit Committee held two meetings during the reporting period. The following table identifies those Directors who are, or were, members of the Audit Committee during the reporting period and shows their attendance at Committee meetings:

| Name              | No. of meetings attended |
|-------------------|--------------------------|
| Michael Blakiston | 2                        |
| Umberto Gianotti  | 2                        |
| John Howe         | 2                        |

Details of each of the Director's qualifications are set out in the Directors' Report.

The Committee members consider themselves to be financially literate and have industry knowledge. Furthermore, the members may seek external advice from the Company's auditors to assist the Committee with financial matters, if required. It is also noted that the Company Secretary, Ms. Edita Nuic, a Chartered Accountant, is available to attend Committee meetings if required, to assist the Committee with financial matters.

The Company has established procedures 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. 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 by the Audit Committee and any recommendations are made to the Board.

## CORPORATE GOVERNANCE STATEMENT (continued)

### Principle 5 – Make timely and balanced disclosure

#### Recommendation 5.1:

Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.

#### Disclosure:

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

#### Recommendation 5.2:

Companies should provide the information indicated in the *Guide to reporting on Principle 5*.

#### Disclosure:

Please refer to the section above marked Website Disclosures.

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### Principle 6 – Respect the rights of shareholders

#### Recommendation 6.1:

Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.

#### Disclosure:

The Company has designed a communications policy for promoting effective communication with shareholders and encouraging shareholder participation at general meetings.

#### Recommendation 6.2:

Companies should provide the information indicated in the *Guide to reporting on Principle 6*.

#### Disclosure:

Please refer to the section above marked Website Disclosures.

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### Principle 7 – Recognise and manage risk

#### Recommendation 7.1:

Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.

#### Disclosure:

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 Managing Director reported regularly to the Board during the reporting period on the management of material business risks.

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.

The Board has established a separate Audit Committee to monitor and review the integrity of financial reporting and the Company's internal financial control systems, and a separate Risk Management Committee to monitor and review the Company's risk management systems. The Risk Management Committee comprises Messrs John Howe, Ben Laurance and Umberto Gianotti. While the Risk Management Committee does not formally convene meetings, it was established to play an active role in mitigating the Company's material business risks, with Mr Howe having engineering risk ownership, Mr Gianotti having legal risk ownership and Mr Ben Laurance being in charge of ensuring a system is in place to mitigate risks with respect to operations and property projects.

## **CORPORATE GOVERNANCE STATEMENT (continued)**

### **Principle 7 – Recognise and manage risk (continued)**

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 exceeded, will require 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 adopted a corporate governance manual which contains other policies to assist the Company to establish and maintain its governance practices.

During the reporting period, the Company put a formal risk management system in place. This system includes the preparation of a risk register by management to identify the Company's material business risks and risk management strategies for these risks. In addition, the process of management of material business risks is formally allocated to members of senior management. The risk register is reviewed quarterly and updated, as required.

#### **Recommendation 7.2:**

The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.

#### **Disclosure:**

The Board has required management to design and implement and maintain risk management and internal control system to manage the company's material business risks.

#### **Recommendation 7.3:**

The Board should disclose whether it has received assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

#### **Disclosure:**

The Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) have provided a declaration to the Board in accordance with section 295A of the Corporations Act and have assured the Board that such declaration is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial risk.

#### **Recommendation 7.4:**

Companies should provide the information indicated in the *Guide to reporting on Principle 7*.

#### **Disclosure:**

The Board has received the assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer under Recommendation 7.3.

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## **Principle 8 – Remunerate fairly and responsibly**

### **Recommendation 8.1:**

The Board should establish a Remuneration Committee.

#### **Notification of Departure:**

The Company has not established a separate Remuneration Committee.

## CORPORATE GOVERNANCE STATEMENT (continued)

### Principle 8 – Remunerate fairly and responsibly (continued)

#### Explanation for Departure:

The role of the Remuneration Committee is carried out by the full Board in accordance with the Remuneration Committee Charter. The Board considers that, at this stage, no efficiencies or other benefits would be gained by establishing a separate 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 in the Company's Remuneration Committee Charter. The Board deals with any conflicts of interest that may occur when convening in the capacity of Remuneration Committee by ensuring the Director with conflicting interests is not party to the relevant discussions.

#### Recommendation 8.2:

Companies should clearly distinguish the structure of non-executive Directors' remuneration from that of executive Directors and senior executives.

#### Disclosure:

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 and therefore non-executive Directors do not receive bonus payments for achievement of key performance indicators. From time to time, the Company may grant options to non-executive Directors to recognise and reward efforts as well as to provide them with additional incentive to continue those efforts for the benefit of the Company.

Pay and rewards for executive Directors and senior executives consists of a base salary and performance incentives, based upon length of service, experience and performance of the Company. Long term performance incentives may include options granted at the discretion of the Board and subject to obtaining the relevant approvals.

#### Recommendation 8.3:

Companies should provide the information indicated in the *Guide to reporting on Principle 8*.

#### Disclosure:

Details of remuneration, including the Company's policy on remuneration, are contained in the "Remuneration Report" which forms of part of the Directors' Report.

#### Remuneration Committee Function

The full Board carries out the role of the Remuneration Committee. The full Board did not officially convene as a Remuneration Committee during the reporting period. However, the Board discussed remuneration related matters from time to time during the year as required. In particular, the Board instituted a policy of freezing fees and salaries paid to Directors for the duration of the reporting period. To assist the Board to fulfil its function as the Remuneration Committee, it has adopted a Remuneration Committee Charter.

The explanation for departure set out under Recommendation 8.1 above explains how the functions of the Remuneration Committee are performed.

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

The Company's Remuneration Committee Charter adopted when the Company adopted its new Corporate Governance Manual on 26 March 2009, 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.



## AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Axiom Properties Limited for the year ended 30 June 2011, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Axiom Properties Limited.



Perth, Western Australia  
31 August 2011

L DI GIALLONARDO  
Partner, HLB Mann Judd

**STATEMENT OF COMPREHENSIVE INCOME  
 FOR THE YEAR ENDED 30 JUNE 2011**

**Consolidated**

|   | Notes | 2011<br>\$'000 | 2010<br>\$'000 |
|---|-------|----------------|----------------|
| Revenue from continuing operations                                | 2     | 51,935         | 3,509          |
| Other income  | 2     | 5,590          | 1,243          |
| Cost of inventories – development project                         |       | (46,996)       | -              |
| Employee benefits expense   |       | (1,755)        | (1,232)        |
| Depreciation and amortisation expense                             |       | (1,872)        | (2,132)        |
| Finance costs   |       | (3,762)        | (4,643)        |
| Other expenses  | 2     | (2,609)        | (2,639)        |
| Reversal of share of net liabilities of jointly controlled entity |       | -              | 7,623          |
| Reversal of provision for loss on loan                            |       | -              | 4,314          |
| Loss on sale of interest in jointly controlled entity             |       | -              | (5,209)        |
| Write off of capitalised project costs                            |       | (1,752)        | (3,512)        |
| <b>Loss before income tax expense</b>                             |       | <b>(1,221)</b> | <b>(2,678)</b> |
| Income tax (expense)/benefit                                      | 3     | 1              | (18)           |
| <b>Loss for the year</b>  |       | <b>(1,220)</b> | <b>(2,696)</b> |
| <b>Other comprehensive income</b>                                 |       |                |                |
| Net change in cash flow hedge taken to equity                     |       | -              | 188            |
| <b>Other comprehensive income for the year, net of tax</b>        |       | <b>-</b>       | <b>188</b>     |
| <b>Total comprehensive loss for the year</b>                      |       | <b>(1,220)</b> | <b>(2,508)</b> |
| Basic earnings per share (cents per share)                        | 6     | (0.28) cents   | (0.63) cents   |

The accompanying notes form part of these financial statements

**STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2011**

**Consolidated**

|   | Notes | 2011<br>\$'000 | 2010<br>\$'000 |
|---|-------|----------------|----------------|
| <b>Current Assets</b>                                     |       |                |                |
| Cash and cash equivalents                                 | 7     | 3,406          | 7,013          |
| Trade and other receivables                               | 8     | 925            | 1,293          |
|   |       | 4,331          | 8,306          |
| Assets classified as held for sale                        | 5     | 35,583         | -              |
| <b>Total Current Assets</b>                               |       | <b>39,914</b>  | <b>8,306</b>   |
| <b>Non-Current Assets</b>                                 |       |                |                |
| Investment properties                                     | 9     | -              | 67,053         |
| Property, plant and equipment                             | 10    | 222            | 206            |
| Other assets  | 11    | 14,915         | 45,147         |
| <b>Total Non-Current Assets</b>                           |       | <b>15,137</b>  | <b>112,406</b> |
| <b>Total Assets</b>                                       |       | <b>55,051</b>  | <b>120,712</b> |
| <b>Current Liabilities</b>                                |       |                |                |
| Trade and other payables                                  | 12    | 2,043          | 540            |
| Borrowings  | 14    | 27             | 57,981         |
| Other liabilities   | 13    | 79             | 61             |
|   |       | 2,149          | 58,582         |
| Liabilities directly associated with assets held for sale | 5     | 31,687         | -              |
| <b>Total Current Liabilities</b>                          |       | <b>33,836</b>  | <b>58,582</b>  |
| <b>Non-Current Liabilities</b>                            |       |                |                |
| Borrowings  | 14    | 1,321          | 39,613         |
| Other liabilities   | 13    | -              | 1,819          |
| <b>Total Non-Current Liabilities</b>                      |       | <b>1,321</b>   | <b>41,432</b>  |
| <b>Total Liabilities</b>                                  |       | <b>35,157</b>  | <b>100,014</b> |
| <b>Net Assets</b>   |       | <b>19,894</b>  | <b>20,698</b>  |
| <b>Equity</b>   |       |                |                |
| Issued capital  | 15    | 63,319         | 62,926         |
| Reserves  | 15    | 23             | -              |
| Accumulated losses  | 16    | (43,448)       | (42,228)       |
| <b>Total Equity</b>                                       |       | <b>19,894</b>  | <b>20,698</b>  |

The accompanying notes form part of these financial statements.

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2011**

|  | Notes | Consolidated       |                |
|--|-------|--------------------|----------------|
|  |       | 2011<br>\$'000     | 2010<br>\$'000 |
|  |       | Inflows/(Outflows) |                |
| <b>Cash flows from operating activities</b>                    |       |                    |                |
| Receipts from customers  |       | 7,342              | 6,770          |
| Payments to suppliers and employees                            |       | (5,452)            | (4,682)        |
| Payment of project development costs                           |       | (18,521)           | (32,512)       |
| Distribution to joint venture                                  |       | -                  | (1,058)        |
| Interest received  |       | 249                | 82             |
| Finance costs  |       | (3,762)            | 1,196          |
| Other costs  |       | (22)               | (44)           |
| <b>Net cash used in operating activities</b>                   | 7     | (20,166)           | (30,248)       |
| <b>Cash flows from investing activities</b>                    |       |                    |                |
| Proceeds from sale of non-current assets                       |       | 78,294             | -              |
| Purchase of non-current assets                                 |       | (8)                | (8)            |
| Proceeds from sale of interests in jointly controlled entities |       | -                  | 8,000          |
| <b>Net cash provided by investing activities</b>               |       | 78,286             | 7,992          |
| <b>Cash flows from financing activities</b>                    |       |                    |                |
| Proceeds from borrowings                                       |       | 12,586             | 19,751         |
| Repayment of borrowings  |       | (74,313)           | (9)            |
| <b>Net cash (used in)/provided by financing activities</b>     |       | (61,727)           | 19,742         |
| Net decrease in cash and cash equivalents                      |       | (3,607)            | (2,514)        |
| Cash and cash equivalents at beginning of period               |       | 7,013              | 9,527          |
| <b>Cash and cash equivalents at end of period</b>              |       | 3,406              | 7,013          |

The accompanying notes form part of these financial statements

**STATEMENT OF CHANGES IN EQUITY  
 FOR THE YEAR ENDED 30 JUNE 2011**

| Consolidated   | Notes      | Issued Capital<br>\$000 | Accumulated<br>losses<br>\$000 | Reserves<br>\$000 | Total<br>\$000 |
|--|------------|-------------------------|--------------------------------|-------------------|----------------|
| Balance as at 1 July 2009                              | 15 &<br>16 | 62,926                  | (39,698)                       | (22)              | (23,206)       |
| Loss for the year                                      |            | -                       | (2,696)                        | -                 | (2,696)        |
| Share of hedge reserve in jointly<br>controlled entity |            | -                       | -                              | 188               | 188            |
| <b>Total comprehensive loss for<br/>the year</b>       |            | -                       | (2,696)                        | 188               | (2,508)        |
| Reserves transfer – option<br>expiry                   |            | -                       | 166                            | (166)             | -              |
| <b>Balance at 30 June 2010</b>                         |            | <b>62,926</b>           | <b>(42,228)</b>                | <b>-</b>          | <b>20,698</b>  |
| <b>Balance as at 1 July 2010</b>                       |            | <b>62,926</b>           | <b>(42,228)</b>                | <b>-</b>          | <b>20,698</b>  |
| Loss for the year                                      |            | -                       | (1,220)                        | -                 | (1,220)        |
| <b>Total comprehensive loss for<br/>the year</b>       |            | -                       | (1,220)                        | -                 | (1,220)        |
| Performance rights issued<br>during the year           |            | -                       | -                              | 416               | 416            |
| Reserves transfer – exercise of<br>performance rights  |            | 393                     | -                              | (393)             | -              |
| <b>Balance at 30 June 2011</b>                         |            | <b>63,319</b>           | <b>(43,448)</b>                | <b>23</b>         | <b>19,894</b>  |

The accompanying notes form part of these financial statements

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

### NOTE 1: STATEMENT OF SIGNIFICANT 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 accounting policies detailed below have been consistently applied to all of the years presented unless otherwise stated. The financial statements are for the consolidated entity consisting Axiom Properties Limited and its subsidiaries.

The financial report has also been prepared on a historical cost basis, except for available-for-sale investments and derivatives, which are measured at fair value. Cost is based on the fair value 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 Class Order 98/100. The Company is an entity to which the class order applies.

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

(b) **Adoption of New and Revised Standards**

**Changes in accounting policies on initial application of Accounting Standards**

In the year ended 30 June 2011, the Group has adopted all the new and revised Standards and interpretations issued by the AASB that are relevant to its operations and effective for the current annual reporting period.

It has been determined by the Group that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to the Group accounting policies.

The Group has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 30 June 2011. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change necessary to Group accounting policies.

(c) **Statement of Compliance**

The financial report was authorised for issue on 30 August 2011.

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

(d) **Basis of Consolidation**

The financial information in the Group's consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Axiom Properties Limited ('Company') as at 30 June 2011 and the results of all subsidiaries for the year then ended. Axiom Properties Limited and its subsidiaries are referred to in this financial report as the Group.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent Company, using consistent accounting policies.

In preparing the consolidated financial statements, all intra-group balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (d) Basis of Consolidation (continued)

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Control exists where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing when the Group controls another entity.

Unrealised gains or transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the portion of the profit or loss and net assets in subsidiaries not held by the Group and are presented separately in the statement of comprehensive income and within equity in the consolidated statement of financial position. Losses are attributed to the non-controlling interests even if that results in a deficit balance.

The group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to the non-controlling interests and any consideration paid or received is recognised within equity attributable to the owners of Axiom Properties Limited.

When the group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

#### (e) Critical accounting judgements and key sources of estimation uncertainty

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 ongoing 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.

The following are areas where assumptions and estimates are significant to the financial statements:

##### *Impairment of goodwill and intangibles with indefinite useful lives:*

The Group determines whether goodwill and intangibles with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash generating units to which the goodwill and intangibles with indefinite useful lives are allocated

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2011**

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(e) Critical accounting judgements and key sources of estimation uncertainty (continued)**

*Share-based payment transactions:*

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using whatever model the valuer deems appropriate in the circumstances.

*Recovery of deferred tax assets*

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that sufficient future tax profits will be available to utilise those temporary differences. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits over the next two years together with future tax planning strategies.

*Impairment of available-for-sale financial assets*

The Group follows the guidance of AASB 139 *Financial Instruments: Recognition and Measurement* to determine when an available-for-sale financial asset is impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

*Recoverability of Capitalised Development Costs*

The Group estimates the recoverability of its capitalised development costs by reference to its project feasibilities and supporting independent valuations. Judgement is required in estimating forecast profitability of projects and market assumptions.

*Valuation of Rights*

The Group estimates the expense incurred when it issues performance rights to its Directors and Employees under its PRP (refer Note 16). The group uses independent valuers who utilise the Monte Carlo simulation technique to estimate the expense and judgement is required in estimating the inputs to the model.

*Provision for Loss on Port Geographe jointly controlled entity*

A subsidiary of the Group received a breach notice from St George Bank early in the 2009 financial year. This breach notice provided notification of alleged breaches of the St George ('Bank') facility agreement and requested formal written submissions identifying how and by when the alleged breaches will be rectified.

Following careful consideration and a long period of negotiation and discussions with all stakeholders, the Company considered that in order for a commercially viable solution for the further development of Port Geographe to be reached, the current proponents should absent themselves from further discussions.

The Company announced on 4 August 2011 that it had appointed PPB Advisory as Voluntary Administrators to Tallwood Nominees, the subsidiary which owns Axiom's 40% stake in the stalled Port Geographe project.

**(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.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (g) 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.

#### (h) Revenue Recognition

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:

##### (i) Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of the goods to the customer.

##### (ii) Rendering of services

Revenue from the rendering of services is recognised by reference to the stage of completion of the contract.

##### (iii) Interest income

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

##### (iv) Dividends

Revenue is recognised when the Group's right to receive the payment is established. This applies even if they are paid out of pre-acquisition profits. However the investment may need to be tested for impairment as a consequence.

##### (v) 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 an integral part of the total rental income.

#### (i) 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.

#### (j) 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(i).

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) **Leases**

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.

(k) **Income tax**

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.

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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2011**

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(l) 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.

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.

**(m) Impairment of assets**

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.

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 2011

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (n) Cash and cash equivalents

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.

#### (o) Trade and other receivables

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 cashflows, 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.

#### (p) Inventories

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.

#### (q) Non-current assets held for sale and discontinued operations

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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (q) **Non-current assets held for sale and discontinued operations (continued)**

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.

Non-current assets classified as held for sale and the assets of the disposal group classified as held for sale are presented separately from the other assets in the Statement of Financial Position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the Statement of Financial Position.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the Statement of Comprehensive Income.

#### (r) **Derivative financial instruments and hedging**

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 constraints 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.

For the purposes of hedge accounting, hedges are classified as:

- Fair value hedges when they hedge the exposure to changes in the fair value of a recognised asset or liability; and
- Cash flow hedges when they hedge exposure to variability in cash flows that is attributable either to a particular risk associated with a recognised asset or liability or to a forecast transaction.

Hedges that meet the strict criteria for hedge accounting are accounted for as follows:

##### *(i) Fair value hedges*

Fair value hedges are hedges of the Group's exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk that could affect profit or loss. For fair value hedges, the carrying amount of the hedged item is adjusted for gains and losses attributable to the risk being hedged, the derivative is remeasured to fair value and gains and losses from both are taken to profit or loss.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss. The changes in the fair value of the hedging instrument are also recognised in profit or loss.

The Group discontinues fair value hedge accounting if the hedging instrument expires or is sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting or the Group revokes the designation. Any adjustment to the carrying amount of a hedged financial instrument for which the effective interest method is used is amortised to profit or loss. Amortisation may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2011**

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(r) Derivative financial instruments and hedging (continued)**

*(ii) Cash flow hedges*

Cash flow hedges are hedges of the Group's exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and that could affect profit or loss. The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while the ineffective portion is recognised in profit or loss.

Amounts taken to equity are transferred to the statement of comprehensive income when the hedged transaction affects profit or loss, such as when hedged income or expenses are recognised or when a forecast sale or purchase occurs. When the hedged item is the cost of a non-financial asset or liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction is no longer expected to occur, amounts previously recognised in equity are transferred to profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction occurs. If the related transaction is not expected to occur, the amount is taken to profit or loss.

**(s) Financial assets**

Financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transactions costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the marketplace.

*(i) Financial assets at fair value through profit or loss*

Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in profit or loss.

*(ii) Held-to-maturity investments*

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost.

This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2011**

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(s) Financial assets (continued)**

*(iii) Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

*(iv) Available-for-sale investments*

Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as any of the three preceding categories. After initial recognition available-for-sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance date. For investments with no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions, reference to the current market value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models.

**(t) Derecognition of financial assets and financial liabilities**

*(i) Financial assets*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired;
- The Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- The Group has transferred its rights to receive cash flows from the asset and either
  - (a) has transferred substantially all the risks and rewards of the asset; or
  - (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration received that the Group could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (t) Derecognition of financial assets and financial liabilities (continued)

##### (ii) *Financial liabilities*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

#### (u) Impairment of financial assets

The Group assesses at each balance date whether a financial asset or group of financial assets is impaired.

##### (i) *Financial assets carried at amortised cost*

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through use of an allowance account. The amount of the loss is recognised in profit or loss.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

##### (ii) *Financial assets carried at cost*

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value (because its fair value cannot be reliably measured), or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for a similar financial asset.

##### (iii) *Available-for-sale investments*

If there is objective evidence that an available-for-sale investment is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to the statement of comprehensive income.

Reversals of impairment losses for equity instruments classified as available-for-sale are not recognised in profit. Reversals of impairment losses for debt instruments are reversed through profit or loss if the increase in an instrument's fair value can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (v) **Investment in Jointly Controlled Operation**

The Group's interests in jointly controlled entities are brought into account using the equity method of accounting in the consolidated financial statements. Any parent entity interests in jointly controlled entities are brought to account at cost. Refer to Note 19.

Under the equity method, the investment in the jointly controlled entity is carried at cost plus post acquisition changes to the Group's share of net assets of the jointly controlled entity.

After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the jointly controlled entity. The consolidated statement of comprehensive income reflects the Group's share of the results of operations of the jointly controlled entity.

Where there has been a change recognised directly in the jointly controlled entity's equity, the Group recognises its share of any changes and discloses this in the consolidated statement of changes in equity.

#### (w) **Investment in Jointly Controlled Asset**

Interests in jointly controlled assets in which the Group is a venturer and has joint control are included in the financial statements by recognising the Group's share of jointly controlled assets (classified according to their nature), the share of liabilities incurred (including those incurred jointly with other venturers) and the Group's share of expenses incurred by or in respect of the joint venture. The Group also recognises income from its share of lease income in accordance with the revenue policy in Note 1(h).

#### (x) **Property, plant and equipment**

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation.

Land and buildings are measured at fair value less accumulated depreciation on buildings and less any impairment losses recognised after the date of the revaluation.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

- Buildings – over 40 years

Depreciation is calculated on a diminishing balance basis over the estimated useful life of assets as follows:

- Plant and equipment – over 3 to 16 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

#### (i) *Impairment*

The carrying values of plant and equipment are reviewed for impairment at each balance date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use. 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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2011**

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(x) Property, plant and equipment (continued)**

*(i) Impairment (continued)*

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to approximate fair value.

An impairment exists when the carrying value of an asset or cash-generating units exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount.

For plant and equipment, impairment losses are recognised in the statement of comprehensive income in the cost of sales line item. However, because land and buildings are measured at revalued amounts, impairment losses on land and buildings are treated as a revaluation decrement.

*(ii) Derecognition and disposal*

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

*(iii) Revaluations*

Following initial recognition at cost, land and buildings are carried at a revalued amount which is the fair value at the date of the revaluation less any subsequent accumulated depreciation on buildings and any subsequent accumulated impairment losses.

Fair value is determined by reference to market-based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date.

Any revaluation increment is credited to the asset revaluation reserve included in the equity section of the statement of financial position, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss.

Any revaluation decrease is recognised in profit or loss, except that a decrease offsetting a previous revaluation increase for the same asset is debited directly to the asset revaluation reserve to the extent of the credit balance existing in the revaluation reserve for that asset.

An annual transfer from the asset revaluation reserve to retained earnings is made for the difference between depreciation based on the revalued carrying amounts of the assets and depreciation based on the assets' original costs.

Additionally, any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amounts of the assets and the net amounts are restated to the revalued amounts of the assets.

Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Independent valuations are performed with sufficient regularity to ensure that the carrying amounts do not differ materially from the assets' fair values at the balance date.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**(y) Investment Properties**

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 cost less accumulated depreciation and impairment losses.

**(z) Trade and other payables**

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.

**(aa) Interest-bearing loans and borrowings**

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.

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.

**(ab) Provisions**

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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (ac) 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 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 national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

#### (ad) Share-based payment transactions

##### Equity settled transactions:

The Group provides benefits to employees (including 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 and key management personnel.

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. The fair value is determined by an external valuer using a Monte Carlo simulation technique, further details of which are given in Note 16.

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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**(ad) Share-based payment transactions**

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 6).

**(ae) Issued Capital**

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.

**(af) 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; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

**(ag) Parent entity financial information**

The financial information for the parent entity, Axiom Properties Limited, disclosed in note 21 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.

**NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED 30 JUNE 2011**

**NOTE 2: REVENUE AND EXPENSES**

|   | <b>Consolidated</b> |               |
|---|---------------------|---------------|
|   | <b>2011</b>         | <b>2010</b>   |
|   | <b>\$'000</b>       | <b>\$'000</b> |
| <b>(a) Revenue</b>                        |                     |               |
| <i>Other revenue</i>                      |                     |               |
| Rental revenue                            | 5,438               | 3,383         |
| Project management revenue                | -                   | 126           |
| Revenue from sale of development project  | 46,497              | -             |
|   | <u>51,935</u>       | <u>3,509</u>  |
| <b>(b) Other income</b>                   |                     |               |
| Bank interest receivable                  | 247                 | 82            |
| Profit on sale of investment property     | 393                 | -             |
| Net change in value of interest rate swap | 871                 | -             |
| Fair value adjustment – unsecured loan    | 4,079               | -             |
| Other income                              | -                   | 1,161         |
|   | <u>5,590</u>        | <u>1,243</u>  |
| <b>(c) Other expenses</b>                 |                     |               |
| Audit and accountancy fees                | 324                 | 249           |
| Legal and consultancy fees                | 711                 | 826           |
| Insurances                                | 296                 | 197           |
| Rent and outgoings                        | 207                 | 105           |
| Travel and accommodation                  | 214                 | 191           |
| Other expenses                            | 857                 | 1,071         |
|   | <u>2,609</u>        | <u>2,639</u>  |

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2011**

**NOTE 3: INCOME TAX EXPENSE**

|  | <i>Consolidated</i> |                |
|--|---------------------|----------------|
|  | 2011<br>\$'000      | 2010<br>\$'000 |
| <b>a) The prima facie income tax expense on the operating loss is reconciled to the income tax expense/benefit as follows:</b> |                     |                |
| Operating loss before income tax   | (1,221)             | (2,678)        |
| Income tax (benefit)/expense calculated at 30% (2010:30%) of operating loss  | (366)               | (803)          |
| Adjusted for tax effect of:  |                     |                |
| Non-deductible expenses  | 1,015               | 2,208          |
| Non-assessable income  | (1,481)             | (3,557)        |
| Other assessable income  | 5,905               | 70             |
| Utilisation of carried forward prior year tax losses – revenue   | (5,878)             | (68)           |
| Utilisation of carried forward prior year tax losses – capital   | (27)                | (70)           |
| Unused tax losses not recognised as deferred tax assets  | 738                 | 5,944          |
| Other deferred tax assets and tax liabilities not recognised   | 94                  | (3,724)        |
| Adjustment in respect of current income tax of previous years  | (1)                 | 18             |
| Income tax expense/(benefit) applicable to ordinary activities   | (1)                 | 18             |
| <b>b) The components of tax expense/(benefit) comprise:</b>  |                     |                |
| Current tax benefit  | (834)               | (2,201)        |
| Deferred tax assets and liabilities not recognised/ written off  | 833                 | 2,219          |
| Total income tax expense/(benefit)   | (1)                 | 18             |
| <b>c) Unrecognised deferred tax balances</b>   |                     |                |
| The following deferred tax assets and liabilities have not been brought to account:  |                     |                |
| Deferred tax assets comprise:  |                     |                |
| Losses available for offset against future taxable income – revenue  | 16,599              | 24,543         |
| Losses available for offset against future taxable income – capital  | 4,352               | 2,917          |
| Impairment of investments in subsidiaries  | 6,179               | 6,179          |
| Impairment of investment properties  | 835                 | -              |
| Share issue expenses   | 365                 | 555            |
| Depreciation timing differences  | 47                  | 32             |
| Provisions and accruals  | 62                  | 38             |
| Prepayments and other  | 27                  | -              |
|  | 28,466              | 34,264         |
| Deferred tax liabilities comprise:   |                     |                |
| Construction expenditure capitalised   | 7,490               | 14,920         |
| Interest expenses capitalised  | 340                 | 471            |
| Unrealised gain on hedge liability   | 551                 | 327            |
| Interest in joint venture  | 2,529               | 2,529          |
| Share issue expenses   | 26                  | 13             |
| Other  | 10                  | 6              |
|  | 10,946              | 18,266         |

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2011**

**NOTE 3: INCOME TAX (continued)**

**d) Income tax benefit not recognised directly in equity**

|                      |     |     |
|----------------------|-----|-----|
| Share issue expenses | 202 | 202 |
|                      | 202 | 202 |

**(e) Tax Consolidation**

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 2011.

**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 2011 and 30 June 2010.

The basis for the segment reporting of the Group is that used by the Managing Director for monthly reporting to the Board.

|  | Continuing operations            |                       |                     |                        |
|--|----------------------------------|-----------------------|---------------------|------------------------|
|  | Investment<br>Property<br>\$'000 | Development<br>\$'000 | Corporate<br>\$'000 | Consolidated<br>\$'000 |
| <b>30 June 2011</b>                            |                                  |                       |                     |                        |
| Segment revenue                                | 10,781                           | 46,497                | 247                 | 57,525                 |
| Segment expenditure                            | (1,752)                          | (52,630)              | (4,364)             | (58,746)               |
| Results from continuing operations             | 9,029                            | (6,133)               | (4,117)             | (1,221)                |
| Included within segment result:                |                                  |                       |                     |                        |
| Depreciation                                   | (1,798)                          | -                     | (74)                | (1,872)                |
| Impairment and write off of non-current assets | -                                | (1,752)               | -                   | (1,752)                |
| Interest revenue                               | 14                               | -                     | 235                 | 249                    |
| Loss on sale of investment property            | (106)                            | -                     | -                   | (106)                  |
| Income tax expense                             | 1                                | -                     | -                   | 1                      |
| Segment assets                                 | 35,583                           | 15,221                | 6,911               | 57,715                 |
| Segment liabilities                            | 7,875                            | 24,682                | 5,264               | 37,821                 |



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2011**

**NOTE 4: SEGMENT INFORMATION (continued)**

|  | Investment<br>Property<br>\$'000 | Continuing operations |                     | Consolidated<br>\$'000 |
|--|----------------------------------|-----------------------|---------------------|------------------------|
|  |                                  | Development<br>\$'000 | Corporate<br>\$'000 |                        |
| <b>30 June 2010</b>                            |                                  |                       |                     |                        |
| Segment revenue                                | 3,383                            | 7,595                 | 126                 | 11,103                 |
| Segment result                                 | (5,039)                          | 1,475                 | 868                 | (2,696)                |
| Unallocated expenses                           | -                                | -                     | -                   | -                      |
| Results from continuing operations             | (5,039)                          | 1,475                 | 868                 | (2,696)                |
| Included within segment result:                |                                  |                       |                     |                        |
| Depreciation                                   | 2,066                            | -                     | 66                  | 2,132                  |
| Impairment and write off of non-current assets | -                                | (3,512)               | -                   | (3,512)                |
| Interest revenue                               | 77                               | 5                     | -                   | 82                     |
| Loss on sale of JV interest                    | -                                | 5,209                 | -                   | 5,209                  |
| Income tax expense                             | -                                | -                     | 18                  | 18                     |
| Segment assets                                 | 35,583                           | 15,221                | 4,247               | 55,051                 |
| Segment liabilities                            | 31,195                           | 1,360                 | 2,602               | 35,157                 |

**NOTE 5: ASSETS AND LIABILITIES HELD FOR SALE**

**(a) Assets and liabilities classified as held for sale**

The major classes of assets and liabilities comprising the operations classified as held for sale at balance date are as follows:

|  | 2011<br>\$'000 |
|--|----------------|
| <b>ASSETS</b>                          |                |
| Investment Properties (Note 9)         | 35,583         |
|  | <u>35,583</u>  |
| <b>LIABILITIES</b>                     |                |
| Interest-bearing liabilities           | 24,677         |
| Interest rate derivative contracts     | 492            |
| Other liabilities                      | 6,518          |
|  | <u>31,687</u>  |
| Net assets classified as held for sale | <u>3,896</u>   |

The held for sale property located at Gepps Cross South Australia is the remaining interest in the Gepps Cross Bulky Good Centre of which Axiom holds a 50% interest. The sales marketing campaign commenced in April of this year and is expected to complete prior to December 2011. The anticipated total consideration is circa \$37.5m (less sales costs) and is anticipated to release equity of circa \$4m into the Group following repayment of existing debt facilities and interest rate swap contract.

**NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED 30 JUNE 2011**

**NOTE 6: EARNINGS PER SHARE**

|   | Consolidated           |                        |
|---|------------------------|------------------------|
|   | 2011                   | 2010                   |
|   | Cents per share        | Cents per share        |
| Basic loss per share  | (0.28)                 | (0.63)                 |
|   | <b>2011<br/>Number</b> | <b>2010<br/>Number</b> |
| The weighted average number of shares on issue used in the calculation of basic earnings per share. | 427,717,355            | 425,240,643            |

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 earnings per share.

**NOTE 7: CASH AND CASH EQUIVALENTS**

|                          | 2011  | 2010  |
|--------------------------|-------|-------|
| Cash at bank and on hand | 3,406 | 7,013 |

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.

Cash at the end of the year as shown in the Statement of Cash Flows agrees with the related items in the settlement of cash flows as follows:

**(i) Reconciliation to the Statement of Cash Flows:**

For the purposes of the 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 Statement of Cash Flows, is reconciled to the related items in the Statement of Financial Position as follows:

|                           | 2011         | 2010         |
|---------------------------|--------------|--------------|
| Cash and cash equivalents | 3,406        | 7,013        |
|                           | <b>3,406</b> | <b>7,013</b> |

**NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED 30 JUNE 2011**

**NOTE 7: CASH AND CASH EQUIVALENTS (continued)**

|   | Consolidated    |                 |
|---|-----------------|-----------------|
|   | 2011<br>\$'000  | 2010<br>\$'000  |
| <b>(iii) Reconciliation of loss for the year to net cash used in operating activities</b> |                 |                 |
| Operating loss for the year after tax   | (1,220)         | (2,696)         |
| Share of loss of joint venture  | -               | 283             |
| Loss on sale of jointly controlled entities   | -               | 5,209           |
| Share of net (gain)/loss of jointly controlled entities                                   | 38              | (7,595)         |
| Measurement in the fair value of interest rate derivative contracts                       | (552)           | (802)           |
| Profit/(loss) from disposal of property   | (21)            | -               |
| Depreciation and amortisation   | 1,872           | 2,132           |
| Net deficit on revaluation of property portfolio  | 1,752           | -               |
| Equity settled share based payment  | 416             | -               |
| Fair value adjustment – unsecured loan  | (4,079)         | -               |
| Other expenditure   | 21              | -               |
| (Increase)/decrease in trade and other receivables  | 22,167          | 1,020           |
| (Decrease)/increase in trade and other payables   | 4,144           | (1,452)         |
| (Decrease)/increase in other assets   | (44,704)        | (26,347)        |
| <b>Net cash used in operating activities</b>  | <b>(20,166)</b> | <b>(30,248)</b> |

**NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED 30 JUNE 2011**

**NOTE 8: CURRENT TRADE AND OTHER RECEIVABLES**

|   | Consolidated   |                |
|---|----------------|----------------|
|   | 2011<br>\$'000 | 2010<br>\$'000 |
| <i>Trade and other receivables</i>        |                |                |
| Trade receivables                         | 145            | 159            |
| GST recoverable                           | 300            | -              |
| Other receivables                         | 480            | 1,134          |
|   | 925            | 1,293          |
| <u>Aging of past due but not impaired</u> |                |                |
| 30 – 60 days                              | 23             | -              |
| 60 – 90 days                              | -              | -              |
| 90 – 120 days                             | 67             | 107            |
| Total                                     | 90             | 107            |

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 credit provision required in excess of the allowance for impairment.

**NOTE 9: INVESTMENT PROPERTIES**

|   | Freehold land and<br>buildings<br>\$'000 |
|---|--|
| <b>Year ended 30 June 2011</b>                                  |  |
| At 1 July 2010, net of accumulated depreciation and impairment  | 67,053                                   |
| Additions   | 2,111                                    |
| Disposals (i)   | (31,987)                                 |
| Depreciation charge for the year                                | (1,594)                                  |
| Transfer to Assets classified as held for sale (Note 5)         | (35,583)                                 |
| At 30 June 2011, net of accumulated depreciation and impairment | -  |

(i) During the financial year, the Company sold its 50% interest in one of the two sites at the Gepps Cross Bulky Goods Centre for \$31.8m, utilising the proceeds to repay a portion of bank debt relating to the site.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2011**

**NOTE 10: PROPERTY, PLANT AND EQUIPMENT**

|   | <b>Plant and<br/>equipment<br/>\$'000</b> |
|---|---|
| <b>Year ended 30 June 2011</b>                                  |   |
| At 1 July 2010, net of accumulated depreciation and impairment  | 206                                       |
| Additions   | 90  |
| Depreciation charge for the year                                | (74)                                      |
|   | 222                                       |
| At 30 June 2011, net of accumulated depreciation and impairment | 222                                       |
| <br><b>At 1 July 2010</b>                                       |   |
| Cost  | 470                                       |
| Accumulated depreciation and impairment                         | (264)                                     |
| Net carrying amount   | 206                                       |
| <br><b>At 30 June 2011</b>                                      |   |
| Cost or fair value  | 560                                       |
| Accumulated depreciation and impairment                         | (338)                                     |
| Net carrying amount   | 222                                       |

The useful life of the assets was estimated as follows for both 2010 and 2011:

|   |               |
|---|---------------|
| Buildings (including investment properties) | 40 years      |
| Plant and equipment                         | 3 to 16 years |

The carrying value of plant and equipment held under finance leases and hire purchase contracts at 30 June 2011 is \$66,598 (2010: Nil). Additions during the year include \$66,598 (2010: Nil) of plant and equipment held under finance leases and hire purchase contracts.

Leased assets and assets under hire purchase contracts are pledged as security for the related finance lease and hire purchase liabilities.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2011**

**NOTE 11: OTHER ASSETS**

|                                 | Carrying<br>Value<br>2010<br>\$'000 | Additions<br>\$'000 | Disposals<br>\$'000 | Impairment<br>\$'000 | Carrying<br>Value<br>2011<br>\$'000 |
|---------------------------------|-------------------------------------|---------------------|---------------------|----------------------|-------------------------------------|
| Development costs (capitalised) | 45,147                              | 18,516              | (46,996)            | (1,752)              | 14,915                              |

- (i) During the year, the Company completed and sold Stage One of its Worldpark Project in Adelaide for \$46.497m, utilising the proceeds to repay a bank loan relating to the site. The amount shown as Cost of inventories – development project, represents the \$46.996m cost of this project together with the reclassification of lease incentive costs reallocated to the Gepps Cross project during the year. The carrying value of Development costs at reporting date represents the Company's remaining Worldpark sites together with the expenditure incurred to date on the Islington Railyards and Gepps Cross Industrial sites.
- (ii) The Company has recognised an impairment loss on the remaining Worldpark sites to restate the carrying amount of these assets to market value.

**NOTE 12: TRADE AND OTHER PAYABLES (CURRENT)**

|                    | Consolidated   |                |
|--------------------|----------------|----------------|
|                    | 2011<br>\$'000 | 2010<br>\$'000 |
| Trade payables (i) | 1,655          | 158            |
| Accrued expenses   | 311            | 382            |
| Other payables     | 77             | -              |
|                    | <u>2,043</u>   | <u>540</u>     |

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

**NOTE 13: OTHER LIABILITIES**

**CURRENT**

|  | Consolidated   |                |
|--|----------------|----------------|
|  | 2011<br>\$'000 | 2010<br>\$'000 |
| Leave entitlements   | 99             | 57             |
| Provision for income tax   | (20)           | 4              |
| Interest rate hedge liability  | 492            | -              |
| Transfer to liabilities directly associated with assets held for sale (Note 5) | (492)          | -              |
| Total current liabilities  | <u>79</u>      | <u>61</u>      |

**NON CURRENT**

|                               |          |              |
|-------------------------------|----------|--------------|
| Interest rate hedge liability | -        | 1,819        |
| Total non-current liabilities | <u>-</u> | <u>1,819</u> |

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2011**

**NOTE 14: INTEREST-BEARING LOANS AND BORROWINGS**

|   | Consolidated   |                |
|---|----------------|----------------|
|   | 2011<br>\$'000 | 2010<br>\$'000 |
| <b>Unsecured</b>  |                |                |
| Other loans   | 6,518          | 10,598         |
| Total unsecured borrowings  | 6,518          | 10,598         |
| <b>Secured</b>  |                |                |
| Bank loans  | 25,986         | 86,959         |
| Other loans (Note 13)   | 39             | 37             |
| Total secured borrowings  | 26,025         | 86,996         |
| Transfers to Liabilities directly associated with assets held for sale (Note 5) | (31,195)       | -              |
| Total borrowings  | 1,348          | 97,594         |
| Total current liabilities   | 27             | 57,981         |
| Total non-current liabilities   | 1,321          | 39,613         |
|   | 1,348          | 97,594         |

*Fair value disclosures*

The unsecured loan has been measured at amortised cost, which requires an assessment of the unsecured loan's fair value based on the specific repayment terms. These terms limit repayment of the unsecured loan to an amount based on an agreed formula out of the proceeds received from the sale of the subject property after meeting the repayment obligations to the priority creditors. This assessment at 30 June 2011 has resulted in a reduction in the fair value of the loan, and resulting fair value gain of \$4.079m.

The maturity profile of the Group's borrowings is as follows:

|                    | 2011<br>\$'000 | 2010<br>\$'000 |
|--------------------|----------------|----------------|
| Within one year    | 31,232         | 2,171          |
| In the second year | 30             | 95,423         |
| In the third year  | -              | -              |
| In the fourth year | 1,281          | -              |
| In the fifth year  | -              | -              |
|                    | 32,543         | 97,594         |

*Summary of borrowing arrangements*

*National Australia Bank Limited – Gepps Cross Bulky Goods Centre Project*

The Group's commercial bill facility with National Australia Bank Limited financed its portion of the land and building costs required to develop the Gepps Cross bulky goods centre at Gepps Cross in South Australia. The drawn down level of the facility totalled \$24.677m at 30 June 2011 (2010: \$55.8m) following the sale of Lot 501 in December 2010 and the use of those sale proceeds to reduce the loan. The loan is secured by a first ranking mortgage debenture over the assets of a Group subsidiary. The weighted average rate applicable to these facilities is 6.87% to 30 June 2011 (2010: 8.39%).

The total facility limit at 30 June 2011 is \$25m. The facility expires on 30 June 2012 and is secured by the above mentioned securities. The Group placed its remaining interest in the asset on the market and therefore classified the loan as liabilities directly associated with assets held for sale (refer Note 5).

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

### NOTE 14: INTEREST-BEARING LOANS AND BORROWINGS (continued)

#### *Bank South Australia – Worldpark Adelaide*

The Group entered into a commercial bill facility with Bank South Australia in 2008. The facility limit increased to \$39m (2010: 29.1m) during the 2011 financial year. The facility funded the construction of Worldpark Adelaide Building A which reached practical completion during the year and was sold in December 2010. The proceeds on sale were used to pay down the entire facility. The Group continues to own the balance of land at the site.

#### *Bank South Australia – Islington (South Project)*

The Group entered into a commercial bill facility with Bank South Australia in May 2011 to fund the development of the Islington Railyards/Bunnings construction. The total facility limit is \$15.585 million with the total amount drawn down at 30 June 2011 being \$1.35m. The facility is subject to the 30 day Bank Bill Rate plus margin.

The facility expires on 7 September 2014 and is secured by the above mentioned securities and is classified as a non-current liability of the Group.

#### *daVinci Funds Management Ltd*

The Group has entered into an unsecured mezzanine debt facility for \$10.598m with daVinci Funds Management Ltd to provide the equity component for the Gepps Cross project. The facility is subordinated to the senior debt on the project and is repayable out of any surplus sale proceeds once the senior debt and other costs have been repaid. No interest is payable on the facility. At 30 June 2011, the facility is fully drawn.

This loan is measured at amortised cost, which requires an assessment of the unsecured loan's fair value based on specific repayment terms. These terms limit repayment of the unsecured loan to an amount based on an agreed formula based on the proceeds received from the sale of the subject property after meeting repayment obligations to the priority creditors.

#### *St George Bank Limited*

A subsidiary company and its joint venture partners had entered into a first ranking registered equitable mortgage with St George Bank Limited, over the property being developed at Port Geographe. In addition, the subsidiary had given a fixed and floating charge over its assets and undertakings. The Parent has given a limited recourse guarantee and indemnity, guaranteeing certain obligations of the subsidiary company owing under the facility and a share mortgage over its interest in the Trustee of the subsidiary, holding its interest in the Port Geographe Joint Venture.

A letter of demand was issued by St George Bank Limited on 29 July 2011 for the repayment of the outstanding facility by the subsidiary company and its joint venture partners. The subsidiary company was placed into Voluntary Administration by its Directors on 4 August 2011.

#### *Defaults and breaches*

A subsidiary company of the Group was in breach under its facility agreement with St George Bank Limited by failing to comply with its repayment obligations under the agreement. The company has since been placed into Voluntary Administration as detailed in the above paragraph. There were no other defaults or breaches during the reporting period under any other facility agreements or to financial covenants.



**NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED 30 JUNE 2011**

**NOTE 14: INTEREST-BEARING LOANS AND BORROWINGS (continued)**

|  | <b>Consolidated</b> |                |
|--|---------------------|----------------|
|  | <b>2011</b>         | <b>2010</b>    |
|  | <b>\$'000</b>       | <b>\$'000</b>  |
| Total facilities:  |                     |                |
| • unsecured loans  | 10,598              | 10,598         |
| • bank overdraft   | -                   | -              |
| • bank loans   | 40,585              | 98,499         |
|  | <u>51,183</u>       | <u>109,097</u> |
| Facilities used at balance date  |                     |                |
| • unsecured loans  | 10,598              | 10,598         |
| • bank overdraft   | -                   | -              |
| • bank loans   | 26,033              | 86,974         |
|  | <u>36,631</u>       | <u>97,572</u>  |
| Total facilities   |                     |                |
| Facilities used at balance date  | <u>36,631</u>       | <u>97,572</u>  |
| Facilities unused at balance date  | <u>14,552</u>       | <u>11,525</u>  |
| <br><i>Assets pledged as security</i>  |                     |                |
| The carrying amounts of assets pledged as security for current and non-current interest bearing liabilities are: |                     |                |
|  | <b>Consolidated</b> |                |
|  | <b>2011</b>         | <b>2010</b>    |
|  | <b>\$'000</b>       | <b>\$'000</b>  |
| <b>Current</b>   |                     |                |
| <i>Fixed and floating charge</i>   |                     |                |
| Receivables  | -                   | 1,287          |
| <i>Mortgage</i>  |                     |                |
| Cash   | -                   | 217            |
| Receivables  | -                   | 3              |
| Investment property (Note 5)   | 35,583              | -              |
| Total current assets pledged as security   | <u>35,583</u>       | <u>1,507</u>   |
| <b>Non-Current</b>   |                     |                |
| <i>Fixed and floating charge</i>   |                     |                |
| Other financial assets   | 7,215               | 41,959         |
| <i>Finance lease</i>   |                     |                |
| Plant and equipment  | 38                  | -              |
| <i>Mortgage</i>  |                     |                |
| Investment property  | -                   | 67,053         |
| Total non-current assets pledged as security   | <u>7,253</u>        | <u>109,012</u> |
| Total assets pledged as security   | <u>42,836</u>       | <u>110,519</u> |

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2011**

**NOTE 15: ISSUED CAPITAL**

|   | <b>Consolidated</b> |               |
|---|---------------------|---------------|
|   | <b>2011</b>         | <b>2010</b>   |
|   | <b>\$'000</b>       | <b>\$'000</b> |
| 433,240,643 Ordinary shares issued and fully paid | 63,319              | 62,926        |

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.

|  | <b>2011</b> |               | <b>2010</b> |               |
|--|-------------|---------------|-------------|---------------|
|  | <b>No.</b>  | <b>\$'000</b> | <b>No.</b>  | <b>\$'000</b> |
| <i>Movement in ordinary shares on issue</i>                  |             |               |             |               |
| Balance at beginning of financial year                       | 425,240,643 | 62,926        | 425,240,643 | 62,926        |
| Issued on 16 December 2010 on exercise of performance rights | 8,000,000   | 393           | -           | -             |
| Balance at end of financial year                             | 433,240,643 | 63,319        | 425,240,643 | 62,926        |

*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 16].

**NOTE 16: ACCUMULATED LOSSES AND RESERVES**

*Accumulated losses*

Movements in accumulated losses were as follows:

|  | <b>Consolidated</b> |               |
|--|---------------------|---------------|
|  | <b>2011</b>         | <b>2010</b>   |
|  | <b>\$'000</b>       | <b>\$'000</b> |
| Balance at beginning of financial year | (42,228)            | (39,698)      |
| Net loss for the year                  | (1,220)             | (2,696)       |
| Transfers from reserves                | -                   | 166           |
| Balance at end of financial year       | (43,448)            | (42,228)      |

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2011**

**NOTE 16: ACCUMULATED LOSSES AND RESERVES (continued)**

**Reserves**

|   | Cash flow<br>hedge reserve | Share-<br>based<br>payments<br>reserve | Total  |
|---|----------------------------|--|--------|
|   | \$'000                     | \$'000                                 | \$'000 |
| <b>At 1 July 2009</b>                               | (188)                      | 166                                    | (22)   |
| Share of hedge reserve in jointly controlled entity | 188                        | -                                      | 188    |
| Reserve transfer – option expiry                    | -                          | (166)                                  | (166)  |
| <b>At 30 June 2010</b>                              | -                          | -                                      | -      |
| Performance rights issued                           | -                          | 416                                    | 416    |
| Performance rights exercised                        | -                          | (393)                                  | (393)  |
| <b>At 30 June 2011</b>                              | -                          | 23                                     | 23     |

**Nature and purpose of reserves**

*Share based payments reserve*

This reserve is used to record the value of equity benefits provided to employees and Directors as part of their remuneration. Refer to note 1(ad) for further details of these plans.

The Company's Performance Rights were issued to employees pursuant to the Company's Performance Rights Plan, approved by the Board on 24 June 2010 and issued to Directors following approval of the Plan by the Shareholders of the Company at the Annual General Meeting on 26 November 2010. 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 independent valuer has chosen the Monte Carlo simulation technique to value the Performance Rights.

| Grant Date  | Measurement Date     | Expiry Date | Performance Conditions | Balance at 1 July 2010 | Issued            | Exercised | Balance at 30 June 2011 |
|-------------|----------------------|-------------|------------------------|------------------------|-------------------|-----------|-------------------------|
| 1 Sep 2010  | 01/09/2010           | 30/06/2013  | Note (i)               | -                      | 1,000,000         | -         | 1,000,000               |
| 1 Sep 2010  | 30/06/2011           | 30/06/2013  | Note (i)               | -                      | 1,000,000         | -         | 1,000,000               |
| 16 Dec 2010 | 01/12/2010           | -           | Note (ii)              | -                      | 7,000,000         | -         | 7,000,000               |
| 16 Dec 2010 | 30/06/2011           | 30/06/2012  | Note (ii)              | -                      | 3,500,000         | -         | 3,500,000               |
| 16 Dec 2010 | 30/06/2012           | 30/06/2013  | Note (ii)              | -                      | 3,500,000         | -         | 3,500,000               |
|             |                      |             |                        | -                      | <b>16,000,000</b> | -         | <b>16,000,000</b>       |
|             | Management personnel |             |                        | -                      | 2,000,000         | -         | 2,000,000               |
|             | Directors            |             |                        | -                      | 14,000,000        | -         | 14,000,000              |
|             |                      |             |                        | -                      | <b>16,000,000</b> | -         | <b>16,000,000</b>       |

The Company's Performance Rights were issued to key management and Directors pursuant to the Company's Performance Rights Plan approved by the Board on 24 June 2010. The performance rights were issued to Directors following approval of the plan by the Shareholders of the Company at the Annual General Meeting on 26 November 2010.

**NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 16: ACCUMULATED LOSSES AND RESERVES (continued)**

*Share based payments reserve (continued)*

The key assumptions used by the independent valuer to value the performance rights are as follows:

|                                    | <b>Range (from valuation report)</b> |
|------------------------------------|--------------------------------------|
| Share price at grant dates         | 2.9 cents to 4.1 cents               |
| Risk-free interest rate            | 4.5% to 5.15%                        |
| Volatility                         | 80% to 90%                           |
| Discount for lack of marketability | 0% to 15%                            |

*Cash flow hedge reserve*

This reserve records the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge.

**NOTE 17: 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.

| <b>(b) Categories of financial assets and liabilities</b> | <i>Consolidated</i> |               |
|---|---------------------|---------------|
|   | <b>2011</b>         | <b>2010</b>   |
|   | <b>\$'000</b>       | <b>\$'000</b> |
| <i>Financial Assets</i>                                   |                     |               |
| Cash and cash equivalents                                 | 3,406               | 7,013         |
| Trade and other receivables                               | 145                 | 1,293         |
|   | 6,995               | 8,306         |
| <i>Financial Liabilities</i>                              |                     |               |
| Trade and other payables                                  | 4,705               | 540           |
| Derivative financial instruments                          | 492                 | 1,819         |
| Borrowings  | 32,586              | 97,594        |
|   | 37,783              | 99,953        |

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2011**

**NOTE 17: FINANCIAL INSTRUMENTS (continued)**

**(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 review 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 overall strategy remains unchanged from 2010.

The gearing ratios as at 30 June 2011 and 2010 were as follows:

|                                 | <i>Consolidated</i> |               |
|---------------------------------|---------------------|---------------|
|                                 | <b>2011</b>         | <b>2010</b>   |
|                                 | <b>\$'000</b>       | <b>\$'000</b> |
| Loans and other borrowings      | 35,078              | 99,953        |
| Less: cash and cash equivalents | (3,406)             | (7,013)       |
| Net debt                        | 31,672              | 92,940        |
| Total equity                    | 19,894              | 20,698        |
| Total capital                   | 51,566              | 113,638       |
| <b>Gearing ratio (%)</b>        | <b>61.42%</b>       | <b>81.79%</b> |

The reduction in the gearing ratio during 2011 resulted primarily from the sale and subsequent pay down of debts from the Gepps Cross and Workpark Adelaide assets. The Board continues to monitor the level of gearing into the next financial year.

**(d) Interest rate risk**

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group is exposed to interest rate risk on its borrowings that are used to fund its development activities. 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.

At balance date all of the Group's borrowings were at a floating rate.

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

**NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED 30 JUNE 2011**

**NOTE 17: FINANCIAL INSTRUMENTS (continued)**

**(d) Interest rate risk (continued)**

*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 for borrowings and all other variables are held constant the Group's:

- Net profit before tax would decrease by \$113K (2010: \$277K) or increase by \$113K (2010: \$277K). This is due to the Group's exposure to variable interest rates on its finance facilities.

**(e) Interest rate swaps – cash flow hedges**

Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on the fair values of issued variable rate debt held. The fair value of interest rate swaps at the reporting date is determined by reference to external valuations.

The Group has entered into a "cap and collar" arrangement with National Australia Bank on the Gepps Cross Banking facility. The cap rate is 7.4% plus margin and the floor rate is 6.25% plus margin. This facility expires on 30 June 2012.

The following tables detail the notional principal amounts and remaining terms of interest rate swap contracts outstanding at reporting date.

| Outstanding floating<br>for fixed Contracts | Average Contracted fixed<br>Interest rate |           | Notional Principal<br>Amount |                | Fair Value     |                |
|---|---|-----------|------------------------------|----------------|----------------|----------------|
|   | 2011<br>%                                 | 2010<br>% | 2011<br>\$'000               | 2010<br>\$'000 | 2011<br>\$'000 | 2010<br>\$'000 |
| <i>Consolidated</i>                         |   |           |                              |                |                |                |
| Less than 1 year                            | 7.4                                       | -         | 25,000                       | -              | 492            | -              |
| 1 to 2 years                                | -   | 7.4       | -                            | 56,225         | -              | 1,819          |
| 2 to 5 years                                | -   | -         | -                            | -              | -              | -              |
| 5 years +                                   | -   | -         | -                            | -              | -              | -              |
|   |   |           | 25,000                       | 56,225         | 492            | 1,819          |

Interest rate swaps settle on a monthly basis. The floating rate on the interest swaps is the Australian BBSY. The Group will settle the difference between the fixed and floating interest rate on a net basis. All interest swap contracts exchanging floating rate interest amounts for fixed rate interest amounts are designated as cash flow hedges on order to reduce the Group's cash flow exposure resulting from variable interest rates on borrowings. Should the BBSY increase by 1% the interest rate swap values would reduce the liability position to \$407K conversely should the BBSY fall by 1% the Group's interest rate swap liability would increase to \$513K.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2011**

**NOTE 17: FINANCIAL INSTRUMENTS (continued)**

**(f) Credit risk management**

The Group is exposed to credit risk from cash and cash equivalents, derivative financial instruments held with National Australia Bank Limited for interest rate swaps, deposits with banks and financial institutions, as well as credit exposure from tenants.

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 2011 | Balance at 30 June 2011<br>\$'000 |
|------------------------------------|-------------------------|-----------------------------------|
| Bank of Western Australia Ltd      | AA                      | 3,035                             |
| National Australia Bank Ltd        | AA                      | 192                               |
| Commonwealth Bank of Australia Ltd | AA                      | 162                               |
| Bank of South Australia Limited    | Aa2                     | 17                                |
|                                    |                         | 3,406                             |

The Group has adopted the policy of only dealing with creditworthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group measures credit risk on a fair value basis.

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. 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 14 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 liabilities. These are based upon the undiscounted cash flows of financial liabilities based upon the earliest date on which the Group can be required to pay.

|                                       | Weighted<br>Average<br>Interest rate<br>% | Less than 1<br>month<br>\$'000 | 1-3 months<br>\$'000 | 3 months<br>- 1 year<br>\$'000 | 1-5 years<br>\$'000 | 5 + years<br>\$'000 | Total<br>\$'000 |
|---------------------------------------|---|--------------------------------|----------------------|--------------------------------|---------------------|---------------------|-----------------|
| <b>2011</b>                           |   |                                |                      |                                |                     |                     |                 |
| <b>Financial Assets</b>               |   |                                |                      |                                |                     |                     |                 |
| Variable Interest Rate<br>Instruments | 2.74                                      | 3,406                          | -                    | -                              | -                   | -                   | 3,406           |
| Non-Interest Bearing                  | -   | -                              | -                    | -                              | -                   | -                   | -               |
|                                       |   | 3,406                          | -                    | -                              | -                   | -                   | 3,406           |
| <b>Financial Liabilities</b>          |   |                                |                      |                                |                     |                     |                 |
| Variable Interest Rate<br>Instruments | 5.05                                      | -                              | -                    | 31,223                         | 1,281               | -                   | 32,504          |
| Non-Interest Bearing                  | -   | -                              | -                    | -                              | -                   | -                   | -               |
| Hire purchase                         | 5.68                                      | -                              | 3                    | 5                              | 30                  | -                   | 38              |
|                                       |   | -                              | 3                    | 31,228                         | 1,311               | -                   | 32,542          |

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2011**

**NOTE 17: FINANCIAL INSTRUMENTS (continued)**

**(g) Liquidity Risk Management (continued)**

|                                       | Weighted<br>Average<br>Interest<br>rate<br>% | Less than<br>1 month<br>\$'000 | 1-3<br>months<br>\$'000 | 3<br>months<br>- 1 year<br>\$'000 | 1-5 years<br>\$'000 | 5 + years<br>\$'000 | Total<br>\$'000 |
|---------------------------------------|--|--------------------------------|-------------------------|-----------------------------------|---------------------|---------------------|-----------------|
| <b>2010</b>                           |  |                                |                         |                                   |                     |                     |                 |
| <b>Financial Assets</b>               |  |                                |                         |                                   |                     |                     |                 |
| Variable Interest<br>Rate Instruments | 2.25   | 7,263                          | -                       | -                                 | -                   | -                   | 7,263           |
| Non-Interest<br>Bearing               | -  | -                              | -                       | -                                 | -                   | -                   | -               |
|                                       |  | 7,263                          | -                       | -                                 | -                   | -                   | 7,263           |
| <b>Financial<br/>Liabilities</b>      |  |                                |                         |                                   |                     |                     |                 |
| Variable Interest<br>Rate Instruments | 7.99   | -                              | -                       | 96,164                            | 9,078               | -                   | 105,242         |
| Non-Interest<br>Bearing               | -  | -                              | -                       | -                                 | -                   | -                   | -               |
| Finance lease                         | 7.19   | -                              | 22                      | -                                 | -                   | -                   | 22              |
|                                       |  | -                              | 22                      | 96,164                            | 9,078               | -                   | 105,264         |

**(h) Net fair value**

The carrying amount of financial assets and financial liabilities recorded in the financial statements represents their respective net fair values, determined in accordance with the accounting policies disclosed in Note 1 to the financial statements.

**NOTE 18: 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 years 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         |                |
|---|----------------|----------------|----------------|----------------|
|   | 2011<br>\$'000 | 2010<br>\$'000 | 2011<br>\$'000 | 2010<br>\$'000 |
| Within one year                             | 11             | 23             | 11             | 23             |
| After one year but not more than five years | 28             | -              | 28             | -              |
| More than five years                        | -              | -              | -              | -              |
|   | 39             | 23             | 39             | 23             |

**Capital Commitments**

*Gepps Cross Industrial*

As at the date of this report there are no further capital commitments other than the company's one third share of its ground lease obligations.

*Islington – Churchill Centre North*

As at the date of this report there are no further capital commitments other than the company's ground lease obligations.



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2011**

**NOTE 18: COMMITMENTS AND CONTINGENCIES (continued)**

**Capital Commitments (continued)**

*Islington – Churchill Centre South*

Capital commitments as at the date of this report relate to the payment of the Group's ground lease obligations on the site and the equity requirement of \$320K for the construction of stage 1 Bunnings which at the date of this report has been satisfied.

Future committed group lease payments as at 30 June are as follows:

|   | Consolidated   |                | Parent         |                |
|---|----------------|----------------|----------------|----------------|
|   | 2011<br>\$'000 | 2010<br>\$'000 | 2011<br>\$'000 | 2010<br>\$'000 |
| Within one year                             | 1,537          | -              | -              | -              |
| After one year but not more than five years | 7,683          | -              | -              | -              |
| More than five years (i)                    | 99,354         | -              | -              | -              |
|   | <b>108,574</b> | <b>-</b>       | <b>-</b>       | <b>-</b>       |

(i) This capital commitment comprises of ground rent on four leases, two of which expire in 2092.

**Contingent Liabilities**

*Port Geographe Joint Venture*

St George Bank Limited has issued bank guarantees to third parties pursuant to the requirements of the Shire of Busselton and other parties in relation to Port Geographe. The bank guarantees issued are part of the total St George facility (refer Note 14). These guarantees amounted to \$6.0m at 30 June 2011, (30 June 2010: \$8.1m). A Group subsidiary is a joint borrower under this facility as to 40% and was placed into Voluntary Administration on 4 August 2011.

*Tallwood Nominees Pty Ltd*

Under the Deed of Covenant that the Company has entered into with the Western Australian Planning Commission, the Company has guaranteed certain obligations of Tallwood Nominees Pty Ltd under the Deed. There is a potential risk that the Company may be called upon to meet certain obligations of its subsidiary, Tallwood, relating to the provision of bank guarantees for certain works. The Directors are of the opinion that if a claim was made against the Company, the Company would vigorously defend any such claim.

As mentioned in note 14, the Company has given a limited recourse guarantee and indemnity to St George Bank, guaranteeing certain obligations of Tallwood owing under the St George Bank facility.

*Islington – Churchill Centre South*

The Group may be liable to a third party as part of the development agreement on the Islington Railyards, to pay the third party a minority profit distribution should certain hurdles, identified within the development agreement be satisfied.

**NOTE 19: INTERESTS IN JOINTLY CONTROLLED ENTITIES**

The Group has interests in the following jointly controlled entities:

| Name Of Entity               | Principal Activity  | Interest in Joint Venture Net Assets at Balance Date |           | Voting Power and Net Profit Entitlement |           |
|------------------------------|---|--|-----------|---|-----------|
|                              |   | 2011<br>%  | 2010<br>% | 2011<br>%                               | 2010<br>% |
| Port Geographe Joint Venture | Development and sale of land at Port Geographe WA. The Company is entitled to 40% of the net profits of this Joint Venture. | 40   | 40        | 40                                      | 40        |

**NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED 30 JUNE 2011**

**NOTE 19: INTERESTS IN JOINTLY CONTROLLED ENTITIES (continued)**

(i) Retained earnings/ (accumulated losses) attributable to interests in jointly controlled entity:

|  |   |       |
|--|---|-------|
| Balance at beginning of the financial year | - | (884) |
| Balance at the end of the financial year   | - | (884) |

(ii) Carrying amount of investments in jointly controlled entities:

|   |   |          |
|---|---|----------|
| Balance at beginning of the financial year                              | - | 5,389    |
| - reversal of share of net liabilities on jointly controlled entity (v) | - | 7,623    |
| - sale of interest  | - | (13,012) |
| Balance at the end of the financial year                                | - | -        |

(iii) Share of jointly controlled entities' results and financial position:

|  | <b>Consolidated</b>    |                        |
|--|------------------------|------------------------|
|  | <b>2011<br/>\$'000</b> | <b>2010<br/>\$'000</b> |
| Current assets   | 19                     | 382                    |
| Non-current assets   | 11,732                 | 18,556                 |
| <b>Total assets</b>  | <b>11,751</b>          | <b>18,938</b>          |
| Current liabilities  | 1,047                  | 741                    |
| Non-current liabilities  | 33,400                 | 29,685                 |
| <b>Total liabilities</b>   | <b>34,447</b>          | <b>30,426</b>          |
| Revenues   | 3                      | 5,036                  |
| Expenses   | (3,813)                | (8,464)                |
| Share of loss of jointly controlled entity not booked (iv)                 | 3,810                  | 3,248                  |
| Profit /(loss) before income tax   | -                      | -                      |
| Income tax expense   | -                      | -                      |
| Loss after income tax  | -                      | -                      |
| (iv) Reversal of share of net liabilities of Jointly controlled entity (v) | -                      | 7,623                  |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

### NOTE 19: INTERESTS IN JOINTLY CONTROLLED ENTITIES (continued)

(v) During the previous financial year the group repaid intercompany balances to properly reflect the financial position of the group which allowed a more accurate assessment of the exposures in relation to the Port Geographe Joint Venture.

(vi) As at 30 June 2011, the group was not liable for any expenditure commitments of the jointly controlled entities (2010: Nil). There are no contingent liabilities, other than those disclosed in note 14, of the jointly controlled entities for which the Group can be held liable, including guarantees for other ventures.

### NOTE 20: RELATED PARTY DISCLOSURE

#### Transactions with Directors

a) *Gilbert & Tobin (formally Blakiston and Crabb Solicitors)*

Gilbert & Tobin, a firm in which Mr M G Blakiston is a partner, provided legal services to the company on normal terms and conditions during the financial year. Total fees charged to the Company were \$49,818 (2010: \$81,773).

b) *Pivot Group Pty Ltd*

Pivot Group Pty Ltd, a Director related entity of Mr B P Laurance, provided the Perth office premises on normal market terms and conditions during the year. The total charged to the Company was \$205,347 (2009: \$193,241).

c) *Integrated Engineering and Delivery Management*

Integrated Engineering and Delivery Management, a firm in which Mr J S Howe is a principal, provided consulting services to the Company on normal terms and conditions during the financial year. Total fees charged to the Company were Nil (2010: Nil).

d) *Umberto Gianotti Solicitor*

Umberto Gianotti – Solicitor, a Director related entity of Mr U B Gianotti, provided legal services on normal terms and conditions to the Group pursuant to a Consulting Agreement during the year. The total charged to the Company was \$360,000 (2010 \$356,880).

#### Ultimate Parent Entity

The parent entity in the Group is Axiom Properties Limited. The ultimate parent entity is Axiom Properties Limited.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2011**

**NOTE 21: PARENT ENTITY DISCLOSURES**

| <i>Financial position</i>    | <b>Consolidated</b>    |                        |
|------------------------------|------------------------|------------------------|
|                              | <b>2011<br/>\$'000</b> | <b>2010<br/>\$'000</b> |
| <b>Assets</b>                |                        |                        |
| Current assets               | 5,854                  | 6,593                  |
| Non-current assets           | 18,934                 | 18,736                 |
| Total assets                 | 24,788                 | 25,329                 |
| <b>Liabilities</b>           |                        |                        |
| Current liabilities          | 682                    | 2,714                  |
| Non-current liabilities      | 11,931                 | 12,968                 |
| Total liabilities            | 12,613                 | 15,682                 |
| Net Assets                   | 12,175                 | 9,647                  |
| <b>Equity</b>                |                        |                        |
| Issued capital               | 63,319                 | 62,926                 |
| Accumulated Losses           | (51,167)               | (53,279)               |
| Reserves                     |                        |                        |
| Performance Rights           | 23                     | -                      |
| Total Reserves               | 23                     | -                      |
| Total Equity                 | 12,175                 | 9,647                  |
| <b>Financial performance</b> |                        |                        |
|                              | <b>2011<br/>\$'000</b> | <b>2010<br/>\$'000</b> |
| Loss for the year            | (2,688)                | (12,324)               |
| Other comprehensive income   | -                      | 188                    |
| Total comprehensive income   | (2,688)                | (12,136)               |

***Guarantees entered into by the parent entity in relation to the debts of its subsidiaries***

There is only the limited recourse guarantee by the parent entity as referred to in note 14.

***Contingent liabilities of the parent entity***

There are no contingent liabilities of the parent entity at balance date other than those disclosed at Note 18.

***Commitments for the acquisition of property, plant and equipment by the parent entity***

There are no commitments by the parent entity at balance date.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2011**

**NOTE 22: EVENTS AFTER THE REPORTING DATE**

The following events occurred after balance date and have not been brought to account at 30 June 2011:

**Islington – Churchill Centre South**

The Group secured a number of pre-leases with strategic retailers to occupy the balance of the bulky goods retail space.

**Port Geographe, Busselton, WA**

The Group appointed PPB Advisory as administrators of a subsidiary company alongside the other joint venture partners.

**NOTE 23: AUDITOR REMUNERATION**

The auditors of Axiom Properties Limited are HLB Mann Judd.

|   | Consolidated   |                | Parent         |                |
|---|----------------|----------------|----------------|----------------|
|   | 2011<br>\$'000 | 2010<br>\$'000 | 2011<br>\$'000 | 2010<br>\$'000 |
| Amounts received or due and receivable by HLB Mann Judd for : |                |                |                |                |
| Audit and review of the financial reports                     | 198            | 121            | 187            | 121            |
| Tax compliance  | 77             | 119            | 45             | 89             |
| Other services  | 16             | 2              | 12             | 2              |
|   | 291            | 242            | 244            | 212            |

**NOTE 24 DIRECTORS' AND EXECUTIVES DISCLOSURES**

**(a) Details of Key Management Personnel**

*(i) Directors*

|                  |                        |
|------------------|------------------------|
| Mr I J Laurance  | Executive Chairman     |
| Mr B P Laurance  | Managing Director      |
| Mr U B Gianotti  | Non Executive Director |
| Mr M G Blakiston | Non Executive Director |
| Mr J S Howe      | Non Executive Director |

*(ii) Executives*

|                |                 |
|----------------|-----------------|
| Mr P J Rouvray | General Manager |
|----------------|-----------------|

Key management personnel remuneration has been included in the Remuneration Report section of the Directors' Report.

**(b) Rights holdings of Key Management Personnel**

| 2011              | Balance<br>1 July 2010 | Granted as<br>Remuneration | Rights<br>Exercised | Net Change<br>Other | Balance<br>30 June 2011 |
|-------------------|------------------------|----------------------------|---------------------|---------------------|-------------------------|
| <i>Directors</i>  |                        |                            |                     |                     |                         |
| I J Laurance AM   | -                      | 2,000,000                  | (1,000,000)         | -                   | 1,000,000               |
| B P Laurance      | -                      | 4,000,000                  | (2,000,000)         | -                   | 2,000,000               |
| U B Gianotti      | -                      | 4,000,000                  | (2,000,000)         | -                   | 2,000,000               |
| M G Blakiston     | -                      | 2,000,000                  | (1,000,000)         | -                   | 1,000,000               |
| J S Howe          | -                      | 2,000,000                  | (1,000,000)         | -                   | 1,000,000               |
|                   | -                      | 14,000,000                 | (7,000,000)         | -                   | 7,000,000               |
| <i>Executives</i> |                        |                            |                     |                     |                         |
| P J Rouvray       | -                      | 2,000,000                  | (1,000,000)         | -                   | 1,000,000               |
| E Nuic            | -                      | -                          | -                   | -                   | -                       |
|                   | -                      | 2,000,000                  | (1,000,000)         | -                   | 1,000,000               |

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2011**

**NOTE 24: DIRECTORS' AND EXECUTIVES DISCLOSURES (continued)**

**(b) Rights holdings of Key Management Personnel (continued)**

| 2010              | Balance<br>1 July 2009 | Granted as<br>Remuneration | Rights<br>Exercised | Net Change<br>Other | Balance<br>30 June 2010 |
|-------------------|------------------------|----------------------------|---------------------|---------------------|-------------------------|
| <i>Directors</i>  |                        |                            |                     |                     |                         |
| I J Laurance AM   | -                      | -                          | -                   | -                   | -                       |
| B P Laurance      | -                      | -                          | -                   | -                   | -                       |
| U B Gianotti      | -                      | -                          | -                   | -                   | -                       |
| M G Blakiston     | -                      | -                          | -                   | -                   | -                       |
| J S Howe          | -                      | -                          | -                   | -                   | -                       |
| <hr/>             |                        |                            |                     |                     |                         |
| <i>Executives</i> |                        |                            |                     |                     |                         |
| P J Rouvray       | 2,000,000              | -                          | -                   | (2,000,000)         | -                       |
| E Nuic            | -                      | -                          | -                   | -                   | -                       |
|                   | 2,000,000              | -                          | -                   | (2,000,000)         | -                       |

**(c) Shareholdings of Key Management Personnel**

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

| Name<br>2011     | Balance<br>1 July 2010 | Received as<br>Remuneration | Rights<br>Exercised | Net Change<br>Other | Balance<br>30 June 2011 |
|------------------|------------------------|-----------------------------|---------------------|---------------------|-------------------------|
| I J Laurance     | 250,000                | -                           | 1,000,000           | -                   | 1,250,000               |
| B P Laurance     | 52,041,834             | -                           | 2,000,000           | 358,247             | 54,400,081              |
| U B Gianotti     | 2,114,029              | -                           | 2,000,000           | -                   | 4,114,029               |
| M G Blakiston    | 1,400,000              | -                           | 1,000,000           | -                   | 2,400,000               |
| J S Howe         | 4,315,900              | -                           | 1,000,000           | -                   | 5,315,900               |
|                  | 60,121,763             | -                           | 7,000,000           | 358,247             | 67,480,010              |
| <hr/>            |                        |                             |                     |                     |                         |
| 2010             | Balance<br>1 July 2009 | Received as<br>Remuneration | Rights<br>Exercised | Net Change<br>Other | Balance<br>30 June 2010 |
| <i>Directors</i> |                        |                             |                     |                     |                         |
| I J Laurance     | 250,000                | -                           | -                   | -                   | 250,000                 |
| B P Laurance     | 52,041,834             | -                           | -                   | -                   | 52,041,834              |
| U B Gianotti     | 2,114,029              | -                           | -                   | -                   | 2,114,029               |
| M G Blakiston    | 1,400,000              | -                           | -                   | -                   | 1,400,000               |
| J S Howe         | 4,315,900              | -                           | -                   | -                   | 4,315,900               |
|                  | 60,121,763             | -                           | -                   | -                   | 60,121,763              |

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2011**

**NOTE 25: PARTICULARS IN RELATION TO SUBSIDIARIES**

|   | Country<br>Incorporation/<br>Formation | Interest<br>Held |           |
|---|--|------------------|-----------|
|   |  | 2011<br>%        | 2010<br>% |
| <b>Parent</b>                                   |  |                  |           |
| Axiom Properties Ltd                            | Australia                              |                  |           |
| <b>Subsidiaries:</b>                            |  |                  |           |
| Tallwood Nominees Pty Ltd                       | Australia                              | 100              | 100       |
| Axiom Resorts Pty Ltd                           | Australia                              | 100              | 100       |
| Southern Development Unit Trust                 | Australia                              | 100              | 100       |
| Oakford Enterprises 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       |
| AOF Gepps Cross Pty Ltd                         | Australia                              | 100              | 100       |
| Axiom Properties Property Fund                  | Australia                              | 100              | 100       |
| Axiom Opportunity Fund No2                      | Australia                              | 100              | 100       |
| Axiom Worldpark Trust                           | Australia                              | 100              | 100       |
| Axiom Worldpark Adelaide Pty Ltd                | Australia                              | 100              | 100       |
| No 59 Unit Trust                                | Australia                              | 100              | 100       |
| Axiom Diversified Fund                          | Australia                              | 100              | 100       |
| Axiom Gepps Cross Trust                         | Australia                              | 100              | 100       |
| Axiom Sub Trust                                 | Australia                              | 100              | 100       |
| Axiom Worldpark Adelaide Trust                  | Australia                              | 100              | 100       |
| Axiom Worldpark Melbourne Pty Ltd               | Australia                              | 100              | 100       |
| Axiom Worldpark Melbourne Trust                 | Australia                              | 100              | 100       |
| Axiom Worldpark Adelaide Trust No1              | Australia                              | 100              | 100       |
| Axiom Properties Funds Management (No2) Pty Ltd | Australia                              | 100              | 100       |
| Axiom Islington South Pty Ltd                   | Australia                              | 100              | -         |
| Axiom Islington Project (Southern) Trust        | Australia                              | 100              | -         |
| Axiom Islington North Pty Ltd                   | Australia                              | 100              | -         |
| Axiom Islington Project (Northern) Trust        | Australia                              | 100              | -         |

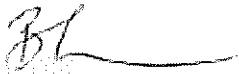
## DIRECTORS' DECLARATION

1. In the opinion of the Directors:

- a. the financial statements, notes and additional disclosures of the consolidated entity are in accordance with the Corporations Act 2001 including:
  - i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and its performance for the year then ended; and
  - ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and Corporations Regulations 2001;
- 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 2011.

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



Ben Laurance  
MANAGING DIRECTOR

Perth, Western Australia  
Dated: 31 August 2011



## INDEPENDENT AUDITOR'S REPORT

To the members of Axiom Properties Limited

### Report on the Financial Report

We have audited the accompanying financial report of Axiom Properties Limited ("the company"), which comprises the statement of financial position as at 30 June 2011, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration for the consolidated entity. The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

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

The directors of the 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 is free from material misstatement, whether due to fraud or error.

In Note 1(c), the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, that the consolidated financial report complies with International Financial Reporting Standards.

#### *Auditor's Responsibility*

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

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

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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

#### *Matters relating to the electronic presentation of the audited financial report*

This auditor's report relates to the financial report and remuneration report of Axiom Properties Limited for the financial year ended 30 June 2011 included on Axiom Properties Limited's website. The company's directors are responsible for the integrity of the Axiom Properties Limited website.

We have not been engaged to report on the integrity of this web site. The auditor's report refers only to the financial report and remuneration report identified above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report and remuneration report to confirm the information contained in this website version of the financial report.

***Independence***

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

***Auditor's Opinion***

In our opinion:

- (a) the financial report of Axiom Properties Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

**Report on the Remuneration Report**

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2011. 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.

***Auditor's Opinion***

In our opinion, the Remuneration Report of Axiom Properties Limited for the year ended 30 June 2011 complies with section 300A of the *Corporations Act 2001*.

*HLB Mann Judd*

**HLB MANN JUDD**  
Chartered Accountants

*L Di Giallonardo*

Perth, Western Australia  
31 August 2011

**L DI GIALLONARDO**  
Partner

## 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 23 August 2011 is 65.62% (2009: 65.1%) and the names and number of shares are as follows:

| NAME  | NUMBER             | PERCENTAGE OF<br>TOTAL SHAREHOLDINGS |
|---|--------------------|--------------------------------------|
| PIVOT GROUP PTY LTD   | 74,200,000         | 17.13%                               |
| STARTREND INVESTMENTS PTY LTD                                       | 35,000,000         | 8.08%                                |
| PIVOT PROJECTS PTY LTD  | 30,380,000         | 7.01%                                |
| LAURANCE SUPER PTY LTD <LAURANCE SUPER FUND<br>A/C>                 | 28,000,000         | 6.46%                                |
| ADVENT CAPITAL LIMITED  | 17,990,000         | 4.15%                                |
| STARTREND INVESTMENTS PTY LTD                                       | 15,000,000         | 3.46%                                |
| UBS NOMINEES PTY LTD  | 11,107,302         | 2.56%                                |
| PIVOT GROUP PTY LTD   | 10,303,393         | 2.38%                                |
| B & D SUPER PTY LTD <THE PHOENIX SUPER FUND A/C>                    | 8,735,714          | 2.02%                                |
| HAMILTON CORPORATION PTY LTD <PHOENIX FUND<br>A/C>                  | 6,464,286          | 1.49%                                |
| PIVOT GROUP PTY LTD   | 6,300,000          | 1.45%                                |
| COBBADAH PTY LTD <KENSINGTON A/C>                                   | 5,886,105          | 1.36%                                |
| BERNVILLE PTY LTD   | 4,620,000          | 1.07%                                |
| LAISSEZ FAIRE ET CIE PTY LTD  | 4,600,000          | 1.06%                                |
| SILVERLAKE NOMINEES PTY LTD <D'ESPEISSIS SUPER<br>A/C>              | 4,460,000          | 1.03%                                |
| HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED                           | 4,423,661          | 1.02%                                |
| WEATHERED HOWE & ASSOCIATES PTY LTD<br><WEATHERED HOWE PENSION A/C> | 4,315,900          | 1.00%                                |
| FLUE HOLDINGS PTY LTD <BROMLEY<br>SUPERANNUATION A/C>               | 4,250,000          | 0.98%                                |
| BELL POTTER NOMINEES LTD <BB NOMINEES A/C>                          | 4,200,000          | 0.97%                                |
| SILVER LAKE NOMINEES PTY LTD  | 4,041,300          | 0.93%                                |
|   | <b>284,277,661</b> | <b>65.62%</b>                        |

The substantial shareholders notices received by the Company as at 23 August 2011 are:

| SHAREHOLDER    | No. of Shares<br>advised |
|----------------|--------------------------|
| Peter Laurance | 157,474,393              |
| Ben Laurance   | 54,400,081               |

### DISTRIBUTION OF SHAREHOLDERS AS AT 23 August 2011

There were 954 shareholders holding issued ordinary shares in the Company which were distributed among shareholders as follows:

| CATEGORY          | No. of<br>Shareholders |
|-------------------|------------------------|
| 1-1,000           | 25                     |
| 1,001-5,000       | 119                    |
| 5,001 – 10,000    | 105                    |
| 10,001-100,000    | 467                    |
| 100,001- and over | 238                    |
|                   | <b>954</b>             |

There were 348 shareholders with less than the marketable parcel (16,130 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.