



**VELOCITY** PROPERTY GROUP

VISION INTEGRITY LIFESTYLE



# PROSPECTUS

for an offer of 50,000,000 Shares in Velocity Property Group Limited ACN 605 935 153  
at \$0.20 per Share to raise \$10,000,000

(with the ability to take up to \$10,000,000 of oversubscriptions)

Lawyers  
**McCullough  
Robertson**

Legal advisor



Quattro Capital Management Pty Ltd  
Underwriter

# CONTENTS

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IMPORTANT NOTICES	I
LETTER FROM THE CHAIRMAN	2
KEY INFORMATION	3
01 INVESTMENT OVERVIEW	4
02 COMPANY OVERVIEW	14
03 BOARD, MANAGEMENT AND CORPORATE GOVERNANCE	28
04 FINANCIAL INFORMATION	39
05 RISK FACTORS	59
06 INVESTIGATING ACCOUNTANT'S REPORT AND FINANCIAL SERVICES GUIDE	65
07 MATERIAL AGREEMENTS	73
08 DETAILS OF THE OFFER	82
09 ADDITIONAL INFORMATION	86
GLOSSARY	91
CORPORATE DIRECTORY	92

# IMPORTANT NOTICES

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## General

This replacement prospectus is dated 16 November 2016 and was lodged with ASIC on that date. It replaces the original prospectus lodged with ASIC on 2 November 2016. Velocity has applied to the ASX for the admission of Velocity to the official list of ASX and for quotation of the Shares the subject of this Offer. This replacement prospectus (hereinafter referred to as 'this Prospectus') has been issued to provide further information about the risks arising from an oversupply of high density apartments in Brisbane, clarify the forward looking statement in relation to the estimated gross development value of Velocity's current book of projects and remove information from the case studies set out in section 2.13 regarding the cost of land. Neither ASIC or ASX takes any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates. No Shares will be allotted or transferred on the basis of this Prospectus after the expiry date (16 December 2017).

No person is authorised to give any information or make representations about the Offer, which is not contained in this Prospectus. Information or representations not contained in this Prospectus must not be relied on as authorised by the Company, or any other person, in connection with the Offer.

This Prospectus provides information for investors to decide if they wish to invest in Velocity. Read this document in its entirety. Examine the risk factors that could affect the financial performance of Velocity. Consider these factors carefully in light of your personal financial circumstances. Seek professional advice from your accountant, stockbroker, lawyer or other professional adviser before deciding whether to invest. The Offer does not take into account the investment objectives, financial situation or needs of particular investors.

## International Offer restrictions

The Offer is available to Australian residents in each state and territory of Australia and to certain categories of investors in Singapore, Malaysia, China and Hong Kong (refer to section 8.9). The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law. Seek advice on and observe any restrictions. This Prospectus is not an Offer in any place where, or to any person to whom, it would not be lawful to make the Offer.

## Defined terms

Some terms used in this Prospectus are defined in the Glossary.

## Electronic prospectus

This Prospectus is available electronically at [www.velocitypropertygroup.com.au](http://www.velocitypropertygroup.com.au). The Application Form attached to the electronic version of this Prospectus must be used within Australia. Electronic versions of this Prospectus should be downloaded and read in their entirety. Obtain a paper copy of the Prospectus (free of charge) by telephoning the Velocity Offer Information Line on 1 800 992 673 (toll free within Australia) or +61 2 8767 1291 (outside of Australia) between 8.30am to 5.30pm (AEDT), Monday to Friday. Applications for Shares may only be made on the Application Form attached to this Prospectus or in its paper copy form downloaded in its entirety from [www.velocitypropertygroup.com.au](http://www.velocitypropertygroup.com.au).

## Exposure period

Velocity has not processed application forms during the seven day exposure period, which was extended by a further seven days, following lodging of the original prospectus with ASIC. This exposure period enabled the original prospectus to be examined by market participants. No preference will be given to application forms received during the exposure period. ASIC Class Order 00/169 means that there is no additional exposure period under the Corporations Act for this Prospectus.

## Privacy

If you complete an Application Form you will be giving Velocity personal information. The Company and the Share Registry collect, hold and use that personal information to assess your application and to communicate and provide services to you as a Shareholder. The Company may disclose information to its agents, service providers (such as the share registry) and government bodies. You may access, correct and update the personal information that we hold about you by contacting the share registry.

## Currency

Monetary amounts shown in this Prospectus are expressed in Australian dollars unless otherwise stated.

## Photographs and diagrams

Photographs used in this Prospectus without descriptions are only for illustration. The people shown are not endorsing this Prospectus or its contents. Diagrams used in this Prospectus may not be drawn to scale. The assets depicted in photographs in this Prospectus are not assets of the Company unless otherwise stated.

**THIS DOCUMENT IS IMPORTANT AND SHOULD BE READ IN ITS ENTIRETY**

# LETTER FROM THE CHAIRMAN

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16 November 2016

## Dear Investor

On behalf of the Board, it gives me great pleasure to offer you this opportunity to invest in Velocity Property Group Limited (**Velocity**).

Velocity is a boutique property group developing sophisticated and stylishly designed high-end residential and commercial property in the South East Queensland market. With a focus on quality and sustainability, Velocity's target market is the burgeoning owner-occupier market segment such as those looking to move from houses into lifestyle apartments and commercial precincts.

Impressively, the bright and energetic team at Velocity have already established a credible track record in designing, developing and delivering an array of high quality residences to the market with more in the pipeline. Indeed the current book of projects in progress will continue to showcase and enhance the management team's creative expertise for the benefit of Velocity clients and shareholders.

Through this Prospectus, Velocity is inviting investors to subscribe for up to 50,000,000 Shares, at an Offer Price of \$0.20 per Share to raise up to \$10,000,000 (before Offer costs), with the ability to take up to \$10,000,000 of oversubscriptions (50,000,000 additional Shares). The Offer is underwritten by Quattro Capital.

The funds raised by this Offer will provide Velocity with the opportunity to support and execute its strategy of delivering high quality and architecturally authentic projects to meet demands of a dynamic consumer market. An ASX listing will provide Velocity access to equity capital markets and by doing so allow the business to achieve its goals in a prudent and considered manner.

This Prospectus contains detailed information about Velocity's operations, financial performance, experienced management team and future plans. It also outlines the potential risks associated with this investment. I encourage you to read this document carefully before making your investment decision.

I look forward to welcoming you as a Shareholder.

Yours faithfully



**Michael Pearson**  
Chairman  
Velocity Property Group Limited



# KEY INFORMATION

## KEY OFFER DETAILS

	MINIMUM SUBSCRIPTION	MAXIMUM WITH OVER-SUBSCRIPTIONS
Offer Price per Share	\$0.20	\$0.20
Total number of Shares offered under this Prospectus	50,000,000	100,000,000
Total number of Shares on issue following the Offer	358,587,267	408,587,267
Amount to be raised under the Offer	\$10,000,000	\$20,000,000
Market capitalisation at the Offer Price *	\$71,717,453	\$81,717,453

\* Market capitalisation is determined by multiplying the number of Shares on issue by the price at which Shares trade on the ASX from time to time. Shares may not trade at the Offer Price after Velocity's listing. If Shares trade below the Offer Price, the market capitalisation may be lower. Investors should note the risks set out in section 5 and summarised in section 1.2.

## IMPORTANT DATES \*

	DATE
Velocity commences acceptance of applications	17 November 2016
Offer closes	4 January 2017
Anticipated date of allotment	10 January 2017
Holding statements expected to be dispatched	11 January 2017
Anticipated commencement of ASX trading	16 January 2017

\* All dates are subject to change and are indicative only. Velocity reserves the right to vary these dates without notice. It may, subject to the Listing Rules and Corporations Act, close the Offer early, withdraw the Offer, or accept late applications. Applicants are encouraged to submit their Application Forms as soon as possible.

The background is a solid green color with a series of diagonal lines in a slightly darker shade of green, creating a sense of depth and movement. A large, white, stylized number '1' is positioned in the upper left corner, with a horizontal line extending from its base.

# 1

## INVESTMENT OVERVIEW

# 1 INVESTMENT OVERVIEW

## 1.1 KEY FEATURES OF VELOCITY BUSINESS MODEL

TOPIC	SUMMARY	MORE INFORMATION
<b>Who is Velocity?</b>	<p>Velocity is an Australian boutique property development company that develops multi-unit apartment and mixed commercial developments, recognisable for their stylish architectural design, high quality finishes and usable and flexible spaces that maximise lifestyle and saleability in the Queensland markets in which it operates.</p> <p>Velocity is currently undertaking seven development projects in Brisbane and the Gold Coast, including the flagship projects ONE Burleigh Headland and ONE Palm Beach. Velocity plans to identify and develop further property development projects, primarily in South-East Queensland but will also consider opportunistic acquisitions in other regions if the potential returns are compelling and the project is otherwise consistent with Velocity's business model.</p>	Section 2
<b>What is the nature of Velocity's business?</b>	<p>Velocity is a property development company with a focus on:</p> <ul style="list-style-type: none"> <li>• residential multi-unit apartment developments;</li> <li>• residential townhouses and homes; and</li> <li>• mixed commercial developments.</li> </ul> <p>Velocity is a vertically integrated business, managing the entire process of a project from site sourcing and initial conception through to sales and final handover of the completed product.</p> <p>Velocity generally undertakes feasibility studies on each of its proposed developments to identify and assess the developments potential return on investment. Once acquired, Velocity then manages the construction and marketing of its property development projects (using external contractors and consultants as required) with a view to effecting the sale of such projects in order to obtain a positive return on its investments.</p>	Section 2
<b>How does Velocity generate income?</b>	<p>Velocity generates income primarily from the construction and sale of low to medium density residential apartment developments, townhouses and single and double storey homes.</p> <p>Velocity also generates income from its investment property portfolio, which includes both commercial and residential property.</p>	Section 2.3

# 1 INVESTMENT OVERVIEW CONTINUED

## 1.1 KEY FEATURES OF VELOCITY BUSINESS MODEL CONTINUED

TOPIC	SUMMARY	MORE INFORMATION
<b>What is Velocity's business and growth strategy?</b>	<p>Velocity's strategy is to:</p> <ul style="list-style-type: none"> <li>• identify land suitable for the development of both residential and mixed-use residential and commercial developments;</li> <li>• concentrate on the boutique development space of high quality projects incorporating green initiatives to differentiate Velocity in the market and generate ongoing benefits for consumers;</li> <li>• increase the volume of projects in the pipeline at any one time;</li> <li>• increase its property investment portfolio;</li> <li>• stagger settlement periods to maximise control over the development life-cycle by optimising use of Velocity's resources and ensuring that cash flows from sales are not concentrated; and</li> <li>• outsource many of the development functions by using external contractors and consultants, rather than growing its internal staff, to minimise corporate overheads and ensure it is able to adapt to changing market conditions.</li> </ul> <p>Identified growth opportunities for Velocity include:</p> <ul style="list-style-type: none"> <li>• significant growth in its target market across South-East Queensland, namely wealthy retirees looking to downsize from larger homes to owner-occupier style apartment developments; and</li> <li>• a strong pipeline of current projects at various stages of the development cycle.</li> </ul>	Sections 2.3 to 2.7
<b>How does Velocity expect to fund its operations?</b>	<p>Under the Offer, Velocity will raise \$10 million to fund the acquisition and development of future sites, debt reduction, Offer costs and working capital. If the Board exercises its discretion to accept oversubscriptions (of up to \$10 million) those additional funds will be applied toward the acquisition and development of future sites.</p> <p>To date, Velocity's operations have been funded primarily from debt, including both bank debt and initial shareholder loans, as well as from the cash flows of the business.</p> <p>Typically, the Velocity Group finances each development through a new facility between the relevant subsidiary and a reputable financial institution. Velocity will continue to utilise such facilities to fund the acquisition and development of future sites.</p>	Section 2.14
<b>What are the key strengths and competitive advantages of Velocity?</b>	<p>Key strengths and competitive advantages of Velocity are as follows:</p> <ul style="list-style-type: none"> <li>• experienced management team;</li> <li>• favourable demographics in Velocity's target market with growing retiree population; and</li> <li>• compelling value proposition.</li> </ul>	Sections 2.4, 2.5, 2.7 and 3.2



# 1 INVESTMENT OVERVIEW CONTINUED

## 1.2 KEY RISKS

TOPIC	SUMMARY	MORE INFORMATION
<b>Development and operational risks</b>	There are a number of operational risks associated with property development, including planning issues such as zoning restrictions, failure to obtain regulatory approvals, or obtaining approvals with conditions that are unsatisfactory, construction delays and development cost overruns. Many of those issues are beyond Velocity's control. While some of these risks can be mitigated, it is impossible to completely remove the potential for such risks to occur.	Section 5.2
<b>Dependence upon Executive Directors and key personnel</b>	The success of Velocity's business is largely dependent on the continued performance, efforts, abilities and expertise of Executive Directors (in particular Brendon Ansell), and a number of key personnel employed by Velocity or consulting to Velocity. The loss of key personnel could have a material adverse effect on the ability of Velocity to successfully implement its business growth strategies.	Section 5.2
<b>Property market risk</b>	The value of, and returns from, Velocity's current and future property development projects may fluctuate depending on property market conditions, including an over-concentration of supply of residential apartments resulting in downward pressure on property prices. Various commentators, including the Reserve Bank of Australia, have highlighted that the large number of new apartments recently completed and currently under construction in many capital cities, including Brisbane, raises the risk of an oversupply in some areas. While Velocity is not a developer of high density inner-city apartments, a severe or prolonged price correction in that market could affect demand for Velocity's high end low to medium density developments. Increases in supply or falls in demand in any of the sectors of the property market in which Velocity operates or invests could influence the acquisition of sites, the timing and value of Velocity sales and carrying value of projects. This risk can be partially mitigated by diversifying the type of developments in the pipeline.	Section 5.2
<b>Funding risks</b>	Velocity will rely on external funding sources (debt and equity funding) for its developments. Velocity's ability to raise capital from either debt or equity markets on favourable terms cannot be guaranteed and is dependent on a number of factors, including the general economic climate, the state of debt and equity capital markets, the experience, reputation and capability of Velocity and the financial feasibility of the project.	Section 5.2
<b>Property liquidity</b>	Velocity holds property for investment purposes. Should it need to dispose of that property to fund its operations it may not be able to do so quickly at a reasonable sale price. Any protracted sale process, inability to sell a property or realise a reasonable price that is less than Velocity's valuation of the property may adversely affect Velocity's financial performance and position.	Section 5.2

# 1 INVESTMENT OVERVIEW CONTINUED

## I.2 KEY RISKS CONTINUED

TOPIC	SUMMARY	MORE INFORMATION
<b>Regulatory approvals</b>	Velocity requires various planning approvals to undertake property developments, including building works, material change of use, reconfigurations and operational works. There is no guarantee that approvals will be obtained and if they are obtained that they will be on acceptable terms. Failure to obtain key development approvals or obtaining development approvals with unsatisfactory conditions may result in court proceedings with the relevant governmental agency to resolve such disputes, with no guarantee of a favourable outcome. Delays in the granting of approvals or the registration of subdivision plans may also affect the amount and timing of Velocity's cash flows. Further, if a development approval is not obtained, Velocity may need to dispose of that particular site or alter the development design which may affect the profitability of the development. Velocity factors in these contingency costs to mitigate this risk in addition to using experienced teams of architects and town planners to design a project in accordance with the relevant planning instruments.	Section 5.2
<b>Acquisition risks</b>	Poor development site selection including developments which deliver insufficient return for risk is a key operational risk for Velocity. This risk can be partially mitigated by Velocity ensuring that due diligence and feasibility studies are undertaken or conducted when acquiring new development sites. However, some of these issues may not be identified by due diligence and cannot be fully mitigated by the warranties and indemnities in the sale agreements, or related insurance arrangements.	Section 5.2
<b>Defaults on sales contracts</b>	Velocity's current strategy is to achieve pre-sales sufficient to satisfy construction funding requirements of its financiers. If property market conditions are such that the value of the lot at completion is less than the contract price, off-the-plan purchasers may be unable or unwilling to complete. In those circumstances, Velocity may be unable to repay commercial loans obtained to fund the development or the profitability of the particular development may be affected. This risk is mitigated, to some extent, by the fact that Velocity's projects are targeted and developed for the high net-worth owner-occupier market segment. Velocity experienced no settlement defaults in its two most recent completed developments, being Fusion 462 and Arbor on Oxford.	Section 5.2

# 1 INVESTMENT OVERVIEW CONTINUED

## I.3 KEY FINANCIAL INFORMATION

TOPIC	SUMMARY	MORE INFORMATION																		
<b>Velocity's pro-forma profit or loss and balance sheet</b>	A summary of Velocity's pro-forma profit or loss and balance sheet is set out in section 4. Investors should read this section carefully.	Section 4.4																		
<b>How will the funds from the Offer be used?</b>	<p>The Offer proceeds will be applied as follows:</p> <table> <tr> <th>Use of proceeds</th><th>Minimum subscription</th><th>Maximum with over-subscriptions</th></tr> <tr> <td>Acquisition and development of future sites</td><td>\$6,200,000</td><td>\$16,200,000</td></tr> <tr> <td>Debt reduction</td><td>\$2,000,000</td><td>\$2,000,000</td></tr> <tr> <td>Working capital</td><td>\$1,000,000</td><td>\$1,000,000</td></tr> <tr> <td>Offer costs</td><td>\$800,000</td><td>\$800,000</td></tr> <tr> <td><b>Total</b></td><td><b>\$10,000,000</b></td><td><b>\$20,000,000</b></td></tr> </table> <p>This use of funds represents the current intentions of Velocity based on its current business plan and market conditions. The amounts and timing of the actual expenditure may vary and will depend upon numerous factors, including the availability of undervalued sites that are aligned with Velocity's business model.</p>	Use of proceeds	Minimum subscription	Maximum with over-subscriptions	Acquisition and development of future sites	\$6,200,000	\$16,200,000	Debt reduction	\$2,000,000	\$2,000,000	Working capital	\$1,000,000	\$1,000,000	Offer costs	\$800,000	\$800,000	<b>Total</b>	<b>\$10,000,000</b>	<b>\$20,000,000</b>	Section 2.14
Use of proceeds	Minimum subscription	Maximum with over-subscriptions																		
Acquisition and development of future sites	\$6,200,000	\$16,200,000																		
Debt reduction	\$2,000,000	\$2,000,000																		
Working capital	\$1,000,000	\$1,000,000																		
Offer costs	\$800,000	\$800,000																		
<b>Total</b>	<b>\$10,000,000</b>	<b>\$20,000,000</b>																		
<b>Will Velocity pay a dividend?</b>	<p>The Board does not anticipate paying a dividend in the short to medium term. Future dividend payments will depend on the Board's assessment of attractive development opportunities and the availability of alternative sources of funding.</p> <p>In the longer term, the likelihood of Velocity paying dividends will depend on Velocity's earnings, overall financial condition, capital requirements and the level of franking credits available.</p>	Section 7.2																		

## I.4 EXPERIENCE AND BACKGROUND OF THE DIRECTORS AND KEY MANAGEMENT

TOPIC	SUMMARY	MORE INFORMATION
<b>Who is on the Board of Velocity?</b>	<p>Michael Pearson – Non-Executive Chairman</p> <p>Brendon Ansell – Managing Director and CEO</p> <p>Philip Raff – Executive Director and Commercial Manager</p> <p>Cherie Leatham – Non-Executive Director</p>	Section 3.1
<b>Velocity's leadership team</b>	<p>Brendon Ansell – Managing Director and CEO</p> <p>Philip Raff – Executive Director and Commercial Manager</p> <p>Phillip Young – CFO and Company Secretary</p> <p>Nicole Fisher – Brand &amp; Marketing</p>	Section 3.2

# 1 INVESTMENT OVERVIEW CONTINUED

## 1.5 SIGNIFICANT INTERESTS OF KEY PEOPLE AND RELATED PARTY TRANSACTIONS

TOPIC	SUMMARY	MORE INFORMATION																											
<b>What is the shareholding structure of Velocity?</b>	<p>The ownership of Velocity immediately prior to and after completion of the Offer is shown in the table below:</p> <p><b>Immediately prior to completion of the Offer</b></p> <table> <tr> <th></th><th>Shares</th><th>Ownership<sup>1</sup></th></tr> <tr> <td>Directors</td><td>116,178,571</td><td>38%</td></tr> <tr> <td>Existing Shareholders</td><td>192,408,696</td><td>62%</td></tr> <tr> <td><b>Total</b></td><td><b>308,587,267</b></td><td><b>100%</b></td></tr> </table> <p><b>On completion of the Offer</b></p> <table> <tr> <th></th><th>Shares</th><th>Ownership<sup>1</sup></th></tr> <tr> <td>Directors</td><td>116,178,571</td><td>32%</td></tr> <tr> <td>Existing Shareholders</td><td>192,408,696</td><td>54%</td></tr> <tr> <td>New Shareholders</td><td>50,000,000</td><td>14%</td></tr> <tr> <td><b>Total</b></td><td><b>358,587,267</b></td><td><b>100%</b></td></tr> </table> <p><sup>1</sup> Reflects a \$10 million raising</p>		Shares	Ownership <sup>1</sup>	Directors	116,178,571	38%	Existing Shareholders	192,408,696	62%	<b>Total</b>	<b>308,587,267</b>	<b>100%</b>		Shares	Ownership <sup>1</sup>	Directors	116,178,571	32%	Existing Shareholders	192,408,696	54%	New Shareholders	50,000,000	14%	<b>Total</b>	<b>358,587,267</b>	<b>100%</b>	Section 3.6
	Shares	Ownership <sup>1</sup>																											
Directors	116,178,571	38%																											
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<b>Total</b>	<b>358,587,267</b>	<b>100%</b>																											
<b>What significant benefits are payable to Directors and other persons in connection with Velocity or the Offer and what significant interests do they hold?</b>	<p>Mr Ansell, Managing Director and Chief Executive Officer, receives a salary of \$180,000 per annum (exclusive of superannuation). Mr Raff, Executive Director and Commercial Manager, receives a monthly consultancy fee of \$10,000 through a related entity. All Non-Executive Directors receive \$60,000 per annum (\$75,000 for the Chairman) exclusive of superannuation. It is proposed that the Directors will also have the benefit of directors' and officers' insurance cover, an indemnity from the Company and other customary rights under a deed of indemnity, access and insurance that Velocity has entered into with each Director. Details of the relevant interests of the Directors in the Shares are set out in section 3.6.</p> <p>The interests of other persons in the Offer are described in section 9.7 and 9.9.</p>	Sections 3.3, 3.4, 3.5 and 3.6																											
<b>Will any Shares be subject to restrictions on disposal?</b>	<p>Velocity anticipates that the holders of about 79% of the issued capital in Velocity will be restricted from selling or otherwise dealing in the Shares held by them at the date of this Prospectus for either 24 months from the date of admission or 12 months from the date of issue of the Shares.</p>	Section 7.3																											

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## INVESTMENT OVERVIEW CONTINUED

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### I.5 SIGNIFICANT INTERESTS OF KEY PEOPLE AND RELATED PARTY TRANSACTIONS CONTINUED

TOPIC	SUMMARY	MORE INFORMATION
<b>Related party transactions</b>	<p>Further details of the arrangements between Velocity and its Directors and other related parties prior to the date of this Prospectus are set out in section 9.6 , which include:</p> <ul style="list-style-type: none"><li>• fees in aggregate of \$216,225 paid to entities associated with Mr Ansell for the provision of services to the Velocity Group;</li><li>• fees in aggregate of \$165,634 paid to Mr Raff, through a related entity, for the provision of services to the Velocity Group;</li><li>• a sales commission fee of \$48,400 paid to an entity associated with Mr Raff;</li><li>• loan arrangements with 8I Holdings Limited;</li><li>• a loan agreement with Mr Raff and a member of his family;</li><li>• sale of shares in various entities owned or controlled by Mr Ansell to Velocity; and</li><li>• sale of shares in various subsidiaries of 8I Holdings Ltd to Velocity.</li></ul> <p>Advisers and other service providers are entitled to fees for services as set out in this Prospectus.</p>	Section 9.8

# 1 INVESTMENT OVERVIEW CONTINUED

## 1.6 OVERVIEW OF THE OFFER

TOPIC	SUMMARY	MORE INFORMATION
<b>What is the Offer?</b>	The Offer is an initial public offer of 50,000,000 Shares, at an Offer Price of \$0.20 per Share to raise \$10,000,000 (before Offer costs), with the ability to take up to \$10,000,000 of oversubscriptions (50,000,000 additional Shares).	Section 8.1
<b>Where will the Shares be listed?</b>	Velocity has applied for admission to the official list of ASX and for quotation of the Shares under the ASX code VP7.	Section 8.6
<b>What is the purpose of the Offer?</b>	<p>The purpose of the Offer is to:</p> <ul style="list-style-type: none"> <li>• fund the acquisition and development of future sites;</li> <li>• pay down existing funding facilities;</li> <li>• fund the Offer costs; and</li> <li>• provide additional working capital.</li> </ul> <p>An ASX listing will deliver significant benefits for Velocity including:</p> <ul style="list-style-type: none"> <li>• providing ongoing access to equity capital markets;</li> <li>• reducing historical funding costs;</li> <li>• increasing the Company's corporate profile;</li> <li>• where appropriate, facilitating further investment by the issue of shares; and</li> <li>• providing an opportunity to incentivise management.</li> </ul>	Section 2.14
<b>Is the Offer underwritten?</b>	The Offer is underwritten by Quattro Capital Management Pty Ltd up to the minimum subscription. If Velocity does not raise the minimum subscription amount of \$10,000,000 under the Offer, Quattro Capital Management Pty Ltd will subscribe for, or procure subscriptions for, any shortfalls.	Section 8.2
<b>What are the tax implications of investing in Shares?</b>	The tax consequences of any investment in Shares will depend upon an investor's particular circumstances. Applicants should obtain their own tax advice prior to deciding whether to invest.	Section 8.8
<b>How can I apply?</b>	<p>You may apply for Shares by completing a valid Application Form (attached to or accompanying this Prospectus).</p> <p>You may complete a paper copy of the Application Form or, alternatively, may apply for Shares online by following the instructions on the website <a href="http://www.velocitypropertygroup.com.au">www.velocitypropertygroup.com.au</a>.</p>	Section 8.3
<b>How do I calculate the Application Money payable if I wish to participate in the Offer?</b>	The Application Money is calculated by multiplying the number of Shares you wish to apply for by the Offer Price of \$0.20 per Share.	Section 8.3
<b>What is the minimum number of Shares for which I can apply?</b>	Applications under the Offer must be for a minimum of 10,000 Shares (total cost of \$2,000).	Section 8.1

# 1 INVESTMENT OVERVIEW CONTINUED

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## 1.6 OVERVIEW OF THE OFFER CONTINUED

TOPIC	SUMMARY	MORE INFORMATION
<b>When will I receive confirmation that my application has been successful?</b>	The Company expects that initial holding statements will be dispatched by standard post on 11 January 2017.	Section 8.7
<b>Can the offer be withdrawn?</b>	Yes. Velocity reserves the right to withdraw the Offer at any time before the allotment of Shares. If the Offer does not proceed, the Application Monies will be refunded.  No interest will be paid on any Application Monies refunded as a result of the withdrawal of the Offer.	Section 8.5
<b>What rights and liabilities attach to the Shares?</b>	The Shares will rank equally in all respects with the shares held by the Existing Shareholders. The rights and liabilities attaching to all shares are detailed in the Company's constitution.	Sections 7.2 and 9.5

### IMPORTANT NOTICE

This section is not intended to provide full details of the investment opportunity. Investors must read this Prospectus in full to make an informed investment decision. The Shares offered under this Prospectus carry no guarantee of return of capital, return on investment, payment of dividends or on the future value of the Shares.



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## COMPANY OVERVIEW





# 2

## COMPANY OVERVIEW

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### 2.1 OVERVIEW

The Velocity Group was recently established by Managing Director and Chief Executive Officer Brendon Ansell. It is a boutique property developer with a current book of seven exciting projects in Brisbane and the Gold Coast. Velocity's projects are high-end low to medium density residential and commercial mixed-use developments targeted at the high net-worth owner-occupier market segment, such as wealthy retirees looking to move from houses to apartments.

Velocity's operations are divided into the following key channels:

- real estate market research;
- feasibility studies and site acquisitions;
- building design in partnership with external consultants;
- project management;
- interior design; and
- sales and marketing.

Velocity's product offering is ensuring its developments incorporate stylish architectural design, high quality finishes and usable and flexible spaces that maximise saleability in the South-East Queensland property market. Velocity tailors its developments to a higher net-worth owner-occupier market segment, particularly the 'empty-nester' demographic, which is expected to grow significantly over the next 15 years.<sup>1</sup>

The Directors believe that significant opportunity for expansion exists as a result of the growth in this niche market, particularly in South-East Queensland. Demand for residential dwellings within the inner-city market has been the strongest performing market through 2014 and 2015. Demand for dwellings within five kilometres of the Brisbane CBD has been strong through this period with capital growth in the vicinity of 10-15%. This area of the Brisbane market has been the main driver of reported capital growth within the Brisbane area over the past two years.

The Directors will also consider opportunistic acquisitions in other regions if the potential returns are compelling and the project is otherwise consistent with Velocity's business model.

Velocity currently has the services of a small workforce and utilises external contractors and consultants engaged on a short-term contractual basis for each development. Velocity has established strong ties with 8I Holdings Ltd, an ASX listed Singaporean Investment Company which has provided capital to fund some of Velocity's projects.

### 2.2 HISTORY OF VELOCITY

Since its foundation, the Velocity Group, under the direction of its founder, Brendon Ansell, has completed low to medium density developments across the greater Brisbane area, including the suburbs of Hawthorne and Bulimba. In September 2014, Velocity began expanding its staff to improve project delivery and, more recently, hired a full-time interior designer to assist with its high-end product offering.

In early 2015, Velocity expanded its development business to the Gold Coast acquiring the site for its current flagship project, ONE Burleigh Headland, and acquiring the site for the ONE Palm Beach development in 2016.

In 2016, the Fusion 462 and Arbor on Oxford development projects completed, all building works involved in the construction of the Vue at Red Hill development were completed, construction of the 50 Jamieson Street development completed and the Velocity Group acquired two new development sites in the affluent Inner West suburbs of Auchenflower and Taringa (Brisbane).

### 2.3 BUSINESS MODEL

Velocity has a vertically integrated business model, managing the entire process of a project from site sourcing and initial concept design through to marketing sales and final handover of the completed product. The Company employs a lean staff and engages external contractors and suppliers independently for each project. This allows Velocity to operate flexibly and keep corporate overheads low while benefitting from the experience and specialised skills of external contractors.

In order to increase the resources of Velocity as the Company grows, a strategy of staggering settlement periods of land acquisitions will continue to ensure that there are projects at different stages of the development lifecycle and that cash flows from sales are not concentrated. This allows Velocity to spread its resources across several projects in various stages for maximum control. Strategically, this ensures that the timing of construction, configuration and selling of Velocity's developments can be adjusted to remain responsive to market conditions and sales rates. Importantly, it also enables Velocity to react quickly to opportunities to identify and acquire future sites.

Velocity's current strategy is to achieve sufficient pre-sales to satisfy construction funding requirements of banks and other ADIs.

Primary income streams are derived from sales of developed lots in a completed project. Since the end of the 2016 financial year, Velocity has sold and settled 19 lots and retained two lots as investment properties. Sales from the Arbor on Oxford and Fusion 462 developments have achieved revenue of \$14.6 million (see section 2.13 for details of the project).

Velocity also derives ancillary rental income streams from rent received from its investment property portfolio and is seeking to increase its investment property portfolio over time.

<sup>1</sup> Australian Bureau of Statistic, Household and Family Projections, Australia 2011 to 2036 March 2015.

# 2

## COMPANY OVERVIEW CONTINUED

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### 2.4 MARKET POSITION – BOUTIQUE DEVELOPER OF LOW TO MEDIUM DENSITY HIGH END DEVELOPMENTS

Velocity considers there is significant opportunity to expand its business by targeting development sites in the \$4 to \$12 million value range; being above the value that mum and dad property developers can afford and below the larger value sites where competition with larger established property developers intensifies. In the experience of Velocity's founder, Mr Ansell, the Brisbane property market is such that it is currently difficult to purchase sites for low to medium density developments for under \$3 million.

Accordingly, Velocity's competitive advantage is in acquiring sites in the \$4 million to \$12 million value range, where the capital demand is lower than \$2 million. Holding costs on such sites are negligible, mitigating the risk of delays in completing developments.

### 2.5 GROWTH IN TARGETED CUSTOMER BASE

Velocity's strategy is to target owner-occupier buyers in the higher priced market segments, in particular 'empty-nesters'. Velocity concentrates its developments on pre-researched markets, generally undertaking feasibility studies to ensure the construction spend is consciously and carefully considered.

Velocity has identified a key opportunity in Australia's changing demographic, lifestyle and housing needs, particularly in relation to its ageing population. One of Velocity's niche target markets is affluent retirees looking to down-size once their children leave home (otherwise referred to as 'empty nesters'). An Australian Bureau of Statistics' Family and Household Projections report forecasts that the number of 'empty-nester' households in Australia will grow 14% by 2021.<sup>2</sup> A recent Australian Housing and Urban Research Institute survey found that 43% of Australians aged 50–59 have moved to a smaller dwelling or different location as they approached retirement.<sup>3</sup> This is a large increase from the early 2000s where studies show 3% of people aged 50-plus downsized.<sup>2</sup>

In identifying and acquiring development sites, Velocity targets developments in areas suitable for this niche market. Typically, the 'empty nester' owner-occupiers are less price sensitive and require lower levels of borrowing.

### 2.6 PERSONALISED DESIGN PHILOSOPHY

Velocity's developments focus on quality of design and branding. The apartments created by Velocity are generally larger than others in a similar market and are designed as open plan spaces with negligible passageways so that apartment buyers get more liveable spaces, relative to smaller higher density apartment developments.

### 2.7 GROWTH AND OPERATION STRATEGIES

Velocity's key strategies are to:

- focus on low to medium density residential property developments, primarily for the 'empty nester' market and commercial and mixed-use developments to generate cash reserves to allow the Company to take advantage of opportunities as the property market cools in coming years;
- while remaining in the boutique development space, Velocity plans to undertake development projects that are slightly larger in size than its previously completed projects with a higher volume of projects in the pipeline at any one time;
- focus on sustainability in its design and construction to produce more energy efficient and environmentally friendly developments, which Velocity has identified as an opportunity and a selling point for its target market;
- increase the commercial holding aspects of Velocity's business over time to give the Company a solid foundation; and
- where appropriate, engage in strategic joint venture arrangements to limit the amount of the Company's own equity capital committed to a single project.

The following sections outline Velocity's growth and operating strategies in greater detail.

<sup>2</sup> Australian Bureau of Statistic, Household and Family Projections, Australia 2011 to 2036 March 2015.

<sup>3</sup> Judd, B., Liu, E., Easthope, H., Davy, L. and Bridge, C. (2014) Downsizing amongst older Australians, AHURI Final Report No. 214, Australian Housing and Urban Research Institute Limited, Melbourne, <http://www.ahuri.edu.au/research/final-reports/214>.

# 2

## COMPANY OVERVIEW CONTINUED

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### 2.8 DEVELOPMENT AND ACQUISITION STRATEGY

Velocity's strategy is to:

- acquire land for between \$4 million and \$12 million to fit within the boutique development strategy;
- focus on developing luxury residential and mixed-use developments for the growing 'empty-nester' market, as well as smaller commercial developments to ensure that, if and when the property market cools, Velocity has sufficient cash reserves to take advantage of opportunities; and
- maintain a large and diverse portfolio of residential and commercial mixed-use developments in its pipeline to minimise the risk of an adverse event putting the overall portfolio at risk.

Velocity targets acquisitions of sites that meet the acquisition criteria above on a three monthly basis, with the settlement period of those sites determined by the finishing stages of other projects in the pipeline. This strategy results in effective transitioning from project to project, moving the profit and capital of one development into the next, while also maximising the timing and resources of staff and consultants.

To ensure that each development meets the acquisition criteria described above, every site that is assessed by Velocity undergoes a positioning assessment based on location and viability for the empty nester target market or a commercial application that suits the Velocity portfolio and a yield study followed by second feasibility study.

The yield study determines the maximum number of apartments that can be placed on the site, whereas the second feasibility study determines whether the site could be developed with a smaller number of larger apartments or dwellings at a larger size. This is targeted at ensuring that Velocity is never in a position to have to develop a site at the highest yield with the smallest per square metre rate.

If there is an opportunity to develop a site as a commercial property, Velocity will assess this and develop a strategy for the commercial market if feasibility study results are positive.

### 2.9 JOINT VENTURE ARRANGEMENTS

While not actively seeking new joint venture opportunities, Velocity will consider entering into such arrangements on a case by case basis. Velocity's ONE Palm Beach development is an (incorporated) joint venture with the underlying landowner, under which land was transferred into the joint venture company in exchange for equity in the joint venture. Joint venture arrangements, such as the ONE Palm Beach project, minimise the amount of capital Velocity must commit to a single project and reduce carrying costs.

### 2.10 VALUATION POLICY

Prior to purchasing a development site, Velocity typically obtains an independent valuation from a valuer, as part of banking finance arrangements or its own due diligence, to verify that the proposed purchase price of a development site does not exceed the fair market value and to establish the end developed sales prices. Where the yield in a particular location for specific types of commercial premises is very clear, Velocity will not always obtain a valuation.

### 2.11 FUNDING ARRANGEMENTS

To date, Velocity's operations have been funded primarily from debt, including both bank debt and initial shareholder loans, as well as from the cash flows of the business. While the shareholder loans have been directed towards working capital purposes as well as other approved uses (refer section 7.7 and 7.8 for further details), the Velocity Group finances each of its development through a new facility between the relevant subsidiary and a reputable financial institution. Velocity will continue to utilise facilities from reputable banks and institutions to fund site acquisitions and construction. To mitigate financing risks, Velocity uses multiple lenders and aims to keep debt levels below traditional market loan to value ratios.

### 2.12 CURRENT PROJECTS

Velocity has seven active projects located throughout the inner suburbs of Brisbane and selected areas of the Gold Coast. Velocity anticipates that, based on existing sales evidence within the ONE Burleigh Headland, Vue at Red Hill, Jamieson Street developments, and in the case of 48 Orchard Street, offers from prospective purchasers, the gross development value or GDV of those four projects is \$42.6 million. Pre-sales for the Cadell Street, Ellerslie Street and ONE Palm Beach projects have not yet commenced due to the more preliminary stages of these developments (as described in the Project Overview tables for each of these developments on the subsequent pages in this section 2.12). The combined carrying costs of these seven projects as at 30 June 2016 was \$30,544,579.

## 2 COMPANY OVERVIEW CONTINUED

### ONE PALM BEACH

PROJECT OVERVIEW	
<b>Location</b>	1331 Gold Coast Highway and 372 The Esplanade, Palm Beach Qld 4221
<b>Site</b>	1,238m <sup>2</sup> 'L' shaped site with 20m of beach frontage and 10m of street frontage on Gold Coast Highway
<b>Style</b>	Medium density residential development to consist of 17 luxury apartments
<b>Carrying costs</b>	\$2,815,223 as at 30 June 2016
<b>Valuation <sup>1</sup></b>	The Directors have ascribed a valuation on \$6 million to the site based on an arm's length transaction with the JV partner
<b>Stage of contracting</b>	Velocity anticipates commencing site works in January 2017, subject to receiving planning approvals
<b>Estimated completion date</b>	June 2018
<b>Sales</b>	Sales launch expected in the first quarter of 2017
<b>Price range</b>	\$1.8 million to \$5 million per apartment

<sup>1</sup>No independent valuation of this property development has been undertaken

On 31 March 2016, 372 The Esplanade Pty Ltd, a 50% owned subsidiary of Velocity, acquired 1331 Gold Coast Highway for \$2,500,000. The purchase of the additional four lots comprising the development site completed in October 2016. The project will consist of 17 luxury apartments including exquisite sub-penthouses and an exclusive 400m<sup>2</sup> penthouse, all located on the beachfront at Palm Beach, Gold Coast.

Velocity's ONE Palm Beach development is a joint venture with the underlying landowner, under which the site was transferred into the joint venture company in exchange for equity in the same entity.

Development approval for the project was obtained in September 2016. However, following further feasibility and yield studies, Velocity has altered the design to reduce the number of apartments from 21 to 17. A further development application for the material change of use will be submitted by Velocity and approval is expected from the Gold Coast City Council in December 2016. Site works are expected to commence in the first quarter of 2017.





## 2 COMPANY OVERVIEW CONTINUED

### ONE BURLEIGH HEADLAND

PROJECT OVERVIEW	
<b>Location</b>	1 Nathan Street, Burleigh Heads QLD 4220
<b>Site</b>	Amalgamation of three contiguous lots located in an elevated position approximately 150 metres south of Burleigh Heads foreshore
<b>Style</b>	Medium density residential development consisting of nine luxury apartments
<b>Carrying costs</b>	\$3,782,881 as at 30 June 2016
<b>Valuation<sup>1</sup></b>	\$3.50 million
<b>Stage of contracting</b>	Site works commenced in September 2016
<b>Estimated completion date</b>	December 2017
<b>Sales</b>	Four unconditional pre-sales representing 48% of the gross development value as at 20 October 2016
<b>Price range</b>	\$1.7 million to \$2.9 million per apartment

<sup>1</sup> 'As is' valuation obtained in September 2016 for the purposes of obtaining funding for the construction and development of the site.

The 1,227m<sup>2</sup> site for ONE Burleigh Headland was acquired by Velocity in May 2015 and will be the first new apartments on the Headlands in 30 years. The project will consist of nine luxury apartments ranging from 204m<sup>2</sup> to 321m<sup>2</sup> in size, including a luxury penthouse, all built into the Headland to blend into the natural surroundings.

The site is approximately 150 metres from the beach, on the doorstep of the Burleigh Heads National Park and just minutes walk from the cafes and restaurants of Burleigh village.

Development approval for material change of use and reconfiguration of a lot was obtained on 22 December 2015. Site works commenced in September 2016 and completion is anticipated late in 2017. Construction scheduling will be dependent upon factors such as weather and market conditions.

As at 31 October 2016, four apartments, including the penthouse were subject to an unconditional contract for sale. The remaining apartments are available for sale and are being actively marketed.



Artist impression

## 2 COMPANY OVERVIEW CONTINUED

### VUE AT RED HILL

PROJECT OVERVIEW	
<b>Location</b>	16-24 Lower Clifton Terrace, Red Hill Qld 4066
<b>Site</b>	2,205m <sup>2</sup> regular shaped parcel consisting on 5 lots
<b>Style</b>	Medium density residential development consisting of 32 premium apartments
<b>Carrying costs</b>	\$11,415,399 as at 30 June 2016
<b>Valuation <sup>1</sup></b>	\$3.5 million
<b>Stage of contracting</b>	All building works involved in the construction were completed in October 2016, and Velocity is awaiting statutory certifications and issue of titles
<b>Estimated completion date</b>	Complete
<b>Sales</b>	20 of the 32 lots have been sold
<b>Price range</b>	\$425,000 to \$765,000

<sup>1</sup> 'As is' valuation was obtained in November 2014 for the purposes of obtaining finance for construction following the grant of development approvals. As construction of this site is now complete, the Directors consider the valuation is not reflective of the value of the developed site.

The site for the Vue at Red Hill development was acquired as two separate transactions: 16 to 20 Lower Clifton Terrace was acquired on 25 October 2013 for \$1,358,750 and 22 & 24 Lower Clifton Terrace was acquired on 26 February 2014 for \$1,175,000. Development approval was granted by the Brisbane City Council on 22 September 2014 for a material change of use (32 unit dwelling) and for buildings works (preliminary approval). All building works involved in the construction of the 32 premium apartment complex were completed in October 20.

The units comprise 3 one bedroom, 16 two bedroom, and 4 three bedroom apartments and nine large 2-level apartments, all with either balcony or courtyard areas.

This 32 apartment complex is close to Brisbane's CBD, the Queensland University of Technology's Kelvin Grove campus and features city views.

A unique feature of this development is the spaciousness in the two level apartments, which does not exist elsewhere in brand new buildings in Red Hill. These apartments also feature two decks, with one capturing city views and the other facing the mountains. Their design offers flexibility for buyers to live in them or rent them out.

The contracted value of the 20 apartments sold is \$11,729,000 with settlement expected to occur in December 2016.



## 2 COMPANY OVERVIEW CONTINUED

### CADELL STREET, AUCHENFLOWER

PROJECT OVERVIEW	
<b>Location</b>	46 Cadell Street, Auchenflower Qld 4066
<b>Site</b>	2,436m <sup>2</sup> regular shaped parcel of three allotments
<b>Style</b>	Retain heritage dwelling and add three townhouses and eleven luxury apartments
<b>Carrying costs</b>	\$3,412,537 as at 30 June 2016
<b>Valuation <sup>1</sup></b>	\$3 million
<b>Stage of contracting</b>	Planning approvals obtained 14 October 2016
<b>Estimated completion date</b>	June 2018
<b>Sales</b>	Not yet released for sale
<b>Price range</b>	\$895,000 to \$1,300,000

<sup>1</sup> Valuation obtained in December 2015 for the purposes of obtaining funding for the acquisition of the site. This valuation was based on the value of the site pre-development approval.

The Cadell Street site was acquired by Velocity in February 2016. Development approval for material change of use, reconfiguration of lot and building works was obtained on 14 October 2016 and the standard appeal period expires on 23 November 2016.

The development is located in Auchenflower, 2.5kms from the Brisbane CBD. The Cadell Street project has been designed for the luxury empty nester market, young professionals and young families. The development product is not geared to investors and, as such, a high proportion of owner-occupiers is likely.

The proposed Cadell Street development will feature:

- eleven luxury apartments in a three storey apartment building;
- three new luxury townhouses; and
- the renovation/repositioning of 'Wynonna', a pre-1946 four bedroom heritage-listed home.

The townhouses and apartments are large, each containing three bedrooms. The existing heritage-listed dwelling will be retained albeit repositioned to facilitate the redevelopment of the wider site.



Artist impression



## 2 COMPANY OVERVIEW CONTINUED

### ELLERSLIE CRESCENT, TARINGA

PROJECT OVERVIEW	
<b>Location</b>	39 Ellerslie Crescent and 21, 25 & 31 Oxford Terrace, Taringa Qld 4066
<b>Site</b>	Amalgamation of five regular shaped lots to form a 4,081m <sup>2</sup> parcel with dual street frontages
<b>Style</b>	Four luxury houses, eleven luxury townhouses and eight luxury apartments
<b>Carrying costs</b>	\$6,498,286 as at 30 June, 2016
<b>Valuation<sup>1</sup></b>	\$5,750,000
<b>Stage of contracting</b>	Planning approvals have not yet been obtained
<b>Estimated completion date</b>	Construction program will be set once approvals are obtained
<b>Sales</b>	Pre-sales have not yet commenced.
<b>Price range</b>	

<sup>1</sup> 'As is' valuation obtained in December 2015 for the lender for the purposes of approving a loan to acquire the site. The interest valued was the unencumbered estate in fee simple.

The Ellerslie Crescent site was acquired by Velocity in August 2015 for \$5,745,000, with settlement occurring in February 2016. Velocity's application for development approval was rejected and Velocity has appealed the decision (refer to section 9.4 for a further discussion).

This site fronts Ellerslie Crescent and Oxford Terrace, six kilometres from the Brisbane CBD and is close to major shopping centres and the University of Queensland. According to the Brisbane City council data gathered from ABS and Queensland government sources, approximately 20% of Taringa's residents are 60 years plus and over 57% of dwellings in the suburb are apartments, making this development ideal for the luxury empty nester demographic.

The initial concept for this site is a mix of four luxury homes, eleven exclusive townhouses and eight premium apartments.





## 2 COMPANY OVERVIEW CONTINUED

### JAMIESON STREET, BULIMBA

#### PROJECT OVERVIEW

<b>Location</b>	50 and 52 Jamieson Street, Bulimba Qld 4171
<b>Site</b>	2 x 312m <sup>2</sup> lots
<b>Style</b>	2 x two storey, 4 bedroom, 2 bathroom contemporary dwellings
<b>Carrying costs</b>	\$1,249,117 as at 30 June 2016 (for both lots)
<b>Valuation<sup>1</sup></b>	\$1,150,000 for each lot
<b>Stage of contracting</b>	Complete
<b>Estimated completion date</b>	Complete
<b>Sales</b>	Available for sale
<b>Price range</b>	\$1.275 million for each lot

<sup>1</sup> Valuation obtained in May 2016 for Velocity for the purpose of obtaining the market value for reporting purposes of the lots.

The Jamieson Street site was acquired on 22 May 2015 for \$775,000. Final building approvals were obtained on 27 May 2016 and construction is complete as at the date of this Prospectus. The development comprises two four bedroom, three bathroom Hamptons-style homes in Bulimba.

Bulimba is an inner Brisbane suburb located approximately three kilometres north-east of the Brisbane CBD. The suburb is developed with a mixture of character, post-war and contemporary style housing and features a number of high quality riverfront properties. The suburb has also seen significant new medium density residential development and detached housing of a high standard. Surrounding services include Citycat (Council operated ferry service), bus, a nine-hole golf course and schools.



## 2 COMPANY OVERVIEW CONTINUED

### ORCHARD STREET, HAWTHORNE

PROJECT OVERVIEW	
<b>Location</b>	48 Orchard Street, Hawthorne Qld 4171
<b>Site</b>	405m <sup>2</sup> regular shaped allotment
<b>Style</b>	Two level character Queenslander dwelling being extended over both levels to create 294m <sup>2</sup> of internal and 149m <sup>2</sup> of external space
<b>Carrying costs</b>	\$1,371,126 as at 30 June 2016
<b>Valuation <sup>1</sup></b>	\$2,200,000
<b>Stage of contracting</b>	Under renovation
<b>Estimated completion date</b>	December 2016
<b>Sales</b>	Velocity is in advanced negotiations to lease the property to two tenants for a total of \$170,000 per annum escalating at 4% per annum <sup>2</sup>
<b>Price range</b>	Property is being held for investment purposes

<sup>1</sup> Valuation conducted on 13 June 2016 on an 'as if complete' basis to assess the market value of the property for mortgage security purposes.

<sup>2</sup> As set out in the non-binding term sheets Velocity has entered into with the prospective tenants.

The Orchard Street site was acquired on 28 May 2015 for \$1,210,000. Upon acquisition, the property was improved with a two level character Queenslander dwelling in very good condition.

Planning approvals were obtained in April 2016 to extend the floor area over both levels and renovate the existing space to suit retail / commercial use. Construction is expected to be complete in December 2016. On completion, the building will be divided into two tenancies being the ground floor and first floor.

The ground floor will have an internal area of 147m<sup>2</sup> plus balconies of 94m<sup>2</sup> and the first floor will have an internal area of 147m<sup>2</sup> plus balconies of 55m<sup>2</sup>. Access to the first floor will be via a stair well or passenger lift. The ground floor café premises will include various indoor seating areas as well as covered balcony seating areas.

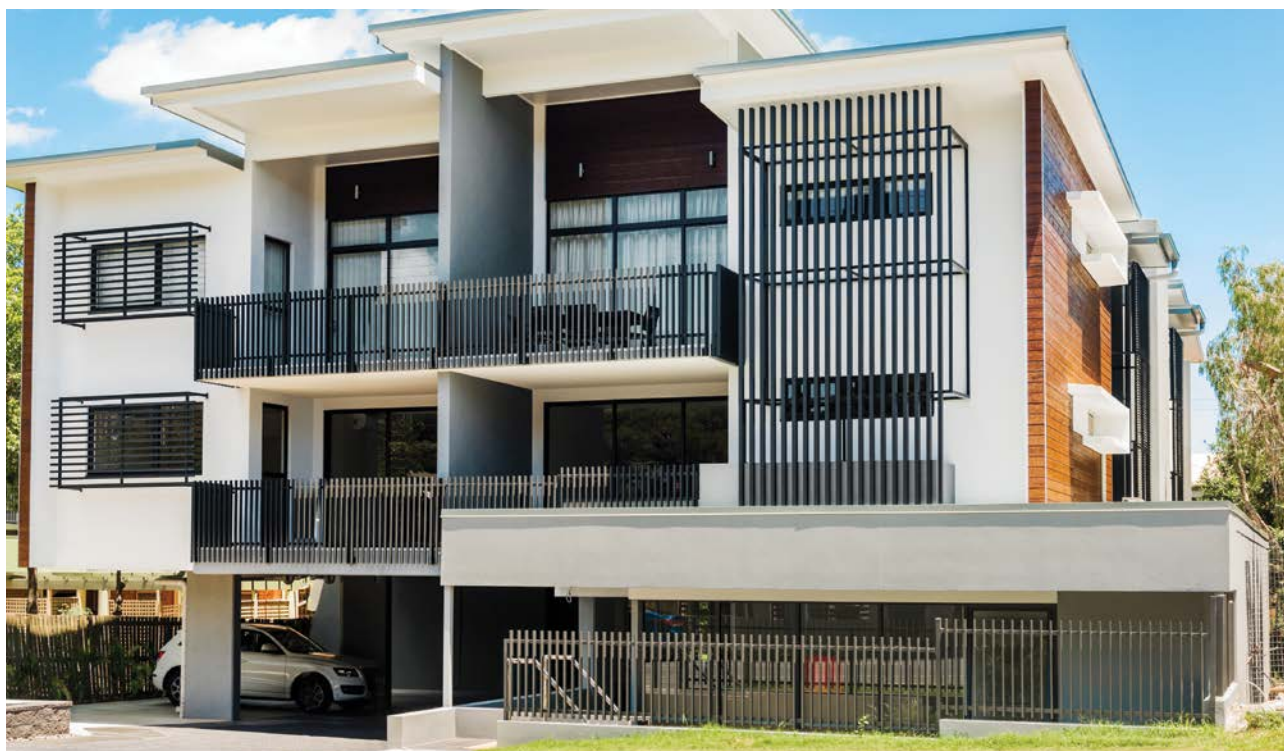
The property is opposite Hawthorne Garage (deli and café) and in close proximity to the Hawthorne Cinema Complex.

This property will form part of Velocity's investment portfolio.



## 2 COMPANY OVERVIEW CONTINUED

### 2.13 RECENT CASE STUDIES



#### FUSION 462

The Fusion 462 project is a mixed-use boutique development of eight apartments and a commercial retail space. Velocity identified the 842m<sup>2</sup> site for the project in December 2013, which is located in close proximity to Oxford Street in Bulimba. Velocity acquired the land in July 2014 and obtained all required development approvals by October 2014. Development of the project commenced in November 2014 and was completed in January 2016. Velocity retained one of the residential units as an investment property, which has been attributed a value of \$695,000 as at 30 June 2016.

Revenue from sales	\$5,680,000
No. of units sold	8 out of 9 (including the commercial retail space)





## 2 COMPANY OVERVIEW CONTINUED

### 2.13 RECENT CASE STUDIES CONTINUED

#### ARBOR ON OXFORD

The Arbor on Oxford Street project was a low to medium density mixed-use residential and commercial development of eight two bedroom apartments and four commercial lots. Velocity acquired the site in August 2014 complete with planning approvals. On 14 May 2014, Velocity made an application to vary the planning approvals, which was granted on 27 June 2014. Construction of the project commenced late in 2014 and completed in February 2016. Eleven of the twelve lots have been sold with Velocity retaining one of the commercial lots as an investment property. As at 30 June 2016, the independent market valuation of that retained commercial lot is \$1,980,000.

<b>Revenue from sales</b>	\$8,927,727
<b>No. of units sold</b>	11 out of 12



## 2 COMPANY OVERVIEW CONTINUED

### 2.14 BUSINESS FUNDING

In the past, Velocity's developments have been financed from debt, shareholder loans and cash flows from operations. Following the Offer, Velocity expects to finance its developments using a mix of debt and equity (cash flow from operations or equity sourced from the public markets) selected to maximise the return on Shareholders' funds, while managing Velocity's financial risk.

The funds to be raised under the Offer will be used to fund the acquisition and development of future sites, debt reduction, Offer costs and additional working capital requirements. The Directors believe that the proceeds from the Offer, in conjunction with its existing funding sources, will be sufficient to fulfil the purposes of the Offer and meet Velocity's stated business objectives.

The following table outlines the use of funds under the Offer:

USE OF PROCEEDS	MINIMUM SUBSCRIPTION	MAXIMUM WITH OVER- SUBSCRIPTIONS
<b>Acquisition and development of future sites</b>		
Site acquisitions	\$4,650,000	\$13,770,000
Development approvals	\$930,000	\$1,620,000
Sale and marketing	\$620,000	\$810,000
<b>TOTAL</b>	<b>\$6,200,000</b>	<b>\$16,200,000</b>
<b>Debt reduction</b>	\$2,000,000	\$2,000,000
<b>Working capital</b>	\$1,000,000	\$1,000,000
<b>Offer costs</b>	\$800,000	\$800,000
<b>TOTAL</b>	<b>\$10,000,000</b>	<b>\$20,000,000</b>

The above table is a statement of current intentions at the date of this Prospectus. The Board may reallocate funds if circumstances change.

IPO funds together with existing cash balance and operating revenue are expected to fund the Company for at least the next 18 months based on current growth objectives and strategies.

# 3

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## BOARD, MANAGEMENT AND CORPORATE GOVERNANCE



# 3

## BOARD, MANAGEMENT AND CORPORATE GOVERNANCE

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### 3.1 BOARD OF DIRECTORS



**Michael Pearson**  
*Non-Executive Chairman*

Michael was appointed as Non-Executive Chairman in October 2016. He is currently General Counsel and Company Secretary of Cardno Limited (ASX listed). Before joining Cardno, Michael acted in a similar corporate and legal role with Aveo Group (formerly FKP Property Group), an ASX-200 diversified property and investment Group, following many years in private practice.

He is a current member and graduate of the Governance Institute and Australian Institute of Company Directors and a member of the Queensland Law Society and Australian Corporate Lawyers Association. Michael holds a Bachelor of Arts from the University of Queensland and a Bachelor of Law from Queensland University of Technology.



**Brendon Craig Ansell**  
*Managing Director and Chief Executive Officer*

Brendon was appointed as Managing Director in 2015. Brendon is a property developer with over ten years experience having commenced as a financier for property developer clients before moving full-time into property development. Brendon has completed projects both through his own development companies and as part of a joint venture with other equity participants. In particular Brendon has worked closely on funding projects through structured hybrid debt/equity arrangements. Brendon has completed over 15 medium density residential, townhouse and mixed use developments, most recently in New Farm, Bulimba, and Hawthorne including Bulimba Sky Apartments, Annie Street apartments in New Farm, Cascade on Princess Street (Bulimba), Fusion 462 in Hawthorne and Arbor on Oxford Street in Bulimba.



**Philip John Raff**  
*Executive Director and Commercial Manager*

Philip joined the Velocity team in 2013 and was appointed as Executive Director in 2016. Prior to joining Velocity, Philip had a 20 year career in the PC Industry primarily focussed on IT deployments and business transformation in multi-national corporations including IBM and Lenovo. During this time he worked in three countries and held Senior Manager positions with global responsibilities. In 2013, Philip began funding property developments through his Singapore based network starting his continuing relationship with Velocity. He holds a Bachelor of Business from the University of Central Queensland.



**Cherie Louise Leatham**  
*Non-Executive Director*

Cherie was appointed as Non-Executive Director in October 2016 and is Chairman of the Audit and Risk Management Committee. She is a leading corporate real estate adviser with more than 15 years experience which encompasses advising leading Australian companies across a broad range of areas including property development, infrastructure and project management. Cherie currently holds a senior executive role at Woolworths Limited and is responsible for the execution of strategy and identification of risk across the national real estate network. Cherie has also spent more than eight years in private practice as a senior lawyer with law firm McCullough Robertson Lawyers.

Cherie is an active participant in not-for-profit communities in Australia and is a former director of The Gowrie Qld Inc. She has a Bachelor of Laws and a Bachelor of Arts from Monash University.



# 3

## BOARD, MANAGEMENT AND CORPORATE GOVERNANCE CONTINUED

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### 3.2 LEADERSHIP TEAM



**Brendon Craig Ansell**  
*Managing Director and Chief Executive Officer*

Refer to biography in section 3.1



**Philip Raff**  
*Executive Director and Commercial Manager*

Refer to biography in section 3.1



**Phillip Young**  
*Chief Financial Officer and Company Secretary*

Phillip is a Chartered Accountant with over 13 years of accounting experience. He is a member of the Chartered Accountants of Australian and New Zealand and holds a Bachelor of Business in Accounting and Information Systems from Central Queensland University.

Prior to joining Velocity, Phillip spent 13 years with Crowe Horwath where he was a senior manager in business advisory. In July 2016, Phillip joined Velocity Property Group as Chief Financial Officer with an in-depth knowledge of their corporate structures, history and future business goals from previously advising the Velocity Property Group at Crowe Horwath.



**Nicole Fisher**  
*Brand & Marketing Manager*

Nicole Fisher is a Communications, Marketing and Branding Expert with over 21 years experience. Prior to working with Velocity, Nicole managed the public relations and marketing for high profile architects, developers, construction companies and shopping centres in Queensland. Nicole was the Marketing Director for Mercedes-Benz Fashion Festival in its second year from 2007-2009 before leaving to establish her own marketing consultancy firm Suranyi Fisher Enterprises Pty Ltd in 2009. Ms Fisher holds a Bachelor of Business in Communications from the Queensland University of Technology.

In working with Velocity, Nicole manages the branding, communications, advertising, website, sponsorship, events, social media and mainstream media for the Company, ensuring that the key messages are clearly and consistently communicated to their existing and potential clients and niche markets.



# 3

## BOARD, MANAGEMENT AND CORPORATE GOVERNANCE CONTINUED

### DIRECTORS' INTERESTS AND REMUNERATION

#### 3.3 EXECUTIVE DIRECTOR REMUNERATION

Velocity has entered into services agreements with key executives Brendon Ansell (Managing Director and CEO) and Philip Raff (Executive Director). For detailed summaries of the agreements, see section 7.4. Mr Ansell receives annual fixed remuneration of \$180,000 (excluding superannuation). Mr Raff, through a related entity, receives a monthly retainer of \$10,000. Other than reasonable reimbursement for business trips, Messrs Ansell and Raff receive no further remuneration in their roles as Directors.

#### 3.4 NON-EXECUTIVE DIRECTOR REMUNERATION

The Constitution provides that the Non-Executive Directors are entitled to such remuneration as determined by the Directors, which must not exceed in aggregate the maximum annual amount determined by Velocity in general meeting. This amount is currently \$250,000 per annum. The current Non-Executive Directors' fees are \$60,000 per annum. The Chairman's fee is \$75,000 per annum. The Directors will be paid superannuation in addition to their fees at the statutory rate.

Non-Executive Directors may be paid such additional or special remuneration as the Directors decide is appropriate where a Non-Executive Director performs extra services or makes special exertions for the benefit of Velocity. This may include, for example, acting as a representative of a Board committee.

There are no retirement benefit schemes for Directors other than statutory superannuation contributions.

#### 3.5 OTHER BENEFITS

Velocity has entered into standard deeds of access, insurance and indemnity with the Directors. Pursuant to those deeds, the Company has undertaken, consistent with the Corporations Act, to indemnify each Director in certain circumstances and to maintain directors' and officers' insurance cover in favour of the Director for seven years after the Director ceases to be a Director.

Velocity has further undertaken with each Director to maintain a complete set of the Company's board papers and to make them available to the Director for seven years after the Director ceases to be a Director.

#### 3.6 DIRECTORS' SHAREHOLDINGS

The Directors of the Company are not required to hold any Shares under the provisions of the Constitution. Details of the relevant interests of the Directors in the Shares of Velocity immediately prior to and after completion of the Offer are set out in the table below. Interests include those held directly or indirectly.

DIRECTOR	PRIOR TO COMPLETION		AFTER COMPLETION	
	SHARES	OWNERSHIP <sup>2</sup>	SHARES <sup>1</sup>	OWNERSHIP <sup>2</sup>
Michael Pearson	Nil	Nil	Nil	Nil
Brendon Ansell	85,428,571	28%	85,428,571	24%
Philip Raff	30,750,000	10%	30,750,000	9%
Cherie Leatham	Nil	Nil	Nil	Nil

<sup>1</sup> Does not include any Shares the Directors may elect to subscribe for under the Offer.

<sup>2</sup> Represents ownership on the basis of a \$10 million minimum raising. If the Board exercises its discretion to accept oversubscriptions of \$10 million, Messrs Ansell's and Raff's ownership interest will be 21% and 8% respectively.

# 3

## BOARD, MANAGEMENT AND CORPORATE GOVERNANCE CONTINUED

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### CORPORATE GOVERNANCE

#### 3.7 RESPONSIBILITY OF THE BOARD

Responsibility for Velocity's corporate governance rests with the Board. The Board's governing principle in meeting this responsibility is to act honestly, conscientiously and justly, in accordance with the law, in the interests of Shareholders, employees and other stakeholders.

The Board's general function is to:

- chart strategy and outline financial targets for Velocity;
- monitor the implementation of strategy and performance against financial targets; and
- appoint and supervise the performance of executive management and generally to take and fulfil an effective leadership role in relation to Velocity.

Power and authority in certain areas is specifically reserved to the Board – consistent with its functions as outlined above. These areas include:

- composition of the Board including the appointment and removal of Directors;
- oversight of Velocity including its control and accountability system;
- appointment and removal of senior management and the Company secretary;
- reviewing and overseeing systems of risk management and internal compliance and control, codes of ethics and conduct, and legal and statutory compliance;
- monitoring senior management's performance and implementation of strategy; and
- approving and monitoring financial and other reporting and the operation of committees.

#### 3.8 COMPOSITION OF BOARD

The Chairman is responsible for leadership of the Board and for the efficient organisation and conduct of the Board. The Chairman should facilitate the effective contribution of all Directors and promote constructive and respectful relations between Directors and between the Board, management and consultants. Otherwise, the Board must comprise members with a broad range of experience, expertise, skills and contacts relevant to Velocity and its business.

#### 3.9 BOARD CHARTER AND POLICY

The Board has adopted a charter which formally recognises its responsibilities, functions, power and authority and composition. This charter sets out other things which are important for effective corporate governance including:

- a detailed definition of 'independence';
- a framework for the identification of candidates for appointment to the Board and their selection;
- a framework for individual performance review and evaluation;
- proper training to be made available to Directors both at the time of their appointment and on an on-going basis;
- basic procedures for meetings of the Board and its committees including frequency, agenda, minutes and private discussion of management issues among Non-Executive Directors;
- ethical standards and values (in a detailed code of ethics and values);
- dealings in securities (in a detailed code for securities transactions designed to ensure fair and transparent trading by Directors and senior management and their associates); and
- communications with shareholders and the market.

The purpose of the charter is to institutionalise good corporate governance and to build a culture of best practice both in Velocity's internal practices and its dealings with others.

#### 3.10 BOARD COMMITTEES

The Board may from time to time establish appropriate committees to assist in the discharge of its responsibilities.

The Board has established an Audit and Risk-Management Committee.

Other committees may be established by the Board as and when required. Membership of Board committees will be determined by the needs of Velocity, the skills and experience of individual Directors, relevant legislative and other requirements.

# 3

## BOARD, MANAGEMENT AND CORPORATE GOVERNANCE CONTINUED

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### 3.11 AUDIT AND RISK-MANAGEMENT COMMITTEE

The purpose of this committee is to advise on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the Velocity Group. Its current members are:

- Cherie Leatham (Chairman);
- Michael Pearson; and
- Philip Raff.

The committee performs functions relevant to risk management and internal and external reporting and reports to the Board following each meeting. The committee's responsibilities include:

- Board and committee structure to facilitate a proper review function by the Board;
- internal control framework including management information systems;
- corporate risk assessment and compliance with internal controls;
- internal audit function and management processes supporting external reporting;
- review of financial statements and other financial information distributed externally;
- review of the effectiveness of the audit function;
- review of the performance and independence and independence of the external auditors;
- review of the external audit function to ensure prompt remedial action by management, where appropriate, in relation to any deficiency in or breakdown of controls;
- assessing the adequacy of external reporting for the needs of shareholders; and
- monitoring compliance with Velocity's code of ethics.

Meetings are held at least three times each year. A broad agenda is laid down for each regular meeting according to an annual cycle. The committee invites the external auditors to attend each of its meetings.

### 3.12 POLICIES

#### Securities Trading Policy

A securities trading policy (**Trading Policy**) has been adopted by the Board to provide guidance to Directors, employees of Velocity, and other parties who may have access to price sensitive information, where they are contemplating dealing in Velocity's securities or the securities of entities with whom Velocity may have dealings. The Trading Policy is designed to ensure that any trading in Velocity's securities is in accordance with the law.

Any non-compliance with the Trading Policy will be regarded as an act of serious misconduct. The Trading Policy is available on Velocity's website [www.velocitypropertygroup.com.au](http://www.velocitypropertygroup.com.au).

#### Continuous Disclosure Policy

The Board has adopted a continuous disclosure policy (**Disclosure Policy**), which outlines procedures to be implemented by the Board to ensure Velocity complies with its continuous disclosure obligations to keep the market fully informed of any information which may have a material effect on the price or value of Velocity's shares.

The Board is responsible for determining, in conjunction with management, if information will have a material effect on the price or value of Velocity's securities. The Disclosure Policy provides a framework for the Board and management to internally identify and report information which may need to be disclosed and sets out practical processes to ensure any identified information is adequately disclosed. The Disclosure Policy also sets out the exceptions to the disclosure requirements.

Continuous disclosure announcements will be made available on Velocity's website [www.velocitypropertygroup.com.au](http://www.velocitypropertygroup.com.au).

#### Diversity policy

Velocity is committed to promoting diversity among the Board, employees, consultants and senior management, and believes a diverse workforce is key to the Company's success.

Although the Company does not have a diversity policy in place, the Company is committed to fostering a corporate culture that embraces diversity, facilitates opportunities for employment that are free from bias, discrimination and harassment and aims to promote an inclusive environment where employees feel they are valued.

# 3

## BOARD, MANAGEMENT AND CORPORATE GOVERNANCE CONTINUED

### 3.13 COMPLIANCE WITH ASX CORPORATE GOVERNANCE PRINCIPLES AND RECOMMENDATIONS

The ASX document, 'Principles of Good Corporate Governance and Best Practice Recommendations' (**Guidelines**) was published by the ASX Corporate Governance Council with the aim of enhancing the credibility and transparency of Australia's capital markets. Velocity's corporate governance charter has been drafted in light of the Guidelines.

The Board has assessed Velocity's current practice against the Guidelines and outlines its assessment below:

PRINCIPLES AND RECOMMENDATIONS	COMPLIANCE	COMPLY
<b>Principle 1 – Lay solid foundations for management and oversight</b>		
<b>1.1</b> Establish the functions reserved to the Board and those delegated to manage and disclose those functions.	The Board is responsible for overall corporate governance of Velocity. The role of the Board and delegation to management have been formalised in the corporate governance charter which outlines the main corporate governance practices in place for the Company. The Board and each Director are committed to the charter. The conduct of the Board is also governed by Velocity's constitution, and where there is inconsistency with that document, the constitution prevails to the extent of the inconsistency. The charter will be reviewed and amended from time to time as appropriate, taking into consideration practical experience gained in operating as a listed company.	Complies.
<b>1.2</b> Undertake appropriate checks before appointing a person as a director, and provide shareholders with all material information relevant to a decision on whether or not to elect or re elect a director.	Velocity has completed police checks, insolvency and banned director searches in relation to the existing Directors. Velocity will conduct appropriate checks for future appointments.	Complies.
<b>1.3</b> Have a written agreement with each director and senior executive setting out the terms of their appointment.	The Company has entered into written agreements with each Director and senior executive.	Complies.
<b>1.4</b> The Company Secretary should be accountable directly to the Board on all matters to do with the proper functioning of the Board.	This is consistent with the charter and corporate structure of Velocity. The Company Secretary has a direct relationship with the Board in relation to these matters.	Complies.
<b>1.5</b> Establish a diversity policy and disclose the policy or a summary of that policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity and for the Board to assess annually both the objectives and progress in achieving them, for reporting against in each reporting period.	Velocity does not have a diversity policy. The Board is committed to fostering a corporate culture that embraces diversity.	Does not comply. Although is this a departure from Recommendation 1.5, the Board considers it appropriate given the current nature and size of Velocity. Refer to section 3.12.
<b>1.6</b> Have a process for periodically evaluating the performance of the Board, its committees and individual directors, and disclose that process and, at the end of each reporting period, whether such performance evaluation was undertaken in that period.	The corporate governance charter provides for regular performance reviews to be conducted.	Does not comply, however, in accordance with the charter Velocity intends to evaluate performance of the Board and disclose for each reporting period whether an evaluation has been undertaken.

# 3

## BOARD, MANAGEMENT AND CORPORATE GOVERNANCE CONTINUED

PRINCIPLES AND RECOMMENDATIONS	COMPLIANCE	COMPLY
1.7 Have a process for periodically evaluating the performance of Velocity's senior executives, and disclose that process and, at the end of each reporting period, whether such performance evaluation was undertaken in that period.	The Board's broad function is to formulate strategy and set financial targets for the Company, monitor the implementation and execution of strategy and performance against financial targets, appoint and oversee the performance of executive management, and generally take an effective leadership role in relation to Velocity. The Chairman, annually assesses the performance of Directors and senior executives, and the Chairman's performance is assessed by the other Directors.	Complies.
<b>Principle 2 – Structure The Board To Add Value</b>		
2.1 The Company should have a nomination committee, which has at least three members, a majority of independent directors and is chaired by an independent director. The functions and operations of the nomination committee should be disclosed.	Velocity has not established a nomination committee. Given the current nature and size of the Company, such a policy is not considered necessary. The Board will consider establishing a nomination committee as Velocity's operations grow.	Does not comply.
2.2 Have and disclose a Board skills matrix, setting out what the Board is looking to achieve in its membership.	Velocity intends to informally monitor the experience, expertise, skills and qualifications necessary for the Board over time.	Does not presently comply, however the Board intends to formalise a skills matrix.
2.3 Disclose the names of the directors that the Board considers to be independent directors, and an explanation of why the Board is of that opinion if a factor that impacts on independence applies to a director, and disclose the length of service of each director.	Michael Pearson (Chairman) - referred to in section 3.1 (appointed October 2016) Cherie Leatham (Non-Executive Director) – referred to in section 3.1 (appointed October 2016)	Complies.
2.4 A majority of the Board should be independent directors.	The Company currently has a four member Board, of whom two (Michael Pearson and Cherie Leatham) are independent Non-Executive Directors.	Does not comply. The size and scope of Velocity's activities does not justify the cost of appointing additional independent directors at this stage.
2.5 The chairman of the Board should be an independent director and should not be the CEO.	The Chairman, Michael Pearson, is a Non-Executive Director and is independent. The Company's Managing Director and Chief Executive Officer, Brendon Ansell, is not the same individual as the Chairman.	Complies.
2.6 There should be a program for inducting new directors and providing appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as a director effectively.	This is consistent with the corporate governance charter and processes implemented by Velocity.	Complies.

# 3

## BOARD, MANAGEMENT AND CORPORATE GOVERNANCE CONTINUED

PRINCIPLES AND RECOMMENDATIONS	COMPLIANCE	COMPLY
<b>Principle 3 – Promote ethical and responsible decision making</b>		
<b>3.1</b> Have a code of conduct for the Board, senior executives and employees, and disclose that code or a summary of that code.	Velocity has adopted a code of conduct, which sets out a framework to enable Directors to achieve the highest possible standards in the discharge of their duties and to give a clear understanding of best practice in corporate governance.	Complies.
<b>Principle 4 – Safeguard integrity in financial reporting</b>		
<b>4.1</b> The Company should have an audit committee, which consists of only non-executive directors, a majority of independent directors, is chaired by an independent chairman who is not chairman of the Board, and has at least three members. The functions and operations of the audit committee should be disclosed.	The Company has established an Audit and Risk-Management Committee to assist and report to the Board. The Audit and Risk-Management Committee consists of Cherie Leatham (Chairman), Michael Pearson and Philip Raff.	Does not comply. The size and scope of Velocity's activities does not justify the cost of appointing independent directors at this stage.
<b>4.2</b> The Board should, before approving financial statements for a financial period, receive a declaration from the CEO and CFO that, in their opinion, the financial records have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Company, formed on the basis of a sound system of risk management and internal controls, operating effectively.	This is consistent with the approach to be adopted by the Audit and Risk-Management Committee and the Board.	Complies.
<b>4.3</b> The Company's auditor should attend the AGM and be available to answer questions from security holders relevant to the audit.	Velocity's auditor will be requested to attend the AGM and shareholders will be entitled to ask questions in accordance with the Corporations Act and these Guidelines.	Complies.
<b>Principle 5 – Make timely and balanced disclosure</b>		
<b>5.1</b> Have a written policy for complying with continuous disclosure obligations under the Listing Rules, and disclose that policy or a summary of it.	Velocity has a written continuous disclosure policy which is designed to ensure that all material matters are appropriately disclosed in a balanced and timely manner and in accordance with the requirements of the ASX Listing Rules.	Complies.
<b>Principle 6 – Respect the rights of shareholders</b>		
<b>6.1</b> Provide information about the Company and its governance to investors via its website.	The corporate governance charter and other applicable policies are available on the Company's website.	Complies.
<b>6.2</b> Design and implement an investor relations program to facilitate effective two-way communication with investors.	Velocity aims to ensure that all Shareholders are well informed of all major developments affecting the Company and that the full participation by Shareholders at the Company's AGM is facilitated.	Partially complies. The Company has adopted a Continuous Disclosure Policy.

# 3

## BOARD, MANAGEMENT AND CORPORATE GOVERNANCE CONTINUED

PRINCIPLES AND RECOMMENDATIONS	COMPLIANCE	COMPLY
<b>6.3</b> Disclose the policies and processes in place to facilitate and encourage participation at meetings of security holders.	Velocity intends to facilitate effective participation in the AGM, as well as the ability to submit written questions ahead of the AGM. Velocity intends to adopt appropriate technologies to facilitate the effective communication and conduct of general meetings.	The Company has not disclosed a formal policy or process, but does intend to implement policies and procedures to further this objective after Listing.
<b>6.4</b> Give security holders the option to receive communications from, and send communications to, the Company and its share registry electronically.	Velocity has instructed its Share Registry to facilitate this option for investors, as well as future shareholders at appropriate times.	Complies.
<b>Principle 7 – Recognise and manage risk</b>		
<b>7.1</b> The Board should have a risk committee which is structured so that it consists of a majority of independent directors, is chaired by an independent director, and has at least three members. The functions and operations of the risk committee should be disclosed.	The Company has a combined Audit and Risk-Management Committee. See above for independent status of the committee members. The functions and operations of the committee are established under the charter. The size and scope of Velocity's activities does not justify the cost of appointing independent directors at this stage.	Does not comply to the extent that Velocity does not have a separate risk committee, however the Board has formed the view that the Audit and Risk-Management Committee is appropriately structured.
<b>7.2</b> The Board or a committee of the Board should review the entity's risk management framework with management at least annually to satisfy itself that it continues to be sound, and disclose, in relation to each reporting period, whether such a review has taken place.	The charter establishes the role of the committee. The committee will establish the risk management framework.	Partially complies. Does not comply to the extent that the committee is newly formed and has not conducted an annual review.
<b>7.3</b> Disclose if the Company has an internal audit function, how the function is structured and what role it performs, or if it does not have an internal audit function, that fact and the processes the Company employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.	Due to Velocity's limited number of employees and relative nature and scale of its operations, the costs of an independent internal audit function would be disproportionate. Velocity has an external auditor and the Audit and Risk-Management Committee will monitor and evaluate material or systemic issues.	Does not comply due to the nature and scale of operations, however the Board believes it and the Audit and Risk-Management Committee have adequate oversight of the existing operations.
<b>7.4</b> Disclose whether the Company has any material exposure to economic, environmental and social sustainability risks and, if so, how it manages those risks.	The Board does not believe Velocity has any material exposure to those risks.	Complies.

# 3

## BOARD, MANAGEMENT AND CORPORATE GOVERNANCE CONTINUED

PRINCIPLES AND RECOMMENDATIONS	COMPLIANCE	COMPLY
<b>Principle 8 – Remunerate fairly and responsibly</b>		
<b>8.1</b> The Board should have a remuneration committee which is structured so that it consists of a majority of independent directors, is chaired by an independent director, and has at least three members. The functions and operations of the remuneration committee should be disclosed.	The Board has decided that a remuneration committee is unnecessary. The Board believes it can adequately deal with the matters typically within the purview of a remuneration committee.	Does not comply.
<b>8.2</b> The policies and practices regarding the remuneration of non-executive directors, and the remuneration of executive directors and other senior executives, should be separately disclosed.	Velocity intends to adopt remuneration policies which comply with the Guidelines including separately disclosing the remuneration of Non-Executive Directors, and the remuneration of Executive Directors and other senior executives. No Director or senior executive is involved directly in deciding their own remuneration.	Does not presently comply, however Velocity intends to disclose these policies and practices in its future annual reports.
<b>8.3</b> If the Company has an equity-based remuneration scheme, it should have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme, and disclose that policy or a summary of it.	In accordance with Velocity's Trading Policy participants are not permitted to enter into transactions which limit economic risk without written clearance.	Complies.



# 4

## FINANCIAL INFORMATION



# 4

## FINANCIAL INFORMATION CONTINUED

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### 4.1 OVERVIEW

Velocity Property Group Limited was incorporated on 20 May 2015 as Velocity Holdings Pty Ltd. On 20 October 2016, Velocity Holdings Pty Ltd converted to a public company and changed its name to Velocity Property Group Limited.

On 2 July 2015, Velocity completed a corporate restructure which resulted in it acquiring 100% of the issued share capital of Velocity Property Red Hill Pty Ltd, Vue at Red Hill Pty Ltd, Velocity Property Hawthorne Pty Ltd, Fusion 462 Pty Ltd, 1 Nathan Street Pty Ltd, 46 Cadell Pty Ltd, 48 Orchard Street Pty Ltd, Velocity Holdings No 1 Pty Ltd, Velocity Holdings No 2 Pty Ltd, Velocity Holdings No 4 Pty Ltd, and Velocity Project Marketing Pty Ltd. The corporate restructure for 39 Ellerslie Pty Ltd was completed on 11 August 2015.

On 19 August 2016, Velocity acquired 100% of the ordinary shares in Velocity Property Oxford Pty Ltd and Oxford Views Pty Ltd. This acquisition represents the final transaction in Velocity's corporate restructure. Refer to section 9.1 for a high level summary of the corporate restructure.

372 The Esplanade Pty Ltd was incorporated on 3 December 2015 and 50% of the ordinary share capital and the sole B class share were acquired by Velocity. Refer to section 9.3 for details of Velocity's corporate structure following completion of the Offer.

The financial information presented in this section 4 has been based on the audited accounts and annual report of Velocity.

The financial information for Velocity contained in this section 4 includes:

- consolidated statements of profit or loss for the financial years ended 30 June 2014, 30 June 2015 and 30 June 2016;
- consolidated statements of financial position as at 30 June 2014, 30 June 2015 and 30 June 2016;
- consolidated statements of cash flows for the financial years ended 30 June 2014, 30 June 2015 and 30 June 2016;
- pro-forma consolidated statement of profit or loss for the financial year ended 30 June 2016 including pro forma adjustments and reflecting completion of the offer; and
- pro-forma consolidated statements of financial position as at 30 June 2016 including pro forma adjustments and reflecting completion of the Offer.

(together, the **Financial Information**).

The information in this section 4 should be read in conjunction with the risk factors set out in section 5 and other information contained in the Prospectus.

Also summarised in this Financial Information section are:

- the basis of preparation of the Financial Information (see section 4.2)
- management discussion and analysis of historical information (see section 4.6)

All amounts disclosed in section 4 are presented in Australian dollars which is Velocity's functional and presentational currency and, unless otherwise noted are rounded to the nearest \$1. Tables in this section have not been amended to correct immaterial summation differences that may arise from this rounding convention.

# 4

## FINANCIAL INFORMATION CONTINUED

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### 4.2 BASIS OF PREPARATION AND PRESENTATION OF THE FINANCIAL INFORMATION

#### Overview

The Financial Information has been prepared in accordance with the Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (**AASB**) and the Corporations Act, as appropriate for for-profit oriented entities. The Financial Information also complies with the International Financial Reporting Standards as issued by the International Accounting Standards Board (**IASB**). The Financial Information is presented in an abbreviated form and does not contain all the disclosures, statements or comparative information required by the Australian Accounting Standards applicable to general purpose financial reports prepared in accordance with the Corporations Act.

The Financial Information has been prepared under the historical cost convention, except for, where applicable, the revaluation of investment properties.

The preparation of the Financial Information requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies.

Accounting policies have been consistently applied for Velocity throughout the periods presented in this Prospectus and the significant accounting policies adopted in the preparation of the Financial Information are set out in this section 4.

#### Preparation of financial information

The Financial Information has been derived from the audited financial statements of Velocity for the financial years ended 30 June 2016, 2015 and 2014. The financial reports for the financial years ended 30 June 2016 (including 2015 comparatives) and 2014 have been audited by Crowe Horwath Brisbane and unqualified opinions were issued in respect of these periods.

In preparing the Financial Information for this section 4, the Financial Information for the year ended 30 June 2014 is an aggregate of the subsidiaries that operated during this period and has been prepared as if Velocity Property Group Limited existed at this time and was the legal owner of the companies which now form part of the consolidated Velocity Group. As such, the opening balances for financial year ended 30 June 2015 may not equal the closing balances for the financial year ended 30 June 2014.

The Financial Information in this section 4 has been reviewed by Crowe Horwath Corporate Finance (Aust) Ltd whose Investigating Accountant's Report is contained in section 6.

# 4

## FINANCIAL INFORMATION CONTINUED

### 4.3 CONSOLIDATED FINANCIAL STATEMENTS

#### 4.3.1 Consolidated statements of profit or loss

Set out below in table 4.3.1 is a summary of Velocity's consolidated statements of profit or loss for the financial years ended 30 June 2014, 2015 and 2016.

There have been no changes from the audited financial statements for the financial years ended 2016, 2015 and 2014.

**Table 4.3.1: Consolidated statements of profit or loss for the financial years ended 30 June 2016, 2015 and 2014**

	NOTES	2016 \$	2015 \$	2014 \$
<b>Revenue</b>		14,670,217	7,030	790
Other income	1	1,729,473	-	-
<b>Expenses</b>				
Cost of sales		(11,443,434)	(74,743)	-
Employee benefits expense		(162,611)	-	-
Depreciation and amortisation expense		(5,486)	-	-
Finance costs		(2,184,630)	(886,473)	(139,782)
Other expenses	2	(1,134,966)	(473,255)	(255,961)
<b>Profit / (loss) before income tax (expense) / benefit for the year</b>		1,468,563	(1,427,442)	(394,953)
Income tax (expense) / benefit	3	(440,569)	428,140	-
<b>Profit / (loss) after income tax (expense) / benefit for the year</b>		1,027,994	(999,302)	(394,953)
<b>Other comprehensive income</b>	4	-	472,862	-
<b>Total comprehensive income / (loss) for the year</b>		1,027,994	(526,440)	(394,953)
Profit for the year is attributable to:				
Non-controlling interest		(2,283)	-	-
Owners of Velocity		1,030,277	(526,440)	(394,953)
		1,027,994	(526,440)	(394,953)

**Notes:**

1. Fair value gains from revaluation of the investment properties at 6/462 Hawthorne Road, Bulimba and 1/90-94 Oxford Street, Bulimba.
2. Certain consulting fees were expensed in the 2014 financial year. In the 2015 financial year and 2016 financial year, these costs were capitalised as trading stock, then recognised as cost of sales once the revenue was recognised.
3. Income tax benefit and deferred tax asset in relation to tax losses were not recognised in the 2014 financial year. Management determined it was the prudent treatment at that time.
4. A result of the company restructure mentioned in the overview at section 4.1 due to predecessor accounting reserve. As this was a common control transaction whereby the ultimate controlling parties before and after the restructure are the same parties, no fair value adjustments were recorded on the acquisition and the difference between net assets acquired and the consideration paid was recognised in the predecessor accounting reserve.

# 4

## FINANCIAL INFORMATION CONTINUED

### 4.3.2 Consolidated statements of financial position

Set out below in Table 4.3.2 is a summary of the consolidated statements of financial position as at 30 June 2016, 2015 and 2014.

There have been no changes from the audited financial statements for the financial years ended 2016, 2015 and 2014.

**Table 4.3.2: Consolidated statements of financial position as at 30 June 2016, 2015 and 2014.**

	NOTE	2016 \$	2015 \$	2014 \$
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents		3,316,785	458,940	136,464
Trade and other receivables		343,492	64,749	10,577
Trading stock		29,173,453	15,236,854	2,875,140
Prepayments and deposits		71,721	1,257	100,000
Total current assets		32,905,451	15,761,800	3,122,181
<b>Non-current assets</b>				
Other		44,157	36,884	3,355
Investment properties		4,046,126	1,288,809	-
Property, plant and equipment		14,981	-	-
Intangible assets		7,452	-	-
Deferred Tax	I	-	431,118	-
Total non-current assets		4,112,716	1,756,811	3,355
<b>Total assets</b>		37,018,167	17,518,611	3,125,536
<b>Liabilities</b>				
<b>Current liabilities</b>				
Trade and other payables		414,908	847,419	250,793
Borrowings		30,033,322	10,131,583	454,753
Income tax		2,878	2,978	-
Employee Benefits		13,187	-	-
Redeemable preference shares		729,679	-	-
Total current liabilities		31,193,974	10,981,979	705,546
<b>Non-current liabilities</b>				
Borrowings		5,308,564	7,055,630	2,289,943
Deferred tax	I	6,573	-	-
Total non-current liabilities		5,315,137	7,055,630	2,289,943
<b>Total liabilities</b>		36,509,112	18,037,610	2,995,489

# 4

## FINANCIAL INFORMATION CONTINUED

Table 4.3.2: Consolidated statements of financial position as at 30 June 2016, 2015 and 2014. Continued

	NOTE	2016 \$	2015 \$	2014 \$
<b>Net assets / (liabilities)</b>		509,055	(518,999)	130,047
<b>Equity</b>				
Issued capital		7,441	7,441	525,000
Reserves	2	472,862	472,862	-
Retained profits		30,975	(999,302)	(394,953)
Equity attributable to the owners of Velocity Holdings Pty Ltd		511,278	(518,999)	130,047
Non-controlling interest		(2,223)	-	-
<b>Total Equity</b>		509,055	(518,999)	130,047

**Notes:**

1. Income tax benefit and deferred tax assets in relation to tax losses were not recognised in the 2014 financial year. Management determined it was the prudent treatment at the time.
2. The predecessor accounting reserve was created as a result of the company restructure mentioned in the overview at section 4.1. As this was a common control transaction whereby the ultimate controlling parties before and after the restructure are the same parties, no fair value adjustments were recorded on the acquisition and the difference between net assets acquired and the consideration paid was recognised in the predecessor accounting reserve.



# 4

## FINANCIAL INFORMATION CONTINUED

### 4.3.3 Consolidated statements of cash flows

Set out below in Table 4.3.3 is a summary of the consolidated statements of cash flows for the financial years ended 30 June 2016, 2015 and 2014.

There have been no changes from the audited financial statements for the 2016, 2015 and 2014 financial years.

**Table 4.3.3: Consolidated statements of cash flows for the years ended 30 June 2016, 2015 and 2014.**

	NOTE	2016 \$	2015 \$	2014 \$
<b>Cash flows from operating activities</b>				
Receipts from customers		15,256,021	-	-
Payments to suppliers and employees		(29,852,270)	(15,691,896)	(2,739,325)
Interest received		6,842	6,455	790
GST recovered		344,351	245,936	130,303
Total cash flows used in operating activities		(14,245,056)	(15,439,505)	(2,608,232)
<b>Cash flows from investing activities</b>				
Payment for property, plant & equipment		(23,888)	-	-
Payment for investment properties		(1,027,844)	(1,288,809)	-
Total cash flows used in investing activities		(1,051,732)	(1,288,809)	-
<b>Cash flows from financing activities</b>				
Net proceeds from borrowings		18,154,633	17,187,254	2,744,696
Total cash flows from financing activities		18,154,633	17,187,254	2,744,696
Net increase / (decrease) in cash and cash equivalents		2,857,935	458,940	136,464
Cash and cash equivalents at the beginning of the year		458,940	-	-
Cash and cash equivalents at the end of the year		3,316,785	458,940	136,464

### 4.4 PRO-FORMA FINANCIAL INFORMATION

Set out in the tables below are the pro-forma consolidated statement of profit or loss for the financial year ended 30 June 2016 and the pro-forma consolidated statement of financial position for Velocity as at 30 June 2016, lifted from the audited financial statements and adjusted for any subsequent events, as well as the Offer and other related transactions pursuant to this Prospectus.

The pro-forma consolidated statements of profit or loss and financial position have been prepared to demonstrate the impact of a capital raising pursuant to this Prospectus of both \$10 million (minimum offer) and \$20 million (maximum offer).

# 4

## FINANCIAL INFORMATION CONTINUED

Table 4.4.1: Pro-forma consolidated statement of profit or loss for the minimum offer.

	NOTES	CONSOLIDATED AUDITED 30 JUNE 2016 \$	OTHER PRO-FORMA ADJUSTMENTS \$	PRO-FORMA IMPACT OF THE MINIMUM OFFER \$	PRO-FORMA AFTER ISSUE OF MINIMUM OFFER \$
<b>Revenue</b>		14,670,217	-	-	14,670,217
Other income	1	1,729,473	72,125	-	1,801,598
<b>Expenses</b>					
Cost of sales		(11,443,434)	-	-	(11,443,434)
Employee salaries	2	(162,611)	(312,075)	-	(474,686)
Depreciation and amortisation expense		(5,486)	-	-	(5,486)
Finance costs	3	(2,184,630)	948,376	-	(1,236,254)
Other expenses	4,5,6	(1,134,966)	152,520	(259,085)	(1,241,531)
<b>Profit / (loss) before income tax (expense) / benefit for the year</b>		1,468,563	860,946	(259,085)	2,070,424
Income tax (expense) / benefit	7	(440,569)	(258,284)	77,725	(621,127)
<b>Profit / (loss) after income tax (expense) / benefit for the year</b>		1,027,994	602,662	(181,359)	1,449,297
<b>Other comprehensive income</b>		-	-	-	-
<b>Total comprehensive income / (loss) for the year</b>		1,027,994	602,662	(181,359)	1,449,297
Profit for the year is attributable to:					
Non-controlling interest		(2,283)	-	-	(2,283)
Owners of Velocity		1,030,277	602,662	(181,359)	1,451,580
		1,027,994	602,662	(181,359)	1,449,247

### Notes

1. This is the forgiveness of a portion of a loan, which resulted from the conversion to ordinary shares in Velocity which occurred on 22 September 2016.
2. If Velocity had traded as a public listed company for the full 2016 financial year, salaries expense will increase by \$312,075. This represents remuneration for the non-executive directors, chief financial officer and company secretary.
3. If Velocity had traded as a public listed company for the full 2016 financial year, finance costs of \$948,376 associated with mezzanine finance funding providers would not have been incurred since property development would have been funded by more traditional bank lending (supported by the Offer proceeds). The mezzanine financing arrangements have ceased.
4. Other expenses of \$189,600 associated with the mezzanine funding and borrowing costs described in note 3 will not have been incurred if the Offer had been completed at 1 July 2015. These mezzanine financing arrangements have ceased.
5. ASX compliance costs amounting to \$37,080 will have been incurred if Velocity traded as a publicly listed company for the full 2016 financial year.

6. The impact of the minimum offer is summarised below:

	MINIMUM OFFER
Offer proceeds	10,000,000
Costs of the offer	(800,000)
<b>Net offer proceeds</b>	<b>9,200,000</b>
To be allocated as follows:	
Acquisition and development of future sites	6,200,000
Debt reduction	2,000,000
Working capital	1,000,000
<b>Total</b>	<b>9,200,000</b>

Of the \$800,000 total costs of the Offer, \$259,085 is allocated to other expenses on the consolidated statement of profit or loss. This represents a portion of legal fees, accountants' fees, listing fees and other expenses.

7. This represents the tax effect of the above adjustments using the company income tax rate of 30%.

# 4

## FINANCIAL INFORMATION CONTINUED

Table 4.4.2: Pro-forma statement of financial position for the minimum offer.

	NOTE	CONSOLIDATED AUDITED 30 JUNE 2016 \$	OTHER PRO-FORMA ADJUSTMENTS \$	PRO-FORMA IMPACT OF THE MINIMUM OFFER \$	PRO-FORMA AFTER ISSUE OF MINIMUM OFFER \$
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	8,13	3,316,785	596,199	1,000,000	4,912,984
Trade and other receivables		343,492	-	-	343,492
Trading stock	8,11	29,173,453	(389,421)	6,200,000	34,984,032
Prepayments and deposits		71,721	-	-	71,721
Total current assets		32,905,451	206,778	7,200,000	40,312,229
<b>Non-current assets</b>					
Other		44,157	-	-	44,157
Investment properties		4,046,126	-	-	4,045,126
Property, plant and equipment		14,981	-	-	14,981
Intangible assets		7,452	-	-	7,452
Total non-current assets		4,112,716	-	-	4,112,716
<b>Total assets</b>		37,018,167	206,778	7,200,000	44,424,945
<b>Liabilities</b>					
<b>Current liabilities</b>					
Trade and other payables		414,908	-	-	414,908
Borrowings	8,11	30,033,322	(5,587,636)	(2,000,000)	22,445,686
Income tax	13	2,878	258,284	(77,786)	183,376
Employee Benefits		13,187	-	-	13,187
Redeemable preference shares		729,679	-	-	729,679
Total current liabilities		31,193,974	(5,329,352)	(2,077,786)	23,786,836
<b>Non-current liabilities</b>					
Borrowings		5,308,564	-	-	5,308,564
Deferred tax		6,573	-	-	6,573
Total non-current liabilities		5,315,137	-	-	5,315,137
<b>Total liabilities</b>		36,509,112	(5,329,352)	(2,077,786)	29,101,973
<b>Net assets</b>		509,055	5,536,130	9,277,786	15,322,971

# 4

## FINANCIAL INFORMATION CONTINUED

Table 4.4.2: Pro-forma statement of financial position for the minimum offer. CONTINUED

	NOTE	CONSOLIDATED AUDITED 30 JUNE 2016 \$	OTHER PRO-FORMA ADJUSTMENTS \$	PRO-FORMA IMPACT OF THE MINIMUM OFFER \$	PRO-FORMA AFTER ISSUE OF MINIMUM OFFER \$
<b>Equity</b>					
Issued capital	8,9	7,441	4,933,468	9,459,085	14,399,994
Reserves		472,862	-	-	472,862
Retained profits		30,975	602,662	(181,299)	452,338
Equity attributable to the owners of Velocity Holdings Pty Ltd		511,278	-	-	15,325,194
Non-controlling interest		(2,223)	-	-	(2,223)
<b>Total Equity</b>		<b>509,055</b>	<b>5,536,130</b>	<b>9,277,786</b>	<b>15,322,971</b>

### Notes

8. The impact of the minimum offer is summarised below:

	MINIMUM OFFER
Offer proceeds	10,000,000
Costs of the offer	(800,000)
<b>Net offer proceeds</b>	<b>9,200,000</b>
To be allocated as follows:	
Acquisition and development of future sites	6,200,000
Debt reduction	2,000,000
Working capital	1,000,000
<b>Total</b>	<b>9,200,000</b>

Of the \$800,000 total costs of the Offer, \$540,915 is allocated to share capital. This represents underwriting fees, and portion of legal fees, accountants' fees, listing fees and other expenses. Consequently, share capital will be reduced to \$9,459,085.

9. On 22 September 2016, a lender converted a loan it advanced to Velocity to ordinary shares in the Company. Issued shares amounted to \$4,933,468.

10. If Velocity had traded as a public listed company for the full 2016 financial year, capitalised borrowing costs amounting to \$389,421 would not have been incurred. These were paid to mezzanine finance funding providers in relation to the Vue at Red Hill project. These mezzanine financing arrangements have ceased.

11. This adjustment to Borrowings is the aggregate effect of a loan conversion amounting to \$5,005,593 (see Notes 1 and 10), the reversal of the outstanding portion of borrowing costs described in Note 10 (\$317,421), and reversal of outstanding portion of finance costs as described in Note 3 (\$264,622).

12. Adjustments to cash is the aggregate of the reversal of finance costs paid described in Notes 3 and 10 amounting to \$683,754 and \$72,000, respectively; reversal of payments described in Note 4 (\$189,600); payments of salaries described in Note 2 (\$312,075); payments of expense described in Note 5 (\$37,080).

13. This represents the tax effect of the adjustments to profit or loss using the company income tax rate of 30%.

# 4

## FINANCIAL INFORMATION CONTINUED

Table 4.4.3: Pro-forma consolidated statement of profit or loss for the maximum offer.

	NOTES	CONSOLIDATED AUDITED 30 JUNE 2016 \$	OTHER PRO-FORMA ADJUSTMENTS \$	PRO-FORMA IMPACT OF THE MAXIMUM OFFER \$	PRO-FORMA AFTER ISSUE OF MAXIMUM OFFER \$
<b>Revenue</b>		14,670,217	-	-	14,670,217
Other income	1	1,729,473	72,125	-	1,801,598
<b>Expenses</b>					
Cost of sales		(11,443,434)	-	-	(11,443,434)
Employee benefits expense	2	(162,611)	(312,075)	-	(474,686)
Depreciation and amortisation expense		(5,486)	-	-	(5,486)
Finance costs	3	(2,184,630)	948,376	-	(1,236,254)
Other expenses	4,5,6	(1,134,966)	152,520	(243,288)	(1,225,734)
<b>Profit / (loss) before income tax (expense) / benefit for the year</b>		1,468,563	860,946	(243,288)	2,086,221
Income tax (expense) / benefit	7	(440,569)	(258,284)	72,986	(625,867)
<b>Profit / (loss) after income tax (expense) / benefit for the year</b>		1,027,994	602,662	(170,302)	1,460,354
<b>Other comprehensive income</b>		-	-	-	-
<b>Total comprehensive income / (loss) for the year</b>		1,027,994	602,662	(170,302)	1,460,354
Profit for the year is attributable to:					
Non-controlling interest		(2,283)	-	-	(2,283)
Owners of Velocity		1,030,277	602,662	(170,302)	1,462,637
		1,027,994	602,662	(170,302)	1,460,354

### Notes

1. This is the forgiveness of a portion of a loan, which resulted from the conversion to ordinary shares in Velocity which occurred on 22 September 2016.
2. If Velocity had traded as a public listed company for the full 2016 financial year, salaries expense will increase by \$312,075. This represents remuneration for the non-executive directors, chief financial officer and company secretary.
3. If Velocity had traded as a public listed company for the full 2016 financial year, finance costs of \$948,376 associated with mezzanine finance funding providers would not have been incurred since property development would have been funded by more traditional bank lending (supported by the Offer proceeds). The mezzanine financing arrangements have ceased.
4. Other expenses of \$189,600 associated with the mezzanine funding and borrowing costs described in note 3 will not have been incurred if the Offer had been completed at 1 July 2015. These mezzanine financing arrangements have ceased.
5. ASX compliance costs amounting to \$37,080 will have been incurred if Velocity traded as a publicly listed company for the full 2016 financial year.
6. The impact of the maximum offer is summarised below:

	MAXIMUM OFFER
Offer proceeds	20,000,000
Costs of the offer	(800,000)
<b>Net offer proceeds</b>	<b>19,200,000</b>
To be allocated as follows:	
Acquisition and development of future sites	16,200,000
Debt reduction	2,000,000
Working capital	1,000,000
<b>Total</b>	<b>19,200,000</b>

Of the \$800,000 total costs of the offer, \$243,288 is allocated to other expenses on the consolidated statement of profit or loss. This represents a portion of legal fees, accountants' fees, listing fees and other expenses.

7. This represents the tax effect of the above adjustments using the company income tax rate of 30%.



# 4

## FINANCIAL INFORMATION CONTINUED

Table 4.4.4: Pro-forma statement of financial position for the maximum offer.

	NOTE	CONSOLIDATED AUDITED 30 JUNE 2016 \$	SUBSEQUENT EVENTS \$	PRO-FORMA IMPACT OF THE MAXIMUM OFFER \$	PRO-FORMA AFTER ISSUE OF MAXIMUM OFFER \$
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	8,12	3,316,785	596,199	1,000,000	4,912,984
Trade and other receivables		343,492	-	-	343,492
Trading stock	8,10	29,173,453	(389,421)	16,200,000	44,984,032
Prepayments and deposits		71,721	-	-	71,721
Total current assets		32,905,451	206,778	17,200,000	50,312,229
<b>Non-current assets</b>					
Other		44,157	-	-	44,157
Investment properties		4,046,126	-	-	4,046,126
Property, plant and equipment		14,981	-	-	14,981
Intangible assets		7,452	-	-	7,452
Total non-current assets		4,112,716	-	-	4,112,716
<b>Total assets</b>		37,018,167	206,778	17,200,000	54,424,945
<b>Liabilities</b>					
<b>Current liabilities</b>					
Trade and other payables		414,908	-	-	414,908
Borrowings	8,11	30,033,322	(5,587,636)	(2,000,000)	22,445,686
Income tax	13	2,878	258,284	(72,986)	188,176
Employee Benefits		13,187	-	-	13,187
Redeemable preference shares		729,679	-	-	729,679
Total current liabilities		31,193,974	(5,329,352)	(2,072,986)	23,791,636
<b>Non-current liabilities</b>					
Borrowings		5,308,564	-	-	5,308,564
Deferred tax		6,573	-	-	6,573
Total non-current liabilities		5,315,137	-	-	5,315,137
<b>Total liabilities</b>		36,509,112	(5,329,352)	(2,072,986)	29,106,773
<b>Net assets</b>		509,055	5,536,130	19,272,986	25,318,171

# 4

## FINANCIAL INFORMATION CONTINUED

Table 4.4.4: Pro-forma statement of financial position for the maximum offer.

	NOTE	CONSOLIDATED AUDITED 30 JUNE 2016 \$	SUBSEQUENT EVENTS \$	PRO-FORMA IMPACT OF THE MAXIMUM OFFER \$	PRO-FORMA AFTER ISSUE OF MAXIMUM OFFER \$
<b>Equity</b>					
Issued capital	8,9	7,441	4,933,468	19,443,288	24,384,197
Reserves		472,862	-	-	472,862
Retained profits		30,975	602,662	(170,302)	463,335
Equity attributable to the owners of Velocity Holdings Pty Ltd		511,278	-	-	25,320,394
Non-controlling interest		(2,223)	-	-	(2,223)
<b>Total Equity</b>		<b>509,055</b>	<b>5,536,130</b>	<b>19,272,986</b>	<b>25,318,171</b>

### Notes

8. The impact of the maximum offer is summarised below:

	MAXIMUM OFFER
Offer proceeds	20,000,000
Costs of the offer	(809,000)
<b>Net offer proceeds</b>	<b>19,200,000</b>
<b>To be allocated as follows:</b>	
Acquisition & development of future sites	16,200,000
Debt reduction	2,000,000
Working capital	1,000,000
<b>Total</b>	<b>19,200,000</b>

Of the \$800,000 total costs of the offer, \$556,712 is allocated to share capital. This represents underwriting fees, and portion of legal fees, accountants' fees, listing fees and other expenses. Consequently, share capital will be reduced to \$9,459,085.

9. On 22 September 2016, a lender converted a loan it advanced to Velocity to ordinary shares in the Company. Issued shares amounted to \$4,933,468.

10. If Velocity had traded as a public listed company for the full 2016 financial year, capitalised borrowing costs amounting to \$389,421 would not have been incurred. These were paid to mezzanine finance funding providers in relation to the Vue at Red Hill project. These mezzanine financing arrangements have ceased.

11. This adjustment to Borrowings is the aggregate effect of a loan conversion amounting to \$5,005,593 (see Notes 1 and 10), the reversal of the outstanding portion of borrowing costs described in Note 10 (\$317,421), and reversal of outstanding portion of finance costs as described in Note 3 (\$264,622).

12. Adjustments to cash is the aggregate of the reversal of finance costs paid described in Notes 3 and 10 amounting to \$683,754 and \$72,000, respectively; reversal of payments described in Note 4 (\$189,600); payments of salaries described in Note 2 (\$312,075); payments of expense described in Note 5 (\$37,080).

13. This represents the tax effect of the adjustments to profit or loss using the company income tax rate of 30%.

# 4

## FINANCIAL INFORMATION CONTINUED

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### 4.5 LIQUIDITY AND CAPITAL RESOURCES

Velocity's main uses of cash are to fund its operations and working capital which include sales marketing and advertising programs, head office operations, and property development costs excluding the construction (net of GST) of the development projects.

In the past, Velocity has used bank funding facilities to facilitate the settlement of property purchases and to fund the construction (net of GST) of the development projects.

Velocity also has an unencumbered property situated at 6/462 Hawthorne Road, Bulimba, Queensland.

### 4.6 MANAGEMENT ANALYSIS OF HISTORICAL INFORMATION

Below is a summary of the main factors which affected Velocity's operations and financial performance in the 2014, 2015 & 2016 financial years. Velocity anticipates that these factors may continue to affect the operating and financial performance of the Velocity Group in future periods.

The general factors described below are a summary only and do not represent all factors that affect Velocity's financial performance or all factors that are expected to affect operating and financial performance in future periods. The information in this section should be read in conjunction with the risk factors set out in section 5 and other information contained in this Prospectus.

#### General market conditions

Velocity's financial performance is impacted by general market conditions and their subsequent impact on the residential, retail and commercial property market. General market conditions include consumer confidence, business confidence, interest rates and Australia's changing demographic, lifestyle and housing needs in relation to its growing and ageing population all contributing to an environment that impacts the financial performance of Velocity.

#### Revenue

The majority of Velocity's revenue to date is from the completion of its first two projects and the sales of completed residential apartments, retail and commercial offices at:

- Fusion 462 – a mixed use residential and commercial apartment building containing eight residential units and a commercial office.
- Arbor on Oxford – a mixed use residential and commercial apartment building containing eight residential units, one retail space and three commercial offices.

The main drivers of the completed project development revenue mentioned above are the demand for Velocity's stylish architectural design, high quality finishes and flexible and usable spaces to maximise lifestyle in the chosen market at competitive market prices.

#### Cost of sales

Costs for construction of development properties are agreed up front with all key suppliers and sub-contractors. Construction costs and build programs are continually monitored and variation costs are agreed before any work proceeds. Key suppliers and sub-contractors are engaged by Velocity on a project by project basis under written agreements.

#### Finance and other costs in connection to funding

As illustrated in the 'adjustments / subsequent events' column in tables 4.4.1 and 4.4.3 in section 4.4, Velocity incurred a high level of costs in connection to the funding of its business and initial development projects, in particular the Fusion 462, Arbor on Oxford and Vue at Red Hill projects. One of the key financial outcomes of this Offer will be that Velocity will be able to materially reduce its funding costs previously incurred. Velocity will be able to pass these savings back into the business to fund its growth and operation strategies.

#### Operating expenses

Velocity's operating expenses predominately relate to interest expense on non-property development funding facilities, legal and accounting services, employee salaries, sales and marketing campaigns and consultants, information technology, communications and office running expenses. Velocity employs a lean workforce to minimise corporate overheads and ensure Velocity is able to adapt to market conditions as required. By engaging with external contractors and suppliers independently as required, Velocity is still able to leverage and benefit from the greater experience and skill sets that they can offer.

# 4

## FINANCIAL INFORMATION CONTINUED

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### 4.7 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The following significant accounting policies have been adopted in the preparation of the financial information in this section 4.

#### Acquisition of entities under common control

The acquisition of entities under common control exists when a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. A party or parties shall be regarded as controlling an entity when, as a result of contractual arrangements, they collectively have the power to govern its financial and operating policies so as to obtain benefits from its activities.

Acquisitions of entities under common control are accounted for using the predecessor method of accounting and the practice for this method is as follows:

- the assets and liabilities of the acquiree are recorded at book value not fair value;
- no goodwill is recorded;
- only goodwill that currently exists in the books of the acquiree is recognised;
- the difference between the net assets acquired and the consideration paid in relation to the common control transactions will be presented as a “predecessor accounting reserve” in the Equity section on the Statement of Financial Position;
- identifiable intangible assets and contingent liabilities are recognised only to the extent that they were recognised by the acquiree in accordance with applicable Accounting Standards issued by the AASB; and
- comparative amounts are restated as if the combination had taken place at the beginning of the earliest comparative period presented.

#### Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates at the transaction date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

#### Revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

#### Sale of properties

Revenue from the sale of properties is recognised when the significant risks and rewards of ownership and effective control of the properties have passed from Velocity to the buyer. This is generally considered to be at settlement for the sale of the properties.

Where settlement has not occurred, the significant risks and rewards of ownership and effective control of the properties may have passed from Velocity once the contract has become unconditional and it is probable that the settlement will occur in the immediate future.

#### Interest Income

Interest revenue is recognised 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

Rental income 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.

#### Cost of sales

When properties are sold, the carrying amount of those trading stock are recognised as an expense in the period in which the related revenue is recognised.

# 4

## FINANCIAL INFORMATION CONTINUED

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### Income Tax

The income tax expense or benefit for the period is the tax payable on the period's taxable income based on the Australian company income tax rate for business solely in Australia, 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 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. Unused tax losses and the corresponding deferred tax asset are reliant on satisfying the loss tests in order for them to be claim.

The carrying amount of the 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 asset 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 intend to settle simultaneously.

### Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in Velocity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting date period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in Velocity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

### 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 change in value. For the statement of cash flow presentation purposes, where applicable, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in the current liabilities on the statement of financial position. Velocity had no bank overdrafts during the reporting period.



# 4

## FINANCIAL INFORMATION CONTINUED

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### Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of the trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of the estimated future cash flow, discounted at the original effective interest rate. Cash flows relating to short term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

### Trading Stock

Trading stock is measured at the lower of cost and net realisable value. Costs include direct property purchase acquisition costs, consultants, construction, and finance costs incurred from when the land is acquired until the project is fully developed and sold.

Net realisable value is based on the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. This assessment reflects current market assessments and previous experience. It is also based on the consolidated entity's intentions in the planned manner of disposal of the asset, either through development and sale or disposal of the property as is.

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

### Investment properties

Investment properties principally comprise of freehold land and buildings held for long-term rental and capital appreciation that are not occupied Velocity. 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.

Transfer to and from investment properties to plant, property and equipment are determined by a change in use of owner-occupation. The fair value on the date of change of use from investment properties to property, plant and equipment are used as deemed cost for the subsequent accounting cost of investment properties on the date of change of use.

Investment properties also include properties under construction for future use as investment properties. These are carried at the lower of fair value or cost.

# 4

## FINANCIAL INFORMATION CONTINUED

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### Property, plant and equipment

Land and buildings are shown at fair value, based on periodic, at least every 3 years, valuations by external independent valuers, less subsequent depreciation and impairment for buildings. The valuations are undertaken more frequently if there is a material change in the fair value relative to the carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Increases in the carrying amounts arising on revaluation of land and buildings are credited in other comprehensive income through to the revaluation surplus reserve in equity. Any revaluation decrements are initially taken in other comprehensive income through to the revaluation surplus reserve to the extent of any previous revaluation surplus of the same asset. Thereafter the decrements are taken to profit or loss.

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.

Unless otherwise stated, depreciation is calculated on a diminishing value basis to write off the net cost of each item or property, plant and equipment (excluding land) over the expected useful lives as follows:

- Buildings 40 years
- Leasehold improvements 3 – 10 years
- Plant and equipment 3 – 7 years
- Plant and equipment under lease 2 – 5 years
- Office equipment 1 – 3 years

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

Leasehold improvements and plant and equipment under lease are depreciated over the unexpired period of the lease or the estimate useful life of the assets, whichever is shorter.

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

### Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight line basis over the term of the lease.

### Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measure at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

### Software

Significant costs associated with software are deferred and amortised on a straight line basis over the period of their expected benefit, being the finite life of 4 years.

# 4

## FINANCIAL INFORMATION CONTINUED

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### **Impairment of non-financial assets**

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash generating unit.

### **Trade and other payables**

These amounts represent liabilities for goods and services provided to Velocity 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.

### **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.

### **Finance costs**

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

### **Provisions**

Provisions are recognised when Velocity has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

### **Employee benefits**

#### **Short term employee benefits**

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

#### **Other long term employee benefits**

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured as the present value of expected payments to be made in respect of services provided by employees to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on the corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

# 4

## FINANCIAL INFORMATION CONTINUED

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### **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 interest. 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.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement

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.

### **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.

### **Goods and Services (GST) and other similar taxes**

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recovered from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recovered from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

5

RISK FACTORS





# 5

## RISK FACTORS

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### 5.1 FACTORS INFLUENCING SUCCESS AND RISK

This section identifies the major risks the Board believes are associated with an investment in Velocity.

Velocity's business is subject to risk factors, both those specific to its business activities, and those of a general nature. Individually, or in combination, these might affect the future operating performance of Velocity and the value of an investment in the Company. There can be no guarantee that Velocity will achieve its stated objectives or that any forward looking statements or forecasts will eventuate. An investment in the Company should be considered in light of relevant risks, both general and specific. Each of the risks set out below could, if it eventuates, have a material adverse impact on Velocity's operating performance and profits, and the market price of the Shares.

Before deciding to invest in the Company, potential investors should:

- read the entire Prospectus;
- consider the assumptions underlying any forecasts or forward looking statements, the sensitivity analysis and the risk factors that could affect the financial performance of Velocity;
- review these factors in light of their personal circumstances; and
- seek professional advice from their accountant, stockbroker, lawyer or other professional adviser before deciding whether to invest.

### 5.2 RISKS SPECIFIC TO AN INVESTMENT IN VELOCITY

#### Development and operational risk

There are a number of development and operational risks associated with property development, including planning issues (such as zoning restrictions, failure to obtain regulatory approvals, or obtaining approvals with conditions that are unsatisfactory), construction delays and development cost overruns. Many of those issues are beyond Velocity's control, including for example inclement weather, industrial disputes, latent site conditions or a contractor breaching their contractual obligations. Whilst some of these risks can be mitigated or managed, it is impossible to completely remove the potential for such risks to occur. Where possible, construction risk is mitigated by entering into fixed time and price construction contracts with suitable contractors and making provision for appropriate contingencies. A key factor underlining Velocity's future growth prospects will be its ability to maintain and manage an expanding development pipeline.

#### Dependence upon key personnel

Velocity's success depends on the continued active participation of its small management team (outlined in section 3.2). These employees are an important part of Velocity's business strategy and success as they have extensive industry experience and knowledge of Velocity's business and the property industry. If Velocity were to lose any of its senior management team or if it were unable to employ replacement personnel with the requisite level of experience to adequately operate Velocity's business, its operations could be adversely affected. If any of these events were to occur for a significant period of time, Velocity's financial performance could be adversely impacted.

# 5

## RISK FACTORS CONTINUED

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### Property market risk

The value of, and returns from Velocity's current and future property development projects may fluctuate depending on property market conditions, including an over-concentration of supply of residential apartments resulting in downward pressure on property prices. In particular, various commentators, including the Reserve Bank of Australia, have highlighted that the large number of new apartments recently completed and currently under construction in many capital cities, including Brisbane, raises the risk of an oversupply in some areas.<sup>1</sup> While Velocity is not a developer of high density inner-city apartments, a severe or prolonged price correction in that market could affect demand for Velocity's high end low to medium density developments. A downturn in the property markets, particularly the residential property market, due to deterioration in the economic climate could result in reduced development profits through reduced selling prices or delays in achieving sales. Increases in supply or falls in demand in any of the sectors of the property market in which Velocity operates or invests could influence the acquisition of sites, the timing and value of Velocity sales and carrying value of projects.

Market sentiment can impact the willingness of potential Velocity clients to buy properties. The impact can be more pronounced in the short term, affecting for example, project enquiry levels or rates of sale, as compared to medium-term factors such as the likelihood of oversupply or undersupply in various market segments. Although projected rates of sale may not have a significant influence on the profitability of individual projects in the medium to long term, a decline in market sentiment which reduces rates of sale could adversely influence the amount of profit that can be brought to account in a particular financial period.

### Funding risks

Velocity will rely on external funding sources (debt and equity funding) for many of its developments. Velocity's ability to raise capital from either debt or equity markets on favourable terms cannot be guaranteed and is dependent on a number of factors, including but not limited to the general economic climate, the state of debt and equity capital markets, and the performance, reputation and financial position of Velocity. The inability of Velocity to raise funds on favourable terms for future site acquisitions, development of current and future sites and refinancing could adversely affect its ability to acquire or develop new properties or refinance its debt.

### Leverage

Loan agreements and senior debt facilities entered into by Velocity contain covenants, undertaking and other provisions which, if breached, may entitle the lender to accelerate repayment. If one or more lenders called for an accelerated payment and Velocity did not have sufficient cash flow, it could give rise to financial issues for the Company. If called upon, the loans from Sanctuary United

Limited and 8I Holdings Ltd (summarised at sections 7.7 and 7.8) must be repaid within 60 days and six months, respectively.

### Property liquidity

Velocity holds property for investment purposes. Should it need to dispose of that property to fund its operations it may not be able to do so quickly at a reasonable sale price. Any protracted sale process, inability to sell a property or realise a reasonable price that is less than Velocity's valuation of the property may adversely affect Velocity's financial performance and position.

### Regulatory approvals

Velocity requires various statutory and regulatory permits, consents and approvals to undertake property developments. Changes in government regulations and policies, failure to obtain or delays in the granting of planning approvals or the registration of subdivision plans may affect the amount and timing of Velocity's future profits. By way of example, the development approval for Ellerslie Crescent, Taringa was refused and is currently being appealed to the Planning and Environment Court. There is a risk that the relevant approval may not be obtained on the basis of the current design. The Company will also incur additional carrying costs as a result of delays in obtaining development approval for this project.

### Acquisition risks

Velocity may acquire additional properties and make investments (debt or equity) in property development projects in the future. As the details of any future properties and investments are unknown, there is risk that such acquisitions or investments may have a detrimental effect on Velocity. The timing of these acquisitions or investments and the requirement to outlay funds affect Velocity's cash flow in the periods that these acquisitions or investments are made.

### Defaults on sales contracts

Velocity's current strategy is to achieve pre-sales sufficient to satisfy construction funding requirements. If property market conditions are such that the value of the apartment at completion is less than the contract price, off-the-plan purchasers may be unable or unwilling to complete. In those circumstances, Velocity may be unable to repay commercial loans obtained to fund the development or the profitability of the particular development may be affected. This risk is mitigated, to some extent, by the fact that Velocity's projects are targeted and developed for the high net-worth owner-occupier market segment. Velocity experienced no settlement defaults in its two most recent completed developments, being Fusion 462 and Arbor on Oxford (see section 2.13 for details of the projects).

<sup>1</sup> Reserve Bank of Australia, Financial Stability Review (October 2016).

# 5

## RISK FACTORS CONTINUED

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### **Requirement for approval of the Foreign Investment Review Board**

As foreign residents hold in aggregate more than a 40% interest in Velocity and that position is not expected to change on completion of the Offer, the Company is a foreign person for the purposes of the *Foreign Acquisitions and Takeovers Act 1975* (Cth) (**FATA**) and is required to seek prior Foreign Investment Review Board (**FIRB**) approval for acquisitions of interests in Australian land, as defined under the FATA, which are over the relevant monetary thresholds. Any failure by Velocity to obtain prior FIRB approval for a notifiable acquisition of an interest in Australian land is an offence under the FATA and may result in the Treasurer forcing Velocity to dispose of the land or imposing significant civil and criminal penalties. The requirement for Velocity to obtain prior FIRB approval for each notifiable acquisition of an interest in Australian land may result in delays to any future developments. To mitigate this risk, Velocity will apply for an exemption certificate in early November 2016 which, if approved, will eliminate the need for Velocity to seek separate approvals for a period of up to three years for standard acquisitions undertaken by Velocity. There can be no assurance, however, that Velocity will obtain an exemption certificate on reasonable conditions, if at all.

### **Property valuations**

Valuations ascribed to property will be influenced by a number of ongoing factors beyond Velocity's control such as a downturn in the property market in general, pricing of any competing properties, increased competition from new or existing properties, increases in supply or falls in demand for property and general economic conditions, such as interest rates. Valuations represent only the analysis and opinion of qualified experts at a certain date – they are not guarantees of present or future values. The valuation of a property may be materially higher than the amount that can be obtained from the sale of a property in certain circumstances, such as under a distressed or liquidation sale.

### **Warranty claims**

Velocity currently has seven development projects in its project pipeline at various stages of the development lifecycle. Following completion of these projects, Velocity has ongoing obligations to rectify residual defects. Although these are mitigated by contractual protections and obligations on third parties to rectify defects, Velocity remains exposed to potential losses which may not be covered by provisions of the contract or may be incurred in the event of a counterparty default if a claim were made. Such risks could materially adversely affect the financial performance of Velocity.

### **Reliance on consultants and contractors**

Various risks may arise from Velocity's practice of using consultants and contractors to complete significant parts of its development projects. There is a risk that consultants and contractors may fail to perform the contract, may become insolvent in the course of a project or may have insufficient indemnity insurance to cover any potential claim that may arise against them. Any failure of the contractual parties to carry out their obligations to Velocity may cause delays in completing the projects and adversely impact Velocity's financial performance.

### **Acquisition strategy**

A key element of Velocity's growth strategy involves the acquisition of properties for future development. It may take longer than anticipated for Velocity to source and progress appropriate projects. There is a risk that Velocity will be unable to acquire future properties on appropriate terms thereby potentially limiting the growth of the Velocity.

While Velocity conducts a thorough due diligence process in relation to any such acquisition, risks remain that are inherent in property acquisitions. These risks could include unexpected problems or other latent liabilities which cannot be fully mitigated by the warranties and indemnities in the sale and purchase agreement for those acquisitions. If an unforeseen liability arises in respect of which the purchaser is not able to be indemnified, this may adversely impact Velocity.

### **Land bank**

All of Velocity's properties are being actively developed. If Velocity were to 'land bank' in the future, any material reduction in land values which affects the value of Velocity's land bank may result in Velocity needing to book an impairment to the value of the land bank in its accounts. This, in turn, could have a material and adverse effect on Velocity's financial position or financial performance.

In addition, other factors associated with the cost of holding the land bank could affect Velocity's financial performance. For example, an increase in interest rates could increase Velocity's land holding costs which, in turn, could reduce Velocity's profit margins.

A downturn in the property markets or changes in market sentiment could result in Velocity achieving reduced sale proceeds or facing delays in completing the sale of its retail lots. Failure to sell the retail lots of a project or selling retail lots at a price materially below their book value could have a material adverse effect on Velocity's financial performance or position.

# 5

## RISK FACTORS CONTINUED

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### Insurance

Velocity seeks to maintain appropriate policies of insurance consistent with those customarily carried by organisations in its industry sector. Any increase in the cost of the insurance policies of Velocity or the industry in which it operates could adversely affect Velocity's business, financial condition and operational results. Velocity's insurance coverage may also be inadequate to cover losses it sustains. Uninsured losses or a loss in excess of Velocity's insurance limits could adversely affect Velocity's business, financial condition and operational results.

### Environmental risks

The discovery of, or incorrect assessment of costs associated with, environmental matters or unforeseen environmental contamination on any of Velocity's projects could have an adverse effect on the profitability and timing of receipt of revenue from that project. This risk may materialise irrespective of environmental due diligence undertaken on any property before acquisition. At the date of this Prospectus, no land contamination or other environmental issues have been identified for the projects.

### Litigation risks

Velocity could become involved in unforeseen litigation which could have a material adverse effect on the Company, the value of its assets and its income. At the date of this Prospectus, other than the Company's Planning and Environment Court challenge in relation to the refusal of the development approval for 39 Ellerslie Crescent, Taringa (discussed in further detail at section 9.4), no litigation has been commenced involving Velocity, its directors or any of its projects.

### Joint Ventures

Velocity may continue to assess strategic joint venture opportunities as part of its growth strategy. There can be no assurance that Velocity will be able to successfully identify or integrate such joint ventures. Subject to relevant joint venture agreements, Velocity may also be unable to control the actions of its joint venture partners and therefore cannot guarantee that the joint ventures will be managed or operated in accordance with Velocity's preferred direction or strategy.

### Publicly listed environment

Velocity's transition from an unlisted company to a listed public company will result in changes in the way Velocity operates in respect to financial management and reporting, corporate governance and general operating requirements. An inability to adequately manage and resource this change or to properly identify key compliance or commercial risks may have a material adverse impact on Velocity's business.

## 5.3 GENERAL INVESTMENT RISKS

### Share market investments

Before the Offer there has been no public market for the Shares. It is important to recognise that, once the Shares are quoted on ASX, their price might rise or fall and they might trade at prices below or above the Offer Price. There can also be no assurance that an active trading market will develop for the Shares.

Factors affecting the price at which the Shares are traded on ASX could include domestic and international economic conditions. In addition, the prices of many listed entities' securities are affected by factors that might be unrelated to the operating performance of the relevant company. Those fluctuations might adversely affect the price of the Shares.

### General economic conditions

Velocity's operating and financial performance is influenced by a variety of general economic and business conditions including the level of inflation, interest rates and government fiscal, monetary and regulatory policies. Prolonged deterioration in general economic conditions, including an increase in interest rates, could be expected to have a corresponding adverse impact on the Company's operating and financial performance.

### Accounting standards

Australian accounting standards are set by the Australian Accounting Standards Board (AASB) and are outside the Directors' and Velocity's control. Changes to accounting standards issued by AASB could materially adversely affect the financial performance and position reported in Velocity's financial statements.

### Taxation risks

Changes to the rate of taxes imposed on Velocity (including in overseas jurisdictions in which Velocity operates now or in the future) or tax legislation generally may affect Velocity and its Shareholders. In addition, an interpretation of Australian taxation laws by the Australian Taxation Office that differs from Velocity's interpretation may lead to an increase in Velocity's taxation liabilities and a reduction in Shareholder returns.

Personal tax liabilities are the responsibility of each individual investor. Velocity is not responsible either for taxation or penalties incurred by investors.

# 5

## RISK FACTORS CONTINUED

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### 5.4 CAUTIONARY STATEMENT

Statements contained in this Prospectus may be forward-looking statements.

Forward-looking statements can be identified by the use of forward-looking terminology such as, but not limited to, 'may', 'will', 'expect', 'anticipate', 'estimate', 'would be', 'believe', or 'continue' or the negative or other variations of comparable terminology. These statements are subject to risks and uncertainties that could cause actual results to differ materially from those projected. The Directors' expectations, beliefs and projections are expressed in good faith and are believed to have a reasonable basis, including without limitation, based on the examination of historical operating trends, data contained in the Company's records and other data available from third parties. There can be no assurance, however, that their expectations, beliefs or projections will give the results projected in the forward looking statements. Investors should not place undue reliance on these forward looking statements.

Additional factors that could cause actual results to differ materially from those indicated in the forward looking statements are discussed earlier in this section.

# 6

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## INVESTIGATING ACCOUNTANT'S REPORT AND FINANCIAL SERVICES GUIDE





CH:NR  
28 October 2016

**Crowe Horwath**  
**Corporate Finance (Aust) Ltd**  
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The Directors  
Velocity Property Group Ltd  
(formerly Velocity Holdings Pty Ltd)  
9/462 Hawthorne Road  
BULIMBA QLD 4171

Dear Directors

## Investigating Accountant's Report

### Introduction

We have prepared this Investigating Accountant's Report ("the Report") on the historical financial information of Velocity Property Group Ltd ("Velocity" or "the Company") for the years ended 30 June 2014, 2015 and 2016 for inclusion in an initial public offering prospectus dated on or about 28 October 2016 ("the Prospectus") to be issued by Velocity in respect of the Offer and listing on the Australian Securities Exchange. The Prospectus will offer 50,000,000 shares at an issue price of \$0.20 each to raise a minimum of \$10,000,000 before costs (with the ability to take up to \$10,000,000 of oversubscription) ("the Offer").

Crowe Horwath Corporate Finance (Aust) Ltd ("Crowe Horwath") holds an Australian Financial Services Licence ("AFSL") (No. 239170) in accordance with the Australian Securities and Investments Commission ("ASIC") requirements for advising and dealing in securities. We have attached at Annexure 1, a Financial Services Guide.

### Basis of preparation

The financial information is presented in a condensed consolidated form insofar it does not include all of the disclosures required by Australian Accounting Standards applicable to financial reports in accordance with the *Corporations Act 2001*.

Our report does not address all the rights attaching to the shares to be issued in accordance with the Offer, nor the risks associated with accepting the Offer. Crowe Horwath has not been requested to consider the prospects for Velocity nor the merits and the risks associated with becoming a shareholder in Velocity and accordingly has not done so, nor purports to do so.

Consequently, Crowe Horwath has not made and will not make any recommendation through the issue of this report to potential investors of the Company as to the merits of the Offer and takes no responsibility for any matter or omission in the Prospectus, other than the responsibility for the report.

### Scope of report

You have requested Crowe Horwath prepare an Investigating Accountant's Report to provide limited assurance on the following Financial Information set out in Section 4 of the Prospectus, that being:

Crowe Horwath Corporate Finance (Aust) Ltd is a member of Crowe Horwath International, a Swiss Verein. Each member of Crowe Horwath is a separate and independent legal entity.

#### Historical financial information

The Historical Financial Information set out in Section 4.3 of the Prospectus comprises:

- The consolidated Statements of Profit or Loss for financial years ended 30 June 2014, 2015 and 2016.
- The consolidated Statements of Financial Position for the financial years ended 30 June 2014, 2015 and 2016.
- The consolidated Statements of Cash Flows for the financial years ended 30 June 2014, 2015 and 2016.

The Historical Financial Information for the years ended 30 June 2014, 2015 and 2016 has been audited by Crowe Horwath Brisbane and unqualified audit opinions were issued.

#### Pro forma financial information

The pro forma financial information set out in Section 4.4 of the Prospectus comprises:

- The Pro Forma consolidated Statement of Profit or Loss for the year ended 30 June 2016.
- The Pro Forma consolidated Statement of Financial Position as at 30 June 2016.

Pursuant to our terms of engagement, this Report does not address the risk associated with the Offer, as set out in Section 5 of the Prospectus.

#### Scope of review

##### Management's responsibilities

The Directors of Velocity are responsible for the preparation and presentation of the Financial Information. This includes responsibility for such internal controls as the Directors determine are necessary to enable the preparation of the Financial Information are free from material misstatement, whether due to fraud or error.

##### Our responsibilities

Our responsibility is to express a limited assurance conclusion on the Historical Financial Information based on the procedures performed and the evidence we have obtained. We have conducted our engagement in accordance with ASAE 3420 *Assurance Engagement to Report on the Compilation of Pro Forma Historical Financial Information included in a Prospectus or other Document* and ASRE 2405 *Review of Historical Financial Information other than a Financial Report*.

We have reviewed the Financial Information in order to state whether, on the basis of the procedures described, anything has come to our attention that would cause us to believe that the Financial Information is not prepared, in all material aspects, by the Directors on the basis of the stated basis of preparation.

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

Our review of the Financial Information did not involve updating or re-issuing any previously issued audit or review report on any financial information used as a source of the Financial Information.

The purpose of the Pro Forma financial information being included in a prospectus is solely to illustrate the impact of a significant events or transaction on the historical financial information of the Company as if the events had occurred or the transactions had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions at 30 June 2016 would have been as presented.

A limited assurance engagement to report on whether anything has come to our attention that the Pro Forma financial information has not been properly compiled, in all material respects, on the basis of the applicable criteria, involves performing limited procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information does not provide a reasonable basis for presenting the significant effects directly attributable to the events or transactions, and that the:

- Related pro forma adjustments do not give appropriate effect to those criteria.
- Resultant pro forma financial information does not reflect the proper application of those adjustments to the historical financial information.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

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

## Conclusion

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that:

- (a) The Financial Information does not present fairly, in all material respects:
  - The consolidated Statements of Profit or Loss for financial years ended 30 June 2014, 2015 and 2016.
  - The consolidated Statements of Financial Position for the financial years ended 30 June 2014, 2015 and 2016.
  - The consolidated Statements of Cash Flows for the financial years ended 30 June 2014, 2015 and 2016.
  - The Pro Forma consolidated Statement of Profit or Loss for the year ended 30 June 2016.
  - The Pro Forma consolidated Statement of Financial Position as at 30 June 2016, in accordance with the recognition and measurement requirements (but not all the presentation and disclosure requirements) of the Australian Accounting Standards and the accounting policies adopted by Velocity.
- (b) The Pro Forma financial information has not been compiled, in all material respects, on the basis of the applicable criteria as described in Section 4 of the Prospectus.

## Subsequent events

Having regard to the scope of our report, to the best of our knowledge and belief no other material transactions or events have come to our attention that would require comment on, or adjustment to, the information referred to in the Report or that would cause such information to be misleading or deceptive.

## Independence and conflicts of interest

Crowe Horwath does not have any interests that could reasonably be regarded as being capable of affecting its ability to give an unbiased opinion in relation to this matter. Crowe Horwath had no role in the preparation of the underlying financial information. Crowe Horwath Brisbane is the auditor of Velocity Property Group Ltd.

## Responsibility and consents

Crowe Horwath has given consent to the inclusion of this Investigating Accountant's Report in the Prospectus in the form and context in which it appears but has not authorised the issue of the Prospectus. At the date of this Report, consent has not been withdrawn.



The Directors of Velocity have prepared and are responsible for the Prospectus and the Financial Information in Section 4 and have authorised the issue of the Prospectus. Crowe Horwath makes no representation regarding, and takes no responsibility for, any other statements, material in, or omissions from, the Prospectus. Crowe Horwath disclaims any responsibility for any reliance on the financial information for any purpose other than for which they were prepared.

Velocity has agreed to indemnify and hold harmless Crowe Horwath and its employees from any claims arising out of misstatement or omission in any material or information supplied by Velocity.

#### General advice

The Report has been prepared for inclusion in the Prospectus, to provide its readers with general information only. It does not take account of the objectives, financial situation, or needs of specific shareholders.

It is not intended to take the place of professional advice and the readers should not make specific investment decisions based solely on the information contained in the Report. Before acting or relying on any information, the readers should consider whether it is appropriate for their individual circumstances having regard to their objectives, financial situation and needs.

Yours faithfully

A handwritten signature in blue ink that reads "Crowe Horwath Corporate Finance".

**Crowe Horwath Corporate Finance (Aust) Ltd**

## Annexure 1 — Financial Services Guide

**Date of issue: 8 July 2015**

### **General Advice – Investigating Accountant's Report**

This Financial Services Guide is designed to help retail clients make a decision as to their use of the relevant general financial product advice; to ensure that we comply with our obligations as a financial services licensee; and to provide you with information on:

- How we and our associates are paid.
- Any potential conflict of interest we may have.
- Our internal and external dispute resolution procedures and how you can access them.

### **Introduction**

Crowe Horwath Corporate Finance (Aust) Ltd, ABN 95 001 508 363 has been engaged to issue general financial product advice in the form of an Investigating Accountant's Report for inclusion in a disclosure or other document in relation to the issuing of a financial product.

### **Who is responsible for the financial services provided to me?**

Crowe Horwath Corporate Finance (Aust) Ltd holds an Australian Financial Services Licence No. 239170 and is responsible for the financial services provided by it and its Authorised Representatives, including authorising the distribution of this Financial Services Guide.

Crowe Horwath Corporate Finance (Aust) Ltd is wholly owned by Crowe Horwath Australasia Ltd and operates as part of the business advisory and professional accounting practice of Crowe Horwath. Crowe Horwath Australasia Ltd is owned by Findex Australia Pty Ltd.

### **General Financial Product Advice**

In the Investigating Accountant's Report we provide general financial product advice, not personal financial product advice, because the advice has been prepared without taking into account your personal objectives, financial situation or needs.

You should, before acting on the advice, consider the appropriateness of the advice, having regard to your objectives, financial situation and needs.

### **What kinds of financial services are you authorised to provide to me?**

We are authorised to provide advice on, and deal in, the following classes of financial products to wholesale and retail clients:

- Provide financial product advice for the following classes of financial products:
  - (a) derivatives
  - (b) securities.

- Deal in a financial product by:
  - (a) Issuing, applying for, acquiring, varying or disposing of a financial product in respect of the following classes of financial products:
    - i. derivatives
    - ii. securities.

### **Investigating Accountant's Report**

We provide financial product advice by issuing an Investigating Accountant's Report in connection with a financial product of another person or entity. Our Report includes a description of the circumstances of our engagement and identifies the person or entity who has engaged us. You have not engaged us directly but you will be provided with a copy of the Report due to your connection to the matters set out in the Report.

Any report we provide is provided on our own behalf as an Australian Financial Services Licensee authorised to provide the financial product advice contained in the Report.

### **Do you have any relationships or associations with financial product issuers?**

Crowe Horwath Corporate Finance (Aust) Ltd and any of its associated entities may at any time provide professional or financial services to financial product issuers in the ordinary course of our business.

### **How is Crowe Horwath Corporate Finance (Aust) Ltd paid to produce an Investigating Accountant's Report?**

We will charge a fee for providing this Investigating Accountant's Report. This fee will be paid by the person or entity which engages us to provide the Report. The fee has not affected the opinion we have expressed in the Report.

Except for this fee, neither Crowe Horwath Corporate Finance (Aust) Ltd, nor any of its principals, employees or related entities, receives any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the Report.

### **Does Crowe Horwath Corporate Finance (Aust) Ltd get paid for referring clients to invest in the products associated with your Investigating Accountant's Reports?**

We do not pay commissions or provide any other benefits to any person for referring clients to us in connection with the Investigating Accountant's Report that we are engaged to provide.

We do not receive commissions or any other benefits for referring clients in connection with the underlying financial product and/or financial service that is the subject of the reports we are engaged to provide.

### **Do I pay for the financial services provided?**

You do not pay us a fee for the production of the Investigating Accountant's Report. It is the responsibility of the person or entity which engaged our services to produce the Report to meet this cost.





**Who can I complain to if I have a complaint about the financial services provided?**

If you have any complaint about the service provided to you, you should take the following steps:

Contact us and tell us about your complaint.

If your complaint is not satisfactorily resolved within three (3) business days, please contact the Complaints Officer on (02) 9262 2155, or put your complaint in writing and send it to us at:

The Complaints Officer  
Crowe Horwath Corporate Finance (Aust) Ltd  
Level 15, 1 O'Connell St  
SYDNEY NSW 2000

If you still do not get a satisfactory outcome you can contact the Financial Ombudsman Service (FOS) of which Crowe Horwath is a member. FOS can be contacted on 1300 780 808 or you can write to them at GPO Box 3, Melbourne, Victoria 3001.

ASIC has a freecall Infoline on 1300 300 630 which you may also use to make a complaint or obtain information about your rights.

If you have any further questions about the financial services Crowe Horwath Corporate Finance (Aust) Ltd provides, please contact our office on (02) 9262 2155.

7

## MATERIAL AGREEMENTS



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## MATERIAL AGREEMENTS

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### 7.1 KEY DOCUMENTS

The Board considers that certain agreements relating to Velocity are material to the Offer, the operations of Velocity or may otherwise be relevant to investors. A description of material agreements or arrangements, together with a summary of the more important details of each of these agreements is set out below.

### 7.2 CONSTITUTION

Below is a summary of the key provisions of Velocity's Constitution. This summary is not exhaustive, nor does it constitute a definitive statement of a Shareholder's rights and obligations.

#### Shares

The Directors are entitled to issue and cancel Shares in the capital of Velocity, grant options over unissued shares and settle the manner in which fractions of a Share are to be dealt with. The Directors may decide the persons to whom, and the terms on which, Shares are issued or options are granted as well as the rights and restrictions that attach to those Shares or options.

The Constitution also permits the issue of preference shares on terms determined by the Directors.

Velocity may also sell a Share that is part of an unmarketable parcel of shares under the procedure set out in the Constitution.

#### Variation of class rights

The rights attached to any class of Shares may, unless their terms of issue state otherwise, only be varied with the consent in writing of members holding at least three-quarters of the Shares of that class, or with the sanction of a special resolution passed at a separate meeting of the holders of Shares of that class.

#### Restricted securities

If the ASX classifies any of Velocity's share capital as restricted securities, then the restricted securities must not be disposed of during the escrow period and Velocity must refuse to acknowledge a disposal of the restricted securities during the escrow period, except as permitted under the Listing Rules or by the ASX.

#### Share certificates

Subject to the requirements of the Corporations Act, the Listing Rules or the ASX Settlement Operating Rules, Velocity need not issue share certificates if the Directors so decide.

#### Calls

The Directors may, from time to time, call upon Shareholders for unpaid monies on their Shares. The Directors must give Shareholders notice of a call at least 30 business days before the amount called is due, specifying the time and place of payment. If a call is made, Shareholders are liable to pay the amount of each call by the time and at the place specified.

A call is taken to have been made when a Directors' resolution passing the call is made or on any later date fixed by the Board. A call may be revoked or postponed at the discretion of the Directors.

#### Forfeiture and lien

Velocity may forfeit Shares to cover any call, or other amount payable in respect of Shares, which remains unpaid following any notice to that effect sent to a Shareholder. Forfeited Shares become the property of Velocity and the Directors may sell, reissue or otherwise dispose of the Shares as they think fit.

A person whose Shares have been forfeited may still be required to pay Velocity all calls and other amounts owing in respect of the forfeited Shares (including interest) if the Directors so determine.

Velocity has a first and paramount lien for unpaid calls, instalments and related interest and any amount it is legally required to pay in relation to a Shareholder's Shares. The lien extends to all distributions relating to the Shares, including dividends.

Velocity's lien over Shares will be released if it registers a transfer of the Shares without giving the transferee notice of its claim.

#### Share transfers

Shares may be transferred by any method permitted by the Corporations Act, the Listing Rules or the ASX Settlement Operating Rules or by a written transfer in any usual form or in any other form approved by the Directors. The Directors may refuse to register a transfer of Shares where it is not in registrable form, Velocity has a lien over any of the Shares to be transferred or where it is permitted to do so by the Listing Rules or the ASX Settlement Operating Rules.

#### General meetings

Each Shareholder, Director and auditor is entitled to receive notice of and attend any general meeting of Velocity. Two Shareholders must be present to constitute a quorum for a general meeting and no business may be transacted at any meeting except the election of a chair and the adjournment of the meeting, unless a quorum is present when the meeting proceeds to business.

# 7

## MATERIAL AGREEMENTS CONTINUED

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### Voting rights

Subject to any rights or restrictions attached to any Shares or class of shares, on a show of hands each Shareholder present has one vote and, on a poll, one vote for each fully paid Share held, and for each partly paid Share, a fraction of a vote equivalent to the proportion to which the Share has been paid up. Voting may be in person or by proxy, attorney or representative.

### Remuneration of Directors

Each Director is entitled to remuneration from Velocity for his or her services as decided by the Directors but the total amount provided to all Directors for their services as Directors must not exceed in aggregate in any financial year the amount fixed by Velocity in general meeting. The remuneration of an executive Director must not include a commission on, or a percentage of, profits or operating revenue.

Remuneration may be provided in the manner that the Directors decide, including by way of non-cash benefits. There is also provision for Directors to be paid extra remuneration (as determined by the Directors) if they devote special attention to the business of Velocity or otherwise perform services which are regarded as being outside of their ordinary duties as Directors or, at the request of the Directors, engage in any journey on Velocity's business.

Directors are also entitled to be paid all travelling and other expenses they incur in attending to Velocity's affairs, including attending and returning from general meetings or Board meetings, or meetings of any committee engaged in Velocity's business.

### Interests of Directors

A Director who has a material personal interest in a matter that is being considered by the Board must not be present at a meeting while the matter is being considered nor vote on the matter, unless the Corporations Act allows otherwise.

### Election and retirement of Directors

There must be a minimum of three Directors and a maximum of twelve Directors unless Velocity in general meeting resolves otherwise.

Where required by the Corporations Act or Listing Rules, Velocity must hold an election of directors each year. No Director, other than the managing director, may hold office without re-election beyond the third annual general meeting following the meeting at which the Director was last elected or re-elected. A Director appointed to fill a casual vacancy, who is not a managing Director, holds office until the conclusion of the next annual general meeting following his or her appointment. If there would otherwise not be a vacancy, and no Director is required to retire, then the director who has been longest in office since last being elected must retire.

If a number of Directors were elected on the same day, the Directors to retire are (in default of agreement between them) determined by ballot.

### Dividends

If the Directors determine that a final or interim dividend is payable, it is (subject to the terms of issue on any Shares or class of Shares) paid on all Shares proportionate to the amount for the time being paid on each Share. Dividends may be paid by cash, electronic transfer or any other method as the Board determines.

The Directors have the power to capitalise and distribute the whole or part of the amount from time to time standing to the credit of any reserve account or otherwise available for distribution to Shareholders. The capitalisation and distribution must be in the same proportions which the Shareholders would be entitled to receive if distributed by way of a dividend.

Subject to the Listing Rules, the Directors may pay a dividend out of any fund or reserve or out of profits derived from any source.

### Proportional takeover bids

Velocity may prohibit registration of transfers purporting to accept an offer made under a proportionate takeover bid unless a resolution of Velocity has been passed approving the proportional takeover bid under the provisions of the Constitution.

The rules in the Constitution relating to proportional takeover bids cease on the third anniversary of the adoption of the Constitution, or the renewal of the rules, unless renewed by a special resolution of Shareholders.

### Indemnities and insurance

Velocity must indemnify current and past Directors and other executive officers (**Officers**) of Velocity on a full indemnity basis and to the fullest extent permitted by law against all liabilities incurred by the Officer as a result of their holding office in Velocity or a related body corporate.

Velocity may also, to the extent permitted by law, purchase and maintain insurance, or pay or agree to pay a premium for insurance, for each Officer against any liability incurred by the Officer as a result of their holding office in Velocity or a related body corporate.



# 7

## MATERIAL AGREEMENTS CONTINUED

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### 7.3 MANDATORY RESTRICTION AGREEMENTS

Certain existing Shareholders entered into mandatory restriction agreements with the Company to comply with requirements under the Listing Rules. Under those agreements, the relevant member cannot sell, create a security interest in or otherwise deal in their Shares until the relevant release date.

On the assumption of a \$10 million minimum rising: 249,964,231 Shares (which will represent 70% of the Shares on issue following completion of the Offer) are subject to mandatory escrow for 24 months from the date of Velocity's listing on the ASX; and further 33,922,028 Shares (which will represent 9% of the Shares on issue following completion of the Offer) are subject to mandatory escrow until September 2017.

The restriction arrangements do not restrict the relevant members from accepting a successful takeover bid (being a takeover bid that is accepted by at least half of the non-escrowed Shareholders) or transferring Shares under a scheme of arrangement for all the Shares.

### 7.4 EXECUTIVE SERVICES AGREEMENTS

#### Mr Ansell - Managing Director and CEO

Velocity has entered into an executive services agreement with Mr Ansell, Managing Director and Chief Executive Officer. Mr Ansell will receive an annual fixed remuneration of \$180,000 (exclusive of superannuation). He will also be entitled to five weeks annual leave and \$1,000 for travel to Singapore on Velocity related business.

Either party may terminate Mr Ansell's employment agreement with six months' notice. In the event of serious misconduct or other specific circumstances warranting summary dismissal, Velocity may terminate Mr Ansell's employment agreement immediately with written notice. On termination, Mr Ansell is entitled to be paid his accrued and untaken annual leave and any accrued and untaken long service leave (if so entitled) calculated as at the last day of employment.

Upon termination of Mr Ansell's employment agreement, he will be subject to a restraint of trade period of 12 months within 250km of Brisbane. Velocity may elect to reduce the restraint, or eliminate it entirely. The enforceability of the restraint clause is subject to all usual legal requirements.

Mr Ansell's agreement otherwise contains standard terms and conditions for agreements of this nature, including confidentiality and retention of intellectual property.

#### Mr Raff – Executive Director and Commercial Manager

Velocity has entered into a consultancy agreement with Mikayleia Pte Ltd (**Mikayleia**), an entity controlled by Phillip Raff. Under the consultancy agreement, Mikayleia engages Phillip Raff, an executive director of Velocity, to carry out the services that would ordinarily be performed by a Commercial Manager of Velocity, including leasing, settlements of completed developments, arranging insurance for the Velocity Group of companies and information technology (**Services**).

For carrying out the Services, Mikayleia charges Velocity a fee of \$120,000 per annum. In addition, Mikayleia receives a payment of \$1,000 if Velocity requires Mr Raff to travel to Australia for Velocity's business. Mr Raff does not receive any additional director's fees for his role as an executive director of Velocity.

Under the agreement, Mr Raff must devote his time, attention and skill exclusively to the business of Velocity. The consultancy agreement includes standard intellectual property, confidential information and post-employment restraint clauses in favour of Velocity. Either party may terminate the agreement by providing the other party with six months' notice, in writing.

### 7.5 CONSULTANCY AGREEMENTS – JETBA

Several entities of the Velocity Group have entered into consultancy agreements with JETBA Project Management Pty Ltd ACN 144 757 068 (**JETBA**), with respect to the provision of project management and superintendent services for several Velocity Group development projects, including ONE Palm Beach, ONE Burleigh Headland, 39 Ellerslie Crescent and 46 Cadell Street. Each of those agreements expire on 31 August 2017. JETBA is paid an aggregate fee of \$27,500 per month (excluding GST) for the services it provides to the Velocity Group. Any work outside of the initial scope is charged on an hourly rate of \$165 per hour excluding GST.

# 7

## MATERIAL AGREEMENTS CONTINUED

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### 7.6 ONE PALM BEACH JOINT VENTURE

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

#### Project funding

Under the shareholders' agreement, the project's funding has been structured as follows:

- (a) a bank is the project's principal financier and has provided a funding facility to 372 of up to \$3,000,000. 372 has granted the bank a registered mortgage over the site and each director of the joint venture company has provided guarantees and indemnities as security.
- (b) the Land Owner has contributed the land for the project, which the parties have ascribed a value of approximately \$6 million. In exchange for that contribution, the Land Owner has an option to acquire an apartment on completion of the project. If exercised, the value of the apartment will be set off against any contribution the Land Owner is to receive from the net proceeds on the sale of the project.
- (c) as at the date of this Prospectus, Velocity has advanced a loan of \$900,000 to the project which was used to fund costs relating to initial due diligence and obtaining development approvals. Velocity has also agreed to advance by way of loan any additional funds required to meet development costs over the course of the project which are not funded by the primary financier. Velocity's loan contributions are to be repaid from the net proceeds on the sale of the project and bear interest at a rate of 5.12% from the date the funds are advanced. To secure the loans, 372 has granted Velocity a registered mortgage over the ONE Palm Beach site which ranks behind the security of the project's primary financier.

#### Distribution of proceeds on ultimate sale

The parties agree that the net proceeds on the sale of the project will be distributed in the following priority:

- (a) to repay the primary financier;
- (b) to repay all loan contributions made by Velocity (including capitalised interest at a rate of 5.12%);
- (c) to pay any outstanding project costs; and
- (d) to repay the balance of the Land Owner's initial contribution.

Any remaining profits will be split equally between Velocity and the Land Owner.

The shareholders' agreement otherwise contains customary provisions in relation to the shareholders themselves, the board of the joint venture company, restrictions on the transfer of shares and pre-emptive rights.

### 7.7 LOAN FACILITY WITH 8I HOLDINGS LIMITED

On 17 September 2015, Velocity entered into a loan agreement with 8I Holdings Ltd (**8IH**) pursuant to which 8IH provided an initial advance of SGD\$3,683,350.14 to Velocity with the potential for further advances to be made up to a maximum ceiling of SGD\$7,500,000 at 8IH's discretion. The funds advanced may be used for commercial purposes. Interest is payable at a rate of 12% per annum. Velocity must repay the loan on the earlier of 17 September 2025 or within six months of a notice in writing from 8IH requiring repayment of the loan in full. On 20 September 2016, Velocity and 8IH executed an addendum to reduce the interest rate from 12% from 1 August 2016 to 5% per annum for the period from 1 August 2016 onwards.

As at 30 September 2016, the amount outstanding on the 8IH loan was SGD\$5,929,521.86.

### 7.8 LOAN FACILITY AGREEMENT BETWEEN SANCTUARY UNITED LIMITED AND VELOCITY

In March 2016, Velocity entered into a loan agreement with Sanctuary United Limited (**Sanctuary**) pursuant to which Sanctuary provided an initial advance of \$5 million to Velocity with the potential for further advances to be made (at Sanctuary's discretion) up to a limit of \$25 million. Interest is payable by Velocity on the loan at the rate of 5% per annum. The advanced funds are to be repaid on 29 March 2026, unless Sanctuary notifies Velocity that earlier repayment is required, in which case Velocity will have 60 days from the date of that notice to repay the loan. As at the date of this Prospectus, the amount drawn-down on the facility is \$5 million. Velocity intends to repay \$2 million of the outstanding loan balance (including all accrued interest) from the proceeds of Offer. The Board intends to repay the remaining \$3 million from the proceeds of the sale of the lots of the Vue at Red Hill project.



# 7

## MATERIAL AGREEMENTS CONTINUED

### 7.9 FINANCE FACILITIES

The Velocity Group's objective is to maintain a balance between continuity of funding and flexibility through the use of project specific funding facilities, which are co-extensive with the development timetable for each project. The finance facilities for each Velocity Group project are summarised below.

#### 372 THE ESPLANADE PTY LTD

<b>Facility</b>	Bank Bill Business Loan with Redraw
<b>Purpose</b>	Assist with the purchase of the property for the ONE Palm Beach development project
<b>Facility limit</b>	\$3,000,000
<b>Term</b>	Two year term maturing March 2018
<b>Security</b>	<ul style="list-style-type: none"> <li>• Mortgage over 372 The Esplanade, Palm Beach, Qld 4221 in favour of the lender</li> <li>• Mortgage over 1331 Gold Coast Highway, Palm Beach Qld 4221 in favour of the lender</li> <li>• Mortgage over 372 The Esplanade, Palm Beach, Qld 4221 in favour of Velocity Property Group Limited</li> <li>• General security agreement granted by 372 The Esplanade Pty Ltd over all present and after acquired property</li> <li>• Guarantee and indemnity Brendon Ansell (\$1,000,000)</li> <li>• Guarantee and indemnity Land Owner (\$1,000,000)</li> </ul>

#### 1 NATHAN STREET PTY LTD

<b>Facility</b>	Bank Bill Business Loan with Redraw
<b>Purpose</b>	Assist with the purchase of the property for the ONE Burleigh Headland development project
<b>Facility limit</b>	\$1,425,000
<b>Term</b>	Matured on 31 October 2016, although Velocity has agreement in principle from its financier to extend the term of this facility by six months and anticipates receiving formal documentation to this effect during the Offer period
<b>Security</b>	<ul style="list-style-type: none"> <li>• Mortgage over 1 Nathan Street, Burleigh Heads QLD 4220</li> <li>• General security agreement granted by 1 Nathan Street Pty Ltd over all present and after acquired property</li> <li>• Guarantee and indemnity Brendon Ansell (\$1,425,000)</li> </ul>

#### 46 CADELL PTY LTD

<b>Facility</b>	Bank Bill Business Loan with Redraw
<b>Purpose</b>	Facility for the Cadell Street, Auchenflower development project
<b>Facility limit</b>	\$1,950,000
<b>Term</b>	Two year term maturing February 2018
<b>Security</b>	<ul style="list-style-type: none"> <li>• Mortgage over 46 Cadell Street, Auchenflower QLD</li> <li>• General Security Agreement granted by 46 Cadell Pty Ltd over all present and after acquired property</li> <li>• Guarantee and indemnity Brendon Ansell (\$1,950,000)</li> </ul>

# 7 MATERIAL AGREEMENTS CONTINUED

## VELOCITY PROPERTY RED HILL PTY LTD

<b>Facility</b>	Bank Bill Business Loan with Redraw
<b>Purpose</b>	Refinance with previous financier of the project
<b>Facility limit</b>	Facility A: \$300,000 Facility B: \$10,990,000
<b>Term</b>	Matured on 31 October 2016, although Velocity has agreement in principle from its financier to extend the term of this facility by six months and anticipates receiving formal documentation to this effect during the Offer period
<b>Security</b>	<ul style="list-style-type: none"> <li>• Mortgage over 16-24 Lower Clifton Terrace, Red Hill QLD 4059</li> <li>• General Security Agreement granted by Velocity Property Red Hill Pty Ltd over all present and after acquired property</li> <li>• Guarantee and indemnity Brendon Ansell (\$1,750,000)</li> </ul>

## 39 ELLERSLIE PTY LTD

<b>Facility</b>	Term Loan Facility
<b>Purpose</b>	Assist with the purchase of properties for the Ellerslie Crescent development project
<b>Facility limit</b>	\$5,234,250 <sup>I</sup>
<b>Term</b>	Matures on 28 February 2017
<b>Security</b>	<ul style="list-style-type: none"> <li>• Mortgage granted by 39 Ellerslie Pty Ltd over 39 Ellerslie Crescent, Taringa QLD, 21 Oxford Terrace, Taringa QLD, 25 Oxford Terrace, Taringa QLD, 31 Oxford Terrace, Taringa QLD</li> <li>• Mortgage granted by Velocity Property Oxford Pty Ltd over 90-94 Oxford Street, Bulimba</li> <li>• General security agreement granted by 39 Ellerslie Pty Ltd over all present and after acquired property</li> <li>• General security agreement granted by Velocity Property Group Limited over all present and after acquired property</li> <li>• General security agreement granted by Velocity Property Oxford Pty Limited over all present and after acquired property</li> <li>• Guarantee and indemnity Brendon Ansell (\$1,750,000)</li> <li>• Guarantee and indemnity Velocity Property Group Limited</li> <li>• Guarantee and indemnity Velocity Property Oxford Pty Ltd</li> <li>• Set off agreement</li> </ul>

<sup>I</sup> If approval is not obtained by 30 November 2016 funding under the facility for the Ellerslie development will be capped at 50% of loan to value ratio (refer to section 2.12 and 9.4). The loan to value ratio for this facility is currently 48.56% and has never exceeded 50%.

# 7

## MATERIAL AGREEMENTS CONTINUED

### VELOCITY HOLDINGS NO. 1 PTY LTD

<b>Facility</b>	Term Loan Facility
<b>Purpose</b>	Assist with the development of the 50 & 52 Jamieson Street development project
<b>Facility limit</b>	\$1,400,000
<b>Term</b>	Maturing 13 July 2017
<b>Security</b>	<ul style="list-style-type: none"> <li>• Mortgage over 50 Jamieson Street, Bulimba QLD</li> <li>• General security agreement granted by Velocity Holdings No. 1 Pty Ltd over all present and after acquired property</li> <li>• General security agreement granted by Velocity Property Group Limited over all present and after acquired property</li> <li>• Guarantee and indemnity Brendon Ansell</li> <li>• Guarantee and indemnity Velocity Property Group Limited</li> </ul>

### 48 ORCHARD STREET PTY LTD

<b>Facility</b>	Business Loan
<b>Purpose</b>	Assist with the purchase of the property for the Orchard Street commercial development project
<b>Facility limit</b>	\$907,500
<b>Term</b>	Maturing 15 years from date of initial draw down (28 May 2016)
<b>Security</b>	<ul style="list-style-type: none"> <li>• Mortgage over 48 Orchard Street, Hawthorne QLD</li> <li>• Corporate guarantee and indemnity Velocity Finance Pty Ltd</li> <li>• Corporate guarantee and indemnity Velocity Property Qld Pty Ltd</li> <li>• Corporate guarantee and indemnity Ansell Finance Pty Ltd</li> <li>• Guarantee and indemnity Brendon Ansell</li> </ul>

The Velocity Group entities must pay the respective lenders under the finance facilities interest charged at the relevant variable rate specific to that facility. Various fees and charges are also payable.

Each of the facilities contains customary representations, warranties and undertakings (including reporting obligations) from the respective borrowers and security providers in favour of the relevant lender.

The events of default under the facilities are typical for facilities of this nature. For some facilities, it is an event of default under a facility if a borrower or security provider is in breach of any of its obligations under any agreement, not just the particular facility. For most facilities, it is also an event of default if anything occurs which has a material adverse effect on the borrower or security

provider. If an event of default occurs, the money owing under the relevant facility may become immediately due and payable, and the relevant lender may take enforcement action pursuant to the documents which secure the facility. This includes appointing receivers and managers or, in respect of a mortgage, selling the property as mortgagee in possession.

There is also an indemnity under the majority of the facilities, pursuant to which the relevant lender is indemnified against all losses, liabilities, costs (including break costs) and expenses (including legal expenses on a full indemnity basis), taxes and imposts arising directly or indirectly in connection with the relevant facility or any failure by the relevant Velocity Group entity to perform its obligations under the relevant facility.

# 7

## MATERIAL AGREEMENTS CONTINUED

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### 7.10 UNDERWRITING AGREEMENT

The Underwriter has agreed to underwrite the Offer on the terms of the Underwriting Agreement.

Velocity must pay the Underwriter a fee of 5% of the underwritten amount of \$10,000,000 being fees of \$500,000. In addition to these fees, the Company has agreed to pay the Underwriter's out of pocket expenses (including legal fees) in relation to the Offer.

As is normal for agreements of this nature, the Underwriter may terminate its obligations under the Underwriting Agreement if certain events occur before the Shares are issued (**Unqualified Termination Events**). In respect of the occurrence of certain other events, the Underwriter's ability to terminate is limited to circumstances in which the Underwriter is of the opinion that the event has had or could be expected to have a material adverse effect on certain factors including (but not limited to) the success of the Offer, or the price or likely price at which the Shares are likely to trade on ASX (**Qualified Termination Events**).

The Unqualified Termination Events include (but are not limited to):

- **market shock** – the S&P/ASX200 Index of the ASX closes 15% or more below the level at the market close on the date of the agreement and closes at that level for two or more consecutive business days;
- **prospectus defective** – a material statement contained in the Prospectus is misleading or deceptive, a material matter is omitted from the Prospectus or it does not contain the information required by the Corporations Act;
- **offence by director or senior management** – a director of the Velocity Group is charged with an indictable offence or disqualified from managing a company under the Corporations Act;
- **withdrawal of consent to Prospectus** – any person who has previously consented to be named in the Prospectus withdraws that consent; and
- **supplementary Prospectus** – the Company lodges a supplementary Prospectus without the consent of the Underwriter.

The Qualified Termination Events include (but are not limited to):

- **adverse change** – any adverse change occurs in the assets, liabilities, financial position or prospectus of Velocity or the Velocity Group;
- **hostilities** – hostilities not presently existing begin (whether war has been declared or not) involving any one or more of Australia, New Zealand, the United States of America, United Kingdom, China, Indonesia, Japan, Singapore or any member state of the European Union, or a national emergency is declared by any of those countries, or a major terrorist attack is perpetuated in any of those countries;
- **change of law** – there is introduced, or there is a public announcement of a proposal to introduce, into the parliament of Commonwealth of Australia or any State or Territory of Australia, or any state or a jurisdiction in which Velocity conducts an activity, a new law, or the Government of Australia or any State or Territory of Australia or the Reserve Bank of Australia, adopts or announces a proposal to adopt a new policy which is likely to prohibit or regulate the business carried out by Velocity or any Velocity Group company;
- **judgment** – a judgment in an amount exceeding \$250,000 is obtained against any Velocity Group company and is not set aside or satisfied within 14 days; and
- **default under material contract** – there is a default in any contract, deed or other agreement which is material to the making of an informed investment decision in relation to the Shares, as referred to in the Prospectus, by Velocity or a Velocity Group company.

The Underwriting Agreement contains various representations and warranties made by the Company and the Underwriter, which are customary in such an agreement. The Company also provides certain undertakings under the Underwriting Agreement regarding the conduct of the Company prior to, and for limited periods of time following, the Offer. Further, the Company indemnifies the Underwriter and certain related entities against a broadly defined category of losses (including reasonable legal costs) in connection with the Offer or the Underwriting Agreement.

### 7.11 DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal office hours at the registered office of the Company for 13 months after the date of this Prospectus:

- (a) the constitution of Velocity; and
- (b) the consents to the issue of this Prospectus.



8

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DETAILS OF  
THE OFFER



# 8

## DETAILS OF THE OFFER

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### 8.1 DESCRIPTION OF THE OFFER

This Prospectus relates to an initial public offering of 50,000,000 Shares at an Offer Price of \$0.20 per Share to raise up to \$10 million (before Offer costs), with the ability to take up to \$10 million in oversubscriptions. Shares issued under the Offer will rank equally in all respects with existing Shares on issue.

The Offer is made on the terms, and is subject to the conditions, set out in this Prospectus.

### 8.2 UNDERWRITER

The Offer is underwritten by Quattro Capital Management Pty Ltd up to \$10 million.

Further details of the Underwriting Agreement, including the circumstances in which the Underwriter may terminate its obligations, are set out in section 7.10.

### 8.3 HOW TO APPLY

Applications may only be made on the Application Form attached to or accompanying this Prospectus or in its paper copy form as downloaded in its entirety from [www.velocitypropertygroup.com.au](http://www.velocitypropertygroup.com.au). Detailed instructions on how to complete the Application Form are set out on the reverse of the Application Form. Application Forms must be completed in accordance with the instructions on the Application Form. By making an application, you declare that you were given access to this Prospectus (or any replacement prospectus), together with an Application Form.

Applications must be for a minimum of \$2,000 worth of Shares (10,000 Shares).

You may complete a paper copy of the Application Form or, alternatively, may apply for Shares online by following the instructions on the website [www.velocitypropertygroup.com.au](http://www.velocitypropertygroup.com.au).

Paper copy Application Forms must be sent, with payment in Australian currency, to be received by 5:00pm (Sydney time) on the Closing Date (Wednesday 4 January 2017) to:

**Post:**

Velocity Property Group Limited  
c/- Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235

**Hand delivery:**

Velocity Property Group Limited  
c/- Link Market Services Limited  
1A Homebush Bay Drive  
Rhodes NSW 2138

Cheques or bank drafts must be made payable to 'Velocity Property Group Limited' and should be crossed and marked 'Not Negotiable'.

Applicants with questions on how to complete the application Form, or who require additional copies of the Prospectus, should call the Velocity Offer Information Line on 1 800 992 673 (toll free within Australia) or +61 2 8767 1291 (outside of Australia) between 8.30am to 5.30pm (AEDT), Monday to Friday or visit [www.velocitypropertygroup.com.au](http://www.velocitypropertygroup.com.au) to download a copy of the Prospectus.

**Apply online and pay by BPAY®**

If you are applying online, you must complete your application by making a BPAY® payment using the details provided when you complete your online Application Form. If you do not make a BPAY® payment, your application will be incomplete and will not be accepted. BPAY® payments must be received by no later than 5:00pm (Sydney time) on the Closing Date (Wednesday 4 January 2017).

If you apply using a paper Application Form, you cannot pay for Shares using BPAY®. Instead you must pay by cheque, bank draft or money order.



# 8

## DETAILS OF THE OFFER CONTINUED

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### 8.4 ALLOCATION OF SHARES

Velocity may allocate all, or a lesser number, of Shares for which an application has been made, accept a late application or decline an application. Where applications are scaled back, there may be a different application of the scale-back policy to each Applicant.

Where no allocation is made to a particular Applicant or the number of Shares allocated is less than the number applied for by an Applicant, surplus Application Money is returned to that Applicant. No interest is paid on refunded Application Money. Any interest earned on Application Money is the property of Velocity.

Successful Applicants are given written notice of the number of Shares allocated to them as soon as possible after the Closing Date. It is the responsibility of Applicants to confirm the number of Shares allocated to them before trading in Shares. Applicants who sell Shares before they receive notice of the Shares allocated to them do so at their own risk.

If Velocity's application for admission to ASX is denied, or for any reason this Offer does not proceed, all Application Money is refunded in full without interest.

### 8.5 WITHDRAWAL

Velocity reserves the right to withdraw the Offer, at any time before the allotment of Shares. If the Offer does not proceed, the Application Money is refunded. No interest is paid on any Application Money refunded as a result of the withdrawal of the Offer.

### 8.6 ASX LISTING

Velocity has applied to the ASX for the admission of Velocity to the official list of ASX and for quotation of the Shares the subject of this Offer.

Trading of Shares on ASX is expected to commence on or about 16 January 2017.

If permission is not granted for official quotation of the Shares on ASX within three months of the date of this Prospectus, all Application Monies received will be refunded without interest as soon as practicable in accordance with requirements of the Corporations Act.

### 8.7 CHESS AND ISSUER SPONSORED HOLDINGS

Velocity will apply to participate in the ASX's Clearing House Electronic Sub-register System (**CHESS**) and will comply with the Listing Rules and the ASX Settlement Operating Rules. CHESS is an electronic transfer and settlement system for transactions in securities quoted on the ASX under which transfers are effected in an electronic form.

When the Shares become approved financial products (as defined in the ASX Settlement Operating Rules), holdings will be registered in one of two sub-registers, being an electronic CHESS sub-register or an issuer sponsored sub-register.

For all successful Applicants, the Shares of a Shareholder who is a participant in CHESS or a Shareholder sponsored by a participant in CHESS will be registered on the CHESS sub-register. All other Shares will be registered on the issuer sponsored sub-register.

Following completion of the Offer, Shareholders will be sent a holding statement that sets out the number of Shares that have been allocated to them. This statement will also provide details of a Shareholder's Holder Identification Number for CHESS holders or, where applicable, the Securityholder Reference Number of issuer sponsored holders. Shareholders will subsequently receive statements showing any changes to their Shareholding. Certificates will not be issued.

### 8.8 TAXATION CONSIDERATIONS

The taxation consequences of an investment in the Company depend upon the investor's particular circumstances. Investors should make their own enquiries about the taxation consequences of an investment in the Company. If you are in doubt as to the course you should follow, you should consult your accountant, stockbroker, lawyer or other professional adviser.

# 8

## DETAILS OF THE OFFER CONTINUED

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### 8.9 FOREIGN SELLING RESTRICTIONS

Except as described below, no action has been taken to register or qualify the Shares or the Offer in any jurisdiction outside Australia, or otherwise to permit a public offering of the Shares outside Australia.

The Prospectus does not constitute an offer or invitation in any jurisdiction where, or to any person to whom, the offer or invitation would be unlawful. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any of those restrictions. Any failure to comply with the restrictions may constitute a violation of applicable securities laws.

Each Applicant warrants and represents that the Applicant will not offer or sell the Shares in the United States or in any other jurisdiction outside Australia or to a United States person, except in transactions exempt from registration under the US Securities Act 1933 as amended, and in compliance with all applicable laws in the jurisdiction in which the Shares are offered and sold.

#### Singapore

This document and any other materials relating to the Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this document and any other document or materials in connection with the Offer or sale, or invitation for subscription or purchase, of Shares, may not be issued, circulated or distributed, nor may the Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division I, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (**SFA**), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

This document has been given to you on the basis that you are:

- (a) an existing holder of Velocity's Shares;
- (b) an 'institutional investor' (as defined in the SFA); or
- (c) a 'relevant person' (as defined in section 275(2) of the SFA).

In the event that you are not an investor falling within any of the categories set out above, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the Shares being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

#### Malaysia

No approval from, or recognition by, the Securities Commission of Malaysia has been or will be obtained in relation to any offer of Shares. The Shares may not be offered or sold in Malaysia except pursuant to, and to persons prescribed under, Part I of Schedule 6 of the Malaysian Capital Markets and Services Act.

#### China

The information in this document does not constitute a public offer of the Shares, whether by way of sale or subscription, in the People's Republic of China (excluding, for purposes of this paragraph, Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan). The Shares may not be offered or sold directly or indirectly in the People's Republic of China to legal or natural persons other than directly to 'qualified domestic institutional investors'.

#### Hong Kong

**WARNING:** This document has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the **SFO**). No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the Shares have not been and will not be offered or sold in Hong Kong other than to 'professional investors' (as defined in the SFO).

No advertisement, invitation or document relating to the Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors (as defined in the SFO and any rules made under that ordinance). No person allotted Shares may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

9

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ADDITIONAL  
INFORMATION



# 9 ADDITIONAL INFORMATION

## 9.1 CORPORATE RESTRUCTURE

The Velocity Group is the result of a merger of various entities owned or controlled by Brendon Ansell, or entities associated with Mr Ansell and 8I Holdings Ltd (**8IH**). 8IH is an ASX listed public company incorporated in Singapore and is the holding company of the 8I Group. The 8I Group conducts investment business, focusing on listed securities and on investments in private businesses, and a financial education and training seminar business.

The Velocity Group's holding company, Velocity Property Group Limited, was incorporated in Queensland on 20 May 2015 as 'Velocity Holdings Pty Ltd' and changed its name to Velocity Property Group Limited and its status from a proprietary company to a public company on 20 October 2016.

Prior to the restructure, 8IH owned 49.9% of the ordinary shares in Velocity. Following the restructure, 8IH has retained an interest in 19,130,500 Shares, representing approximately 5% of Velocity's issued share capital following completion of the Offer (on the basis of a \$10 million minimum rising).

In late September 2016, a third party loan of approximately \$4.9 million was converted to equity at \$0.0842 per Share.

Foreign residents hold, and are expected to hold following completion of the Offer, in aggregate more than a 40% interest in Velocity. The Company is therefore a foreign person for the purposes of the *Foreign Acquisitions and Takeovers Act 1975* (Cth)

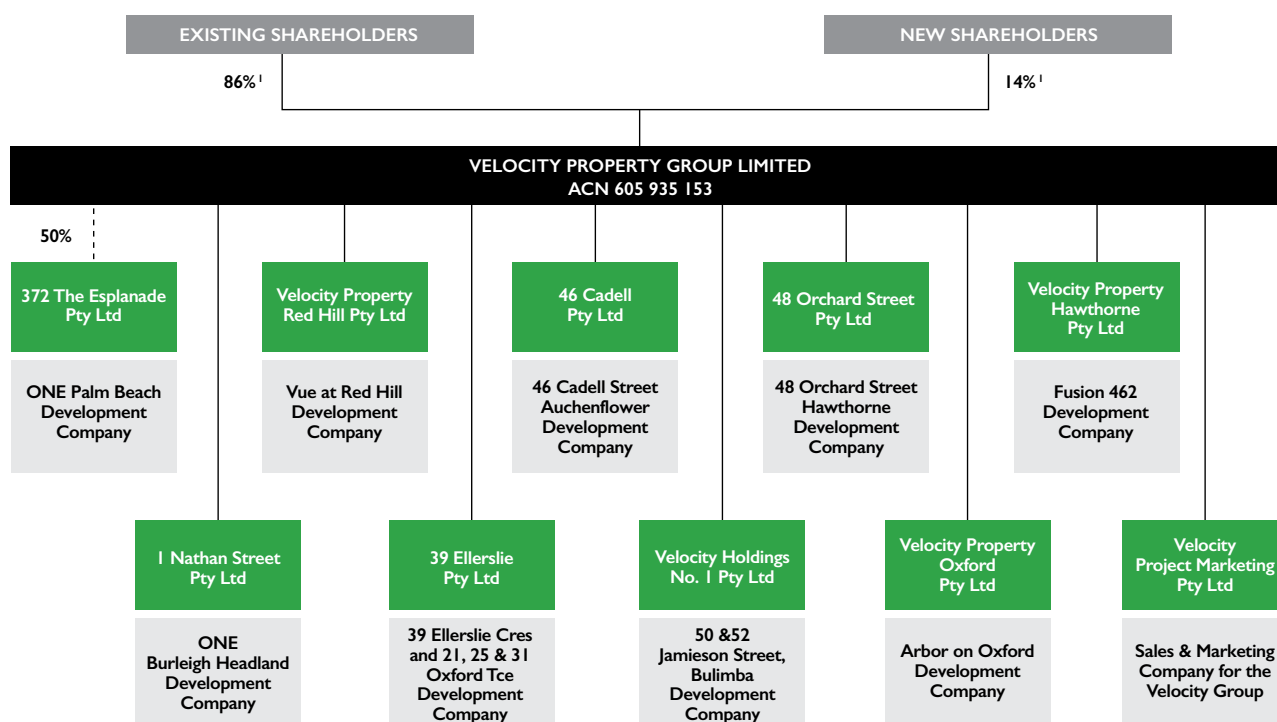
(**FATA**) and is required to seek prior Foreign Investment Review Board (**FIRB**) approval for acquisitions of interests in Australian land, as defined under the FATA, which are over the relevant monetary thresholds. The requirement for Velocity to obtain prior FIRB approval for each notifiable acquisition of an interest in Australian land may result in delays to any future developments. To mitigate this risk, Velocity will apply for an exemption certificate which, if approved, will eliminate the need for Velocity to seek separate approvals for a period of up to three years for standard acquisitions undertaken by Velocity. There can be no assurance, however, that Velocity will obtain an exemption certificate on reasonable conditions, if at all.

## 9.2 TAX STATUS

Velocity Property Group Limited and its subsidiaries are Australian residents for Australian income tax purposes, and will be taxed at the Australian corporate tax rate.

## 9.3 CORPORATE STRUCTURE

The diagram below represents the corporate structure of the Velocity Group's operating subsidiaries, the majority of which are single-purpose entities specific to each development project. Unless otherwise indicated, each entity below Velocity Property Group Limited is a wholly owned subsidiary of the Velocity Group.



<sup>1</sup> reflects \$10 million raising.

# 9

## ADDITIONAL INFORMATION CONTINUED

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### 9.4 LITIGATION AND CLAIMS

Velocity has appealed a decision of the Brisbane City Council to refuse the development permit application for 39 Ellerslie Crescent, Taringa. A directions hearing was set for 27 October 2016, during which the Court timetable for the appeal was set. The Board is not aware of any current, threatened or potential litigation involving the Velocity Group.

### 9.5 RIGHTS ATTACHING TO SHARES

The rights attaching to Shares in Velocity are set out in the Constitution and summarised in section 7.2.

### 9.6 CONSENTS AND DISCLAIMERS OF RESPONSIBILITY

None of the parties referred to below has made any statement that is included in this Prospectus or any statement on which a statement made in this Prospectus is based, except as specified below. Each of the parties referred to below, to the maximum extent permitted by law, expressly disclaims, and takes no responsibility for, any part of this Prospectus, other than the reference to its name and a statement included in this Prospectus with the consent of that party, as specified below.

McCullough Robertson has given, and has not withdrawn, its written consent to be named as legal adviser to Velocity in the form and context in which it is named.

Crowe Horwath Corporate Finance (Aust) Ltd has given, and has not withdrawn, its written consent to be named as Investigating Accountant, in the form and context in which it is named and for the inclusion of its Investigating Accountant's Report in section 6 in the form and context in which it is included.

Crowe Horwath Brisbane has given, and has not withdrawn, its written consent to be named as Auditor in the form and context in which it is named.

Link Market Services Limited has given, and not withdrawn, its written consent to be named as share registrar in the form and context in which it is named.

Quattro Capital Management Pty Ltd has given, and has not withdrawn, its written consent to be named as Underwriter to the Offer in the form and context in which it is named.

8I Holdings Ltd has given, and has not withdrawn, its written consent to be named as lender to the Company in the form and context in which it has been named.

Sanctuary United Limited has given, and has not withdrawn, its written consent to be named as lender to the Company in the form and context in which it has been named.

### 9.7 INTERESTS OF EXPERTS AND ADVISERS

Except as set out in this Prospectus, no person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus:

- (a) has any interest or has had any interest during the last two years, in the formation or promotion of Velocity, or in property acquired or proposed to be acquired by Velocity in connection with its formation or promotion, or the Offer of the Shares; and
- (b) no amount has been paid or agreed to be paid, and no benefit has been given, or agreed to be given, to any of those persons in connection with the services provided by the person in connection with the formation or promotion of Velocity, or the Offer of the Shares.

McCullough Robertson has acted as legal adviser to Velocity in relation to the Offer and has been involved in undertaking due diligence enquiries and providing legal advice on the Offer. McCullough Robertson will be paid an amount of approximately \$95,000 (excluding GST and disbursements) for these services. Further amounts may be paid to McCullough Robertson in accordance with their normal time-based charges.

Crowe Horwath Corporate Finance (Aust) Ltd has acted as Investigating Accountant to the Offer and has prepared the Investigating Accountant's Report in section 6 and performed work on due diligence enquiries. Crowe Horwath will be paid an estimated fee of \$55,000 for these services. Further amounts may be paid to Crowe Horwath in accordance with their normal time-based charges.

Crowe Horwath Brisbane is the Auditor of Velocity. Crowe Horwath Brisbane was paid a fee of \$26,000 in respect of the audit for the period ending 30 June 2016.

Quattro Capital Management Pty Ltd has acted as Underwriter to the Offer. Quattro Capital Management Pty Ltd will be paid an underwriting fee of \$500,000, details of which are disclosed in section 7.10.



# 9

## ADDITIONAL INFORMATION CONTINUED

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### 9.8 RELATED PARTY TRANSACTIONS

#### Sale of shares in Founder Entities

In August 2016, Velocity completed a corporate restructure which resulted in Velocity acquiring all of the issued share capital of various entities owned or controlled by Mr Ansell being: Velocity Property Red Hill Pty Ltd, Velocity Property Hawthorne Pty Ltd, 1 Nathan Street Pty Ltd, 46 Cadell Pty Ltd, 48 Orchard Street Pty Ltd, Velocity Holdings No 1 Pty Ltd, Velocity Holdings No 2 Pty Ltd, Velocity Holdings No 4 Pty Ltd, 39 Ellerslie Pty Ltd, Velocity Property Oxford Pty Ltd and Velocity Project Marketing Pty Ltd (collectively, the **Founder Entities**). The Founder sold all of the shares in the Founder Entities to Velocity for consideration of 125,250,000 Shares. Details of the restructure are set out in section 9.1.

#### Sale of shares in Vue at Red Hill Pty Ltd and Fusion 462 Pty Ltd

As part of the restructure, Vue at Red Hill Pte. Ltd. and Fusion 462 Pte. Ltd., wholly owned subsidiaries of 8I Holdings Limited (**8IH**), sold all of the shares in Vue at Red Hill Pty Ltd and Fusion 462 Pty Ltd to Velocity. The consideration for the sale was satisfied by the issue of 89,244,775 Shares in Velocity to Vue at Red Hill Pte. Ltd. and Fusion 462 Pte. Ltd. Vue at Red Hill Pty Ltd and Fusion 462 Pty Ltd at the time were parties to development agreements with Velocity Property Red Hill Pty Ltd and Velocity Property Hawthorne Pty Ltd in respect of Vue at Red Hill and Fusion 462 development projects. As a result of the sale, 8IH held 49.9% of the ordinary shares in Velocity. Details of the restructure are set out in section 9.1.

#### Related party loan arrangements

Prior to the date of this Prospectus, Velocity repaid a loan totalling \$441,825 to an entity controlled by Mr Raff. Interest on that loan was charged at 12% per annum. Velocity also repaid a loan totalling \$351,798 to a family member of Mr Raff. Interest on that loan was charged at 15% per annum.

Velocity has also entered into a loan agreement with 8IH. A summary of the loan agreement is set out in section 7.7.

#### Services provided to Velocity

During the financial year ending in 2016 there were various payments made to Directors and other related parties of the Velocity Group. These payments were as follows:

- (a) Contemporary Concepts, an entity associated with Mr Ansell, received \$59,652 for interior design services. These functions have now been internalised (see section 2.2);
- (b) Mr Ansell, through related entities, received fees in aggregate of \$216,225 for the provision of services to the Velocity Group. Mr Ansell is now paid a salary as an employee of Velocity pursuant to his executive services agreement (summarised at section 7.4);
- (c) Mr Raff, through a related entity, received fees in aggregate of \$165,634 for the provision of services to the Velocity Group. Mr Raff, through that related entity, continues to receive consulting fees under the Consultancy Agreement (summarised at section 7.4);
- (d) wholly owned subsidiaries of 8IH received fees in aggregate of \$261,600 for the provision of consultancy services to the Velocity Group. These arrangements have now ceased (see section 4.4); and
- (e) 8 Property Agency Pte Ltd, an entity associated with Mr Raff, received a \$48,400 sales commission fee.

### 9.9 INTERESTS OF DIRECTORS

Other than set out below or elsewhere in this Prospectus:

- (a) no Director or proposed Director of Velocity has, or has had in the two years before lodgement of this Prospectus, any interest in the formation or promotion of Velocity, or the Offer of Shares, or in any property proposed to be acquired by Velocity in connection with information or promotion of the Offer of the Shares; and
- (b) no amounts have been paid or agreed to be paid and no benefit has been given or agreed to be given, to any Director or proposed Director of Velocity either to induce him or her to become, or to qualify him or her as a Director; or otherwise for services rendered by him or her in connection with the promotion or formation of Velocity or the Offer of Shares.



# 9

## ADDITIONAL INFORMATION CONTINUED

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### 9.10 EXPENSES OF THE OFFER

The total estimated expenses of the Offer payable by the Company including ASX and ASIC fees, underwriting fees, accounting fees, legal fees, Share Registry fees, printing costs and other miscellaneous expenses are estimated to be approximately \$800,000.

### 9.11 ELECTRONIC PROSPECTUS

This Prospectus is available in electronic form at [www.velocitypropertygroup.com.au](http://www.velocitypropertygroup.com.au). Any person receiving this Prospectus electronically will, on request, be sent a paper copy of the Prospectus by Velocity free of charge during the period of the Offer.

The Application Form may only be distributed attached to a complete and unaltered copy of the Prospectus. The Application Form included with this Prospectus contains a declaration that the investor has personally received the complete and unaltered Prospectus before completing the Application Form.

Velocity will not accept a completed Application Form if it has reason to believe that the Applicant has not received a complete paper copy or electronic copy of the Prospectus or if it has reason to believe that the Application Form or electronic copy of the Prospectus has been altered or tampered with in any way.

While it is unlikely that the electronic version of the Prospectus will be tampered with or altered in any way, if you are in any doubt about the integrity of an electronic copy of the Prospectus, you should immediately request a paper copy of the Prospectus directly from Velocity or a financial adviser.

### 9.12 PRIVACY

When applying for Shares in Velocity, Applicants will be asked to provide personal information to Velocity directly, and through the Share Registry, such as name, address, telephone and fax numbers, tax file number and account details. The Company and the Share Registry collect, hold and use that personal information to assess applications, provide facilities and services to Applicants and undertake administration. Access to information may be disclosed by the Company to its agents and service providers on the basis that they deal with the information under the *Privacy Act 1988* (Cth). Incomplete applications may not be processed. Under the *Privacy Act 1988* (Cth), Applicants may request access to their personal information held by or on behalf of the Company by contacting the Share Registry.

#### Authorisation

This Prospectus is issued by the Company. Each Director has consented to the lodgement of the Prospectus with ASIC.

Dated 16 November 2016



**Brendon Ansell**  
Managing Director

# GLOSSARY

In this document:

TERM	MEANING
<b>8IH</b>	means 8I Holdings Ltd (a company incorporated in Singapore).
<b>ADIs</b>	means authorised deposit-taking institutions.
<b>Applicant</b>	means a person or entity who submits an Application Form.
<b>Application Form</b>	means an application form attached to this Prospectus.
<b>Application Money</b>	means the money received by the Company under the Offer, being the Offer Price multiplied by the number of Shares applied for.
<b>ASIC</b>	means Australian Securities and Investments Commission.
<b>ASX</b>	means ASX Limited ACN 008 624 691 or the securities exchange operated by it (as the case requires).
<b>ASX Settlement</b>	means ASX Settlement Pty Ltd ACN 008 504 532.
<b>ASX Settlement Operating Rules</b>	means the ASX Settlement Operating Rules, being the operating rules of the Settlement Facility for the purposes of the Corporations Act.
<b>Board or Board of Directors</b>	means the board of directors of Velocity.
<b>CHESS</b>	means Clearing House Electronic Subregister System, operated by ASX Settlement.
<b>Closing Date</b>	means the date on which the Offer closes, being 4 January 2017, or another date nominated by Velocity.
<b>Company or Velocity</b>	means Velocity Property Group Limited ACN 605 935 153 and, where the context requires, one or more of its subsidiaries.
<b>Corporations Act</b>	means <i>Corporations Act 2001</i> (Cth).
<b>Directors</b>	means the directors of Velocity.
<b>Existing Shareholders</b>	means the holders of Shares before the date of this Prospectus.
<b>FATA</b>	means <i>Foreign Acquisitions and Takeovers Act 1975</i> (Cth).
<b>FIRB</b>	means Foreign Investment Review Board.
<b>JETBA</b>	means JETBA Project Management Pty Ltd ACN 144 757 068.
<b>Listing Rules</b>	means the listing rules of ASX.
<b>Offer</b>	means the offer of Shares under this Prospectus.
<b>Offer Price</b>	means \$0.20 per Share.
<b>Prospectus</b>	means this document (together with the Application Form), being a replacement prospectus lodged with ASIC on 16 November 2016.
<b>Settlement Facility</b>	has the meaning specified in the ASX Settlement Operating Rules.
<b>SFA</b>	means Securities and Futures Act, Chapter 289 of Singapore.
<b>SFO</b>	means Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong.
<b>SGD</b>	means Singaporean dollars.
<b>Share Registry</b>	means Link Market Services Limited.
<b>Shareholder</b>	means any holder of Shares.
<b>Shares</b>	means fully paid ordinary shares in Velocity.
<b>Underwriter or Quattro Capital</b>	means Quattro Capital Management Pty Ltd ACN 605 981 235.
<b>Velocity Group</b>	means Velocity and its subsidiaries and controlled entities.
<b>You</b>	means the investors under this Prospectus.

# CORPORATE DIRECTORY

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## **Company**

### **Velocity Property Group Limited**

Unit 9,462 Hawthorne Road  
Bulimba QLD 4171  
[www.velocitypropertygroup.com.au](http://www.velocitypropertygroup.com.au)

## **Directors**

Michael Pearson (Non-Executive Chairman)  
Brendon Ansell (CEO and Managing Director)  
Philip Raff (Executive Director)  
Cherie Leatham (Non-Executive Director)

## **Company Secretary and CFO**

Phillip Young

## **Share Registry**

### **Link Market Services Limited**

Level 15, 324 Queen Street  
Brisbane QLD 4000  
[www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

## **Auditor**

### **Crowe Horwath Brisbane**

Level 16, 120 Edward Street  
Brisbane QLD 4000  
[www.crowehorwath.net/au](http://www.crowehorwath.net/au)

## **Investigating Accountant**

### **Crowe Horwath Corporate Finance (Aust) Ltd**

Level 16, 120 Edward Street  
Brisbane QLD 4000  
[www.crowehorwath.net/au/](http://www.crowehorwath.net/au/)

## **Lawyers**

### **McCullough Robertson**

Level 11, Central Plaza Two  
66 Eagle Street  
Brisbane QLD 4000  
[www.mccullough.com.au](http://www.mccullough.com.au)



# Your Guide to the Application Form

Please complete all relevant white sections of the Application Form in BLOCK LETTERS, using black or blue ink. These instructions are cross-referenced to each section of the form.

The Shares to which this Application Form relates are Velocity Property Group Limited ("Velocity Property Group") Shares. Further details about the shares are contained in the Prospectus dated 16 November 2016 issued by Velocity Property Group. The Prospectus will expire on 16 December 2017. While the Prospectus is current, Velocity Property Group will send paper copies of the Prospectus, any supplementary document and the Application Form, free of charge on request.

The Australian Securities and Investments Commission requires that a person who provides access to an electronic application form must provide access, by the same means and at the same time, to the relevant Prospectus. This Application Form is included in the Prospectus.

The Prospectus contains important information about investing in the Shares. You should read the Prospectus before applying for Shares.

- A** Insert the number of Shares you wish to apply for. The Application must be for a minimum of 10,000 Shares. You may be issued all of the Shares applied for or a lesser number.
- B** Insert the relevant amount of Application Monies. To calculate your Application Monies, multiply the number of Shares applied for by the issue price. Amounts should be in Australian dollars. Please make sure the amount of your cheque or bank draft equals this amount.
- C** Write the full name you wish to appear on the register of Shares. This must be either your own name or the name of a company. Up to three joint Applicants may register. You should refer to the table below for the correct registrable title.
- D** Enter your Tax File Number (TFN) or exemption category. Business enterprises may alternatively quote their Australian Business Number (ABN). Where applicable, please enter the TFN or ABN for each joint Applicant. Collection of TFN(s) and ABN(s) is authorised by taxation laws. Quotation of TFN(s) and ABN(s) is not compulsory and will not affect your Application. However, if these are not provided, Velocity Property Group will be required to deduct tax at the highest marginal rate of tax (including the Medicare Levy) from payments.
- E** Please enter your postal address for all correspondence. All communications to you from Velocity Property Group and the Share Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.
- F** If you are already a CHES participant or sponsored by a CHES participant, write your Holder Identification Number (HIN) here. If the name or address recorded on CHES for this HIN is different to the details given on this form, your Shares will be issued to Velocity Property Group's issuer sponsored subregister.
- G** Please enter your telephone number(s), area code and contact name in case we need to contact you in relation to your Application.
- H** Please complete the details of your cheque or bank draft in this section. The total amount of your cheque or bank draft should agree with the amount shown in section B.  
Make your cheque or bank draft payable to "**Velocity Property Group Limited**" in Australian currency and cross it "Not Negotiable". Your cheque or bank draft must be drawn on an Australian bank. Sufficient cleared funds should be held in your account, as cheques returned unpaid are likely to result in your Application being rejected.  
If you receive a firm allocation of Shares from your Broker make your cheque payable to your Broker in accordance with their instructions.

## LODGEMENT INSTRUCTIONS

This Application Form and your cheque or bank draft must be mailed or delivered so that it is received before 5:00pm (AEDT) on 4 January 2017 at:

### Mailing Address

Velocity Property Group Limited  
C/- Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235

### Hand Delivery

Velocity Property Group Limited  
C/- Link Market Services Limited  
1A Homebush Bay Drive  
Rhodes NSW 2138

**(do not use this address for mailing purposes)**

## PERSONAL INFORMATION COLLECTION NOTIFICATION STATEMENT

Personal information about you is held on the public register in accordance with Chapter 2C of the *Corporations Act 2001*. For details about Link Group's personal information handling practices including collection, use and disclosure, how you may access and correct your personal information and raise privacy concerns, visit our website at [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au) for a copy of the Link Group condensed privacy statement, or contact us by phone on +61 1800 502 355 (free call within Australia) 9am–5pm (Sydney time) Monday to Friday (excluding public holidays) to request a copy of our complete privacy policy.

## CORRECT FORMS OF REGISTRABLE NAMES

Note that ONLY legal entities are allowed to hold Shares. Applications must be in the name(s) of natural persons or companies. At least one full given name and the surname is required for each natural person. The name of the beneficiary or any other non-registrable name may be included by way of an account designation if completed exactly as described in the examples of correct forms below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
<b>Individual</b> Use given names in full, not initials	Mrs Katherine Clare Edwards	K C Edwards
<b>Company</b> Use Company's full title, not abbreviations	Liz Biz Pty Ltd	Liz Biz P/L or Liz Biz Co.
<b>Joint Holdings</b> Use full and complete names	Mr Peter Paul Tranche & Ms Mary Orlando Tranche	Peter Paul & Mary Tranche
<b>Trusts</b> Use the trustee(s) personal name(s)	Mrs Alessandra Herbert Smith <Alessandra Smith A/C>	Alessandra Smith Family Trust
<b>Deceased Estates</b> Use the executor(s) personal name(s)	Ms Sophia Garnet Post & Mr Alexander Traverse Post <Est Harold Post A/C>	Estate of late Harold Post or Harold Post Deceased
<b>Minor (a person under the age of 18 years)</b> Use the name of a responsible adult with an appropriate designation	Mrs Sally Hamilton <Henry Hamilton>	Master Henry Hamilton
<b>Partnerships</b> Use the partners' personal names	Mr Frederick Samuel Smith & Mr Samuel Lawrence Smith <Fred Smith & Son A/C>	Fred Smith & Son
<b>Long Names</b>	Mr Hugh Adrian John Smith-Jones	Mr Hugh A J Smith Jones
<b>Clubs/Unincorporated Bodies/Business Names</b> Use office bearer(s) personal name(s)	Mr Alistair Edward Lilley <Vintage Wine Club A/C>	Vintage Wine Club
<b>Superannuation Funds</b> Use the name of the trustee of the fund	XYZ Pty Ltd <Super Fund A/C>	XYZ Pty Ltd Superannuation Fund

Put the name(s) of any joint Applicant(s) and/or account description using < > as indicated above in designated spaces at section C on the Application Form.

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