Velocity Property Group Limited

ABN 66 605 935 153

Annual Report - 30 June 2020

Directors	Tony Pitt - Chairman (non-executive director) Philip Raff - Managing Director (executive) James Storey - 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 Audit Australia Level 16, 120 Edward Street Brisbane, Qld 4000
Solicitors	Baker McKenzie Level 8, 175 Eagle Street Brisbane, Qld 4000
	McCullough Robertson Level 11, 66 Eagle Street Brisbane, Qld 4000
	Warlow Scott Level 7, 76 Adelaide Street Brisbane, Qld 4000
	Hickey Lawyers Level 6 Corporate Centre One Cnr Bundall Rd and Slatyer Ave Bundall, Qld 4217
Bankers	Bank of Queensland Westpac Banking Corporation 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 2020.

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 Tony Pitt (appointed 23 December 2019)
Mr Brendon Ansell (resigned 9 July 2020)
Mr Philip Raff
Mr James Storey (appointed 23 December 2019)
Mr Michael Pearson (resigned 6 March 2020)
Mrs Cherie Leatham (resigned 6 March 2020)

Tony Pitt
Chairman (non-executive)

Tony is the founder and Managing Director of 360 Capital Group (ASX:TGP) where he is responsible for their strategic direction and overall strategy of the Group. Tony has worked in the property and property funds management industries for over 20 years and has formerly held numerous roles and directorships at Mirvac Group, James Fielding Group, Paladin Australia, Jones Lang LaSalle and CB Richard Ellis.

Tony graduated from Curtin University with a Bachelor of Commerce (Property), has a Graduate Diploma in Applied Finance and Investment from the Financial Services Institute of Australasia.

Tony is also a member of Velocity's Audit & Risk Management Committee.

Philip Raff
Director (executive)

Philip completed a Bachelor of Business and after a brief stint with a Chartered Accounting firm began a twenty year career in the PC Industry primarily focused on IT Deployments and Business Transformation. He left the PC Industry in 2013 and in conjunction with 8I Holdings began funding property developments in Brisbane with Velocity Property Qld. This collaboration was formalised in 2015 with the creation of the Group.

Philip is also a licensed Real Estate Agent in Singapore where he lives with his wife and three children and is the Treasurer of his daughters' gymnastics club.

Philip is also a member of Velocity's Audit & Risk Management Committee.

James Storey
Director (non-executive)

James has over 15 years experience in real estate funds management with significant experience investing across debt, equity and corporate transactions. James currently occupies the role of Head of Real Assets at 360 Capital and is part of their key management personnel. Prior to his tenure at 360 Capital, James held the role of Investment Manager at Brookfield Office Properties, Senior Analyst at Valad Property Group and worked for Ernst & Young within its Transaction Advisory Services team.

James has a Bachelor of Business (Property Economics) from the University of Western Sydney and a Graduate Certificate of Applied Finance & Investment.

James is also the Chairman of Velocity's 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 Findex (formerly 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 as well as a Graduate Diploma of Chartered Accounting. He is also a current member of the Urban Development Institute of Australia (UDIA) Qld finance and taxation committee.

Meetings of directors

The number of meetings of the Company's Board of Directors ('the Board') held during the year ended 30 June 2020, and the number of meetings attended by each director were:

	Full Board		Audit and Risk Committee	
	Attended	Held	Attended	Held
Michael Pearson	6	6	1	1
Brendon Ansell	7	7	-	-
Philip Raff	7	7	1	1
Cherie Leatham	6	6	1	1
James Storey	2	2	-	-
Tony Pitt	2	2	-	-

Held: represents the number of meetings held during the time the director held office.

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 loss for the Group after providing for income tax and non-controlling interest amounted to $9,727,491 (30 June 2019: profit of $604,898).

Operating and Financial Highlights

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

- Net loss after tax of $9,727,491, including an income tax adjustment of $2,528,912 from the de-recognition of carry forward tax losses.
- This result also includes fair value adjustments after tax relating to investment property devaluations of $771,234 and trading stock write downs of $3,377,811.
- $734,200 equity raised as part of the corporate restructure transactions in December 2019 that saw 360 Capital become a major shareholder.
- Restructure of the Group's debt profile that saw all foreign based debt facilities repaid during the period, in doing so resulting in the Group's average weighted interest rate decreasing from 8.3% in the December 2019 quarter to 6.8% at balance date.
- Project completion and settlement income achieved from ONE Bulimba Riverfront and Parque on Oxford.
- Positive cash flows from operations of $19,373,565 used to repay project construction and other debt facilities.
- Net tangible assets per share decrease to 89.34 cents (when adjusted for the 35:1 share consolidation during the year this equates to 2.42 cents. 2019: 5.16 cents)

Group Development Portfolio

As at 30 June 2020, the Group's active development portfolio comprised of the following:

ONE Palm Beach
Settlements commenced in FY19 and continued in FY20 resulting in the development being 94% sold with the last remaining apartment exchanging post 30 June 2020.

Ellerslie Residences and Parque on Oxford
The remaining three houses sold during the current period and the Ellerslie Residences stage of the development is now sold out.

Settlements at Parque on Oxford commenced in January 2020 and continued throughout FY20 with 44% sold as at 30 June 2020. Since balance date, one apartment and two townhouses have also settled and the Group anticipates the remaining apartment & townhouses to sell in FY21.

ONE Bulimba Riverfront
Initial settlements commenced in December 2019 and continued through FY20 with 50% sold as at 30 June 2020. Since balance date, a further four apartments have settled. Sales had initially been slower than expected immediately after completion due to market conditions and the onset of COVID-19. Sales are now progressing steadily and the Group anticipates the remaining townhouse and apartments to sell in FY21.

Two27, Palm Beach
The Group completed the demolition of the existing dwellings in anticipation of commencing construction before the onset of the COVID-19 pandemic. Construction commencement was delayed and the uncertainty of the local resale estate market resulted in a decision to sell the site. On 29 July, the Group announced they had an unconditional contract for the sale of the site at $11.2 million and is expected to settle in the first half of FY21.

First Avenue, Burleigh Heads
The Group finally received unconditional development approval in July 2020 and is currently reviewing multiple options with respect to this site and the adjoining properties the Group controls.

Group Investment Property Portfolio

As at 30 June 2020, the Group's investment property portfolio consisted of ten residential apartments currently valued at $5,954,859. As at the date of this report, all bar one of the apartments are currently leased. A revaluation decrement of $1,063,771 was recorded during the current financial year based on independent third-party valuations. No investment properties were sold during the current period.

The Group is currently reviewing its investment property portfolio to ensure optimum capital and rental income returns are being generated versus unlocking the available capital and utilising it alternatively where superior returns are generated.

Business Strategies and Future Outlook
Currently, Velocity remains focused on the development of luxury property by creating and delivering prestigious properties in highly sought after locations targeted towards the owner occupier market, as evidenced by the delivery of ONE Bulimba Riverfront and Parque on Oxford during the year.

The impact of COVID-19 on the economy since March 2020 has presented a range of challenges across the Group and significantly impacted the Group's operations. This lead to an internal review that saw the Group decide to sell the Two27 development site, entering into a contract post year end.

The Group remains cautious on the outlook for FY21 and is seeking to position itself securely in a post COVID-19 environment. To do this, in the short term the Group is concentrating on the sale of its completed projects as part of an aggressive debt reduction program that will shore up liquidity and protect the Group's balance sheet.

Velocity is scheduled to settle on its current property acquisition commitments that will increase its holding at Burleigh Heads, Gold Coast in the first half of FY21. With First Avenue, Burleigh Heads now having unconditional development approval, the Group has deferred the start of any development works as it determines the optimum way to maximise shareholder value at this site and the adjoining sites it holds through either development or sale as is.

Likely developments and expected results of operations
The directors continue to be mindful of enhancing shareholder value and as such a full strategic and operational review is being conducted in order to improve the profitability of the Group. The results of this will see Velocity continue with its post COVID-19 lean office & workforce as it resets its overheads cost base. This will be achieved by a high level focus on achieving sales of completed developments and deferring the commencement of development site works at the Burleigh Heads sites as the Group implements its capital management and debt reduction initiatives.

The Group will now consider the sale of its investment property portfolio. As the portfolio is already recorded at fair value on the balance sheet, investment property sales are unlikely to generate any significant profits. However, this sale strategy aligns itself with the above mentioned capital management and debt reduction course of action and as a way of strengthening liquidity and reducing finance costs across the Group.

On 29th July 2020 the Board announced that it would undertake a strategic and operational review to assess the various options available to the Company.

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
After balance date, the Group entered into an unconditional contract for the sale of the development site at 488 - 490 The Esplanade, Palm Beach, the development known as Two27. Settlement of the site is scheduled to occur in the first half of FY21. The carrying value of trading stock at balance date for Two27, was recorded at net realisable value being the sale contract amount less the applicable GST and selling costs. An amount of $2,472,385 was written-down from trading stock to cost of goods sold after assessing the net realisable value of this site.

Mr Brendon Ansell resigned from his role as Managing Director of the Group on 9 July 2020.

Both of the above two events were previously announced to the ASX market in July 2020 when they occurred.

On the 7 August 2020, Velocity received a proposal from 360 Capital Group (ASX:TGP) to restructure and recapitalise the Group and expand its activities to real estate financing and debt activities within Australia and New Zealand including but not limited to:

1) Undertake a significant recapitalisation of the Company
2) Restructure VP7 into a stapled security by stapling a trust to the Company
3) Provide liquidity to existing VP7 shareholders who wish to exit
4) Acquire certain related party assets from 360 Capital and its associates

The Board is still considering the Proposal. At this stage, the Board considers the Proposal is incomplete and we have requested further information from 360 Capital. There is no certainty that the Proposal will proceed, however, if appropriate, the Board will put the Proposal and the resolutions required to implement the Proposal to shareholders in due course.

No other matter or circumstance has arisen since 30 June 2020 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
Philip Raff	1,056,892
Tony Pitt	2,276,766*
James Storey	0

*Tony Pitt has an indirect interest in the shares via virtue of owning approximately 29.2% of 360 Capital Group.

360 Capital REIT has 7,142,857 options at an exercise price of $1.40 per share.

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 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 (resigned 6 March 2020)
- Brendon Ansell (resigned 9 July 2020)
- Philip Raff
- Cherie Leatham (resigned 6 March 2020)
- Tony Pitt (appointed 23 December 2019)
- James Storey (appointed 23 December 2019)

And the Chief Financial Officer:
- Phillip Young

Aside from the resignation of Brendon Ansell mentioned above, there were no other changes in key management personnel after the reporting date and the date the financial report was authorised for issue.

	Short-term benefits		Post-employment benefits	
2020	Cash salary and fees $	Cash bonus $	Super-annuation $	Total $
Non-Executive Directors:				
Michael Pearson	53,365	-	5,070	58,435
Cherie Leatham	42,692	-	4,056	46,748
Tony Pitt	24,038	-	-	24,038
James Storey	20,769	-	-	20,769
Executive Directors:				
Brendon Ansell	208,640	-	19,821	228,461
Philip Raff	150,000	-	-	150,000
Other Key Management Personnel:				
Phillip Young	162,000	1,394	15,522	178,916
	661,504	1,394	44,469	707,367

	Short-term benefits		Post-employment benefits	
2019	Cash salary and fees $	Cash bonus $	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

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

Name	Fixed remuneration 2020	Fixed remuneration 2019	At risk - STI 2020	At risk - STI 2019
Non-Executive Directors:				
Michael Pearson	100%	100%	-	-
Cherie Leatham	100%	100%	-	-
Tony Pitt	100%	-	-	-
James Storey	100%	-	-	-
Executive Directors:				
Brendon Ansell	100%	100%	-	-
Philip Raff	100%	100%	-	-
Other Key Management Personnel:				
Phillip Young	100%	100%	-	-

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 2020 are as follows:

Name:	Brendon Ansell (resigned 9 July 2020)
Title:	Managing Director
Agreement commenced:	27 August 2018
Term of agreement:	Employment agreement
Details:	Base salary for the year ending 30 June 2020 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:	1 July 2019
Term of agreement:	Consultancy Agreement
Details:	Base fee of $150,000 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 (resigned 6 March 2020)
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 (resigned 6 March 2020)
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. Re-elected at the 2019 Annual General Meeting on 26 November 2019.

Name:	Tony Pitt
Title:	Non-Executive Chairman
Agreement commenced:	23 December 209
Term of agreement:	Letter of Appointment
Details:	Annual fees of $40,000 initially, increasing to $50,000 once appointed Chairman on 6 March 2020.

Name:	James Storey
Title:	Non-Executive Director
Agreement commenced:	23 December 2019
Term of agreement:	Letter of Appointment
Details:	Annual fees of $40,000.

Name:	Phillip Young
Title:	Chief Financial Officer and Company Secretary
Agreement commenced:	1 July 209
Term of agreement:	Employment Agreement
Details:	Base salary of $156,000 plus superannuation. Gross bonus (including superannuation) of 0.2% of FY20 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 (resigned 9 July 2020)	85,953,571	-	-	(84,725,662)	1,227,909
Philip Raff	31,950,000	-	5,041,183	(35,934,291)	1,056,892
Michael Pearson (resigned 6 March 2020)	242,857	-	-	(235,918)	6,939
Cherie Leatham (resigned 6 March 2020)	165,828	-	-	(161,090)	4,738
Tony Pitt*	-	-	79,686,785	(77,410,019)	2,276,766
	118,312,256	-	84,727,968	(198,466,980)	4,573,244

*Tony Pitt has an indirect interest in the shares via virtue of owning approximately 29.2% of 360 Capital Group.

Included in the disposals/other amounts in the table above is the share consolidation on the basis of 35:1 as approved by shareholders at the Extra-ordinary General Meeting held on 6 March 2020.

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 2020, the Group's corporate governance framework was consistent with the fourth 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 2020 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 30 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 30 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 (including Independence Standards) 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

Philip Raff	Tony Pitt
Managing Director	Chairman

25 August 2020

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Auditor's Independence Declaration

As auditor of Velocity Property Group Limited for the year ended 30 June 2020, 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 Audit Australia

Crowe Audit Australia

John Zabala **FCA**
Partner

25 August 2020
Brisbane

	Note	Consolidated 2020 $	2019 $
Revenue			
Revenue from sale of properties		49,068,734	38,175,272
Other revenue from operations	6	678,834	651,932
Total revenue		49,747,568	38,827,204
Expenses			
Cost of property development and construction	8	(53,040,160)	(32,026,747)
Employee benefits expense		(1,831,198)	(1,278,333)
Depreciation and amortisation expense		(44,603)	(38,905)
Administration and other expenses	9	(4,164,254)	(2,416,927)
Total expenses		(59,080,215)	(35,760,912)
Profit/(loss) before income tax (expense)/benefit		(9,332,647)	3,066,292
Income tax (expense)/benefit	10	14,219	(763,070)
Profit/(loss) after income tax (expense)/benefit for the year		(9,318,428)	2,303,222
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		(9,318,428)	2,303,222
Profit/(loss) for the year is attributable to:			
Non-controlling interest		409,063	1,698,324
Shareholders of Velocity Property Group Limited		(9,727,491)	604,898
		(9,318,428)	2,303,222
Total comprehensive income for the year is attributable to:			
Non-controlling interest		409,063	1,698,324
Shareholders of Velocity Property Group Limited		(9,727,491)	604,898
		(9,318,428)	2,303,222
		Cents	**Cents**
Basic earnings per share	11	(89.34)	5.85
Diluted earnings per share	11	(89.34)	5.85

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

	Note	Consolidated 2020 $	Consolidated Restated 2019 $
Assets			
Current assets			
Cash and cash equivalents	12	2,614,647	1,839,403
Trade and other receivables		114,784	49,852
Inventories	14	56,415,863	86,134,470
Other	15	170,554	632,083
Total current assets		59,315,848	88,655,808
Non-current assets			
Investment properties	16	5,954,659	7,018,430
Property, plant and equipment	17	1,058,159	1,119,402
Intangibles		42,043	26,958
Total non-current assets		7,054,861	8,164,790
Total assets		66,370,709	96,820,598
Liabilities			
Current liabilities			
Trade and other payables	18	1,126,466	3,424,779
Borrowings	19	36,094,281	62,104,753
Income tax	10	1,111,803	1,050,213
Employee benefits		120,010	75,998
Redeemable preference shares	20	922,450	922,450
Total current liabilities		39,375,010	67,578,193
Non-current liabilities			
Borrowings	21	15,309,529	8,595,947
Deferred tax	10	26,056	402,036
Total non-current liabilities		15,335,585	8,997,983
Total liabilities		54,710,595	76,576,176
Net assets		11,660,114	20,244,422
Equity			
Issued capital	23	15,950,748	15,216,548
Reserves	24	472,862	472,862
Retained profits/(accumulated losses)		(6,733,155)	2,994,416
Equity attributable to the shareholders of Velocity Property Group Limited		9,690,455	18,683,826
Non-controlling interest		1,969,659	1,560,596
Total equity		11,660,114	20,244,422

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 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

Consolidated	Issued capital $	Reserves - predecessor accounting $	Retained profits $	Non-controlling interest $	Total equity $
Balance at 1 July 2019	15,216,548	472,862	2,994,416	1,560,596	20,244,422
Profit/(loss) after income tax benefit for the year	-	-	(9,727,491)	409,063	(9,318,428)
Other comprehensive income for the year, net of tax	-	-	-	-	-
Total comprehensive income for the year	-	-	(9,727,491)	409,063	(9,318,428)
Transactions with shareholders in their capacity as shareholders:					
Contributions of equity, net of transaction costs (note 23)	734,200	-	-	-	734,200
Rounding	(80)	-	-	-	(80)
Balance at 30 June 2020	15,950,668	472,862	(6,733,075)	1,969,659	11,660,114

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

	Note	Consolidated 2020 $	Consolidated 2019 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		53,040,782	39,517,425
Payments to suppliers and employees (inclusive of GST)		(32,545,262)	(61,924,296)
		20,495,520	(22,406,871)
Interest received		47,734	66,159
Interest and other finance costs paid		(869,689)	(286,190)
Income taxes paid		(300,000)	-
Net cash from/(used in) operating activities	13	19,373,565	(22,626,902)
Cash flows from investing activities			
Payments for property, plant and equipment		(16,200)	(61,104)
Payments for intangibles		(25,950)	(25,950)
Proceeds from disposal of property, plant and equipment		6,519	-
Net cash used in investing activities		(35,631)	(87,054)
Cash flows from financing activities			
Proceeds from issue of shares	23	734,200	-
Proceeds from borrowings		57,911,608	78,277,317
Repayment of borrowings		(77,208,498)	(57,444,421)
Net cash from/(used in) financing activities		(18,562,690)	20,832,896
Net increase/(decrease) in cash and cash equivalents		775,244	(1,881,060)
Cash and cash equivalents at the beginning of the financial year		1,839,403	3,720,463
Cash and cash equivalents at the end of the financial year	12	2,614,647	1,839,403

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 25 August 2020. 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.

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.

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

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. COVID-19 Impact & Going Concern

COVID-19 impact
During the global COVID-19 pandemic, the Group's first priority was to protect the health and safety of all our employees and communities in which we operate in. To this extent, strict protocols in line with federal and state government measures were implemented including physical distancing in the office and during property inspections, flexible working arrangements and personal hygiene controls.

The key financial and non-financial impacts to date on our markets, operations and workforce impacted by COVID-19 are as follows:

Note 3. COVID-19 Impact & Going Concern (continued)

- Sales rates - the federal government announced a ban on open house inspections and auctions from 26 March 2020 through to 15 May 2020. The Group moved quickly at the beginning of this period to re-fresh all of its marketing collateral to be 100% digital and online including walk-through videos of the apartments to give buyers the ability to view the Group's properties without the ability to physically be present at them. Enquiry during this period was predictably slow however the Group was still able to issue 4 contracts with 3 settlements occurring in FY20 and 1 occurring in FY21.

  Since government restrictions were lifted on 15 May 2020, the Group issued a further 7 contracts before balance date (with 5 of these settling in FY20 and 2 settling in FY21) and an additional 3 contracts and settlements, including the sale of the Two27 development site, have been issued during FY21 up to the date of this report being issued.

- Sales prices - the Group had independent third-party valuations prepared for the two Brisbane developments that were completed during FY20 being ONE Bulimba Riverfront in December 2019 and Parque on Oxford in January 2020 (pre COVID-19). The Group re-engaged the respective third-party valuation firms to prepare updated reports in June 2020 (post COVID-19). The results of these latest valuations reported a minimal decrease in market values with no write-down to be recorded to trading stock at these sites.

  This small decrease in market valuation prices reflects the sales activity experienced during the final quarter of FY20. The Group turned away any 'opportunistic' buyers trying to secure a bargain purchase during this period as it holds firm on its pricing that is reflective of the high-end, luxury nature of its developments.

- Development operations - as announced to the market in July 2020, the Group has an unconditional contract for the sale of the development site at Palm Beach known as Two27 for $11.15m. This site was scheduled to be the first in a series of development syndicates under the new capital light model announced in December 2019 following the completion of the debt & capital restructure with 360 Capital Group.

  Demolition of the previous dwellings was complete, with early construction works and the pre-sale marketing campaign about to begin when the COVID-19 impact begun, triggering an internal review of this project. With concerns and uncertainty around the Palm Beach real estate market, a decision was reached to sell the site and abandon this development.

- Office overheads / operations - a review of staffing requirements at the onset of COVID-19 resulted in 5 full-time staff leaving the organisation through redundancies offered at a cost of approx $70,000. A further 3 full-time-staff had their roles reduced to part-time working arrangements.

While uncertainties continue to exist in relation to COVID-19 and the possibilities of a second wave particularly in South-East Queensland, the Group is focused on its resilience and continued ability in achieving sales in an unpredictable environment.

Going concern
Management has prepared cash flow forecasts over 24 months that include realistic downside risk to the business and local real estate market arising from the COVID-19 pandemic. These forecasts have been reviewed by the Board and demonstrates that the Group has sufficient cash to enable the Group to meet its obligations as they fall due. As such, the Board considers it appropriate to adopt the going concern basis of accounting in preparing the FY20 financial statements.

Note 4. Restatement of comparatives

Correction of error in calculating FY19 deferred taxes liability and income tax liability
After the release of the Group's FY19 financial report on 26 August 2019, the Group's tax returns for FY19 were subsequently completed & lodged. Whilst 372 The Esplanade Pty Ltd is consolidated for accounting purposes it sits outside the Velocity Property Group Limited tax consolidated group due to the fact Velocity Property Group Limited only owns 50% of the share capital in 372 The Esplanade Pty Ltd and not 100%.

ONE Palm Beach received initial settlement income in FY19 and the subsequent preparation of the FY19 tax return for 372 The Esplanade Pty Ltd reported a tax liability of $1,050,213. This income tax liability was included against the Group's tax consolidated carry forward losses. In calculating the Group's FY19 deferred taxes, the accounting profit in 372 The Esplanade was unintentionally applied to losses within Velocity Property Group.

This resulted in an understatement of income tax (current liability) by $1,050,213 and an overstatement of deferred tax liabilities.

The error in calculating deferred taxes had no impact on total comprehensive income or ultimately net assets previously reported in the FY19 financial report.

Below is an extract of the Group's FY19 financial position following restatement of the above error:

	2019 $	Adjustments $	Restated 2019 $
Total assets	96,820,598	-	96,820,598
Liabilities			
Current liabilities			
Trade and other payables	3,424,779	-	3,424,779
Borrowings	62,104,753	-	62,104,753
Income tax	-	1,050,213	1,050,213
Employee benefits	75,998	-	75,998
Redeemable preference shares	922,450	-	922,450
Total current liabilities	66,527,980	-	67,578,193
Non-current liabilities			
Borrowings	8,595,947	-	8,595,947
Deferred tax	1,452,249	(1,050,213)	402,036
Total non-current liabilities	10,048,196	-	8,997,983
Total liabilities	76,576,176	-	76,576,176
Net assets	20,244,422	-	20,244,422

Note 5. 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 (2019: $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/(loss) on investment properties
Gains made on adjustments to the fair value of investment properties are recorded within the other revenues account in profit or loss. Fair value is determined in accordance with the accounting policy in note 33.

Note 6. Other revenue from operations

	Consolidated	
	2020	2019
	$	$
Rental income	538,195	509,399
Interest received	47,734	66,159
Gain/(loss) on sale of assets	(37,186)	(453)
Other	130,091	76,827
	678,834	651,932

Note 7. 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 8. Cost of property development and construction

	Consolidated	
	2020	2019
	$	$
Cost of goods sold	42,865,861	30,097,085
Finance costs	5,515,250	1,929,662
Write-down of inventories to net realisable value	4,659,049	-
	53,040,160	32,026,747

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 14. There were adjustments to the net realisable value of trading stock in the current period of $4,659,049 (2019: $0).

Note 9. Administration and other expenses

	Consolidated	
	2020	2019
	$	$
Legal costs	93,852	(3,191)
Finance costs	869,689	286,190
Rental property expenses	286,973	233,649
Other administration expenses	1,720,512	1,108,548
Unrealised foreign exchange loss	-	544,812
Realised foreign exchange loss	129,457	51,349
Net fair value (gain)/loss on investment properties	1,063,771	195,570
	4,164,254	2,416,927

Other administration expenses includes $553,500 to consultants in relation to the debt and equity capital restructure with 360 Capital that was announced to the market in December 2019. Legal costs of $71,270 were also incurred in relation to this restructure.

A $10m note was issued by the Company as announced in December 2019. The proceeds of this note were for working capital purposes and the Group choose to reduce various debt facilities with the proceeds. Interest expense on the note for the current period totalling $365,511 is recorded within finance costs above. Interest expense incurred on the facilities repaid by the note were previously capitalised within trading stock and then recognised within cost of goods sold in the period in which revenue was generated through project settlements the funding was associated to.

Net fair value (gain)/loss on investment properties
Losses made on adjustments to the fair value of investment properties are recorded within the other expenses account in profit or loss. Fair value is determined in accordance with the accounting policy in note 33.

Note 10. Income tax

	Consolidated 2020 $	Consolidated Restated 2019 $
Numerical reconciliation of income tax expense/(benefit) and tax at the statutory rate		
Profit/(loss) before income tax (expense)/benefit	(9,332,647)	3,066,292
Tax at the statutory tax rate of 27.5%	(2,566,478)	843,230
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Prior year adjustments	17,917	(18,282)
Sundry	5,430	7,945
Derecognition of losses	2,528,912	-
	(14,219)	832,893
Adjustment to deferred tax balances as a result of change in statutory tax rate	-	(69,823)
Income tax expense/(benefit)	(14,219)	763,070

	Consolidated 2020 $	Consolidated Restated 2019 $
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	2,239,455	2,360,849
Employee benefits not immediately deductible for tax	33,003	20,899
Superannuation expense not immediately deductible for tax	1,865	482
Initial public offer expenses not immediately deductible for tax	45,762	91,524
Deferred tax asset	2,320,085	2,473,754
Movements:		
Opening balance	2,473,754	1,234,170
Superannuation payable	1,383	(1,772)
Employee provisions	12,104	13,081
Revenue tax losses	2,407,518	1,128,732
Prepayment expenses	-	(16,338)
Borrowing costs not immediately deductible for tax	-	47,443
Initial public offer expenses	(45,762)	(58,242)
Opening balance adjustments	-	126,680
Tax losses de-recognised	(2,528,912)	-
Closing balance	2,320,085	2,473,754

Note 10. Income tax (continued)

	Consolidated 2020 $	Restated 2019 $
Deferred tax liability		
Deferred tax liability comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Property, plant and equipment	(3,728)	(7,109)
Development costs deductible for tax but capitalised for accounting	(1,925,300)	(2,530,291)
Investment property revaluations not currently assessable for tax	(302,402)	(594,940)
Unrealised foreign losses / (gains) not currently assessable for tax.	-	149,824
Investment properties accumulated capital works deductions	(88,655)	(60,400)
Borrowing costs not immediately deductible for tax	(26,056)	167,125
Deferred tax liability	(2,346,141)	(2,875,791)
Movements:		
Opening balance	(2,875,791)	(1,923,350)
Development costs	270,815	(1,212,295)
Investment property revaluations	292,537	53,782
Unrealised foreign exchange movement	(149,824)	149,824
Investment properties accumulated capital works	(28,255)	(25,248)
Property, plant & equipment accumulated depreciation	3,381	(7,109)
Borrowing costs	140,996	-
Opening balance adjustments	-	88,605
Closing balance	(2,346,141)	(2,875,791)

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 $26,056 (2019: liability of $402,036).

	Consolidated 2020 $	Restated 2019 $
Provision for income tax		
Provision for income tax	1,111,803	1,050,213

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.

Note 10. Income tax (continued)

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.

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 11. Earnings per share

	Consolidated	
	2020 $	Restated 2019 $
Profit/(loss) after income tax	(9,318,428)	2,303,222
Non-controlling interest	(409,063)	(1,698,324)
Profit/(loss) after income tax attributable to the shareholders of Velocity Property Group Limited	(9,727,491)	604,898
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	10,888,212	10,340,614
Weighted average number of ordinary shares used in calculating diluted earnings per share	10,888,212	10,340,614
	Cents	**Cents**
Basic earnings per share	(89.34)	5.85
Diluted earnings per share	(89.34)	5.85

The weighted average number of ordinary shares for FY20 has been restated for the effect of the share consolidation (35 for 1) completed in March 2020, in accordance with AASB 133 'Earnings per share'.

	Number
Weighted average number of ordinary shares used in calculating basic earnings per share (before restatement)	257,288,567
Adjustment required by AASB 133 'Earnings per share'	(246,400,355)
Weighted average number of ordinary shares used in calculating basic earnings per share (after restatement)	10,888,212

The weighted average number of ordinary shares for FY19 has been restated for the effect of the share consolidation (35 for 1) completed in March 2020, in accordance with AASB 133 'Earnings per share'.

Note 11. Earnings per share (continued)

	Number
Weighted average number of ordinary shares used in calculating basic earnings per share (before restatement)	361,921,498
Adjustment required by AASB 133 'Earnings per share'	(351,580,884)
Weighted average number of ordinary shares used in calculating basic earnings per share (after restatement)	10,340,614

Note 23 contains more information on the Company's issued capital including the share consolidation event that occurred during the period.

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 12. Current assets - cash and cash equivalents

	Consolidated	
	2020	2019
	$	$
Cash at bank	2,614,647	1,839,403

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 (2019: $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 $32,545,262 (2019: $61,924,296). These payments include the committed acquisition of new projects totalling $325,038 (2019: $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 $2,889,152 (2019: $30,951,421). These payments which total $3,214,189 (2019: $30,951,421) are partially funded by the project finance facilities provided by the Group's financiers. Financing arrangements are detailed at note 21.

Note 13. Reconciliation of profit/(loss) after income tax to net cash from/(used in) operating activities

	Consolidated	
	2020	2019
	$	$
Profit/(loss) after income tax (expense)/benefit for the year	(9,318,428)	2,303,222
Adjustments for:		
Depreciation and amortisation	44,603	39,295
Write off of property, plant and equipment	37,186	-
Foreign exchange differences	-	596,161
Revenue - non-cash	-	(2,078,801)
Write-down of inventories to net realisable value (non-cash expense)	4,658,799	-
Impairment of investment properties	1,063,771	-
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	(64,932)	13,438
Decrease/(increase) in inventories	25,059,557	(21,193,175)
Decrease/(increase) in prepayments	417,638	(268,058)
Decrease/(increase) in other operating assets	43,891	(52,211)
Decrease in trade and other payables	(2,298,313)	(525,408)
Increase in provision for income tax	61,761	-
Increase/(decrease) in deferred tax liabilities	(375,980)	763,070
Increase in employee benefits	44,012	49,936
Decrease in other operating liabilities	-	(2,274,371)
Net cash from/(used in) operating activities	19,373,565	(22,626,902)

Note 14. Current assets - inventories

	Consolidated	
	2020	2019
	$	$
Trading stock expected to be realised within 12 months	46,652,326	65,035,535
Trading stock expected to be realised after 12 months	9,763,537	21,098,935
	56,415,863	86,134,470

During the year, trading stock transferred to cost of goods sold on the statement of comprehensive income was $50,992,201 (2019: $31,384,529).

During the year, borrowing costs relating to the establishment and registration of new borrowing facilities totalled $214,927 (2019: $1,285,948) were capitalised into trading stock. At balance date, trading stock includes capitalised interest of $5,669,971 (2019: $6,277,800).

Inventories accounting policy
Trading stock is measured at the lower of cost or 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 after 12 months'.

Note 14. Current assets - inventories (continued)

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. To assist with making the net realisable value estimate, independent third party valuation reports will be commission where appropriate. Where the carrying amount of trading stock exceeds the net realisable value, a write-down to reduce its value to net realisable value is recorded.

There were adjustments to the net realisable value of trading stock in the current period of $4,659,049 (2019: $0).

Note 15. Current assets - other

	Consolidated	
	2020 $	2019 $
Prepayments	106,595	524,233
Development site deposits & other deposits	63,959	107,850
	170,554	632,083

Note 16. Non-current assets - investment properties

	Consolidated	
	2020 $	2019 $
Acquisition and development costs	5,050,586	5,050,586
Revaluation increments	904,073	1,967,844
	5,954,659	7,018,430

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

	2020 $	2019 $
Opening fair value	7,018,430	7,214,000
Revaluation decrements	(1,063,771)	(195,570)
Closing fair value	5,954,659	7,018,430

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 (less selling costs and any GST if applicable). 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 all of the Group's ten residential investment properties. This valuation was accepted and reported a fair value of $5,954,659 representing a decrease of $1,063,771 for the ten properties valued.

At balance date, the fair market value of the entire investment property portfolio was ascribed as $5,954,859 (2019: $7,018,430)

Refer to note 33 for further information on fair value measurement.

Note 16. Non-current assets - investment properties (continued)

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 cost.

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 17. Non-current assets - property, plant and equipment

	Consolidated	
	2020	2019
	$	$
Land and buildings - at cost	1,045,727	1,044,176
Less: Accumulated depreciation	(39,951)	(25,089)
	1,005,776	1,019,087
Plant and equipment - at cost	40,743	69,997
Less: Accumulated depreciation	(2,350)	(3,665)
	38,393	66,332
Office equipment - at cost	32,179	54,111
Less: Accumulated depreciation	(18,189)	(20,128)
	13,990	33,983
	1,058,159	1,119,402

Note 17. Non-current assets - property, plant and equipment (continued)

Reconciliations
Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Land and buildings $	Plant and equipment $	Office equipment $	Total $
Balance at 1 July 2018	1,044,176	36,715	14,766	1,095,657
Additions	-	32,323	28,781	61,104
Write off of assets	-	-	(896)	(896)
Depreciation expense	(25,089)	(2,706)	(8,668)	(36,463)
Balance at 30 June 2019	1,019,087	66,332	33,983	1,119,402
Additions	9,440	2,246	4,514	16,200
Disposals	-	(6,519)	-	(6,519)
Write off of assets	(5,847)	(20,790)	(10,549)	(37,186)
Depreciation expense	(16,904)	(2,876)	(13,958)	(33,738)
Balance at 30 June 2020	1,005,776	38,393	13,990	1,058,159

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.

Note 18. Current liabilities - Trade and other payables

	Consolidated 2020 $	Consolidated 2019 $
Trade payables	1,072,366	3,455,545
Other payables	54,100	(30,766)
	1,126,466	3,424,779

Refer to note 27 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 19. Current liabilities - borrowings

	Consolidated 2020 $	Consolidated 2019 $
Bank loans	10,769,474	13,680,688
Non-bank loans	25,324,807	48,424,065
	36,094,281	62,104,753

Refer to note 21 for further information on assets pledged as security and financing arrangements.

Refer to note 27 for further information on financial instruments and risk management.

Note 20. Current liabilities - Redeemable preference shares

	Consolidated 2020 $	Consolidated 2019 $
Redeemable preference shares	922,450	922,450

During the prior 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 last remaining Lot after all secured project debt is repaid.

Further details on the ONE Palm Beach project entity is outline in note 26.

Note 21. Non-current liabilities - borrowings

	Consolidated 2020 $	Consolidated 2019 $
Bank loans	5,309,529	1,049,423
Non-bank loans	10,000,000	7,546,524
	15,309,529	8,595,947

Refer to note 27 for further information on financial instruments and risk management.

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

	Consolidated 2020 $	Consolidated 2019 $
Bank loans	16,079,003	14,730,111
Non-bank loans	35,324,807	55,970,589
	51,403,810	70,700,700

Note 21. 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/or general security agreements over the existing and future assets and undertakings of controlled entities are provided by the Company.

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 generally that the Company grants a security interest in the Company's present and after-acquired property, interests, rights and proceeds of which the Company has at any time sufficient rights to grant a security interest in the assets, undertakings and goodwill of the business of the Company.

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

	Consolidated	
	2020 $	2019 $
Trading stock	56,415,863	86,134,470
Investment properties	5,954,659	7,018,430
Land and buildings	1,005,776	1,019,087
	63,376,298	94,171,987

Financing arrangements
The Group had access to borrowing facilities at the end of the reporting period and these 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.

During the period, the Group repaid or refinanced all of its international borrowing facilities. As such all borrowing facilities in existence at balance date are in in Australian currency.

A summary of the facilities are below:

	Consolidated	
	2020 $	2019 $
Total facilities		
Bank facilities	16,084,739	14,983,321
Non-bank facilities	36,836,712	73,204,880
	52,921,451	88,188,201
Used at the reporting date		
Bank facilities	16,079,003	14,730,111
Non-bank facilities	35,324,807	56,893,039
	51,403,810	71,623,150
Unused at the reporting date		
Bank facilities	5,736	253,210
Non-bank facilities	1,511,905	16,311,841
	1,517,641	16,565,051

At the reporting date, the Group had working capital facilities of $5,028,000 (2019: $4,390,000) and undrawn balances on these facilities totalling $9,497 (2019: $19,139).

Note 21. Non-current liabilities - borrowings (continued)

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 22. Commitments

Controlled entities within the Group have entered into land acquisition contracts for project development with contract values totalling $3,858,000 (2019: $0) in the normal course of business which will settle subsequent to year end with deposits paid of $325,038 (2019: $0) recorded in trading stock.

The Group has lease commitments of $51,873 for offices over a 6 month period (2019: $152,304 for offices over a 1 year and 6 month period).

Note 23. Equity - issued capital

	Consolidated			
	2020 Shares	2019 Shares	2020 $	2019 $
Ordinary shares - fully paid	11,389,937	361,921,498	15,950,748	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.

Shares issued
On 23 December 2019, 36,710,000 ordinary shares at 2 cents were issued for proceeds of $734,200. Upon these shares been issued, the number of ordinary shares on issue by the Company was 398,631,498.

Share consolidation
On 6 March 2020, at the extra-ordinary general meeting, shareholders approved the consolidation of shares on issue on a 35:1 basis. Upon the completion of this consolidation, the number of ordinary shares on issue by the Company is now 11,389,937.

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

Options
At 30 June 2020, no options (2019: nil) were outstanding over un-issued ordinary shares of the Company.

At 30 June 2020, 360 Capital REIT has 7,142,857 options (2019: nil options) at an exercise price of $1.40 per share.

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.

Note 23. Equity - issued capital (continued)

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 24. Equity - reserves

	Consolidated	
	2020 $	2019 $
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 25. Equity - dividends

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

Note 26. 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:

	Ownership interest	
Name	2020 %	2019 %
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%

Note 26. Interests in subsidiaries (continued)

	Ownership interest	
	2020	2019
Name	%	%
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%
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.

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 provided funding for the project and managed 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.

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 27. 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.

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

	Assets		Liabilities	
	2020	2019	2020	2019
Consolidated	$	$	$	$
Singapore dollars (SGD $)	-	-	-	7,955,267

During the period, the Group repaid all of its foreign currency borrowings and at balance date there are no foreign currency assets or liabilities held by the Group. The actual realised and unrealised foreign exchange loss for the year ended 30 June 2020 was $129,457 (2019: loss of $596,161).

A detailed description of the Group's foreign currency financing arrangements is contained in note 21.

Note 27. Financial instruments and risk management (continued)

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:

	2020		2019	
Consolidated	**Weighted average interest rate %**	**Balance $**	**Weighted average interest rate %**	**Balance $**
Cash at bank	0.40%	2,614,647	0.85%	1,839,403
Bank & non-bank borrowing facilities	(5.20%)	(22,515,242)	(6.26%)	(14,730,111)
Net exposure to cash flow interest rate risk		(19,900,595)		(12,890,708)

An analysis by remaining contractual maturities is 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.

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.

Note 27. Financial instruments and risk management (continued)

Consolidated - 2020	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	1,072,366	-	-	-	1,072,366
Other payables	54,100	-	-	-	54,100
Redeemable preference shares	922,450	-	-	-	922,450
Interest-bearing - variable					
Bank loans	10,769,474	1,048,290	4,261,239	-	16,079,003
Other loans	6,369,185	-	-	-	6,369,185
Interest-bearing - fixed rate					
Other loans	18,955,623	10,000,000	-	-	28,955,623
Total non-derivatives	38,143,198	11,048,290	4,261,239	-	53,452,727

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

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 28. Key management personnel disclosures

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

Brendon Ansell (resigned 9 July 2020)
Philip Raff
Michael Pearson (resigned 6 March 2020)
Cherie Leatham (resigned 6 March 2020)
Tony Pitt (appointed 23 December 2019)
James Storey (appointed 23 December 2019)

Note 28. Key management personnel disclosures (continued)

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	
	2020	2019
	$	$
Short-term employee benefits	662,898	615,109
Post-employment benefits	44,469	46,655
	707,367	661,764

Detailed remuneration disclosures are provided in the remuneration report.

Note 29. Related party transactions

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

	Consolidated	
	2020	2019
	$	$
Payment for other expenses:		
Interest paid to director related party	1,767,075	454,711

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.

The interest payments during the current year of $1,401,564 (2019: $454,711) that related to development projects were initially recorded in trading stock and payments of $365,511 (2019: $0) relating to working capital were expensed directly to profit or loss. 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. These interest costs are then recognised proportionally in Cost of Goods Sold as revenue is recognised by the Group.

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.

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

	Consolidated	
	2020	2019
	$	$
Non-current borrowings:		
Loan from director related party	27,877,207	5,262,371

Note 29. Related party transactions (continued)

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.

During the current period, the related party loan with Byron Street Pte Ltd was repaid ahead of schedule in December 2019.

As previously announced to the market in December 2019, the Group entered into two loans (a $10,000,000 loan note facility and $23,663,882 residual stock facility) with 360 Capital Group entities, a related party shareholder owning 19.99% of the issued capital in the Group and where Mr Tony Pitt is the Managing Director and substantial security holder of the Group. The commercial terms and the agreements itself reflected a transaction that was negotiated on an arm's length basis for the Group.

The key material terms of the loan note facility are:

- Fixed interest rate of 7% per annum with interest payments every 3 months.
- Loan repayment date is 23 December 2021, unless agreed earlier.

Part of the proceeds from the loan note facility were used to repay the Byron Street Pte Ltd facility in full.

The key material terms of the residual stock facility agreement are:

- Fixed interest rate of 8.5% per annum with interest capitalised monthly.
- Loan repayment date is June 2021.
- First ranking security over the completed stock at ONE Bulimba Riverfront.

Note 30. Remuneration of auditors

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

	Consolidated	
	2020 $	2019 $
Audit services - Crowe Audit Australia		
Audit or review of the financial statements	92,744	60,075
Other services - Crowe Audit Australia		
Tax compliance	14,929	12,538
Software subscriptions	3,868	7,418
	18,797	19,956
	111,541	80,031

In the 2020 financial year, audit services for the audit or review of the financial statements includes $28,359 incurred for the audit of the prior financial year.

Note 31. 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 32. Parent entity information

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

Statement of comprehensive income

	Parent	
	2020 $	2019 $
Loss after income tax	(5,104,515)	(4,022,459)
Total comprehensive loss	(5,104,515)	(4,022,459)

Statement of financial position

	Parent	
	2020 $	2019 $
Total current assets	16,038,522	22,798,138
Total assets	16,132,948	22,925,411
Total current liabilities	273,677	3,697,052
Total liabilities	10,273,677	12,695,825
Equity		
Issued capital	15,950,748	15,216,548
Predecessor Accounting Reserves	(202,139)	(202,139)
Accumulated losses	(9,889,338)	(4,784,822)
Total equity	5,859,271	10,229,587

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 21.

Contingent liabilities
The parent entity had no contingent liabilities as at 30 June 2020 and 30 June 2019.

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment as at 30 June 2020 and 30 June 2019.

Note 33. 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 - 2020	Level 1 $	Level 2 $	Level 3 $	Total $
Assets				
Investment properties	-	5,954,659	-	5,954,659
Total assets	-	5,954,659	-	5,954,659

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

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 33. 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 34. Events after the reporting period

After balance date, the Group entered into an unconditional contract for the sale of the development site at 488 - 490 The Esplanade, Palm Beach, the development known as Two27. Settlement of the site is scheduled to occur in the first half of FY21. The carrying value of trading stock at balance date for Two27, was recorded at net realisable value being the sale contract amount less the applicable GST and selling costs. An amount of $2,472,385 was written-down from trading stock to cost of goods sold after assessing the net realisable value of this site.

Mr Brendon Ansell resigned from his role as Managing Director of the Group on 9 July 2020.

Both of the above two events were previously announced to the ASX market in July 2020 when they occurred.

On the 7 August 2020, Velocity received a proposal from 360 Capital Group (ASX:TGP) to restructure and recapitalise the Group and expand its activities to real estate financing and debt activities within Australia and New Zealand including but not limited to:

1) Undertake a significant recapitalisation of the Company
2) Restructure VP7 into a stapled security by stapling a trust to the Company
3) Provide liquidity to existing VP7 shareholders who wish to exit
4) Acquire certain related party assets from 360 Capital and its associates

The Board is still considering the Proposal. At this stage, the Board considers the Proposal is incomplete and we have requested further information from 360 Capital. There is no certainty that the Proposal will proceed, however, if appropriate, the Board will put the Proposal and the resolutions required to implement the Proposal to shareholders in due course.

No other matter or circumstance has arisen since 30 June 2020 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 2020 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

Philip Raff Managing Director	Tony Pitt Chairman

25 August 2020

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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 2020, 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 2020 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.

Key Audit Matter	How We Addressed the Key Audit Matter
Valuation of inventories – *Note 14*	
The Group hold a portfolio of property projects, that are held to be developed or that have been developed and are ready for sale. The portfolio of property projects is classified as inventory. The carrying amount is a significant component of the Group's total assets being $56,415,863 at 30 June 2020. Inventories are valued at the lower of cost and net realisable value in accordance with the relevant accounting standards. Significant judgements were made by the directors in determining the carrying value of inventory, which include: • Determining when and how development expenditure is capitalised for each property project; and • Assessing the net realisable value of property projects. Based on the significance of the inventory balance to the Group's total assets and the judgement required by the directors in determining the valuation of inventory, especially considering the effect of COVID-19 on market conditions, we have determined this matter to be a key audit matter.	Our procedures included, but were not limited to: • Obtaining the Group's policies for the recognition and measurement of capitalisation of development costs and assessing the policies for compliance with relevant accounting standards. • Evaluating the design effectiveness of key controls in relation to the recognition and measurement of inventory. • Testing a sample of acquisition and development expenses to ensure capitalisation is in accordance with relevant accounting standards. • Assessing of the recoverability of completed projects through review of subsequent sales contracts, and independent third-party valuations, to determine if inventory is recorded at the lower of cost and net realisable value. • Scrutinising the valuation reports prepared by management's expert, including the methodologies employed and key assumptions and estimates used. • Evaluating whether the expert had the necessary competence, capabilities and objectivity to undertake the valuations. • Challenging the various assumptions used in the valuation. In particular, comparing the valuation assumptions used by the valuers to market evidence and current market conditions.

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 2020 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 Group'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 Group'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 Group 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 7 to 11 of the directors' report for the year ended 30 June 2020.

In our opinion, the remuneration report of Velocity Property Group Limited, for the year ended 30 June 2020, 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 Audit Australia

Crowe Audit Australia

John Zabala FCA
Partner

25 August 2020
Brisbane

The shareholder information set out below was applicable as at 14 July 2020

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 to 1,000	157	59,839
1,001 to 5,000	583	1,614,915
5,001 to 10,000	178	1,240,750
10,001 to 100,000	140	2,664,969
100,001 and over	11	5,809,464
	1,069	11,389,937
Holding less than a marketable parcel	157	59,839

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
TGP TOT JV PTY LIMITED	2,276,766	19.99
PHILIP JOHN RAFF	1,051,177	9.23
EVERGREEN STREET PTY LTD	918,898	8.07
8 INVESTMENT PTE LTD	380,849	3.34
BRENDON CRAIG ANSELL	294,011	2.58
REGAN LEE BAKER	201,177	1.77
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	168,656	1.48
CITICORP NOMINEES PTY LIMITED	161,695	1.42
SOON PIANG LINCOLN TEO	144,585	1.27
ENG SENG LAU	109,609	0.96
VIVEK VERMA	102,041	0.90
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	98,670	0.87
BNP PARIBAS NOMINEES PTY LTD	65,782	0.58
THIM FATT CHAN	61,225	0.54
CHOON SENG NEO	57,143	0.50
YAN FENG ONG	52,363	0.46
DAI WEI YEO	46,860	0.41
BNP PARIBAS NOMS PTY LTD	43,402	0.38
HOLLOW SWORD BLADE COMPANY PTY LTD	43,281	0.38
KIN HWA TAN	42,432	0.37
	6,320,622	55.50

Substantial holders

Substantial holders in the Company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
TGP TOT JV PTY LIMITED	2,276,766	19.99
PHILIP JOHN RAFF	1,051,177	9.23
EVERGREEN STREET PTY LTD	918,898	8.07

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.