*Rule 4.2A.3*

# Appendix 4D

## Half year report
## Half-year ended 31 December 2013

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

Name of entity

| |
|---|
| AXIOM PROPERTIES LIMITED |

ABN

| |
|---|
| 40 009 063 834 |

**1.**

| Half-year ended ('current reporting period') | Half-year ended ('previous corresponding period') |
|---|---|
| 31 DECEMBER 2013 | 31 DECEMBER 2012 |

## 2. Results for announcement to the market

| | | | | $A'000 |
|---|---|---|---|---|
| 2.1 | Revenue from ordinary activities | ~~up~~/down | 69.32% | To 1,278 |
| 2.2 | Profit from ordinary activities after tax attributable to members | ~~up~~/down | 152.62% | To (251) |
| 2.3 | Profit for the period attributable to members | ~~up~~/down | 152.62% | To (251) |

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

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

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

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

## 3. NTA backing

| | Current reporting period | Previous corresponding period |
|---|---|---|
| 3.1 Net tangible assets per security | 3.47 cents | 3.11 cents |

## 4. Control gained over entities having material effect

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

## Loss of control of entities having material effect

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

## 5. Dividends / distributions

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

## Total dividends / distributions

| | |
|---|---|
| Ordinary securities | N/A |
| Preference securities | N/A |

## 6. Dividend / distribution plans

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

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

| | | |
|---|---|---|
| Name of associate / joint venture: | Churchill North Pty Ltd Joint Venture | |
| Holding in entities | 50% holding in Joint Venture | |
| **Group's aggregate share of associates' and joint venture entities':** | Current reporting period $A'000 | Previous corresponding period $A'000 |
| Profit (loss) from ordinary activities before tax | 895 | 1,530 |
| Income tax on ordinary activities | - | - |
| **Profit (loss) from ordinary activities after tax** | 895 | 1,530 |
| Extraordinary items net of tax | - | - |
| **Net profit (loss)** | 895 | 1,530 |
| Adjustments | - | - |
| **Share of net profit (loss) of associates and joint venture entities** | 895 | 1,530 |

## 8. Foreign entities

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

## 9. All entities

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

A.B.N. 40 009 063 834

# INTERIM FINANCIAL REPORT
# 31 December 2013

**CONTENTS** **PAGE**

## DIRECTORS' REPORT

Your Directors submit the financial report of the consolidated entity, Axiom Properties Limited, ("Axiom" or "the Company") for the half-year ended 31 December 2013 ("the half-year"). In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

**Directors**

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

| | |
|---|---|
| Ian James Laurance AM | Non-executive Chairman |
| Benjamin Peter Laurance | Managing Director |
| John Sylvester Howe | Non-executive Director |

## REVIEW OF OPERATIONS

**Churchill Centre (formerly "Islington Railyards")**

The Churchill Centre site consists of two separate large tracts of land of 3 hectares (South) and 18 hectares (North) for a total of 21 hectares, strategically located on Churchill Rd, Kilburn in the inner northwest suburbs of Adelaide, 6kms from the CBD. Axiom has "ownership" of the land under a 97 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 north western suburbs. The master plan 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 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 North and Churchill Centre South:

***Churchill Centre North:***

**BACKGROUND:**

The Churchill Centre North component of this project sits on 18 hectares of land, and will comprise a major shopping centre, consisting of a 5,500 sq.m. Coles supermarket, a 5,400 sq.m. Kmart Discount Department Store, several other mini-major retailers and approximately 50 specialty shops. The Centre will also incorporate a Coles service station alongside several other pad sites of fast food outlets incorporating McDonalds and KFC restaurants, and other strategic retailing uses, including Repco and a Kmart Tyre and Auto centre. In total, this northern stage is designed to incorporate in excess of 40,000 sqm of quality destination retail.

Construction commenced in May 2013, with a completion date scheduled for May 2014.

In October 2012, Axiom agreed a strategic tie-up with Southern Cross Equity Group, a syndicate of Adelaide based investors who have purchased a 50% share in the Centre by providing an equity investment of $11.25m to the development.

During the year the JV entered into a conditional Heads of Agreement with US retail giant, Costco, for a long term ground lease on approximately 5 hectares of land adjoining the shopping centre. Costco intends to construct a 14,000 sq.m retail warehouse on the land which will be its first South Australian store.

**DIRECTORS' REPORT (continued)**

**REVIEW OF OPERATIONS (continued)**

Axiom's intention is to own its 50% share of the Centre long term (aligned with its JV partner) to provide a stable and sustainable cashflow for the Company. Axiom has also been appointed as the Development Manager by the JV parties and will receive a fee of $1.5m over the period of construction.

**UPDATE:**

During the half-year to December 2013, construction of the Centre remained on track and on budget. Financing for the development was secured by way of a senior facility with BankSA on a cost to complete basis, together with a 2 year investment facility post completion based on a forecast Loan to Valuation Ratio of 60%.

Leasing of the specialty retail within the Centre continued strongly during the half-year, with some key retailers committing to the Centre. The leasing currently sits at approximately 85% of the specialty shops either leased or under offer.

Also during the half year, Costco continued to satisfy the conditions precedent around its commitment to the site. A Development Approval was received from Council during the half-year, and FIRB Approval was granted by the Federal Government in December, thereby satisfying one of the final few conditions still outstanding. The Company expects Costco to notify it of its intention to proceed unconditionally within the first quarter of 2014.

***Stage 2, Churchill Centre North:***

During the half-year, the Company agreed conditional terms with a major international supermarket retailer to anchor Stage 2 of the Churchill Centre North project. This second stage of the Centre will add another 4,500 sq.m (approx.) of retail to the Centre, and is expected to commence construction in 15 months' time, with a completion date of October 2015. Legal documentation on the agreed terms commenced during the half-year.


*Construction and site earthworks as at 14 January 2014*

**REVIEW OF OPERATIONS (continued)**

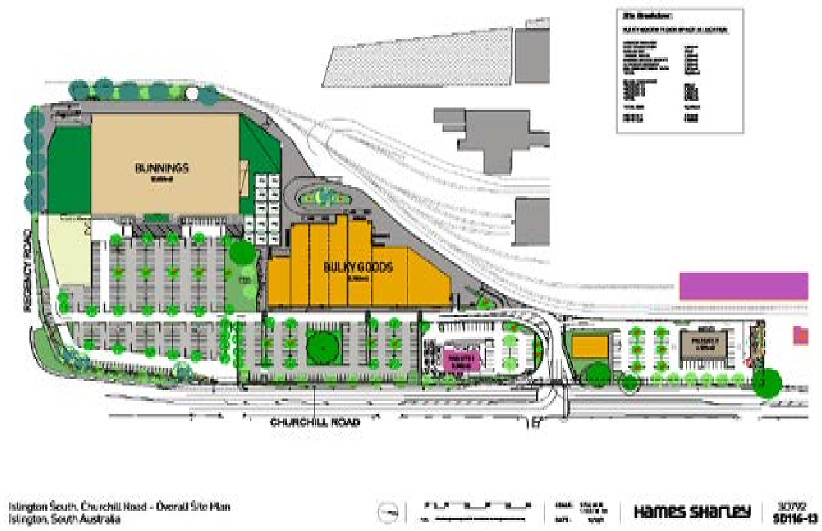
***Churchill Centre South:***

The balance of the southern site still held by the Group consists of a 3 hectare parcel of land which has an approval to develop up to 7,000 sq.m. of mixed use retail. The Company has recently re-focused its efforts and resources on this site in an effort to gain sufficient pre-commitments from major tenants to commence the development.

During the half-year, the Company entered into a long term lease Agreement with US retailer Savers, to anchor the large format retail precinct with a commitment that covers almost half of the available space. Additionally, the Company agreed terms with other retailers over almost all the remaining space in the 5,500 sq.m Stage One centre such that the committed leased area is substantially de-risked. The Company made the decision during the half-year to proceed on constructing the large format retail component (Stage One) of this development based on the level of pre-commitment it had achieved, and subsequently a Development Application varying the original Approval was made to Council during the half-year.

The Company intends to own its 100% share of this development long term to generate a stable, recurring income stream through rental income.

The Company has received a Terms Sheet from BankSA to finance the construction of the development on standard commercial terms and covenants. Construction of the 5,500 sq.m Stage One Centre is expected to commence within the first quarter of 2014.




**World Park 01, Keswick SA**

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

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

**DIRECTORS' REPORT (continued)**

**REVIEW OF OPERATIONS (continued)**

During the half-year the Company continued to generate income from the site through temporary car-parking revenue, sufficient to minimize holding costs on the site.

**END OF REVIEW OF OPERATIONS**

**ROUNDING OF AMOUNTS**

The Company has applied the relief available to it in ASIC Class Order 98/100, and accordingly certain amounts in the interim financial report and the Directors' report have been rounded off to the nearest $1,000, unless otherwise indicated.

**AUDITOR'S INDEPENDENCE DECLARATION**

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the Directors of the Company with an Independence Declaration in relation to the review of the half-year financial report. This Independence Declaration is set out on page 7 and forms part of this Directors' Report for the half year ended 31 December 2013.

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

Ben Laurance

Managing Director

Dated this 26th day of February 2014

Accountants | Business and Financial Advisers

## AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the consolidated financial report of Axiom Properties Limited for the half-year ended 31 December 2013, 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 review; and

b) any applicable code of professional conduct in relation to the review.

**Perth, Western Australia**
**26 February 2014**

**L Di Giallonardo**
**Partner**

**HLB Mann Judd (WA Partnership) ABN 22 193 232 714**
**Level 4, 130 Stirling Street Perth WA 6000. PO Box 8124 Perth BC 6849 Telephone +61 (08) 9227 7500. Fax +61 (08) 9227 7533.**
**Email: hlb@hlbwa.com.au. Website: http://www.hlb.com.au**
**Liability limited by a scheme approved under Professional Standards Legislation**

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

## FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

| | Notes | 31 December 2013 | 31 December 2012 |
|---|---|---|---|
| | | $'000 | $'000 |
| **Continuing Operations** | | | |
| Revenue | | 1,278 | 4,165 |
| Other income | | 69 | 56 |
| Employee benefits expense | | (1,027) | (787) |
| Depreciation and amortisation expense | | (16) | (42) |
| Finance costs | | (5) | (884) |
| Other expenses | | (550) | (2,031) |
| **Profit/(loss) before income tax** | 2 | (251) | 477 |
| Income tax benefit / (expense) | | - | - |
| **Net Profit/(loss) for the period** | | (251) | 477 |
| **Total comprehensive income/(loss) for the period** | | (251) | 477 |
| Basic earnings / (loss) per share (cents per share) | | (0.06) cents | 0.11 cents |
| Diluted earnings / (loss) per share (cents per share) | | (0.06) cents | 0.11 cents |

The accompanying notes form part of these financial statements

AXIOM PROPERTIES LIMITED

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

## AS AT 31 DECEMBER 2013

| | Notes | 31 December 2013 $'000 | 30 June 2013 $'000 |
|---|---|---|---|
| **Assets** | | | |
| **Current Assets** | | | |
| Cash and cash equivalents | | 2,695 | 3,851 |
| Trade and other receivables | | 409 | 844 |
| Other assets | | 13 | 44 |
| **Total Current Assets** | | 3,117 | 4,739 |
| **Non-Current Assets** | | | |
| Property, plant and equipment | | 55 | 62 |
| Other assets | | 26,375 | 11,795 |
| **Total Non-Current Assets** | | 26,430 | 11,857 |
| **Total Assets** | | 29,547 | 16,596 |
| **Liabilities** | | | |
| **Current Liabilities** | | | |
| Trade and other payables | | 3,706 | 820 |
| Provisions | | 209 | 198 |
| Borrowings | 6 | 10,269 | 29 |
| **Total Current Liabilities** | | 14,184 | 1,047 |
| **Total Non-Current Liabilities** | | - | - |
| **Total Liabilities** | | 14,184 | 1,047 |
| **Net Assets** | | 15,363 | 15,549 |
| **Equity** | | | |
| Issued capital | 3 | 63,559 | 63,499 |
| Reserves | | 5 | - |
| Accumulated losses | | (48,201) | (47,950) |
| **Total Equity** | | 15,363 | 15,549 |

The accompanying notes form part of these financial statements

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

| | Issued Capital | Accumulated Losses | Reserves | **Sub-Total** | Non-controlling Interests | **Total Equity** |
|---|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | **$'000** | $'000 | **$'000** |
| **Balance at 1 July 2012** | 63,267 | (50,324) | 230 | **13,173** | 5 | **13,178** |
| Profit after tax for the period | - | 477 | - | **477** | - | **477** |
| **Total comprehensive income for the period** | - | 477 | - | **477** | - | **477** |
| Share-based payments expense (net of expired performance rights) | - | - | (19) | **(19)** | - | **(19)** |
| Reserve transfer – exercise of performance rights | 152 | - | (152) | - | - | - |
| **Balance at 31 December 2012** | 63,419 | (49,847) | 59 | **13,631** | 5 | **13,636** |
| | | | | | | |
| **Balance at 1 July 2013** | 63,499 | (47,950) | - | **15,549** | - | **15,549** |
| Loss after tax for the period | - | (251) | - | **(251)** | - | **(251)** |
| **Total comprehensive loss for the period** | - | (251) | - | **(251)** | - | **(251)** |
| Share-based payments expense (net of expired performance rights) | - | - | 65 | **65** | - | **65** |
| Reserve transfer – exercise of performance rights | 60 | - | (60) | - | - | - |
| **Balance at 31 December 2013** | 63,559 | (48,201) | 5 | **15,363** | - | **15,363** |

The accompanying notes form part of these financial statements

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

**FOR THE HALF-YEAR ENDED 31 DECEMBER 2013**

| | 31 December 2013 $'000 | 31 December 2012 $'000 |
|---|---|---|
| | Inflows/(Outflows) | |
| **Cash flows from operating activities** | | |
| Receipts from customers | 404 | 1,814 |
| Payments to suppliers and employees | (1,219) | (2,849) |
| Payment of project development costs | (11,512) | (233) |
| Interest received | 68 | 18 |
| Finance costs | (5) | (444) |
| Other costs | - | 14 |
| Proceeds from sale of leasehold interest | - | 1,600 |
| Net cash (outflow) from operating activities | (12,264) | (80) |
| | | |
| **Cash flows from investing activities** | | |
| Cash acquired in joint venture operation | 875 | 1,200 |
| Purchase of non-current assets | (8) | (5) |
| Proceeds from the sale of non-current assets | 1 | - |
| Proceeds from sale of investment property | - | 30,700 |
| Net cash inflow from investing activities | 868 | 31,895 |
| | | |
| **Cash flows from financing activities** | | |
| Proceeds from borrowings | 10,243 | 356 |
| Repayment of borrowings | (3) | (29,552) |
| Net cash inflow/(outflow) from financing activities | 10,240 | (29,196) |
| | | |
| Net increase/(decrease) in cash held | (1,156) | 2,619 |
| Cash and cash equivalents at the beginning of the period | 3,851 | 2,050 |
| **Cash and cash equivalents at the end of the period** | 2,695 | 4,669 |

The accompanying notes form part of these financial statements

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

**Statement of compliance**

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

This condensed half-year financial report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the Group as in the full financial report.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2013 and any public announcements made by Axiom Properties Limited and its subsidiaries during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

**Basis of preparation**

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

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

The Company is of a kind referred to in ASIC Class Order 98/100, and accordingly, certain amounts in the Directors' Report and the interim financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

**Adoption of new and revised Accounting Standards**

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

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to their operations and effective for the current half-year. The most relevant of these revised standards is AASB 11 Joint Arrangements.

AASB 11 replaces AASB 131 Interests in Joint Ventures. AASB 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under AASB 11, there are only two types of joint arrangements – joint operations and joint ventures. The classification of joint arrangements under AASB 11 is determined on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and the obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint ventures) have rights to the net assets of the arrangement. Previously AASB 131 'Interests in Joint Ventures' contemplated three basic types of joint arrangements – jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under AASB 131 was primarily determined based on the legal form of the arrangement (e.g. a joint arrangement that was established through a separate entity was accounted for as a jointly controlled entity).

The initial subsequent accounting of joint ventures and joint operations is different. Investments in joint ventures are accounted for using the equity method (proportionate consolidation is no longer allowed). Investments in joint operations are accounted for such that each joint operator recognises its assets (Including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the operation) and its expenses (including its share of any expenses incurred jointly).

Each joint operation accounts for the assets and, liabilities, as well as revenue and expenses, relating to its interest in the joint operation in accordance with the applicable Standards.

The directors of the Company reviewed and assessed the classification of the Group's investments in joint arrangements in accordance with AASB 11. The directors concluded that the Group's investment in the Churchill North Joint Venture, which was classified as a jointly controlled entity under AASB 131 and was accounted for using the proportionate consolidation method, should be classified as a joint operation under AASB 11 and therefore there is no change in accounting for the Group's investment in the Churchill North Joint Venture and there is no impact on the consolidated financial statements as a result of the change in accounting standard.

**Significant accounting judgments and key estimates**

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

In preparing this interim report, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 30 June 2013.

**Going concern**

The Directors have presented the interim report on the basis that the Group will continue as a Going Concern despite the Group having an excess of current liabilities over current assets at balance date. The Group entered into a construction loan for the development phase of the Churchill Centre North project, which necessarily is classified as a current liability given that it is for the duration of the construction phase of the project and is expected to mature at Practical Completion of the Centre's construction in May 2014. Once completion has occurred, the Group has agreed in principle with the financier to enter into a longer term investment loan on more favourable terms.

The Directors have examined all other 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.

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

| | 31 December 2013 $'000 | 31 December 2012 $'000 |
|---|---|---|
| The following revenue and expense items are relevant in explaining the financial performance for the half-year: | | |
| Net revenue from properties | 103 | 1,471 |
| Development fee income | 300 | - |
| Profit on sale of leasehold interest | - | 996 |
| Gains arising from jointly controlled operations | 875 | 1,698 |
| | 1,278 | 4,165 |

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

### NOTE 3: ISSUED CAPITAL

| | 31 December 2013 $'000 | 30 June 2013 $'000 |
|---|---|---|
| *Ordinary shares* | | |
| Issued and fully paid | 63,559 | 63,499 |

| | Six months to 31 Dec 2013 | | 12 months to 30 June 2013 | |
|---|---|---|---|---|
| | No. | $'000 | No. | $'000 |
| *Movements in ordinary shares on issue* | | | | |
| At start of period | 440,740,643 | 63,499 | 434,240,643 | 63,267 |
| Issue on exercise of performance rights | 1,500,000 | 60 | 6,500,000 | 232 |
| At end of period | 442,240,643 | 63,559 | 440,740,643 | 63,499 |

### NOTE 4: SEGMENT REPORTING

The following table represents revenue and results from operations on an aggregated basis provided to the chief operating decision maker for the periods ended 31 December 2012 and 31 December 2013. The basis for the segment reporting of the Company is that used by the Managing Director for monthly reporting to the Board.

| | Continuing operations | | | |
|---|---|---|---|---|
| | Investment Property $'000 | Development $'000 | Corporate $'000 | Consolidated $'000 |
| **31 December 2013** | | | | |
| Segment revenue | - | 1,250 | 97 | 1,347 |
| Segment result | - | 1,181 | (1,432) | (251) |
| Results from continuing operations | - | 1,181 | (1,432) | (251) |
| **31 December 2013** | | | | |
| Segment assets | - | 27,065 | 2,482 | 29,547 |
| Segment liabilities | - | 13,678 | 506 | 14,184 |

AXIOM PROPERTIES LIMITED

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

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

| | Continuing operations | | | |
|---|---|---|---|---|
| | Investment Property | Development | Corporate | Consolidated |
| | $'000 | $'000 | $'000 | $'000 |
| **31 December 2012** | | | | |
| Segment revenue | 1,164 | 3,029 | 28 | 4,221 |
| Segment result | (130) | 2,274 | (1,667) | 477 |
| Results from continuing operations | (130) | 2,274 | (1,667) | 477 |
| Segment assets | 76 | 10,696 | 3,855 | 14,627 |
| Segment liabilities | - | 594 | 397 | 991 |

**NOTE 5: FINANCIAL INSTRUMENTS**

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

**NOTE 6: BORROWINGS**

| | 31 December 2013 | 30 June 2013 |
|---|---|---|
| | $'000 | $'000 |
| **Current Liability** | | |
| Hire Purchase | 27 | 29 |
| Bank Loan Facility | 10,242 | - |
| | 10,269 | 29 |

The Bank Loan Facility is a construction loan for the development of Churchill Centre North.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

## NOTE 7: PERFORMANCE RIGHTS

*Movement in performance rights over ordinary shares on issue:*

| | Six months to 31 December 2013 No. (thousands) | 12 months to 30 June 2013 No. (thousands) |
|---|---|---|
| At start of period | - | 8,000 |
| Preference rights issued | 5,500 | - |
| Preference rights exercised | (1,500) | (6,500) |
| Preference rights expired | - | (1,500) |
| At end of period | 4,000 | - |

## NOTE 8: JOINTLY CONTROLLED OPERATIONS

The Group has a 50% interest in the Churchill North Joint Venture which was established to jointly develop and lease the Churchill Centre North site.

The share of assets, liabilities, revenue and expenses of the jointly controlled operations, which are included in the condensed consolidated financial statements, are as follows:

| | 31 December 2013 | 31 December 2012 |
|---|---|---|
| **Statement of Financial Position** | $'000 | $'000 |
| **ASSETS** | | |
| **Current Assets** | | |
| Cash and cash equivalents | 310 | 809 |
| Trade and other receivables | 353 | 78 |
| Other assets | - | 3 |
| **Total Current Assets** | 663 | 890 |
| **Non Current Assets** | | |
| Other assets | 18,325 | 1,233 |
| **Total Non Current Assets** | 18,325 | 1,233 |
| **Total Assets** | 18,988 | 2,123 |
| **Liabilities** | | |
| **Current Liabilities** | | |
| Trade and other payables | 3,395 | 593 |
| Borrowings | 10,242 | - |
| **Total Current Liabilities** | 13,637 | 593 |
| **Total Liabilities** | 13,637 | 593 |
| **Net Assets** | 5,351 | 1,530 |

**Statement of Comprehensive Income**

| | | |
|---|---|---|
| Revenue | 897 | 1,750 |
| Other expenses | (2) | (220) |
| **Profit before Income Tax** | 895 | 1,530 |
| Income tax expense | - | - |
| **Net Profit for the period** | 895 | 1,530 |

**NOTE 9: CONTINGENT LIABILITIES**

*Islington – Churchill Centre North*
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.

*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 10: EVENTS SUBSEQUENT TO REPORTING DATE**

On 20 February 2014 the Group announced to the ASX that it has launched a new development at the Group's 100% owned Churchill South development following a successful pre-leasing campaign. The Group intends to own the development long term, thereby generating a strong recurring cashflow.

No other matters or circumstances have arisen since the end of the financial half-year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs in future financial years.

## DIRECTORS' DECLARATION

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

1. The financial statements and notes thereto, as set out on pages 11 to 20, are in accordance with the Corporations Act 2001 including:

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

    b. giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year then ended.

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

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

Ben Laurance

Managing Director

Dated this 26th day of February 2014

HLB Mann Judd

Accountants | Business and Financial Advisers

**INDEPENDENT AUDITOR'S REVIEW REPORT**

To the members of Axiom Properties Limited

**Report on the Condensed Half-Year Financial Report**

We have reviewed the accompanying half-year financial report of Axiom Properties Limited ("the company") which comprises the condensed statement of financial position as at 31 December 2013, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

*Directors' responsibility for the half-year financial report*

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half year financial report that is free from material misstatement, whether due to fraud or error.

*Auditor's responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

*Independence*

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

**HLB Mann Judd (WA Partnership) ABN 22 193 232 714**
**Level 4, 130 Stirling Street Perth WA 6000. PO Box 8124 Perth BC 6849 Telephone +61 (08) 9227 7500. Fax +61 (08) 9227 7533.**
**Email: hlb@hlbwa.com.au. Website: http://www.hlb.com.au**

**HLB Mann Judd**

Accountants | Business and Financial Advisers

*Conclusion*

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

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

HLB Mann Judd

**HLB Mann Judd**
**Chartered Accountants**

**L Di Giallonardo**
**Partner**

**Perth, Western Australia**
**26 February 2014**