

ASX CODE

AXI

ISSUED CAPITAL

Ordinary Shares
417.8 M

CONTACT

South Australia

Level 3, Stafford House
25 Leigh Street
Adelaide SA 5000

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

New South Wales

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

Phone: (02) 8243 2800
Fax: (02) 9251 1838
Email: ben@axiompl.com.au

20 February 2015

ASX ANNOUNCEMENT

APPENDIX 4D – HALF YEAR REPORT – HALF YEAR ENDED 31 DECEMBER 2014

Adelaide, Australia, Friday 20 February 2015: Axiom Properties Limited (ASX:AXI) lodges the attached Appendix 4D, Half Year Report and is pleased to announce the results of the half year ended 31 December 2014.

Key highlights of the report and half year include:

- Net Profit After Tax (NPAT) of \$4.237m, an increase on previous period of 1788%;
- Net Tangible Assets (NTA) of 5.12 cents per share, equating to an increase over previous corresponding period of 65%;
- Completion of the Churchill South development project, resulting in the Centre being re-classified as an investment asset of the Company with a valuation of \$11.5m;
- Completion of leasing campaign for Churchill South project, resulting in the Centre being 100% leased with a Weighted Average Lease Expiry (WALE) of 9.16 years;
- Completion of Costco construction (by Costco, on the Company's JV land) and subsequent opening of Costco store, providing a significant boost for the Company's adjoining Churchill North Shopping Centre; and
- Securing major German retailer Aldi to anchor Stage 2 of the Churchill North Shopping Centre.

Commenting on the result, Managing Director Ben Laurance said "today's result for the half year is extremely pleasing in that it demonstrates that the Company's decision to develop and own its projects is starting to deliver significant results to the Company; we are seeing the growth in our recurring income being derived by developing and holding our assets in an equity-efficient structure as well as seeing the resultant increase in our NTA being realised when these assets are re-classified in the balance sheet."

"The Group's decision to strengthen the balance sheet, reduce operating costs and increase recurring revenue is starting to pay off, evidenced by today's result," Mr Laurance said.

Given the Company is now in a much stronger position, it is reviewing a number of new opportunities around Australia to add to its existing pipeline. The company is optimistic that several of these projects will provide the Company with a future development pipeline to add further strength to its current financial position.

About Axiom Properties Ltd

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

For more information, please contact:

Ben Laurance
Managing Director

Appendix 4D

Half year report

Half-year ended 31 December 2014

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 2014 | 31 DECEMBER 2013 |
|------------------|------------------|

2. Results for announcement to the market

| \$A'000 | | | | |
|---------|---|---------|-------|----------|
| 2.1 | Revenue from ordinary activities | up/down | 47% | To 1,885 |
| 2.2 | Profit from ordinary activities after tax attributable to members | up/down | 1788% | To 4,237 |
| 2.3 | Profit for the period attributable to members | up/down | 1788% | To 4,237 |

| 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

3.1 Net tangible assets per security

| Current reporting period | Previous corresponding period |
|--------------------------|-------------------------------|
| 5.12 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 | 72 | 895 |
| Income tax on ordinary activities | - | - |
| Profit (loss) from ordinary activities after tax | 72 | 895 |
| Extraordinary items net of tax | - | - |
| Net profit (loss) | 72 | 895 |
| Adjustments | - | - |
| Share of net profit (loss) of associates and joint venture entities | 72 | 895 |
| | | |

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 |
|--|-----|



**INTERIM FINANCIAL REPORT
31 December 2014**

| CONTENTS | PAGE |
|--|-------------|
| Directors' Report | 6 |
| Auditor's Independence Declaration | 11 |
| Condensed Consolidated Statement of Comprehensive Income | 12 |
| Condensed Consolidated Statement of Financial Position | 13 |
| Condensed Consolidated Statement of Changes in Equity | 14 |
| Condensed Consolidated Statement of Cash Flows | 15 |
| Notes to the Condensed Consolidated Financial Statements | 16 |
| Directors' Declaration | 24 |
| Independent Auditor's Review Report | 25 |

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 2014 ("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 |

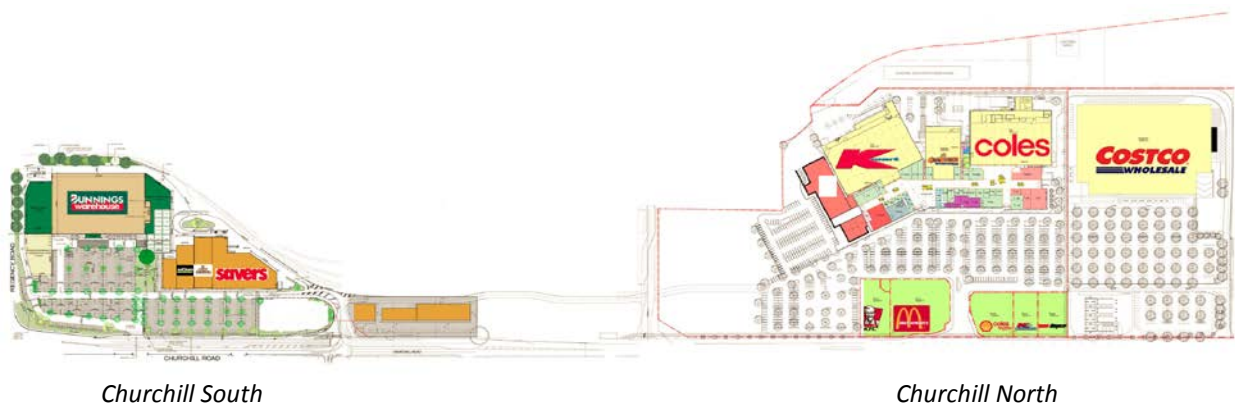
REVIEW OF OPERATIONS

Churchill Centre (formerly "Islington Railyards")

The Churchill Centre project is the Company's flagship development, and 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 ground 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 large format retail and hardware tenancies, alongside a major supermarket, sub-regional shopping centre, Costco 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:



REVIEW OF OPERATIONS (continued)



Churchill Centre North and South as at 19 November 2014

Churchill Centre North:

Background:

The Churchill Centre North component of this project sits on 18 hectares of land, and comprises a major sub-regional 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 55 specialty shops. The Centre also incorporates a Coles service station alongside several other pad sites of fast food outlets incorporating McDonalds and KFC restaurants, and other strategic retailing uses, including Repco and a Kmart Tyre and Auto centre. In total, this northern stage is designed to incorporate in excess of 40,000 sqm of quality destination retail.

During the previous financial year, construction was completed on the Stage One shopping centre as described above, which subsequently opened for trading in May 2014.

Axiom has a 50% ownership interest in Churchill Centre North after agreeing a Joint Venture arrangement in October 2012 with Southern Cross Equity Group, a syndicate of Adelaide based investors who purchased a 50% share in the Centre by providing an equity investment of \$11.25m to the development.

Another significant milestone during the half-year occurred when the US retail giant, Costco, completed construction of its 14,000 sq.m retail warehouse on the Joint Venture's adjoining land. This is South Australia's first Costco store, which opened in November 2014.

As previously stated Axiom's intention is to own its 50% share of the Churchill Centre North long term (aligned with its JV partner) to provide a stable and sustainable cashflow for the Company.

REVIEW OF OPERATIONS (continued)



Churchill Centre North as at 19 November 2014

Stage 2, Churchill Centre North:

During the half-year the Group announced it had agreed and documented a 10-year lease agreement with German retailer Aldi to construct one of their first South Australian supermarkets. This store will anchor Stage 2 of the Churchill Centre North shopping centre, which is expected to add another 3,000 sq.m of retail tenancies. Construction of this next Stage is expected to commence in the current quarter, with completion expected at the end of 2015.

Churchill Centre North still has another (approximately) 3 hectares of surplus land available for future development. The Company and its partner are working on various schemes to fully develop the land and has had some strong interest from various national and international retailers and other groups to anchor subsequent stages of the Centre and occupy space in the development.

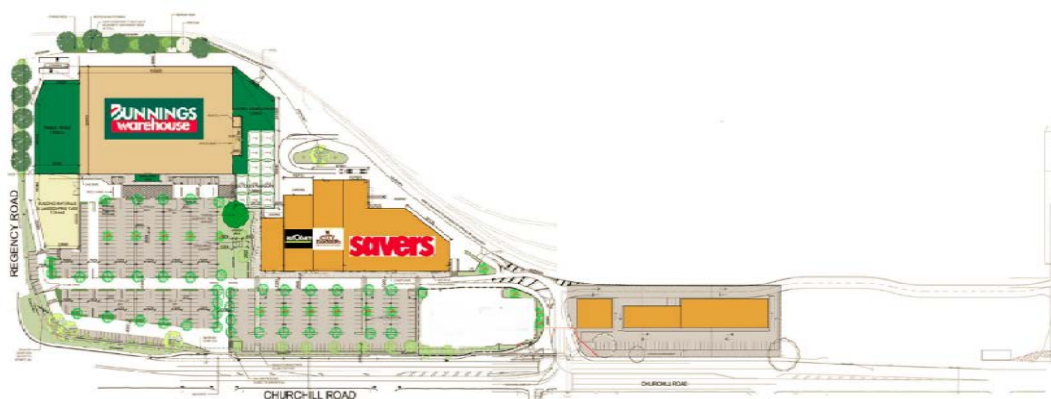
Churchill Centre South:

The balance of the southern site still held by the Group as a 100% interest consists of a 3 hectare parcel of land which has an approval to develop up to 7,000 sq.m. of mixed use retail. During the half year, the Company completed construction of the first stage large format retail precinct following the successful pre-commitment of 5,500 sq.m of retail space. This first stage is fully let to US retailer Savers, Auto barn, Beacon Lighting and Pet Barn.

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

During the half year, and following completion of this Stage of the development, the asset became re-classified on the Company's books as an investment property which led to the Company booking a consolidated profit of \$4.237 million. This also had the effect of increasing the Company's NTA per share from 3.11 cents to 5.12 cents, an increase of 65%.

The next Stage of this South project will comprise another 2,000 sq.m (approx.) of mixed use retail and is currently being pre-committed prior to construction commencing.



Churchill Centre South

REVIEW OF OPERATIONS (continued)



Churchill Centre South as at 19 November 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.

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



World Park

NEW OPPORTUNITIES

Given the Company is now in a much stronger financial position, it has the resources and capability to replenish its development pipeline with new projects. To that end, the Company is reviewing a number of exciting new property opportunities around Australia. The Company remains optimistic that several of these projects will provide the Company with a future development pipeline that will provide the Company with strong earnings and growth.

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 11 and forms part of this Directors' Report for the half year ended 31 December 2014.

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 20th day of February 2015

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of Axiom Properties Limited for the half-year ended 31 December 2014, 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.



Perth, Western Australia
20 February 2015

D I Buckley
Partner

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

| | Notes | 31 December 2014 \$'000 | 31 December 2013 \$'000 |
|---|-------|-------------------------------|-------------------------------|
| Continuing Operations | | | |
| Revenue | 2 | 1,885 | 1,278 |
| Other income | 2 | 5,223 | 69 |
| Employee benefits expense | | (863) | (1,027) |
| Depreciation and amortisation expense | | (9) | (16) |
| Finance costs | | (485) | (5) |
| Other expenses | | (1,514) | (550) |
| Profit/(loss) before income tax | 2 | 4,237 | (251) |
| Income tax benefit / (expense) | | - | - |
| Net Profit/(loss) for the period | | 4,237 | (251) |
| Total comprehensive income/(loss) for the period | | 4,237 | (251) |
| Basic earnings / (loss) per share (cents per share) | | 0.97 cents | (0.06) cents |
| Diluted earnings / (loss) per share (cents per share) | | 0.97 cents | (0.06) cents |

The accompanying notes form part of these financial statements

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2014

| | Notes | 31 December 2014 \$'000 | 30 June 2014 \$'000 |
|---------------------------------------|-------|-------------------------------|---------------------------|
| Assets | | | |
| Current Assets | | | |
| Cash and cash equivalents | | 6,934 | 9,890 |
| Trade and other receivables | | 152 | 613 |
| Other assets | | 96 | 51 |
| Total Current Assets | | 7,182 | 10,554 |
| Non-Current Assets | | | |
| Property, plant and equipment | | 41 | 47 |
| Other assets | | 7,779 | 9,011 |
| Investment Properties | 5 | 45,005 | 33,505 |
| Total Non-Current Assets | | 52,825 | 42,563 |
| Total Assets | | 60,007 | 53,117 |
| Liabilities | | | |
| Current Liabilities | | | |
| Trade and other payables | | 569 | 5,313 |
| Deferred revenue | | 523 | 198 |
| Interest-bearing loans and borrowings | 6 | 6,746 | 19,155 |
| Provisions | | 250 | 238 |
| Total Current Liabilities | | 8,088 | 24,904 |
| Non-Current Liabilities | | | |
| Deferred revenue | | 9,562 | 9,661 |
| Interest-bearing loans and borrowings | 6 | 20,893 | - |
| Total Non-Current Liabilities | | 30,455 | 9,661 |
| Total Liabilities | | 38,543 | 34,565 |
| Net Assets | | 21,464 | 18,552 |
| Equity | | | |
| Issued capital | 3 | 62,265 | 63,559 |
| Reserves | | 66 | 97 |
| Accumulated losses | | (40,867) | (45,104) |
| Total Equity | | 21,464 | 18,552 |

The accompanying notes form part of these financial statements

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

| | Issued Capital | Accumulated Losses | Reserves | Total Equity |
|--|----------------|-----------------------|-----------|----------------|
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Balance at 1 July 2013 | 63,499 | (47,950) | - | 15,549 |
| Loss for the period | - | (251) | - | (251) |
| Total comprehensive loss for the period | - | (251) | - | (251) |
| Share-based payments expense (net of expired performance rights) | - | - | 65 | 65 |
| Reserve transfer – exercise of performance rights | 60 | - | (60) | - |
| Balance at 31 December 2013 | 63,559 | (48,201) | 5 | 15,363 |
| Balance at 1 July 2014 | 63,559 | (45,104) | 97 | 18,552 |
| Profit for the period | - | 4,237 | - | 4,237 |
| Total comprehensive income for the period | - | 4,237 | - | 4,237 |
| Share-based payments expense (net of expired performance rights) | - | - | 29 | 29 |
| Shares brought back during period | (1,354) | - | - | (1,354) |
| Reserve transfer – exercise of performance rights | 60 | - | (60) | - |
| Balance at 31 December 2014 | 62,265 | (40,867) | 66 | 21,464 |

The accompanying notes form part of these financial statements

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

| | 31 December 2014 \$'000 | 31 December 2013 \$'000 |
|---|-------------------------------|-------------------------------|
| Cash flows from operating activities | | |
| Receipts from customers | 2,370 | 404 |
| Payments to suppliers and employees | (2,753) | (1,219) |
| Payment of project development costs | (9,320) | (11,512) |
| Interest received | 104 | 68 |
| Finance costs | (485) | (5) |
| Net cash inflow/(outflow) from operating activities | (10,084) | (12,264) |
| Cash flows from investing activities | | |
| Cash acquired in joint venture operation | - | 875 |
| Purchase of non-current assets | (3) | (8) |
| Proceeds from the sale of non-current assets | - | 1 |
| Net cash inflow/(outflow) from investing activities | (3) | 868 |
| Cash flows from financing activities | | |
| Proceeds from borrowings | 8,485 | 10,243 |
| Repayment of borrowings | - | (3) |
| Payments for share buy-back | (1,354) | - |
| Net cash inflow/(outflow) from financing activities | 7,131 | 10,240 |
| Net increase/(decrease) in cash held | (2,956) | (1,156) |
| Cash and cash equivalents at the beginning of the period | 9,890 | 3,851 |
| Cash and cash equivalents at the end of the period | 6,934 | 2,695 |

The accompanying notes form part of these financial statements

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

This half-year financial report is intended to provide an update on the latest annual financial statements of Axiom Properties Limited and its controlled entities ("Group"). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2014, together with any public pronouncements made during the following year.

Basis of preparation

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

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

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

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.

Significant accounting judgments and key estimates

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

In preparing this interim report, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Group's annual financial statements for the year ended 30 June 2014.

Going concern

The Directors have presented the financial statements on the basis that the Group will continue as a going concern. The Directors' Report outlines the Group's strategy in respect to improving the Group's financial position and mitigating risks and uncertainties facing the Group.

The Directors note that current liabilities exceed current assets as at balance date. This is due to the construction loan for the Churchill Centre South investment property of \$6.739 million being current at balance date. This is a timing issue and the Directors advise that the facility agreement in place with BankSA allows for the construction loan to be converted to a long-term investment loan upon final construction drawdown, which the Directors expect to occur by the end of first quarter 2015. After which, the loan will be treated as non-current.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

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

| | 31 December 2014 \$'000 | 31 December 2013 \$'000 |
|--|-------------------------------|-------------------------------|
|--|-------------------------------|-------------------------------|

The following revenue and expense items are relevant in explaining the financial performance for the half-year:

| | | |
|--|-------|-------|
| Revenue from properties | 1,960 | 103 |
| Amortisation of lease incentives and costs | (179) | - |
| Interest income | 104 | - |
| Change in fair value of investment properties | 5,223 | - |
| Gains arising from jointly controlled operations | - | 875 |
| Rental Outgoings | (858) | - |
| Audit and accountancy fees | (119) | (115) |

NOTE 3: ISSUED CAPITAL

| | 31 December 2014 \$'000 | 30 June 2014 \$'000 |
|------------------------|-------------------------------|---------------------------|
| <i>Ordinary shares</i> | | |
| Issued and fully paid | 62,265 | 63,559 |

| | Six months to 31 Dec 2014 | | 12 months to 30 June 2014 | |
|--|---------------------------|---------|---------------------------|--------|
| | No. | \$'000 | No. | \$'000 |
| <i>Movements in ordinary shares on issue</i> | | | | |
| At start of period | 442,240,643 | 63,559 | 440,740,643 | 63,499 |
| Issue on exercise of performance rights | 1,500,000 | 60 | 1,500,000 | 60 |
| Shares bought back during the period | (24,800,407) | (1,354) | - | - |
| At end of period | 418,940,236 | 62,265 | 442,240,643 | 63,559 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

NOTE 4: SEGMENT REPORTING

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

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

The following tables are an analysis of the Group's revenue, results from continuing operations and the Group's assets and liabilities by reportable segment provided to the Board for the half-year ended 31 December 2014 and 31 December 2013.

| | Continuing operations | | | |
|------------------------------------|----------------------------------|-----------------------|---------------------|------------------------|
| | Investment Property \$'000 | Development \$'000 | Corporate \$'000 | Consolidated \$'000 |
| 31 December 2014 | | | | |
| Segment revenue | 6,953 | 56 | 99 | 7,108 |
| Segment result | 5,492 | (15) | (1,240) | 4,237 |
| Results from continuing operations | 5,492 | (15) | (1,240) | 4,237 |
| 31 December 2014 | | | | |
| Segment assets | 45,827 | 7,864 | 6,316 | 60,007 |
| Segment liabilities | 38,059 | 12 | 472 | 38,543 |

| | 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 |

NOTE 5: INVESTMENT PROPERTIES

| | 31 December 2014 \$'000 | 30 June 2014 \$'000 |
|-----------------------------------|-------------------------------|---------------------------|
| Investment property at fair value | 45,005 | 33,505 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

NOTE 5: INVESTMENT PROPERTIES (continued)

Measurement of fair values

Fair value hierarchy

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

The fair value measurement for investment property of \$45.005 million has been categorised as a Level 3 fair value based on the inputs to the valuation technique used, as noted below.

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

| | 31 December 2014 \$'000 | 30 June 2014 \$'000 |
|---|-------------------------------|---------------------------|
| Balance at the beginning of the period | 33,505 | - |
| Transfer from other assets | 6,069 | 28,160 |
| Lease incentives, net of amortisation | 245 | 1,317 |
| Lease fees, net of amortisation | (37) | 521 |
| Change in fair value of investment properties | 5,223 | 3,507 |
| Closing balance at the end of the period | (i) 45,005 | 33,505 |

- (i) Axiom has a 50% ownership interest in Churchill North (\$33.505m) and a 100% interest in Churchill South (\$11.5m) which are situated on land under a 97 year ground lease with the South Australian Government. The independent valuation was effective 30 June 2014 for Churchill North and 31 December 2014 for Churchill South.

Valuation technique and significant unobservable inputs

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

| Valuation technique | Significant unobservable inputs | Inter-relationship between key unobservable inputs and fair value measurement |
|--|---|---|
| Capitalisation method and discounted cashflow approach: Axiom considers both techniques, and reconciles and weighs the estimates under each technique based on its assessment of the judgement that market participants would apply. | 1. Capitalisation (or discount / risk) rate (6% - 8.5%) | The estimated fair value would increase (decrease) if: |
| The capitalisation method estimates the sustainable net income (where applicable) of any asset held for sale, and then applies a capitalisation (or discount/risk) rate to this sustainable net income to derive the value of asset. | 2. Market income rates (\$215 – \$616 per square metre) | 1. Capitalisation (or discount / risk) rate is lower (higher) |
| | 3. Terminal yield (7.75% - 9%) | 2. Market income rates were higher (lower) |
| | 4. Escalation rates (rent: 1.65% - 3.43%, costs: 2.15% - 2.93%) | 3. Terminal yield is higher (lower) |
| | 5. Discount rate i.e. 10 year target IRR – (8.75% - 9.75%) | 4. Rent escalation is higher (lower) |
| | | 5. Cost escalation is lower (higher) |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

NOTE 5: INVESTMENT PROPERTIES (continued)

| Valuation technique | Significant unobservable inputs | Inter-relationship between key unobservable inputs and fair value measurement |
|---|---------------------------------|---|
| The discounted cashflow approach considers the present value of net cash flows to be generated from the property, taking into account the receipt of contractual rentals, expected future market rentals, letting up periods, escalation (of sales and costs), occupancy rate, lease incentive costs such as rent-free periods and other costs not paid by tenants. The expected net cash flows are discounted using risk-adjusted discount rates. Among other factors, the discount rate estimation considers the quality of a building and its location, tenant credit quality and lease terms. | | 6. Discount rate is (higher) lower |

NOTE 6: BORROWINGS

| | 31 December 2014 \$'000 | 30 June 2014 \$'000 |
|------------------------------|-------------------------------|---------------------------|
| Current Liability | | |
| Bank loans | 6,739 | 19,133 |
| Other loans | 7 | 22 |
| | <hr/> 6,746 | <hr/> 19,155 |
| Non-Current Liability | | |
| Bank loans | 20,880 | - |
| Other loans | 13 | - |
| | <hr/> 20,893 | <hr/> - |

Summary of borrowing arrangements

BankSA – Churchill Centre North, Stage 1

The Group along with its JV Partner, Southern Cross Equity Group Pty Ltd, entered into a construction and investment facility of \$41.760 million with BankSA in June 2013 to fund the construction costs associated with the development of the Churchill Centre North Shopping Centre. The construction facility was converted into an interest only investment facility for a term of 2 years in July 2014. The guarantee of each party is limited to 50% of the total facility limit, interest, northern ground rent and fees and costs. The base rate of the facility is BBSY (90 days).

BankSA – Churchill South, Stage 2

The Group entered into a construction and investment facility of \$7.4 million with BankSA in March 2014 to fund the construction costs associated with the development of the Churchill South Bulky Goods. The construction facility is for 12 months, after which it may be converted into an interest only investment facility. The base rate of the facility is BBSY (90 days).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

NOTE 7: 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 8: PERFORMANCE RIGHTS

Movement in performance rights over ordinary shares on issue:

| | Six months to 31 December 2014 No. (thousands) | 12 months to 30 June 2014 No. (thousands) |
|-----------------------------|---|--|
| At start of period | 4,000 | - |
| Preference rights issued | - | 5,500 |
| Preference rights exercised | (1,500) | (1,500) |
| Preference rights expired | - | - |
| At end of period | 2,500 | 4,000 |

NOTE 9: 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 2014 \$'000 | 31 December 2013 \$'000 |
|--|-------------------------------|-------------------------------|
| Statement of Financial Position | | |
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | 363 | 310 |
| Trade and other receivables | 50 | 353 |
| Other assets | - | - |
| Total Current Assets | 413 | 663 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

NOTE 9: JOINTLY CONTROLLED OPERATIONS (continued)

| | 31 December 2014 \$'000 | 31 December 2013 \$'000 |
|--|-------------------------------|-------------------------------|
| Non Current Assets | | |
| Investment Properties | 33,505 | - |
| Other assets | 59 | 18,325 |
| Total Non Current Assets | 33,564 | 18,325 |
| Total Assets | 33,977 | 18,988 |
| Liabilities | | |
| Current Liabilities | | |
| Trade and other payables | 352 | 3,395 |
| Deferred revenue | 197 | - |
| Borrowings | - | 10,242 |
| Total Current Liabilities | 549 | 13,637 |
| Non Current Liabilities | | |
| Deferred Revenue | 9,563 | - |
| Borrowings | 20,880 | - |
| Total Non Current Liabilities | 30,443 | - |
| Total Liabilities | 30,992 | 13,637 |
| Net Assets | 2,985 | 5,351 |
| Statement of Comprehensive Income | | |
| Revenue | 1,522 | 897 |
| Other expenses | (1,450) | (2) |
| Profit before Income Tax | 72 | 895 |
| Income tax expense | - | - |
| Net Profit for the period | 72 | 895 |

NOTE 10: 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.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014**

NOTE 11: EVENTS SUBSEQUENT TO REPORTING DATE

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 12 to 23, 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 2014 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 20th day of February 2015

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 2014, 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 2014 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*.

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 2014 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
Chartered Accountants



D I Buckley
Partner

Perth, Western Australia
20 February 2015