Velocity Property Group Limited

ABN 66 605 935 153

Financial Report - 30 June 2019

Directors	Michael Pearson - Chairman (non-executive director) Brendon Ansell - Managing Director (executive) Philip Raff - Director (executive) Cherie Leatham - Director (non-executive)
Company secretary	Phillip Young
Other company details	Postal address: PO Box 519, Bulimba, Qld 4171 Telephone: 1300 887 623 Email address: info@velocitypropertygroup.com.au Website: www.velocitypropertygroup.com.au
Registered office	Unit 6, 59 Oxford Street, Bulimba, Qld 4171
Share register	Link Market Services Limited Locked Bag A14 South Sydney, NSW 1235 Telephone enquiries within Australia: 1300 554 474 Email address: registrars@linkmarketservices.com.au
Auditor	Crowe Horwath Level 16, 120 Edward Street Brisbane, Qld 4000
Solicitors	McCullough Robertson Level 11, 66 Eagle Street Brisbane, Qld 4000 Warlow Scott Level 7, 76 Adelaide Street Brisbane, Qld 4000
Bankers	Bank of Queensland Westpac Banking Corporation ANZ Banking Group Ltd Suncorp Limited ING Bank

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Velocity Property Group Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2019.

Directors
The following persons were directors of Velocity Property Group Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Mr Michael Pearson
Mr Brendon Ansell
Mr Philip Raff
Mrs Cherie Leatham

Michael Pearson
Chairman (non-executive & independent)

Michael is a qualified lawyer and is a current member and graduate of the Governance Institute, Australian Institute of Company Directors and Queensland Law Society. Michael holds a Bachelor of Arts from the University of Queensland and a Bachelor of Law from Queensland University of Technology. Michael was previously the General Counsel and Company Secretary of Cardno Limited, and before that, acted in a corporate and legal role with Aveo Group (formerly FKP Property Group). Michael is currently the General Counsel and Company Secretary for ALS Limited.

Michael is also a member of the Audit & Risk Management Committee.

Brendon Ansell
Managing Director (executive)

Brendon is a property developer with more than 15 years' experience having commenced as a financier for property development clients before moving full time into property development. Brendon has completed projects through his own development companies and as part of joint ventures with other equity participants. In particular, Brendon has worked closely on funding projects through structured hybrid debt/equity arrangements. Brendon is a member of the Australian Institute of Company Directors.

Philip Raff
Director (executive)

Philip holds a Bachelor of Business from Central Queensland University along with being a member of the Australian Institute of Company Directors. Prior to joining the Group in 2013, Philip had a 20-year career in the PC industry working for multi-national corporations including IBM and Lenovo focusing on IT deployments and business transformation. In 2013, Philip began funding property developments through his Singapore network.

Philip is also a member of the Audit & Risk Management Committee.

Cherie Leatham
Director (non-executive & independent)

Cherie is a corporate real estate advisor with more than 15 years' experience which encompasses advising leading Australian companies across a broad range of areas including property development, infrastructure and project management. Cherie currently holds an executive role at Woolworths Limited and is responsible for the execution of strategy and identification of risk across the national real estate network. Cherie is a member of the Australian Institute of Directors and holds a Bachelor of Laws and Bachelor of Arts from Monash University.

Cherie is also the Chairman of the Audit & Risk Management Committee.

Company secretary
The following person held the position of company secretary of the Company during the whole of the financial year and up to the date of this report, unless otherwise stated:

- Phillip Young

Phillip joined the Group in July 2016 as Chief Financial Officer and was appointed Company Secretary in August 2016. Prior to joining the Group, Phillip spent 13 years at Crowe Horwath, a national mid-tier accounting firm. Phillip is a member of the Chartered Accountants of Australia & New Zealand and the Governance Institute of Australia. Phillip holds a Bachelor of Business in Accounting and Information Systems from Central Queensland University.

Principal activities

During the financial year the principal continuing activities of the Group consisted of:
- Property development (residential multi-unit apartments, residential townhouses and homes)
- Residential property investment

Velocity Property Group is a boutique residential property development company specialising in luxury residential apartments, townhouses and homes, recognisable for their stylish architectural design, high quality finishes and usable and flexible spaces that maximise lifestyle and saleability in the markets in which it operates.

Velocity is a vertically integrated business which manages the entire project development process from site sourcing and concept design through to marketing, sales and final handover of the completed product. This process is completed by specialist in-house staff experienced in land acquisition, project due diligence, feasibility analysis, project management, marketing & sales. Design and construction of the projects are tendered out to external parties.

There was no significant change in the principal activities of the Group during the financial year.

Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Review of operations

The profit for the Group after providing for income tax and non-controlling interest amounted to $604,898 (30 June 2018: $157,813).

Operating and Financial Highlights

The key operating and financial highlights for the Group during the reporting period were:

- Net profit after tax of $604,898;
- This result also includes non-cash unrealised foreign exchange losses of $544,812 (before tax) and non-cash revaluation decrements of investment properties of $195,570 (before tax);
- Development margins of 19% (2018: 22%) on total development costs as a result of more stringent construction financing conditions during the period;
- Cash repayments of Singapore working capital facility during the year totalling $1,042,535;
- $6,445,000 site acquisition in prime Gold Coast location at Burleigh Heads to complement existing projects;
- Establishment of an in-house sales team to drive sales; and
- Net tangible assets per share increased to 5.59 cents (2018: 4.96 cents).

Group Development Portfolio

As at 30 June 2019, the Group's active development portfolio comprised of the following:

The Hathaway
The Cadell Street site in Auchenflower is 93% sold with the last remaining penthouse expected to sell during FY20.

ONE Palm Beach
Settlements commenced in December 2018 and continued through FY19 with 65% sold as at 30 June 2019. Several off-the-plan contracts did not settle due to stricter lending conditions imposed on purchasers by the Australian Prudential Regulation Authority and enforced by the financial institutions. Since balance date, a further two apartments have sold and the Group is forecasting the remaining four apartments to sell in FY20.

Ellerslie Crescent Houses and Parque on Oxford
The three Ellerslie Crescent Houses are complete; one sold during FY19 and the remaining two along with the renovated pre-1946 dwelling are expected to sell in FY20. Construction of the Parque on Oxford Townhouses and Apartments is forecast to be finished by December 2019 and most of the sales are expected in FY20.

ONE Bulimba Riverfront
Construction is expected to finish in the 2nd quarter of FY20 with the majority of the off-the-plan sales also settling in the same period. Sales are progressing well with buyer interest increasing as the development nears completion. The Group is forecasting most of the remaining apartments to sell in FY20.

The Esplanade, Palm Beach
Development approval was granted in FY19 for this beach front development site. The Group is planning an onsite display suite in mid-FY20 to drive sales ahead of construction commencing during the 2nd half of FY20.

First Avenue, Burleigh Heads
This Gold Coast site, acquired in March 2019, is the latest addition to the Group's portfolio of premium projects on the Gold Coast. The Group anticipates obtaining development approval during FY20 with construction commencing in FY21.

Group Investment Property Portfolio

As at 30 June 2019, the Group's investment property portfolio consists of ten residential apartments currently valued at $7,018,430. As at the date of this report, all of the apartments are currently leased. A revaluation decrement of $195,570 was recorded during the current financial year based on an independent third-party valuation.

The Group is constantly reviewing its investment property portfolio to ensure optimum capital & rental income returns are being generated versus realising the remaining capital and utilising that capital through development projects where superior returns are generated. No investment properties were sold during the current period.

Business Strategies and Future Outlook

The Group is committed to becoming the market leader in the development of luxury property by creating and delivering luxurious, high-end quality residential projects targeted towards the discerning high-net worth owner occupier market.

The Group's vision is to create sustainable value for its shareholders through the core business activity of creating exclusive communities that people are proud to be a part of. This will be achieved by continually striving for excellence and innovation in the design, environmentally friendly functionality and delivery of its development projects.

Underpinned by a deep understanding of the Australian real estate market and a robust approach to research, the Group is actively monitoring the market for opportunities to further increase and replenish its development portfolio, with a strategic and specific focus on key markets throughout south-east Queensland, particularly in Brisbane and the Gold Coast, where there are still favourable off market opportunities available, providing they meet the Group's development criteria.

Ongoing investment is being made into the Group's brand, market awareness, sales technology and additional staffing resources to continue the growth of the Group and its profile. In the future, it is expected that this will open up additional sales channels, increase off-the-plan sales and increase the rate of final sales once a project is completed. The current sales being achieved is a testament to the Group's development projects being desirable living spaces in desirable locations in the key upmarket areas of south-east Queensland.

By engaging with the communities where the Group's projects are situated, the Group is able to gather valuable market intelligence to continually refine the product offering to the target demographic. The Group believes there is strong demand for desirable living spaces in desirable locations enabling the Group to satisfy market demands rather than creating an over supply of product that hopefully sells.

Likely developments and expected results of operations
The Directors continue to be mindful of enhancing shareholder return and in the absence of a dividend payment must continue to recycle the cash and capital generated from completed developments, into replenishing the Group's development property portfolio across key locations in south-east Queensland.

The Group continues to seek out opportunities to add to it’s investment property portfolio in line with its strategic goal to build a recurring income stream. This income, along with the development projects on hand will provide the foundations for the future operations. The Group is constantly reviewing its investment property portfolio to ensure the capital is being appropriately utilised versus superior returns that are available through development opportunities.

Significant changes in the state of affairs
There were no significant changes in the state of affairs of the Group during the financial year.

Matters subsequent to the end of the financial year
No matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Environmental regulation
The Group's operations are subject to environmental regulations under both Commonwealth and State legislation in relation to its property development activities. The Directors are not aware of any significant breaches during the reporting period.

Directors Interests
The relevant interests of each Director in the shares of the Group at the date of this report is presented below. The table below also includes the relevant interests of each Director and their related parties.

Director	Ordinary Shares
Brendon Ansell	85,953,571
Philip Raff	31,950,000
Michael Pearson	242,857
Cherie Leatham	165,828

There are no options held by Directors over unissued ordinary shares of the Group.

Remuneration report (audited)
The remuneration report details the key management personnel remuneration framework and arrangements for the Group, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:
- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration
The objective of the Group's executive reward framework is to attract and retain executives whilst ensuring reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:
- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency

The Board is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the Group depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

The reward framework is designed to align executive reward to shareholders' interests. The Board have considered that it should seek to enhance shareholders' interests by:
- having net profit after tax as a core component of the remuneration framework
- focusing on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value
- attracting and retaining high calibre executives

Additionally, the reward framework should seek to enhance executives' interests by:
- rewarding capability and experience
- reflecting competitive reward for contribution to growth in shareholder wealth
- providing a clear structure for earning rewards

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

Non-executive directors remuneration
Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees and payments are reviewed annually by the Board. The Board may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. The chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The chairman is not present at any discussions relating to the determination of his own remuneration. Non-executive directors do not receive share options or other incentives.

ASX listing rules require the aggregate non-executive directors' remuneration be determined periodically by a general meeting. The most recent determination was at the Annual General Meeting held on 26 October 2016, where the shareholders approved a maximum annual aggregate remuneration of $250,000. This amount was agreed upon as it allowed the Group the capacity to appoint additional non-executive directors in the future should the Board consider it in the best interests of the shareholders.

Executive remuneration
The Group aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

The executive remuneration and reward framework has four components:
- base pay and non-monetary benefits
- short-term performance incentives
- other remuneration such as superannuation

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Board based on individual performance, the overall performance of the Group and comparable market remunerations.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits (for example salary sacrifice) where it does not create any additional costs to the Group and provides additional value to the executive.

The short-term incentives ('STI') program is designed to align the targets of the business with the performance hurdles of executives. STI payments are granted to executives based on specific annual targets and key performance indicators ('KPI's') being achieved.

Details of remuneration

Amounts of remuneration
Details of the remuneration of key management personnel of the Group are set out in the following tables.

The key management personnel of the Group consisted of the following directors of Velocity Property Group Limited:
- Michael Pearson
- Brendon Ansell
- Philip Raff
- Cherie Leatham

And the Chief Financial Officer:
- Phillip Young

There were no changes in key management personnel after the reporting date and the date the financial report was authorised for issue.

2019	Short-term benefits: Cash salary and fees $	Short-term benefits: Cash bonus $	Post-employment benefits: Super-annuation $	Total $
Non-Executive Directors:				
Michael Pearson	75,000	-	7,125	82,125
Cherie Leatham	60,000	-	5,700	65,700
Executive Directors:				
Brendon Ansell	200,109	-	19,010	219,119
Philip Raff	124,000	-	-	124,000
Other Key Management Personnel:				
Phillip Young	156,000	-	14,820	170,820
	615,109	-	46,655	661,764

2018	Short-term benefits: Cash salary and fees $	Short-term benefits: Cash bonus $	Post-employment benefits: Super-annuation $	Total $
Non-Executive Directors:				
Michael Pearson	75,000	-	7,125	82,125
Cherie Leatham	60,000	-	5,700	65,700
Executive Directors:				
Brendon Ansell	180,000	-	17,100	197,100
Philip Raff	124,000	-	-	124,000
Other Key Management Personnel:				
Phillip Young	156,000	4,016	15,201	175,217
	595,000	4,016	45,126	644,142

The proportion of remuneration linked to performance and the fixed proportion are as follows:

Name	Fixed remuneration 2019	Fixed remuneration 2018	At risk - STI 2019	At risk - STI 2018
Non-Executive Directors:				
Michael Pearson	100%	100%	-	-
Cherie Leatham	100%	100%	-	-
Executive Directors:				
Brendon Ansell	100%	100%	-	-
Philip Raff	100%	100%	-	-
Other Key Management Personnel:				
Phillip Young	100%	98%	-	2%

Service agreements

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements for the year ended 30 June 2019 are as follows:

Name:	Brendon Ansell
Title:	Managing Director
Agreement commenced:	27 August 2018
Term of agreement:	Employment agreement
Details:	Base salary for the year ending 30 June 2019 of $200,913 plus superannuation; $1,000 reimbursement for each international business trip; mobile phone provided by the company. No fixed end date with 6 months termination notice by either party.

Name:	Philip Raff
Title:	Director and Commercial Manager
Agreement commenced:	28 October 2016
Term of agreement:	Consultancy Agreement
Details:	Base fee of $120,000 excluding GST for a minimum of 47 weeks performance per annum. Travel allowance of $1,000 excluding GST for each business trip to Australia. No fixed end date with 6 months termination notice by either party. Re-elected at the 2018 Annual General Meeting held on 27 November 2018.

Name:	Cherie Leatham
Title:	Independent Non-Executive Director
Agreement commenced:	24 October 2016
Term of agreement:	Letter of Appointment
Details:	Annual fees of $60,000 plus superannuation. Re-elected at the 2017 Annual General Meeting held on 14 November 2017.

Name:	Michael Pearson
Title:	Independent Non-Executive Director and Chairman
Agreement commenced:	24 October 2016
Term of agreement:	Letter of appointment
Details:	Annual fees of $75,000 plus superannuation, initial 3 year term.

Name:	Phillip Young
Title:	Company Secretary and Chief Financial Officer
Agreement commenced:	1 July 2018
Term of agreement:	Employment Agreement
Details:	Base salary of $156,000 plus superannuation. Gross bonus (including superannuation) of 0.2% of FY19 annual net profit after tax. No fixed end date with 3 month termination notice by either party.

Additional disclosures relating to key management personnel

Shareholding

The number of shares in the Company held during the financial year by each director and other members of key management personnel of the Group, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
Ordinary shares					
Brendon Ansell	85,953,571	-	-	-	85,953,571
Philip Raff	31,950,000	-	-	-	31,950,000
Michael Pearson	100,000	-	142,857	-	242,857
Cherie Leatham	-	-	165,828	-	165,828
	118,003,571	-	308,685	-	118,312,256

This concludes the remuneration report, which has been audited.

Corporate Governance Statement
The Group is committed to ensuring that its systems, procedures and practices reflect a high standard of corporate governance. The Directors believe that the Group's corporate governance framework is critical in maintaining high standards of corporate governance and fostering a culture that values ethical behaviour, integrity and respect, to protect shareholders' and other stakeholders' interest at all times.

During the year ended 30 June 2019, the Group's corporate governance framework was consistent with the third edition of the Corporate Governance Principles and Recommendations released by the ASX Corporate Governance Council. The Group's corporate governance statement and associated policies for the year ended 30 June 2019 can be found at the Group's website at: **www.velocitypropertygroup.com.au/corporate-governance**

Indemnity and insurance of officers
The Group has indemnified the directors and executives of the Group for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Group paid a premium in respect of a contract to insure the directors and executives of the Group against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium. The directors and officers liability insurance taken out to protect their interests' is in line with what would commonly be expected for the nature of the Group's business.

Indemnity and insurance of auditor
The Group has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Group or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

Proceedings on behalf of the Group
No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Group, or to intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or part of those proceedings.

Non-audit services
Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 28 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 28 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:
- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

Auditor's independence declaration
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

ASIC class order 2016/191 rounding of amounts
The Group is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors Reports) Instrument 2016/191. Amounts in the financial statements have been rounded to the nearest dollar.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

Brendon Ansell
Managing Director

Michael Pearson
Chairman

26 August 2019

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Auditor’s Independence Declaration

As auditor of Velocity Property Group Limited for the year ended 30 June 2019, I declare that, to the best of my knowledge and belief, there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Velocity Property Group Limited and the entities it controlled during the year.

Crowe Brisbane

Crowe Brisbane

John Zabala (FCA)
Partner

Brisbane
Date: 26 August 2019

The title ‘Partner’ conveys that the person is a senior member within their respective division and is among the group of persons who hold an equity interest (shareholder) in its parent entity, Findex Group Limited. The only professional service offering which is conducted by a partnership is the Crowe Australasia external audit division. All other professional services offered by Findex Group Limited are conducted by a privately-owned organisation and/or its subsidiaries.

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	Note	Consolidated 2019 $	2018 $
Revenue			
Revenue from sale of properties		38,175,272	17,148,563
Other revenue from operations	4	456,362	253,934
Total revenue		38,631,634	17,402,497
Expenses			
Cost of property development and construction	6	(32,026,747)	(13,985,782)
Employee benefits expense		(1,278,333)	(1,157,587)
Depreciation and amortisation expense		(38,905)	(12,546)
Administration and other expenses	7	(2,221,357)	(2,094,220)
Total expenses		(35,565,342)	(17,250,135)
Profit before income tax expense		3,066,292	152,362
Income tax expense	8	(763,070)	(54,444)
Profit after income tax expense for the year		2,303,222	97,918
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		2,303,222	97,918
Profit for the year is attributable to:			
Non-controlling interest		1,698,324	(59,895)
Shareholders of Velocity Property Group Limited		604,898	157,813
		2,303,222	97,918
Total comprehensive income for the year is attributable to:			
Non-controlling interest		1,698,324	(59,895)
Shareholders of Velocity Property Group Limited		604,898	157,813
		2,303,222	97,918
		Cents	Cents
Basic earnings per share	9	0.17	0.04
Diluted earnings per share	9	0.17	0.04

The above statement of comprehensive income should be read in conjunction with the accompanying notes

	Note	Consolidated 2019 $	2018 $
Assets			
Current assets			
Cash and cash equivalents	10	1,839,403	3,720,463
Trade and other receivables		49,852	63,290
Inventories	12	86,134,470	64,941,295
Other	13	632,083	311,308
Total current assets		88,655,808	69,036,356
Non-current assets			
Investment properties	14	7,018,430	7,214,000
Property, plant and equipment	15	1,119,402	1,095,657
Intangibles		26,958	3,450
Total non-current assets		8,164,790	8,313,107
Total assets		96,820,598	77,349,463
Liabilities			
Current liabilities			
Trade and other payables	16	3,424,779	3,950,187
Borrowings	17	62,104,753	43,762,671
Employee benefits		75,998	26,062
Redeemable preference shares	18	922,450	3,196,821
Total current liabilities		66,527,980	50,935,741
Non-current liabilities			
Borrowings	19	8,595,947	7,783,343
Deferred tax	8	1,452,249	689,179
Total non-current liabilities		10,048,196	8,472,522
Total liabilities		76,576,176	59,408,263
Net assets		20,244,422	17,941,200
Equity			
Issued capital	21	15,216,548	15,216,548
Reserves	22	472,862	472,862
Retained profits		2,994,416	2,389,518
Equity attributable to the shareholders of Velocity Property Group Limited		18,683,826	18,078,928
Non-controlling interest		1,560,596	(137,728)
Total equity		20,244,422	17,941,200

The above statement of financial position should be read in conjunction with the accompanying notes

Consolidated	Issued capital $	Reserves - predecessor accounting $	Retained profits $	Non-controlling interest $	Total equity $
Balance at 1 July 2017	15,216,548	472,862	2,231,705	(77,833)	17,843,282
Profit/(loss) after income tax expense for the year	-	-	157,813	(59,895)	97,918
Other comprehensive income for the year, net of tax	-	-	-	-	-
Total comprehensive income for the year	-	-	157,813	(59,895)	97,918
Balance at 30 June 2018	15,216,548	472,862	2,389,518	(137,728)	17,941,200

Consolidated	Issued capital $	Reserves - predecessor accounting $	Retained profits $	Non-controlling interest $	Total equity $
Balance at 1 July 2018	15,216,548	472,862	2,389,518	(137,728)	17,941,200
Profit after income tax expense for the year	-	-	604,898	1,698,324	2,303,222
Other comprehensive income for the year, net of tax	-	-	-	-	-
Total comprehensive income for the year	-	-	604,898	1,698,324	2,303,222
Balance at 30 June 2019	15,216,548	472,862	2,994,416	1,560,596	20,244,422

The above statement of changes in equity should be read in conjunction with the accompanying notes

	Note	Consolidated 2019 $	Consolidated 2018 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		39,517,425	18,846,671
Payments to suppliers and employees (inclusive of GST)		(61,924,296)	(51,421,720)
		(22,406,871)	(32,575,049)
Interest received		66,159	50,992
Interest and other finance costs paid		(286,190)	(213,318)
Net cash used in operating activities	11	(22,626,902)	(32,737,375)
Cash flows from investing activities			
Payments for property, plant and equipment		(61,104)	(1,084,671)
Payments for intangibles		(25,950)	-
Proceeds from disposal of investment properties		-	3,345,002
Proceeds from disposal of property, plant and equipment		-	1,989
Net cash from/(used in) investing activities		(87,054)	2,262,320
Cash flows from financing activities			
Proceeds from borrowings		78,277,317	44,297,841
Repayment of borrowings		(57,444,421)	(14,955,797)
Net cash from financing activities		20,832,896	29,342,044
Net decrease in cash and cash equivalents		(1,881,060)	(1,133,011)
Cash and cash equivalents at the beginning of the financial year		3,720,463	4,853,474
Cash and cash equivalents at the end of the financial year	10	1,839,403	3,720,463

The above statement of cash flows should be read in conjunction with the accompanying notes

Note 1. General information

The financial statements cover Velocity Property Group Limited as a Group consisting of Velocity Property Group Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is Velocity Property Group Limited's functional and presentation currency.

Velocity Property Group Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Velocity Property Group Limited
Unit 6 / 59 Oxford Street
Bulimba, Qld, 4171

A description of the nature of the Group's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 26 August 2019. The directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out either in the respective notes or below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

The adoption of these Accounting Standards and Interpretations did not have any impact on the financial performance or position of the Group.

AASB 16 Leases
The Group has adopted AASB 16 from 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

Following the adoption of this standard, there was no adjustments required to be made as the Group had no long term lease agreements in existence at 30 June 2019.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

The notes include information which is required to understand the financial statements and is material and relevant to the operations, the financial position and performance of the Group. Information is considered relevant and material if:

- it is significant in size or nature;
- it is important in understanding the results of the Group;
- it helps to explain the impact of significant changes in the Group's business; or
- it is important to the Group's future performance.

Note 2. Significant accounting policies (continued)

Historical cost convention
The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss and investment properties.

Rounding
The financial statements have been prepared on a consistent basis, however in some instances, prior year numbers might appear different due to the rounding off of numbers.

Note 3. Revenue

Revenue recognition accounting policy
Revenue is recognised at an amount that reflects the consideration to which the Group is expected to be entitled to in exchange for transferring goods or services to a customer.

Revenues are recognised net of the amount of the associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case, it is recognised as part of the revenue.

Revenue is recognised for the major business activities as follows:

Sale of properties
For each contract with a customer, the Group: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

This recognition is considered to be at settlement for the sale of the properties. There was no sale of properties on accrued revenue in the current reporting period (2018: $0).

Interest income
Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Rental income
Rent revenue from investment properties is recognised on a straight-line basis over the lease term. Lease incentives granted are recognised as part of the rental revenue. Contingent rentals are recognised as income in the period when earned.

Net fair value gain on investment properties
Adjustments to the fair value of investment properties are recorded within the other revenues account in profit and loss. Fair value is determined in accordance with the accounting policy in note 31.

Note 4. Other revenue from operations

	Consolidated	
	2019	2018
	$	$
Rental income & outgoings recovered	509,399	331,206
Interest received	66,159	50,992
Net fair value gain/(loss) on investment properties	(195,570)	-
Fair value gain/(loss) on sale of assets	(453)	(128,264)
Other	76,827	-
	456,362	253,934

Note 5. Expenses

Expenses are recognised net of the amount of the associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the expense.

Note 6. Cost of property development and construction

	Consolidated	
	2019	2018
	$	$
Cost of goods sold	30,097,085	13,227,332
Finance costs	1,929,662	758,450
	32,026,747	13,985,782

Costs of goods sold accounting policy
Development costs include land, consultants, construction costs, statutory charges and finance costs required to deliver the project. These costs are initially capitalised as trading stock for accounting purposes and the carrying amount of those trading stock are recognised as an expense in the period in which revenue is generated through the settlement of a project.

Marketing and advertising costs are expensed for accounting purposes when incurred, ahead of recognising revenue from a project. This can distort the reported returns on projects, especially when projects are delivered in different reporting periods to the marketing and advertising costs being incurred.

Adjustments to the net realisable value of trading stock are recorded within the cost of goods sold account in comprehensive income. Net realisable value is determined in accordance with the accounting policy in note 12. There were no adjustments to the net realisable value of trading stock in the current period (2018: $0).

Note 7. Administration and other expenses

	Consolidated	
	2019	2018
	$	$
Legal costs	(3,191)	30,397
Finance costs	286,190	255,240
Rental property expenses	233,649	261,982
Other administration expenses	1,108,548	913,431
Unrealised foreign exchange loss	544,812	470,134
Realised foreign exchange loss	51,349	163,036
	2,221,357	2,094,220

Note 8. Income tax

	Consolidated 2019 $	Consolidated 2018 $
Numerical reconciliation of income tax expense and tax at the statutory rate		
Profit before income tax expense	3,066,292	152,362
Tax at the statutory tax rate of 27.5% (2018: 30%)	843,230	45,709
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Prior year adjustments	(18,282)	3,525
Sundry	7,945	5,210
	832,893	54,444
Adjustment to deferred tax balances as a result of change in statutory tax rate	(69,823)	-
Income tax expense	763,070	54,444

	Consolidated 2019 $	Consolidated 2018 $
Deferred tax asset		
Deferred tax asset comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Revenue tax losses available to offset against future income	1,232,117	938,312
Employee benefits not immediately deductible for tax	20,899	7,818
Superannuation expense not immediately deductible for tax	482	2,254
Borrowing costs not immediately deducible for tax	167,125	119,682
Prepayment expenses not immediately deductible for tax	-	16,338
Initial public offer expenses not immediately deductible for tax	91,524	149,766
Deferred tax asset	1,512,147	1,234,170
Movements:		
Opening balance	1,234,170	806,896
Superannuation payable	(1,772)	2,245
Employee provisions	13,081	3,348
Revenue tax losses	293,805	387,706
Prepayment expenses	(16,338)	(8,095)
Borrowing costs	47,443	91,992
Initial public offer expenses	(58,242)	(49,922)
Closing balance	1,512,147	1,234,170

Note 8. Income tax (continued)

	Consolidated 2019 $	Consolidated 2018 $
Deferred tax liability		
Deferred tax liability comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Property, plant and equipment	(7,109)	-
Development costs deductible for tax but capitalised for accounting	(2,530,291)	(1,317,997)
Investment property revaluations not currently assessable for tax	(595,242)	(649,024)
Unrealised foreign losses / (gains) not currently assessable for tax.	228,646	78,823
Investment properties accumulated capital works deductions	(60,400)	(35,152)
Deferred tax liability	(2,964,396)	(1,923,350)
Movements:		
Opening balance	(1,923,350)	(1,441,632)
Development costs	(1,212,295)	(856,349)
Investment property revaluations	53,782	268,742
Unrealised foreign exchange movement	149,824	141,041
Investment properties accumulated capital works	(25,248)	(35,152)
Property, plant & equipment accumulated depreciation	(7,109)	-
Closing balance	(2,964,396)	(1,923,350)

Deferred tax asset and deferred tax liability balances are not shown separately, instead offsetting each other and disclosed as a singular line item on the statement of financial position. The net deferred tax balance at reporting date was a liability of $1,452,249 (2018: liability of $689,179).

Accounting policy for income tax
The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Note 8. Income tax (continued)

Tax consolidation
The Company and its 100% owned Australian resident subsidiaries formed an income tax consolidated group with effect from 7 July 2015.

Tax effect accounting by members of the tax consolidated group
Members of the tax consolidated group have entered into a tax funding agreement. Current and deferred taxes are allocated to members of the tax consolidated group in accordance with principles of *AASB 112 Income Taxes*. The allocation of taxes under the tax funding agreement is recognised as an increase/decrease in the subsidiaries inter-company accounts with the parent entity.

Note 9. Earnings per share

	Consolidated	
	2019 $	2018 $
Profit after income tax	2,303,222	97,918
Non-controlling interest	(1,698,324)	59,895
Profit after income tax attributable to the shareholders of Velocity Property Group Limited	604,898	157,813
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	361,921,498	361,921,498
Weighted average number of ordinary shares used in calculating diluted earnings per share	361,921,498	361,921,498
	Cents	Cents
Basic earnings per share	0.17	0.04
Diluted earnings per share	0.17	0.04

Accounting policy for earnings per share

Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to the shareholders of Velocity Property Group Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

There were no dilutive interests in the current or comparative periods.

Note 10. Current assets - cash and cash equivalents

	Consolidated	
	2019 $	2018 $
Cash at bank	1,839,403	3,720,463

Note 10. Current assets - cash and cash equivalents (continued)

Accounting policy for cash and cash equivalents
Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position. The balance of bank overdraft facilities at the reporting date was $0 (2018: $0).

Cash at bank earns interest at fixed or variable rates based on the bank deposit rates.

Outflow from operations
In the consolidated statement of cash flows, cash outflows include payments to suppliers and employees totalling $61,924,296 (2018: $51,421,720). These payments include the committed acquisition of new projects totalling $0 (2018: $0) where possession will transfer to the Group in a future period. It also includes payments to suppliers in the course of project development which may be funded ahead of recognising any project revenues. These costs amount to approximately $30,951,421 (2018: $40,172,597). These payments which total $30,951,421 (2018: $40,172,597) are partially funded by the project finance facilities provided by the Group's financiers. Financing arrangements are detailed at note 19.

Note 11. Reconciliation of profit after income tax to net cash used in operating activities

	Consolidated	
	2019 $	2018 $
Profit after income tax expense for the year	2,303,222	97,918
Adjustments for:		
Depreciation and amortisation	39,295	12,546
Foreign exchange differences	596,161	633,170
Revenue - non-cash	(2,078,801)	-
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	13,438	(4,374)
Increase in inventories	(21,193,175)	(36,848,046)
Increase in prepayments	(268,058)	(16,175)
Increase in other operating assets	(52,211)	(23,736)
Increase/(decrease) in trade and other payables	(525,408)	3,345,715
Increase in deferred tax liabilities	763,070	54,444
Increase in employee benefits	49,936	11,163
Decrease in other operating liabilities	(2,274,371)	-
Net cash used in operating activities	(22,626,902)	(32,737,375)

Note 12. Current assets - inventories

	Consolidated	
	2019 $	2018 $
Trading stock expected to be realised within 12 months	65,035,535	27,049,934
Trading stock expected to be realised after 12 months	21,098,935	37,891,361
	86,134,470	64,941,295

Note 12. Current assets - inventories (continued)

During the year, trading stock transferred to cost of goods sold on the statement of comprehensive income was $31,384,529 (2018: $13,514,428).

During the year, borrowing costs relating to the establishment and registration of new borrowing facilities totalled $1,285,948 (2018: $725,506) were capitalised into trading stock. At balance date, trading stock includes capitalised interest of $6,277,800 (2018: $2,758,059).

Inventories accounting policy
Trading stock is measured at the lower of cost and net realisable value. Development costs include land, the costs of acquiring the land, consultants, holding and finance costs incurred from when the land is acquired until the project is fully developed and sold.

Deposits paid for the committed acquisition of trading stock are classified as trading stock.

Projects that are expected to be completed and settlements achieved within 12 months of the end of the reporting date, the trading stock costs relating to those projects are classified above as 'expected to be realised within 12 months'. Trading stock costs incurred on all other projects are classified as 'expected to be realised in greater than 12 months'.

Net realisable value of trading stock
Net realisable value is based on the estimated selling price in the ordinary course of business (net of selling costs and GST). This assessment reflects current market assessments and previous experience. It is also based on management's intentions in the planned manner of the disposal of the asset, either through development and sale or disposal as is.

The Group periodically assesses whether trading stock is held at the lower of cost or net realisable value with an estimate made at least at each reporting date. Where the carrying amount of trading stock exceeds the net realisable value, a provision is raised to reduce its value to net realisable value. Possible reversals of the provision occur when ever an event of change in circumstance indicates that the impairment may be reversed.

Note 13. Current assets - other

	Consolidated	
	2019	2018
	$	$
Prepayments	524,233	256,175
Development site deposits & other deposits	107,850	55,133
	632,083	311,308

Note 14. Non-current assets - investment properties

	Consolidated 2019 $	2018 $
Acquisition and development costs	5,050,586	5,050,586
Revaluation increments	1,967,844	2,163,414
	7,018,430	7,214,000

Reconciliation
Reconciliation of the fair values at the beginning and end of the current and previous financial year are set out below:

	2019 $	2018 $
Opening fair value	7,214,000	10,559,000
Disposals	-	(3,345,000)
Revaluation decrements	(195,570)	-
Closing fair value	7,018,430	7,214,000

The Group did not dispose of any investment properties during the period.

Valuations of investment properties
The basis of the valuation of investment properties is fair value. Valuations are based on current prices in an active market for similar properties of the same location and condition, subject to similar leases and takes into consideration rental yields or returns on investment.

During the period, a third-party independent valuation was carried out on nine of the Group's ten residential investment properties, representing 90% of the Group's portfolio. This valuation was accepted and reported a fair value of $6,323,430 representing a decrease of $195,570 for the nine properties valued.

A director's valuation of $695,000 was ascribed to the final residential investment property in the portfolio.

At balance date, the fair market value of the entire investment property portfolio was ascribed as $7,018,430 (2018: $7,214,000)

Refer to note 31 for further information on fair value measurement.

Accounting policy for investment properties
Investment properties principally comprise of freehold land and buildings held for long-term rental and capital appreciation that are not occupied by the Group. Investment properties are initially recognised at cost, including transaction costs, and are subsequently remeasured annually at fair value. Movements in fair value are recognised directly to profit or loss.

Investment properties are derecognised when disposed of or when there is no future economic benefit expected.

Investment properties also include properties under construction for future use as investment properties. When an investment property is developed, costs include the cost of construction incurred up to the point where the asset is complete, which is the point at which it is capable of being operated as intended. Until completion, these are carried at the lower of fair value or costs.

Transfers are made to investment properties when and only when there is a change in use, evidenced by ending of owner occupation or a change of intention to hold the property for long-term rental and capital appreciation which is usually accompanied with an operating lease to another party.

Transfers are made from investment properties when, and only when there is a change in use evidenced by commencement of owner-occupation or commencement of development with a view to sale.

Note 15. Non-current assets - property, plant and equipment

	Consolidated 2019 $	Consolidated 2018 $
Land and buildings - at cost	1,044,176	1,044,176
Less: Accumulated depreciation	(25,089)	-
	1,019,087	1,044,176
Plant and equipment - at cost	69,997	37,674
Less: Accumulated depreciation	(3,665)	(959)
	66,332	36,715
Office equipment - at cost	54,111	31,418
Less: Accumulated depreciation	(20,128)	(16,652)
	33,983	14,766
	1,119,402	1,095,657

Accounting policy for property, plant and equipment
Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Buildings	40 years
Plant and equipment	3-15 years
Office equipment	1-10 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

Note 16. Current liabilities - Trade and other payables

	Consolidated 2019 $	Consolidated 2018 $
Trade payables	3,455,545	3,508,190
Other payables	(30,766)	441,997
	3,424,779	3,950,187

Refer to note 25 for further information on financial instruments and risk management.

Accounting policy for trade and other payables
These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Note 17. Current liabilities - borrowings

	Consolidated 2019 $	Consolidated 2018 $
Bank loans	13,680,688	31,120,677
Non-bank loans	48,424,065	12,641,994
	62,104,753	43,762,671

Refer to note 19 for further information on assets pledged as security and financing arrangements.

Refer to note 25 for further information on financial instruments and risk management.

Note 18. Current liabilities - Redeemable preference shares

	Consolidated 2019 $	Consolidated 2018 $
Redeemable preference shares	922,450	3,196,821

During the period, the Group's ONE Palm Beach project partner took ownership of a completed apartment which was settled via a reduction to the redeemable preference shares balance.

The redeemable preference shares represent the remaining value of the original contribution of the ONE Palm Beach land site by the former owner, net of proceeds received when the site was acquired by the Group. This contribution is ultimately repaid from the final net proceeds on the sale of the project after all secured project debt is repaid.

Further details on the ONE Palm Beach project entity is outline in note 24.

Note 19. Non-current liabilities - borrowings

	Consolidated 2019 $	Consolidated 2018 $
Bank loans	1,049,423	1,256,619
Non-bank loans	7,546,524	6,526,724
	8,595,947	7,783,343

Refer to note 25 for further information on financial instruments and risk management.

Total secured liabilities
The total secured liabilities (current and non-current) are as follows:

	Consolidated 2019 $	Consolidated 2018 $
Bank loans	14,730,111	32,377,296
Non-bank loans	55,970,589	19,168,718
	70,700,700	51,546,014

Note 19. Non-current liabilities - borrowings (continued)

Assets pledged as security
The bank loans are secured by first mortgages over the Group's development properties, investment properties and land and buildings. Furthermore, guarantees and general security agreements over the existing and future assets and undertakings of controlled entities are provided by the Company along with a limited guarantee and indemnity by Mr Brendon Ansell (Managing Director) over the borrowings of the subsidiaries controlled by the Group.

Non-bank loans (secured) are bound by either loan agreements or a deed of security agreement. Where loan agreements are in place, first and/or second ranking mortgages are provided when required to secure the borrowings.

The terms of the deed of security agreement are that the Group provides the security interest over the secured property to the secured party to secure payment of the borrowings. The Security interest means a security interest over the Group's present and after-acquired property including but not limited to a security interest over all circulating assets and non-circulating assets. Secured property means all property, rights and undertakings of the Group whether present or future, legal or equitable, and wherever situated, including, without limitation, all real and personal property, choses in action, goodwill and uncalled capital and called but unpaid capital from time to time and all present and after-acquired property.

The carrying amounts of assets pledged as security for current and non-current borrowings are:

	Consolidated	
	2019 $	2018 $
Trading stock	86,134,470	62,231,837
Investment properties	7,018,430	7,214,000
Land and buildings	1,019,087	1,044,176
	94,171,987	70,490,013

Financing arrangements
The Group had access to borrowing facilities at the end of the reporting period including facilities in an international currency (Singapore Dollar). The facilities have been split up into "working capital" facilities and "project specific" facilities. The working capital facilities are available to the Group on a come and go basis. The undrawn amount of project specific facilities are available progressively for the purposes of delivering the specific projects they are funding. A summary of the Australian currency facilities are below:

	Consolidated	
	2019 $	2018 $
Total facilities		
Bank facilities	14,983,321	44,553,366
Non-bank facilities	73,204,880	10,496,323
	88,188,201	55,049,689
Used at the reporting date		
Bank facilities	14,730,111	32,377,296
Non-bank facilities	56,893,039	10,496,323
	71,623,150	42,873,619
Unused at the reporting date		
Bank facilities	253,210	12,176,070
Non-bank facilities	16,311,841	-
	16,565,051	12,176,070

At the reporting date, the Group had working capital facilities of $4,390,000 (2018: $4,390,000) and undrawn balances on these facilities totalling $19,139 (2018: $8,615).

Note 19. Non-current liabilities - borrowings (continued)

In addition to the above, the Group has facilities in Singapore Dollars ('SGD').

A working capital facility is utilised and SGD $7,500,000 is the permitted draw downs allowed in accordance with the deed of security agreement covering this facility. At the reporting date, the amount drawn down was SGD $2,955,267 (2018: SGD $3,792,668) and the undrawn balance is SGD $4,544,733 (2018: SGD $3,707,332).

A project specific facility is utilised and SGD $5,000,000 (2018: SGD $5,000,000) is the facility balance at the reporting date. This facility is fully drawn.

Foreign exchange movement on the SGD facilities explains the difference between facilities utilised at balance date and the carrying value of borrowings.

Accounting policy for borrowings
Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current. Where borrowings are required to be repaid out of specific property settlements, which are not available for redraw, the borrowings are classified as current to the extent settlements are projected to occur within 12 months from reporting date.

Borrowing costs accounting policy
Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Trading stock is a qualifying asset and all borrowings are attributable to qualifying assets.

Note 20. Commitments

Controlled entities within the Group have entered into land acquisition contracts for project development with a contract value of $0 (2018: $0) in the normal course of business which will settle subsequent to year end with deposits paid of $0 (2018: $0) recorded in trading stock.

The Group has operating lease commitments of $152,304 for offices over a 1 year and 6 month period (2018: $241,774 for offices over a 2 year 6 month period).

Note 21. Equity - issued capital

	Consolidated			
	2019 Shares	2018 Shares	2019 $	2018 $
Ordinary shares - fully paid	361,921,498	361,921,498	15,216,548	15,216,548

Ordinary shares
Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

Share buy-back
There is no current on-market share buy-back.

Options
At 30 June 2019, no options (2018: nil) were outstanding over un-issued ordinary shares of the Company.

Note 21. Equity - issued capital (continued)

Capital risk management
The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group would look to raise capital when an opportunity to invest in a project, business or company was seen as value adding relative to the current Company's share price at the time of the investment. The Group is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

The Group's financing arrangements are subject to certain covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

Accounting policy for issued capital
Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Note 22. Equity - reserves

	Consolidated	
	2019 $	2018 $
Predecessor Accounting Reserves	472,862	472,862

Predecessor accounting reserves
The predecessor accounting reserve was created as a result of a corporate restructure undertaken in 2015. As this was a common control transaction whereby all parties to the restructure were ultimately controlled by the same party, no fair value adjustments were recorded on the acquisition and the difference between the net assets acquired and the consideration paid was recognised in the predecessor accounting reserve. This reserve is expected to stay in place for the foreseeable future.

Note 23. Equity - dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Note 24. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

Name	Principal place of business / Country of incorporation	Ownership interest 2019 %	Ownership interest 2018 %
Velocity Project Marketing Pty Ltd		100.00%	100.00%
Velocity Property Hawthorne Pty Ltd		100.00%	100.00%
46 Cadell Pty Ltd		100.00%	100.00%
Fusion 462 Pty Ltd		100.00%	100.00%
39 Ellerslie Pty Ltd		100.00%	100.00%
48 Orchard Street Pty Ltd		100.00%	100.00%
Vue at Red Hill Pty Ltd		100.00%	100.00%
Velocity Property Red Hill Pty Ltd		100.00%	100.00%
1 Nathan Street Pty Ltd		100.00%	100.00%
Velocity Holdings No 1 Pty Ltd		100.00%	100.00%
Velocity Holdings No 2 Pty Ltd		100.00%	100.00%
Byron Riverfront Pty Ltd		100.00%	100.00%
Velocity Property No 5 Pty Ltd		100.00%	100.00%
Velocity Property Oxford Pty Ltd		-	100.00%
Oxford Views Pty Ltd		-	100.00%
372 The Esplanade Pty Ltd		50.00%	50.00%
Two Twenty-Seven Pty Ltd		100.00%	100.00%

All subsidiaries listed above were incorporated and have their principal place of business in Australia.

Velocity Property Oxford Pty Ltd and Oxford Views Pty Ltd were de-registered on 5 February 2019 following a members voluntary liquidation.

ONE Palm Beach project
In 2016, the Group and the previous owner of the ONE Palm Beach site ("land owner") formed a 50/50 partnership for the purpose of undertaking the development and construction of the project. The arrangement between the parties is governed by the constitution and shareholders' agreement of 372 The Esplanade Pty Ltd ("372"), the special purpose vehicle for the project. The Group holds 50% of the ordinary shares of 372 and all of the B class voting shares, which provides the Group control of the project company. Under the agreement, the Group will provide funding for the project and will manage the development.

Principles of consolidation
The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting year. Subsidiaries are all those entities over which the Group has control. Control is achieved when the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangement; and
- The Group's voting rights and potential voting rights.

Note 24. Interests in subsidiaries (continued)

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of the other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interest having a deficit balance. When necessary, adjustments are made to the financial statements of the subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to the transactions between members of the Group are eliminated in full on consolidation.

Note 25. Financial instruments and risk management

Financial risk management objectives
The Group's principal financial instruments comprise cash, payables, loans and borrowings.

The Group manages its exposure to key financial risks, including interest rate, foreign exchange rate, liquidity and credit risk in accordance with the Group's financial risk management framework. The Board has overall responsibility for the establishment and oversight of the risk management policy. The objective of the policy is to support delivery of the Group's financial targets whilst protecting future financial security.

Risk management policies are established and include the identification and analysis of the risk exposure of the Group, to set appropriate limits and controls and to monitor risks and adherence to limits.

The Group's audit and risk management committee oversees how management monitors compliance with the Group's risk management framework and reviews the adequacy of the framework in relation to the risks faced by the Group. Management undertakes periodic reviews of risk management controls and procedures, the results of which are reported to the audit and risk management committee.

The main risks arising from the Group's financial instruments are interest rate risk, foreign exchange rate risk, liquidity risk and credit risk. The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels or exposure to interest rates and foreign exchange rates and assessments of market forecasts for these rates. Liquidity risk is monitored through the development of future rolling forecasts. Credit risk is managed through thorough due diligence of counter-parties and ensuring there is no significant concentration of credit risk.

Market risk

Foreign currency risk
The Group undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

The Group's exposure to the risk of changes in foreign exchange rates relates to borrowings from foreign lenders.

In order to protect against exchange rate movements, the Group is constantly updated on foreign exchange conditions and events by its foreign exchange advisors. As part of managing this risk, the Group may enter into foreign exchange products such as forward exchange contracts when payment amount and dates become certain. Such is the nature of property development and its borrowings, repayment dates are often tied to a project's completion and this date is only available at short notice once all council and government approvals have been received. Foreign exchange risk is also measured using sensitivity analysis and cash flow forecasting.

Note 25. Financial instruments and risk management (continued)

The carrying amount of the Group's foreign currency denominated financial assets and financial liabilities at the reporting date were as follows:

Consolidated	Assets 2019 $	Assets 2018 $	Liabilities 2019 $	Liabilities 2018 $
Singapore dollars (SGD $)	-	-	7,955,267	8,750,447

Based on this exposure, had the Australian dollar weakened by 5% / strengthened by 5% (2018: weakened by 5% / strengthened by 5%) against these foreign currencies with all other variables held constant, the Group's profit before tax for the year would have been $163,709 lower / $148,118 higher (2018: $456,442 lower / $412,971 higher) and equity would have been $118,689 lower / $107,385 higher (2018: $319,509 lower / $289,080 higher). The percentage change is the expected overall volatility of the significant currencies, which is based on management's assessment of reasonable possible fluctuations taking into consideration movements over the last 6 months each year and the spot rate at each reporting date. The actual realised and unrealised foreign exchange loss for the year ended 30 June 2019 was $596,161 (2018: loss of $633,177).

A detailed description of the Group's foreign currency financing arrangements is contained in note 19.

Interest rate risk
Interest rate risk is the risk that the fair value of a financial instrument or future cash flows associated with it will fluctuate because of changes in market interest rates. The exposure to market interest rates primarily relates to interest bearing loans and borrowings issued at variable rates.

In assessing interest rate risk, the Group considers its loan maturity and cash flow profile and the outlook for interest rates over the medium term. To manage this, the Group may enter into hedging strategies that combine interest rate caps and floors, as well as floating to fixed interest rate swap contracts. However, the forecast cash position together with the forecast for low interest rates for the medium term has resulted in the Group retaining all of its Australian bank debt at a floating rate of interest. All non-bank debt is at fixed interest rates as this is the common practice for this sector of the lending industry.

The Group analyses its interest rate exposure on an on-going basis. Within this analysis, consideration is given to potential renewals of existing positions, alternative financing, and the mix of fixed and variable interest rates.

As at the reporting date, the Group had the following variable rate cash and borrowings:

Consolidated	2019 Weighted average interest rate %	2019 Balance $	2018 Weighted average interest rate %	2018 Balance $
Cash at bank	0.85%	1,839,403	1.25%	3,720,463
Bank & non-bank borrowing facilities	(6.26%)	(14,730,111)	(5.09%)	(32,377,296)
Net exposure to cash flow interest rate risk		(12,890,708)		(28,656,833)

An analysis by remaining contractual maturities in shown in 'liquidity risk' below.

The Group has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the Group based on recent sales experience, historical collection rates and forward-looking information that is available.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

Note 25. Financial instruments and risk management (continued)

Liquidity risk
Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group manages its liquidity by monitoring forecast cash flows on a monthly basis and matching the maturity profiles of financial assets and liabilities. These are reviewed by the Chief Financial Officer and presented to the Board as appropriate. The objective is to maintain a balance between the continuity of funding and flexibility through the use of borrowings for project specific developments. The project specific facilities will operate in line with the development of each project.

The maturity profile of all debt facilities is monitored on a regular basis by the Chief Financial Officer and ongoing financial plans are presented to the Board for approval well in advance of maturity.

Remaining contractual maturity analysis
The following tables detail the Group's remaining contractual maturity for its financial instrument liabilities. The amounts disclosed in the tables are the contractual undiscounted cash flows. Where the impact of the discounting is not significant on balances due within 12 months, the amounts disclosed equal their carrying balances.

Consolidated - 2019	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives					
Non-interest bearing					
Trade payables	3,455,545	-	-	-	3,455,545
Redeemable preference shares	922,450	-	-	-	922,450
Interest-bearing - variable					
Bank loans	13,680,688	-	1,049,423	-	14,730,111
Interest-bearing - fixed rate					
Other loans	48,424,065	7,031,680	514,844	-	55,970,589
Total non-derivatives	66,482,748	7,031,680	1,564,267	-	75,078,695

Consolidated - 2018	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives					
Non-interest bearing					
Trade payables	1,240,729	-	-	-	1,240,729
Redeemable preference shares	3,196,821	-	-	-	3,196,821
Interest-bearing - variable					
Bank loans	31,120,678	1,256,619	-	-	32,377,297
Interest-bearing - fixed rate					
Other loans	8,925,000	-	6,526,724	3,716,994	19,168,718
Total non-derivatives	44,483,228	1,256,619	6,526,724	3,716,994	55,983,565

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Fair value of financial instruments
Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Note 26. Key management personnel disclosures

Directors
The following persons were directors of Velocity Property Group Limited during the financial year:

Brendon Ansell, Managing Director
Philip Raff
Michael Pearson
Cherie Leatham

Other key management personnel
The following person also had the authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, during the financial year:

Phillip Young, Chief Financial Officer

Compensation
The aggregate compensation made to directors and other members of key management personnel of the Group is set out below:

	Consolidated	
	2019 $	2018 $
Short-term employee benefits	615,109	599,016
Post-employment benefits	46,655	45,126
	661,764	644,142

Detailed remuneration disclosures are provided in the remuneration report.

Note 27. Related party transactions

Transactions with related parties
The following transactions occurred with related parties:

	Consolidated	
	2019 $	2018 $
Payment for other expenses:		
Interest paid to director related party	454,711	190,114

Any transaction with directors, director related entities, close family members and other key management personnel and their related entities, are carried out in the ordinary course of business and on commercial terms which it is reasonable to expect the Group would have adopted in an arm's length transaction.

As previously reported, a director related entity purchased one apartment in the ONE Palm Beach development for a combined total list price of $1,644,150. This apartment was due to settle in the current period but did not proceed with the purchase contracted rescinded.

The interest payments during the current year of $454,711 are recorded in trading stock as at 30 June 2019. Interest costs incurred on borrowings in relation to project developments are capitalised during the period of time that it is required to complete and prepare the asset for its intended use or sale. Further information on this director related entity loan and interest payments are disclosed further below in this note.

Receivable from and payable to related parties
There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Note 27. Related party transactions (continued)

Loans to/from related parties
The following balances are outstanding at the reporting date in relation to loans with related parties:

	Consolidated 2019 $	Consolidated 2018 $
Non-current borrowings:		
Loan from director related party	5,262,371	4,955,401

Related party loan terms and conditions
In FY18, the Group entered into a loan agreement with Byron Street Pte Ltd, a related party entity incorporated in Singapore and controlled by Philip Raff, who is an executive director of the Group. The commercial terms and the loan agreement itself reflect a transaction that was negotiated on an arm's length basis (or better) for the Group. The terms of the loan agreement are:

- The sole purpose of the SGD $5,000,000 loan was to partly fund the acquisition of 39-45 Byron Street, Bulimba.
- Fixed interest rate of 8.8% per annum with interest payments every 6 months.
- Loan repayment date is 24 August 2020.

Note 28. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Crowe Horwath, the auditor of the Company:

	Consolidated 2019 $	Consolidated 2018 $
Audit services - Crowe Horwath		
Audit or review of the financial statements	60,075	53,398
Other services - Crowe Horwath		
Tax compliance and advice	12,538	15,215
Software subscriptions	7,418	8,508
	19,956	23,723
	80,031	77,121

Note 29. Operating segments

Operating segments accounting policy
The Group has identified its operating segments based on the internal reports that are reviewed and used by the chief operating decision makers in assessing performance and determining the allocation of resources.

The Group will also consider other factors such as the level of segment information used by the board of directors in assessing the performance and determining the allocation of resources. Operating segments are determined on the basis of financial information reported to the board which is at the consolidated entity level.

Management currently identifies the consolidated entity as having only one operating segment, being the acquisition of prime sites for development into quality residential, commercial and mixed-use apartments. Accordingly, all significant operating decisions are based upon analysis of the consolidated entity as one segment. The financial results from the segments are equivalent to the financial statements of the Group.

Note 30. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of comprehensive income

	Parent 2019 $	Parent 2018 $
Profit/(loss) after income tax	(4,022,459)	2,560,564
Total comprehensive income	(4,022,459)	2,560,564

Statement of financial position

	Parent 2019 $	Parent 2018 $
Total current assets	22,798,138	25,084,970
Total assets	22,925,411	25,139,901
Total current liabilities	3,697,052	3,871,882
Total liabilities	12,695,825	11,087,785
Equity		
Issued capital	15,216,548	15,216,548
Predecessor Accounting Reserves	(202,139)	(402,139)
Accumulated losses	(4,784,822)	(762,295)
Total equity	10,229,587	14,052,114

The parent entity profit or (loss) was derived from intercompany interest, dividends and other transactions with subsidiaries.

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries
The parent entity has provided guarantees over its assets in relation to the borrowings of its subsidiaries as described in note 19.

Contingent liabilities
The parent entity had no contingent liabilities as at 30 June 2019 and 30 June 2018.

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment as at 30 June 2019 and 30 June 2018.

Note 31. Fair value measurement

Fair value hierarchy
The following tables detail the Group's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:
Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
Level 3: Unobservable inputs for the asset or liability

Consolidated - 2019	Level 1 $	Level 2 $	Level 3 $	Total $
Assets				
Investment properties	-	6,323,430	695,000	7,018,430
Total assets	-	6,323,430	695,000	7,018,430

Consolidated - 2018	Level 1 $	Level 2 $	Level 3 $	Total $
Assets				
Investment properties	-	-	7,214,000	7,214,000
Total assets	-	-	7,214,000	7,214,000

A transfer to Level 2 from Level 3 occurred during the period.

The basis of the valuation of investment properties is fair value. The investment properties are revalued annually by the Director's and periodically this valuation will be based on independent assessments by a member of the Australian Property Institute having recent experience in the location and category of investment property being valued. Valuations are based on current prices in an active market for similar properties of the same location and condition, subject to similar leases and takes into consideration occupancy rates and returns on investment.

In the above table, valuations obtained from independent assessments are treated as Level 2. Directors only assessments are treated as Level 3.

Accounting policy for fair value measurement
When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described above, based on the lowest input that is significant to the fair value measurement as a whole.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisations at the end of the reporting period. As mentioned above, transfers occurred between levels during the current reporting period.

The Group does not have any financial instruments measured at fair value. The fair value of cash, trade and other payables and trade and other receivables approximate their carrying values, largely due to the short-term maturities of these instruments.

Note 31. Fair value measurement (continued)

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Note 32. Events after the reporting period

No matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;

- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2019 and of its performance for the financial year ended on that date; and

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

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors

Brendon Ansell Managing Director	Michael Pearson Chairman

26 August 2019

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Independent Auditor's Report

To the Members of Velocity Property Group Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Velocity Property Group Limited (the Company and its subsidiaries (the 'Group')), which comprises the statement of financial position as at 30 June 2019, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(a) Giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year then ended.

(b) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The title 'Partner' conveys that the person is a senior member within their respective division and is among the group of persons who hold an equity interest (shareholder) in its parent entity, Findex Group Limited. The only professional service offering which is conducted by a partnership is the Crowe Australasia external audit division. All other professional services offered by Findex Group Limited are conducted by a privately-owned organisation and/or its subsidiaries.

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<table>
<tr><th>Key Audit Matter</th><th>How We Addressed the Key Audit Matter</th></tr>
<tr><td colspan="2">Valuation of inventories – Note 12</td></tr>
<tr><td>The Group held a portfolio of projects under development and completed properties for sale that were classified as inventories. The carrying amount was a significant component of the Group’s total assets at $86,134,470 at 30 June 2019.

Inventories were valued at the lower of cost and net realisable value in accordance with AASB 120 Inventories.

Significant judgement was applied by the directors in determining the carrying amount of inventory, as follows:
• Capitalised development expenditure incurred is accumulated in respect of each identifiable project by applying the conditions as disclosed in note 12 to the financial statements.
• The determination of the net realisable value required estimations, including expected future selling prices and costs necessary to complete the sale of properties, and over what timeframes.

Based on the significance of the inventory to the Group’s total assets and the judgements applied in determining the carrying amount, we have determined this matter to be a key audit matter.</td><td>Our procedures included, but were not limited to:
• Obtaining the Group’s policies for the recognition and capitalisation of development costs and assessing the policies for compliance with relevant accounting standards.
• Evaluation of the design effectiveness of key controls in relation to the recognition and measurement of inventory.
• Testing a sample of acquisition and development expenses.
• Assessment of the recoverability of the capitalised costs through review of project status reports, pre-sales contracts, and feasibility reports, among others.</td></tr>
<tr><td colspan="2">Valuation and classification of investment properties – Note 14</td></tr>
<tr><td>The Group held a portfolio of investment properties valued at $7,018,430 at 30 June 2019. The fair value was determined by the directors, taking into consideration:
• Comparable property values / market sales comparisons.
• Rental income streams / yield.
• Discounted future income streams / cash flows.

The designation of properties as investment properties in accordance with AASB 140 Investment Property required judgement.

Based on the significance of investment properties to the Group’s total assets, the possible significant impact of changes in fair value to the Group’s profit before tax, the designation of properties as investment properties and the valuation of investment properties requiring significant judgement and estimation, we have determined this matter to be a key audit matter.</td><td>Our procedures included, but were not limited to:
• Conducting discussions and challenging management regarding the criteria used to determine the classification of investment properties in accordance with AASB 140 Investment Property.
• Reviewing evidence of management’s intentions for the investment properties to ensure these were held for either long-term rental or capital appreciation or both and were not owner-occupied.

Evaluating and challenging key estimates and assumptions adopted by the directors in determining the fair values of the investment properties by comparing values to recent sales of similar properties sold by the Group, rental yields and comparable sales market data on similar properties, among others.</td></tr>
</table>

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group’s annual Report for the year ended 30 June 2019 but does not include the financial report and our auditor’s report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during the audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the remuneration report included in pages 6 to 9 of the directors' report for the year ended 30 June 2019.

In our opinion, the remuneration report of Velocity Property Group Limited, for the year ended 30 June 2019, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Group are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Crowe Brisbane

Crowe Brisbane

John Zabala (FCA)
Senior Partner

Brisbane
26 August 2019

The shareholder information set out below was applicable as at 24 July 2019

Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

	Number of holders of ordinary shares	Number of ordinary shares
1,001 to 5,000	17	71,814
5,001 to 10,000	41	310,152
10,001 to 100,000	417	22,968,749
100,001 and over	608	338,570,783
	1,083	361,921,498
Holding less than a marketable parcel	119	1,213,533

Equity security holders

Twenty largest quoted equity security holders
The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary shares	
	Number held	% of total shares issued
Brendon Craig Ansell	53,267,146	14.72
Evergreen Street Pty Ltd	32,161,425	8.89
Philip John Raff	31,750,000	8.77
8 Investment Pte Ltd	19,130,500	5.29
HSBC Custody Nominees (Australia) Limited	8,061,221	2.23
Soon Piang Lincoln Teo	4,749,683	1.31
Labelle Capital Inc	3,840,521	1.06
Eng Send Lau	3,836,313	1.06
Vivek Verma	3,571,429	0.99
Citicorp Nominees Pty Limited	2,748,390	0.76
Langstone Development Limited	2,441,054	0.67
Thim Fatt Chan	2,142,857	0.59
Choon Send Neo	2,000,000	0.55
BNP Paribas Nominees Pty Ltd	1,987,810	0.55
Yan Fen Ong	1,832,705	0.51
Dai Wei Yeo	1,640,078	0.45
Kin Hwa Tan	1,485,116	0.41
Soo Kok Ng	1,428,571	0.39
Sundaravadivelan Velumani	1,319,429	0.36
Teck Lee Leong	1,312,813	0.36
	180,707,061	49.92

Substantial holders

Substantial holders in the Company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
Brendon Craig Ansell	53,267,146	14.72
Evergreen Street Pty Ltd	32,161,425	8.89
Philip John Raff	31,750,000	8.77
Vue at Red Hill Pte Ltd	19,130,500	5.29

Voting rights

The voting rights attached to ordinary shares are set out below:

Ordinary shares

The voting rights attaching to the ordinary shares are set out in the Company's constitution at clause 16.14 and 16.15. The constitution states that:

- at a meeting of members, each member entitled to vote may vote in person, or by proxy or attorney; and
- on a show of hands each member present has one vote, and on a poll each member present has one vote for each fully paid share held.

There are no other classes of equity securities.