

ASX CODE

AXI

ISSUED CAPITAL

Ordinary Shares
420.4 M

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13 February 2017

ASX ANNOUNCEMENT

APPENDIX 4D – HALF YEAR REPORT – 31 DECEMBER 2016 AXIOM REPORTS 1,022% INCREASE IN UNDERLYING NET PROFIT AFTER TAX

Adelaide, Australia, Monday 13 February 2017: Axiom Properties Limited (ASX:AXI) lodges the attached Appendix 4D Half year report for the Half-year ended 31 December 2016.

HIGHLIGHTS FOR THE PERIOD

- Axiom's reported Net Profit After Tax (**NPAT**) was **\$4.3 million** for the half year;
- **NPAT** represents an increase of **1,022%** over the previous corresponding period (pcp), with no significant items reported in this period;
- Reported Net Tangible Assets (**NTA**) increases to **6.18cents** (up from 4.84cents), representing an increase of **27%** over pcp;
- **Revenue** from ordinary continuing operations of **\$2.9 million** was **5.4% higher** than pcp as the Company experiences growth in rental income from existing tenancies as well as the successful leasing of new tenancies.

Axiom's Managing Director, Ben Laurance, highlighted the 27% increase in net tangible asset per security and said that "the success of the first half is underpinned by two strong performing retail assets including the successful expansion of Aldi. It is further evidence that we continue to deliver on our objective to create long term value for shareholders by generating above average returns."

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:

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Appendix 4D

Half year report Half-year ended 31 December 2016

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 2016

31 DECEMBER 2015

2. Results for announcement to the market

\$A'000

2.1	Revenue from ordinary activities	up/ down	5.4%	To 2,941
2.2	Profit from ordinary activities after tax attributable to members	up/ down	1,022%	To 4,322
2.3	Profit for the period attributable to members	up/ down	1,022%	To 4,322

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
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- 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	6.18 cents	4.84 cents

4. Control gained over entities having material effect

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

Loss of control of entities having material effect

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

5. Dividends / distributions

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

Total dividends / distributions

Ordinary securities	N/A
Preference securities	N/A

6. Dividend / distribution plans

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

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

Name of associate / joint venture:	MB Estate Pty Ltd	
Holding in entities	50% holding in Joint Venture	
Group's aggregate share of associates' and joint venture entities':	Current reporting period \$A'000	Previous corresponding period \$A'000
Profit (loss) from ordinary activities before tax	-	(113)
Income tax on ordinary activities	-	-
Profit (loss) from ordinary activities after tax	-	(113)
Extraordinary items net of tax	-	-
Net profit (loss)	-	(113)
Adjustments	-	-
Share of net profit (loss) of associates and joint venture entities	-	(113)

8. Foreign entities

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

A description of accounts subject to audit dispute or qualification:	N/A
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INTERIM FINANCIAL REPORT
31 December 2016

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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 2016 ("the half-year"). In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

Directors

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

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

REVIEW OF OPERATIONS

CHURCHILL CENTRE (FORMERLY "ISLINGTON RAILYARDS")

The Churchill Centre project 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 incorporates 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 continues to consider 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, and providing robust recurring income to the Group.

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

REVIEW OF OPERATIONS (continued)



Churchill Centre project looking south towards Adelaide CBD

CHURCHILL CENTRE NORTH (50% INTEREST):

Background:

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



Churchill Centre North

REVIEW OF OPERATIONS (continued)

Stage 2, Churchill Centre North:

Construction of German retailer Aldi was successfully completed in March 2016 and Aldi commenced trade soon after along with a 350 sq.m medical facility. The success of the Centre expansion has been evident in the significant increase in both customer foot traffic to the Centre as well as retail turnover. On the back of this successful expansion, the Company and its partner are working on various schemes to fully develop the (approximately) 3 hectares of surplus land and has had some strong interest from national and international retailers and other groups to anchor the subsequent stages.

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



Churchill Centre North Aldi extension

CHURCHILL CENTRE SOUTH (100% INTEREST):

Since the successful development and sale of Bunnings in 2010, the Group has continued to hold a 100% interest in the balance of the 3-hectare parcel of land. The first stage was fully let to US retailer Savers, Auto barn and Pet Barn and opened for trade in December 2014 with Beacon Lighting subsequently opening in March 2015.

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

One pad site adjacent to Hungry Jack’s of approximately 2,000 sq.m remains undeveloped, which is under offer.

REVIEW OF OPERATIONS (continued)



Churchill Centre South

WORLD PARK 01, KESWICK SA (100% INTEREST)

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

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

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

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



World Park

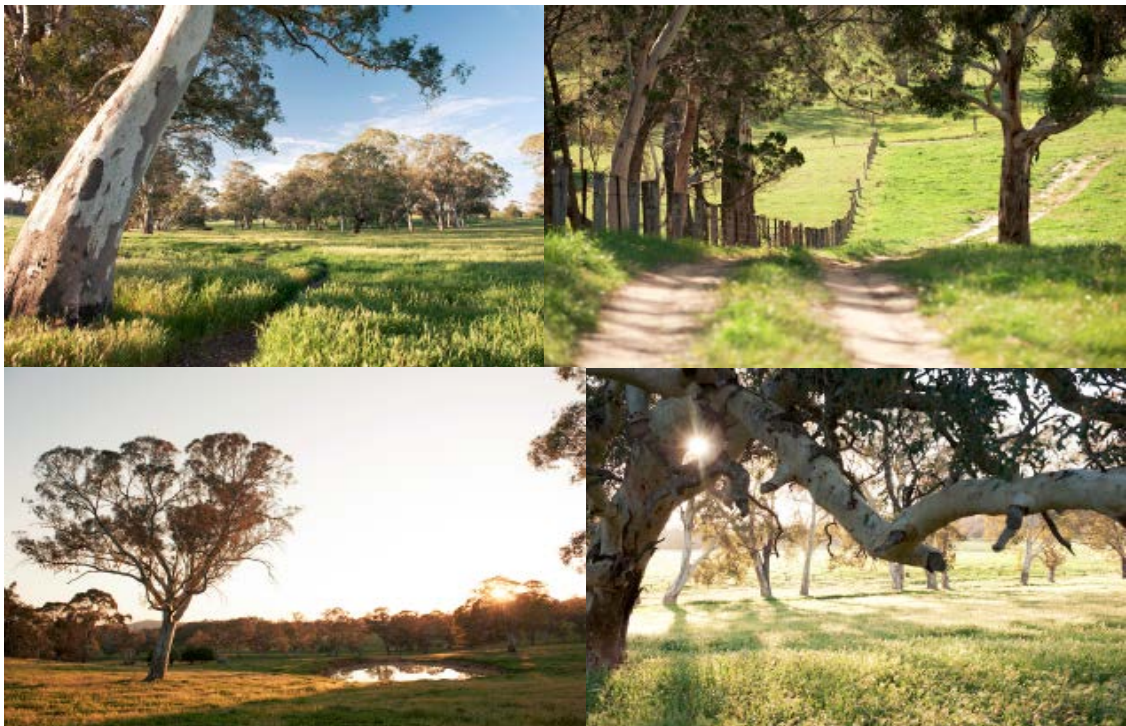
REVIEW OF OPERATIONS (continued)**MT BARKER (50% INTEREST)**

In May 2015, the Company announced it had entered into a 50/50 Joint Venture Agreement with the landowners of a large parcel of land in Mount Barker, South Australia to develop a major residential sub-division.

Mt Barker is one of SA's fastest growing regions as well as being one of the nation's fastest growing inland towns. The Company has been working with the land owners to develop a circa 600 allotment scheme that is in keeping with the natural and majestic environment of the area.

This broad acre subdivision opportunity gives the Company a low risk exposure to the residential sector, and is expected to start contributing to earnings in FY 18. Under the terms of the Joint Venture Agreement, Axiom is responsible for the delivery and management of the entire project, and will be entitled to share in the net proceeds of the residential sales.

In July 2016, the Company announced that it had received Development Approval for the broad acre residential subdivision and is now in the process of documenting and tendering for the commencement of works.

**DOUBLE BAY, SYDNEY NSW**

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

Axiom and Built, together with Council are currently working through the commercial and planning terms associated with the re-development of this 4,000 sq.m site.

REVIEW OF OPERATIONS (continued)



Council presentation conceptual Double Bay

NEW OPPORTUNITIES

The Company continues to evaluate new opportunities in the property development and investment sectors on an ongoing basis, with a view to leverage its experience, expertise and capability to generate above average returns.

END OF REVIEW OF OPERATIONS

ROUNDING OF AMOUNTS

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

AUDITOR'S INDEPENDENCE DECLARATION

Section 307C of the Corporations Act 2001 requires our auditors, BDO Audit (SA) Pty Ltd, to provide the Directors of the Company with an Independence Declaration in relation to the review of the half-year financial report. This Independence Declaration is set out on page 13 and forms part of this Directors' Report for the half year ended 31 December 2016.

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.

A handwritten signature in blue ink, appearing to be 'BL' followed by a long horizontal flourish.

Ben Laurance

Managing Director

Dated this 13th day of February 2017

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

As lead auditor for the review of Axiom Properties Limited for the half-year ended 31 December 2016, I declare that, to the best of my knowledge and belief, there have been:

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

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



Paul Gosnold
Director

BDO Audit (SA) Pty Ltd

Adelaide, 13 February 2017

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**

	Notes	31 December 2016 \$'000	31 December 2015 \$'000
Continuing Operations			
Revenue	2	2,941	2,789
Other income	2	4,713	403
Employee benefits expense		(1,242)	(1,007)
Depreciation and amortisation expense		(12)	(12)
Finance costs		(316)	(602)
Other expenses	2	(1,762)	(2,040)
Profit/(loss) before income tax		4,322	(469)
Income tax benefit / (expense)		-	-
Net Profit/(loss) for the period		4,322	(469)
Total comprehensive income/(loss) for the period		4,322	(469)
Basic earnings / (loss) per share (cents per share)		1.05 cents	(0.11) cents
Diluted earnings / (loss) per share (cents per share)		1.05 cents	(0.11) cents

The accompanying notes form part of these financial statements

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	Notes	31 December 2016 \$'000	30 June 2016 \$'000
Assets			
Current Assets			
Cash and cash equivalents		2,559	3,078
Trade and other receivables		123	127
Other assets	5	74	106
Total Current Assets		2,756	3,311
Non-Current Assets			
Property, plant and equipment		6	18
Other assets	5	7,397	7,200
Investment properties	6	62,000	57,465
Investments accounted for using the equity method		784	391
Total Non-Current Assets		70,187	65,074
Total Assets		72,943	68,385
Liabilities			
Current Liabilities			
Trade and other payables		652	344
Deferred revenue		304	410
Interest-bearing loans and borrowings	7	1	7
Provisions		257	268
Total Current Liabilities		1,214	1,029
Non-Current Liabilities			
Deferred revenue		9,167	9,266
Interest-bearing loans and borrowings	7	36,559	36,409
Other Financial Liabilities	8	29	220
Total Non-Current Liabilities		45,755	45,895
Total Liabilities		46,969	46,924
Net Assets		25,974	21,461
Equity			
Issued capital	3	62,298	61,915
Reserves		396	588
Accumulated losses		(36,720)	(41,042)
Total Equity		25,974	21,461

The accompanying notes form part of these financial statements

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**

	Issued Capital	Accumulated Losses	Reserves	Total Equity
	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2015	61,833	(41,489)	94	20,438
Loss for the period	-	(469)	-	(469)
Total comprehensive loss for the period	-	(469)	-	(469)
Share-based payments expense (net of expired performance rights)	-	-	55	55
Reserve transfer – exercise of performance rights	82	-	(82)	-
Balance at 31 December 2015	61,915	(41,958)	67	20,024
Balance at 1 July 2016	61,915	(41,042)	588	21,461
Profit for the period	-	4,322	-	4,322
Total comprehensive income for the period	-	4,322	-	4,322
Share-based payments expense (net of expired performance rights)	-	-	191	191
Reserve transfer – exercise of performance rights	383	-	(383)	-
Balance at 31 December 2016	62,298	(36,720)	396	25,974

The accompanying notes form part of these financial statements

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	31 December 2016 \$'000	31 December 2015 \$'000
Cash flows from operating activities		
Receipts from customers	2,741	1,790
Payments to suppliers and employees	(2,249)	(2,354)
Payment of project development costs	(475)	(6,462)
Interest received	23	44
Finance costs	(704)	(603)
Net cash (outflow) from operating activities	(664)	(7,585)
Cash flows from investing activities		
Investment in joint venture	-	(113)
Purchase of non-current assets	-	(7)
Net cash (outflow) from investing activities	-	(120)
Cash flows from financing activities		
Proceeds from borrowings	150	5,454
Payments for lease and HP liabilities	(5)	-
Net cash inflow from financing activities	145	5,454
Net (decrease) in cash held	(519)	(2,251)
Cash and cash equivalents at the beginning of the period	3,078	5,830
Cash and cash equivalents at the end of the period	2,559	3,579

The accompanying notes form part of these financial statements

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

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

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2016 and any public announcements made by the Group during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

Basis of preparation

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

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

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

Accounting policies and methods of computation

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

Adoption of new and revised Accounting Standards

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

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 2016.

Going concern

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Going concern (continued)

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.

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

	31 December 2016 \$'000	31 December 2015 \$'000
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The following revenue and expense items are relevant in explaining the financial performance for the half-year:

Rental Revenue	2,941	2,738
Amortisation of lease incentives and costs	(174)	(196)
Interest income	24	44
Change in fair value of investment properties	4,689	359
Losses arising from jointly controlled operations	-	(113)
Rental outgoings	(1,219)	(1,242)
Audit and accountancy fees	(52)	(121)

NOTE 3: ISSUED CAPITAL

	31 December 2016 \$'000	30 June 2016 \$'000
<i>Ordinary shares</i>		
Issued and fully paid	62,298	61,915

	6 months to 31 Dec 2016		12 months to 30 June 2016	
	No.	\$'000	No.	\$'000
<i>Movements in ordinary shares on issue</i>				
At start of period	413,332,396	61,915	411,332,396	61,833
Issue on exercise of performance rights	7,150,000	383	2,000,000	82
At end of period	420,482,396	62,298	413,332,396	61,915

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**

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 2016 and 31 December 2015.

	Continuing operations			
	Investment Property \$'000	Development \$'000	Corporate \$'000	Consolidated \$'000
31 December 2016				
Segment revenue	7,566	65	22	7,653
Segment result	5,933	(39)	(1,572)	4,322
Results from continuing operations	5,933	(39)	(1,572)	4,322

31 December 2016				
Segment assets	62,576	8,003	2,364	72,943
Segment liabilities	46,236	-	733	46,969

	Continuing operations			
	Investment Property \$'000	Development \$'000	Corporate \$'000	Consolidated \$'000
31 December 2015				
Segment revenue	3,045	104	43	3,192
Segment result	1,077	(90)	(1,456)	(469)
Results from continuing operations	1,077	(90)	(1,456)	(469)

31 December 2015				
Segment assets	52,642	9,220	3,334	65,196
Segment liabilities	43,058	1,470	644	45,172

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**

NOTE 5: OTHER ASSETS

	31 December 2016 \$'000	30 June 2016 \$'000
<i>Current</i>		
Prepayments	74	106
<i>Non-Current</i>		
Land (development) at valuation	7,200	7,200
<i>Financial assets carried at fair value through profit and loss (FVTPL)</i>		
Interest rate swap (Note 9)	197	-
	7,397	7,200

NOTE 6: INVESTMENT PROPERTIES

	31 December 2016 \$'000	30 June 2016 \$'000
Investment property at fair value	62,000	57,465

Measurement of fair values

Fair value hierarchy

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

The fair value measurement for investment property of \$62,000 million has been categorised as a Level 3 fair value based on the inputs to the valuation technique used.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

NOTE 6: INVESTMENT PROPERTIES (continued)

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

	Churchill North \$'000	Churchill South \$'000	31 December 2016 \$'000
Balance at 1 July 2016	38,865	18,600	57,465
Additions	20	-	20
Lease incentives, net of amortisation	(107)	(24)	(131)
Lease fees, net of amortisation	(32)	(11)	(43)
Change in fair value of investment properties (iii)	2,354	2,335	4,689
Closing balance at 31 December 2016	(i) 41,100	(ii) 20,900	62,000

- (i) Axiom has a 50% ownership interest in Churchill North which is situated on land under a 97 year ground lease with the South Australian Government.
- (ii) Axiom has a 100% ownership interest in Churchill South which is situated on land under a 97 year ground lease with the South Australian Government.
- (iii) The change in fair value of investment properties is recognised in other income in the statement of profit or loss and other comprehensive income.

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 cash flow 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 (6.00% - 7.75%)	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 (\$212 – \$2,411 per square metre)	1. Capitalisation (or discount / risk) rate is lower (higher)
The discounted cash flow 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.	3. Terminal yield (7.00% - 8.00%)	2. Market income rates were higher (lower)
	4. Escalation rates (rent: 1.13% - 3.04%, costs: 2.13% - 2.54%)	3. Terminal yield is higher (lower)
	5. Discount rate i.e. 10 year target IRR – (8.00% - 8.75%)	4. Rent escalation is higher (lower)
		5. Cost escalation is lower (higher)
		6. Discount rate is (higher) lower

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED
31 DECEMBER 2016**

NOTE 7: BORROWINGS

	31 December 2016 \$'000	30 June 2016 \$'000
Current Liability		
Other loans	1	7
	1	7
Non -Current Liability		
Bank loans	36,559	36,409
	36,559	36,409

Summary of borrowing arrangements

BankSA – Churchill Centre North

The Group along with its joint operation partner, Southern Cross Equity Group Pty Ltd, at last reporting date had an investment facility of \$49.980 million with BankSA. The interest only investment facility matures in December 2018. The guarantee of each party is limited to 50% of the total facility limit, interest, northern ground rent and fees and costs. The base rate of the facility is BBSY (30 days). In addition, there is an acceptance fee of 1.4% p.a. on the rolling bills.

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

BankSA – Churchill South

The Group at last reporting date had an investment facility of \$11.570 million with BankSA. The interest only investment facility matures in December 2018. The base rate of the facility is BBSY (30 days). In addition, there is an acceptance fee of 1.55% p.a. on the rolling bills.

In September 2016, the Group entered into a 4 year and 9 month swap facility with BankSA for \$11.570 million. The fixed swap rate is 1.68% (plus bank margin) and is transferable between institutions and provides a hedge against the variability of interest payable on the \$11.570 million facility.

NOTE 8: OTHER LIABILITIES

	31 December 2016 \$'000	30 June 2016 \$'000
<i>Non-Current</i>		
Financial liabilities carried at fair value through profit and loss (FVTPL)		
Interest rate swap (Note 9)	29	220
	29	220

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

NOTE 9: FINANCIAL INSTRUMENTS

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

Interest rate swaps – cash flow hedges

Interest-bearing loans of the Group currently bear an average variable interest rate of 3.18%. In order to protect against rising interest rates the Group has entered into two interest rate swap contracts under which it has a right to receive interest at variable rates and to pay interest at fixed rates. The swaps in place cover approximately 66% (June 2016: 34%) of the principal outstanding of the Group's debt exposure. The interest rate swaps expires in February 2020 (North) and June 2021 (South). The fixed interest rate on the swaps are 2.18% (North) and 1.87% (South) (June 2016: 2.18% - North) and the variable rate is the applicable facility margin plus the 30 day bank bill rate, which at balance date was 1.685% (June 2016: 1.895%).

At 31 December 2016, the notional principal amounts and period of expiry of the interest rate swap contracts are as follows:

	<i>Consolidated</i>		<i>Fair Value</i>	
	31 December 2016 \$'000	30 June 2016 \$'000	31 December 2016 \$'000	30 June 2016 \$'000
3 – 4 years	12,500	12,500	29	220
4 – 5 years	11,570	-	(197)	-

NOTE 10: PERFORMANCE RIGHTS

Movement in performance rights over ordinary shares on issue:

	6 months to 31 December 2016 No. (thousands)	12 months to 30 June 2016 No. (thousands)
At start of period	20,500	2,500
Performance rights issued	-	20,000
Performance rights exercised	(7,150)	(2,000)
At end of period	13,350	20,500

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.

NOTE 12: CONTINGENT LIABILITIES

The Group had no contingent liabilities as at the 31 December 2016.

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 13 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 2016 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 13th day of February 2017

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Axiom Properties Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2016, the condensed consolidated statement comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's 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 2016 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 Axiom Properties Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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



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 2016 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001

A handwritten signature in blue ink that reads 'BDO'.

BDO Audit (SA) Pty Ltd

A handwritten signature in blue ink that reads 'Paul Gosnold'.

Paul Gosnold
Director

Adelaide, 13 February 2016