

VELOCITY

PROPERTY GROUP

VISION INTEGRITY LIFESTYLE

Annual Report – 30 June 2016

ABN 66 605 935 153

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DIRECTORS' REPORT

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Velocity Holdings Pty Ltd (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2016.

Directors

The following person(s) were directors of Velocity Holdings Pty Ltd during the whole of the financial year and up to the date of this report, unless otherwise stated:

Brendon Ansell

Principal activities

During the financial year the principal continuing activities of the consolidated entity consisted of:

- Retail, commercial and multi-unit residential property development
- Leasing of properties

The delivery of the consolidated entity's projects is completed by specialist in house staff experienced in land acquisition, project feasibility analysis, project management, interior design, sales and marketing. Construction and design of the property development projects are tendered out to external parties.

Dividends

There were no dividends paid or declared during the financial year.

Review of operations

The profit for the consolidated entity after providing for income tax and non-controlling interest amounted to \$1,027,944 (30 June 2015: Loss \$999,302). This result is attributed to the completion and strong sales of the consolidated entity's first 2 projects being Fusion 462, Bulimba and Arbor on Oxford, Bulimba.

Significant changes in the state of affairs

On 2 July 2015, the company completed a corporate restructure which resulted in it acquiring 100% of the ordinary shares 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, the company acquired 100% of the ordinary shares in Velocity Property Oxford Pty Ltd and Oxford Views Pty Ltd. This acquisition represents the final transaction in 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 Holdings Pty Ltd. This entity will undertake a multi-unit residential property development at Palm Beach, Gold Coast.

There were no other significant changes in the state of affairs of the consolidated entity during the financial year.

Matters subsequent to the end of the financial year

The consolidated entity has engaged advisors to assist with the preparation of a prospectus for an initial public offering and listing on the Australian Stock Exchange (ASX) during the 2017 financial year. An ASX listing will provide the consolidated entity with working capital to support its growth strategy.

No other matters or circumstances have arisen since 30 June 2016 that have significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Likely developments and expected results of operations

Information on likely developments in the operations of the consolidated entity and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

Environmental regulation

The consolidated entity's operations are subject to environmental regulations under both Commonwealth and State legislation in relation to its property developments activities. The directors are not aware of any significant breaches during the period covered by this report.

Indemnity and insurance of officers

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

During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor

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

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

Proceedings on behalf of the company

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

Rounding of amounts

The company is of a kind referred to in Class Order 98/100, issued to the Australian Securities and Investments Commission, relating to 'rounding off'. Amounts in this report have been rounded off in accordance with that Class Order to the nearest dollar.

Non-audit services


Non-audit services were provided by the consolidated entity's auditor, Crowe Horwath, as disclosed in the notes to the financial statements. The directors are satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-audit service provided means that audit independence was not compromised.

Auditor's independence declaration

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

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

On behalf of the directors



Brendon Ansell - Director
14 October 2016
Brisbane

Auditor's Independence Declaration

As auditor of Velocity Holdings Pty Ltd and its controlled entities for the year ended 30 June 2016, I declare that, to the best of my knowledge and belief, there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Velocity Holdings Pty Ltd during the year and the entities it controlled during the year.

Crowe Horwath Brisbane

Crowe Horwath Brisbane



Cameron Henry
Partner

Signed at Brisbane, 14 October 2016

GENERAL INFORMATION

The financial statements cover Velocity Holdings Pty Ltd as a consolidated entity consisting of Velocity Holdings Pty Ltd and the entities it controlled at the end of, or during, the year.

The financial statements are presented in Australian dollars, which is Velocity Holdings Pty Ltd's functional and presentation currency.

Velocity Holdings Pty Ltd is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office

9/462 Hawthorne Road
Bulimba QLD 4171

Principal place of business

9/462 Hawthorne Road
Bulimba QLD 4171

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

The financial statements were authorised for issue, in accordance with a resolution of directors on 14 October 2016. The directors have the power to amend and reissue the financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016 \$	2015 \$
Revenue	3	14,670,217	7,030
Other income	4	1,729,473	-
Expenses			
Cost of sales	5	(11,443,434)	(74,744)
Employee benefits expense	5	(162,611)	-
Depreciation and amortisation expense		(5,486)	-
Finance costs	5	(2,184,630)	(886,473)
Other expenses		(1,134,966)	(473,255)
Profit / (loss) before income tax expense for the year		1,468,563	(1,427,442)
Income tax (expense) / benefit	6	(440,569)	428,140
Profit / (loss) after income tax (expense) / benefit for the year		1,027,994	(999,302)
Other comprehensive income		-	472,862
Total comprehensive income / (loss) for the year		<u>1,027,994</u>	<u>(526,440)</u>
Profit for the year is attributable to:			
Non-controlling interest		(2,283)	-
Owners of Velocity Holdings Pty Ltd		<u>1,030,277</u>	<u>(526,440)</u>
		<u>1,027,994</u>	<u>(526,440)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2016

	Note	2016 \$	2015 \$
Assets			
Current assets			
Cash and cash equivalents	7	3,316,785	458,940
Trade and other receivables	8	343,492	64,749
Trading stock	9	29,173,453	15,236,854
Prepayments and deposits		71,721	1,257
Total current assets		32,905,451	15,761,800
Non-current assets			
Other	10	44,157	36,884
Investment properties	12	4,046,126	1,288,809
Property, plant and equipment		14,981	-
Intangible assets		7,452	-
Deferred Tax	11	-	431,118
Total non-current assets		4,112,716	1,756,811
Total assets		37,018,167	17,518,611
Liabilities			
Current liabilities			
Trade and other payables	13	414,908	847,419
Borrowings	14	30,033,322	10,131,583
Income tax	15	2,878	2,978
Employee Benefits	16	13,187	-
Redeemable preference shares		729,679	-
Total current liabilities		31,193,974	10,981,979
Non-current liabilities			
Borrowings	14	5,308,564	7,055,630
Deferred tax	11	6,573	-
Total non-current liabilities		5,315,137	7,055,630
Total liabilities		36,509,112	18,037,610
Net assets / (liabilities)		509,055	(518,999)
Equity			
Issued capital	17	7,441	7,441
Reserves	18	472,862	472,862
Retained profits		30,975	(999,302)
Equity attributable to the owners of Velocity Holdings Pty Ltd		511,278	(518,999)
Non-controlling interest		(2,223)	-
Total Equity		509,055	(518,999)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2016

	Issued capital	Reserves – Predecessor Accounting	Retained profits	Non- controlling interest	Total equity
Consolidated	\$	\$	\$	\$	\$
Balance at 1 July 2014	-	-	-	-	-
Profit after income tax expense for the year	-	-	(999,302)	-	(999,302)
Other comprehensive income for the year	-	472,862	-	-	472,862
Total comprehensive income for the year	-	472,862	(999,302)	-	(526,440)
<i>Transactions with owners in their capacity as owners:</i>	-	-	-	-	-
Contributions of equity, net of transaction costs	7,441	-	-	-	7,441
Balance at 30 June 2015	7,441	472,862	(999,302)	-	(518,999)

	Issued capital	Reserves – Predecessor Accounting	Retained profits	Non- controlling interest	Total equity
Consolidated	\$	\$	\$	\$	\$
Balance at 1 July 2015	7,441	472,862	(999,302)	-	(518,999)
Profit after income tax expense for the year	-	-	1,030,277	(2,283)	1,027,994
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive income for the year	-	-	1,030,277	(2,283)	1,027,994
<i>Transactions with owners in their capacity as owners:</i>	-	-	-	-	-
Contributions of equity, net of transaction costs	-	-	-	60	60
Balance at 30 June 2016	7,441	472,862	30,975	(2,223)	509,055

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016 \$	2015 \$
Cash flows from operating activities			
Receipts from customers		15,256,021	-
Payments to suppliers and employees		(29,852,270)	(15,691,896)
Interest received		6,842	6,455
GST recovered / (paid)		344,351	245,936
Total cash flows used in operating activities	26	(14,245,056)	(15,439,505)
Cash flows from investing activities			
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)
Cash flows from financing activities			
Net proceeds from borrowings		18,154,633	17,187,254
Total cash flows from financing activities		18,154,633	17,187,254
Net increase in cash and cash equivalents		2,857,945	458,940
Cash and cash equivalents at the beginning of the year		458,940	-
Cash and cash equivalents at the end of the year	7	3,316,785	458,940

NOTES TO THE FINANCIAL STATEMENTS

Note 1. Significant accounting policies

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

New, revised or amending Accounting Standards and Interpretations adopted

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

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Basis of preparation

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

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of available for sale financial assets, financial assets and liabilities at fair value through profit or loss, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates

The preparation of the financial statements 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. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 26.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Velocity Holdings Pty Ltd ('company' or 'parent entity') as at 30 June 2016 and the results of all subsidiaries for the year then ended. Velocity Holdings Pty Ltd and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

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,
- Comparative amounts are restated as if the combination had taken place at the beginning of the earliest comparative period presented.

Foreign currency translation

The financial statements are presented in Australian dollars, which is Velocity Holdings Pty Ltd's functional and presentation currency.

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 and expense 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 is recognised when the significant risks and rewards of ownership and effective control of the properties have passed from the consolidated entity 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 the consolidated entity once the contract has become unconditional and it is probable that the settlement will occur in the immediate future.

Rendering of other services

Revenue from other services rendered by the consolidated group is recognised when the service is rendered and the revenue is receivable.

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.

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 each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

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

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

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

The carrying amount of 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.

Tax Consolidation

Velocity Holdings Pty Ltd (the 'head entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime from 7 July 2015. The head entity and each subsidiary in the tax consolidation group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the "separate taxpayer within group" approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from the unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group.

Tax effect accounting by members of the tax consolidated group

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

Tax losses carried forward

The consolidated entity has revenue based tax losses of \$1,891,737 (2015: \$1,920,112) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

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 the consolidated entity'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 the consolidated entity'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. The consolidated entity had no bank overdrafts during the reporting period.

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 will 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, holding 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 by the consolidated entity. 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.

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 measured 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.

Goodwill

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

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.

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 the consolidated entity 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 the consolidated entity 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.

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.

Rounding of amounts

The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to 'rounding off'. Amounts in this report have been rounded off in accordance with that Class Order to the nearest dollar.

New Accounting Standards and Interpretations no yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2016. The impact of any new standards is yet to be assessed by the consolidated entity.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Provision for impairment of receivables

The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the recent sales experience, the ageing of the receivables, historical collection rates, and specific knowledge of the individual debtor's financial position.

Provision for impairment of trading stock.

The provision for impairment of trading stock assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence.

Fair value measurement hierarchy

The consolidated entity is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observed for the asset or liability, either directly or indirectly, and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

Estimation of useful lives of assets

The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously

estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Income tax

The consolidated entity is subject to income taxes in the jurisdiction in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The consolidated entity recognises liabilities for anticipated tax audit issues based on the consolidated entity's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Recovery of deferred tax assets

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

Employee benefits provision

As discussed in note 1, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Note 3. Revenue

	2016 \$	2015 \$
<i>Sales Revenue</i>		
Sale of developed properties	14,607,727	-
Rendering of services	25,541	-
	<u>14,632,969</u>	<u>-</u>
<i>Other Revenue</i>		
Rent from investment properties	30,406	576
Interest	6,842	6,455
	<u>37,248</u>	<u>7,030</u>
Revenue	<u>14,670,217</u>	<u>7,030</u>

Note 4. Other income

	2016 \$	2015 \$
Net fair value gain on investment properties	<u>1,729,473</u>	<u>-</u>

Note 5. Expense

Profit before income tax includes the following specific expenses:

Cost of sales

	2016 \$	2015 \$
Acquisition of properties	4,172,818	-
Planning, development and construction costs	6,819,722	74,743
Sales agents commission	450,894	-
Total cost of sales	11,443,434	74,743

	2016 \$	2015 \$
<i>Finance costs</i>		
Interest, fees and borrowing charges paid/payable	1,902,049	621,901
Foreign exchange loss	282,581	264,572
Total finance costs	2,184,630	886,473

	2016 \$	2015 \$
<i>Employee benefits expense</i>		
Wages and salaries paid/payable	136,461	-
Superannuation paid/payable	12,964	-
Provision for employee leave entitlements	13,186	-
Total employee benefits expense	162,611	-

Note 6. Income tax expense

	2016 \$	2015 \$
<i>Income tax expense</i>		
Current tax	2,878	2,978
Deferred tax differences – origination and reversal of temporary differences (see note 11)	437,691	(431,118)
Aggregate income tax expense	440,569	(428,140)

Numerical reconciliation of income tax expense and tax at the statutory rate

Profit before income tax	1,468,563	(1,427,442)
Tax at the statutory tax rate of 30%	440,569	(428,233)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Fines/penalties	-	93
Adjustment recognised for prior periods	-	-
Income tax expense / (benefit)	440,569	(428,140)

Note 7. Current assets – cash and cash equivalents

	2016 \$	2015 \$
Cash at bank	3,316,785	458,940
	<u>3,316,785</u>	<u>458,940</u>

Cash at bank earns interest at fixed or floating rates based on the daily bank deposit rate.

Reconciliation to cash and cash equivalents at the end of the financial year

The above figures are reconciled to cash and cash equivalents at the end of the financial year as shown in the consolidated statement of cash flows.

Note 8. Current assets – trade and other receivables

	2016 \$	2015 \$
Trade receivables	154,054	-
Less: provision for impairment of receivables	-	-
	<u>154,054</u>	<u>-</u>
Other receivables	189,439	64,749
	<u>343,492</u>	<u>64,749</u>

Impairment of receivables

The consolidated entity has not recognised any loss (2015: \$0) in profit or loss in respect of impairment of receivables for the year ended 30 June 2016.

Past due but not impaired

Balances past due but without provision for impairment of receivables amount to \$150,000 as at 30 June 2016 (\$0 as at 30 June 2015).

The aging of the past due but not impaired receivables are as follows:

	2016 \$	2015 \$
0 to 3 months overdue	150,000	-
3 to 6 months overdue	-	-
Over 6 months due	-	-
	<u>150,000</u>	<u>-</u>

Note 9. Current assets - trading stock

	2016 \$	2015 \$
Development site acquisition: 90 - 94 Oxford Street, Bulimba, Qld	-	4,656,579
Development site acquisition: 462 Hawthorne Road, Bulimba, Qld	-	2,302,678
Development site acquisition: 16 - 24 Lower Clifton Terrace, Red Hill, Qld	11,415,399	4,113,470
Development site acquisition: 1 Nathan Street, Burleigh Heads, Qld	3,782,881	3,330,952
Development site acquisition: 50 Jamieson Street, Bulimba, Qld	1,249,117	833,175
Development site acquisition: 46 Cadell Street, Auchenflower, Qld	3,412,537	-
Development site acquisition: 21 - 25 Oxford Terrace and 39 - 43 Ellerslie Crescent, Taringa, Qld	6,498,286	-
Development site acquisition: 372 The Esplanade, Palm Beach, Qld	2,815,233	-
	<u>29,173,453</u>	<u>15,236,854</u>

Note 10. Non-current assets - other

	2016 \$	2015 \$
Professional costs (formation and restructure expenditure)	<u>44,157</u>	<u>36,884</u>

Note 11. Non-current assets and liabilities – deferred tax

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributed to the following:

Consolidated	Assets		Liabilities	
	2016 \$	2015 \$	2016 \$	2015 \$
Development WIP	-	-	(475,096)	(253,035)
Investment property revaluations	-	-	(518,842)	-
Payables	62	-	-	-
Employee provision	2,340	-	-	-
Sundry	-	95,950	-	-
Tax losses (revenue)	988,353	670,569	-	-
	990,755	766,519	(993,937)	(253,035)

Movement in temporary differences during the year

Consolidation	Balance 01/07/14 \$	Recognised in profit or loss \$	Balance 30/06/15 \$
Development WIP	-	(253,035)	(253,035)
Investment property revaluations	-	-	-
Payables	-	-	-
Employee provision	-	-	-
Sundry	-	95,950	95,950
Tax losses (revenue)	-	588,203	588,203
	-	431,118	431,118

Consolidation	Balance 01/07/15 \$	Recognised in profit or loss \$	Balance 30/06/16 \$
Development WIP	(253,035)	(220,061)	(475,096)
Investment property revaluations	-	(518,842)	(518,842)
Payables	-	62	62
Employee provision	-	2,340	2,340
Sundry	95,950	(95,950)	-
Tax losses (revenue)	588,203	396,760	984,963
	431,118	(437,691)	(6,573)

Note 12. Non-current assets – investment properties

	2016 \$	2015 \$
Trading stock now classified as investment properties	4,046,126	1,288,809
<i>Reconciliation</i>		
Reconciliation of the movement in investment properties at the end of the current year and previous financial year are set out below:		
48 Orchard St, Hawthorne, Qld		
Acquisition and development costs	1,371,126	1,288,809
Lot 1, 94 Oxford Street, Bulimba, Qld**		
Acquisition and development costs previously classified as trading		
Stock	489,871	-
Revaluation increments	1,490,129	-
Total Lot 1, 94 Oxford Street, Bulimba, Qld	1,980,000	-
Lot 6, 462 Hawthorn Road, Bulimba, Qld**		
Acquisition and development costs previously classified as trading		
Stock	549,030	-
Accumulated depreciation	(4,030)	-
Revaluation increments	150,000	-
Total Lot 6, 462 Hawthorne Road, Bulimba Qld	695,000	-
Trading stock now classified as investment properties	4,046,126	1,288,809

**The above mentioned properties which were originally intended to be sold upon their completed development, will now be retained for capital gains purposes and treated as investment properties that will derive rental income.

Note 13. Current liabilities – trade and other payables

	2016 \$	2015 \$
Trade payables	376,610	740,536
Other payables	38,298	106,883
	414,908	847,419

Note 14. Borrowings

	2016 \$	2015 \$
<i>Current</i>		
Bank loans – secured	12,918,606	3,560,843
Investor loans – unsecured	17,114,717	6,570,740
	30,033,322	10,131,583
<i>Non-current</i>		
Bank loans – secured	5,282,865	4,048,033
Investor loans – unsecured	25,699	3,007,597
	5,308,564	7,055,630

Assets pledged as security

Australian bank loans are secured by first registered mortgages over the consolidated entity's various development properties (trading stock) and investment properties.

The weighted average effective interest rate at balance date was 3.975% (2015: 3.875%).

Note 15. Current liabilities – Income tax

	2016 \$	2015 \$
Provision for income tax	2,878	2,978

Note 16. Current liabilities – employee benefits

	2016 \$	2015 \$
Employee benefits	13,187	-

Amounts not expected to be settled within the next 12 months

The current provision for employee benefits includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current, since the consolidated entity does not have an unconditional right to defer settlement. However, based on past experience, the consolidated entity does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months.

The following amounts reflect leave that is not expected to be taken in the next 12 months:

	2016 \$	2015 \$
Employee benefits obligation expected to be settled after 12 months	1,318	-

Note 17. Equity – issued capital

	2016 Shares	2015 Shares	2016 \$	2015 \$
Ordinary shares – fully paid	7,153,890	-	7,154	-
D Class shares (voting rights only) – fully paid	28,673	-	287	-
	<u>7,182,563</u>	<u>-</u>	<u>7,441</u>	<u>-</u>

Movements in ordinary share capital

Details	Date	No of shares	Issue price	\$
Balance	30 June 2015	-		-
Issue of shares	2 July 2015	7,153,890	\$0.001	7,154
Issue of shares	2 July 2015	28,673	\$0.01	287
Balance	30 June 2016	<u>7,182,563</u>		<u>7,441</u>

Ordinary shares

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

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each shall have one vote.

Capital risk management

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

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

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

The capital risk management policy remains unchanged.

Note 18. Equity - reserves

	2016 \$	2015 \$
Predecessor accounting reserves	\$472,862	\$472,862

Note 19. Fair value measurement

Fair value hierarchy

The following tables detail the consolidated entity's assets and liabilities, measure or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: (Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
2016				
<i>Assets</i>				
Investment properties	-	\$1,371,126	2,675,000	4,046,126

The basis of the valuation of completed investment properties is fair value. The investment properties are revalued annually and based on independent assessments having recent experience in the location and category of investment property being valued, or, on recent sales of other properties sold by the consolidated entity in the same building as the investment property held. Valuations are based on current prices in an active market for similar properties of the same location and condition, subject to similar leases and takes into consideration occupancy rates and returns on investment.

Note 20. Key management personnel disclosures

Brendon Ansell was the sole key management personnel employed by the consolidated entity during the reporting period. The compensation to key management personnel is stated below.

Compensation

The aggregate compensation made to key management personnel of the consolidated entity is set out below:

	2016 \$	2015 \$
Short term employee benefits	55,385	-
Long term benefits	5,262	-
	<u>55,385</u>	<u>-</u>

Note 21. Remuneration of auditors

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

	2016 \$	2015 \$
<i>Audit services – Crowe Horwath</i>		
Audit of the financial statements	26,000	-
<i>Other services – Crowe Horwath</i>		
Annual regulatory compliance, advice, software subscriptions & other services	112,660	15,855
	<u>138,660</u>	<u>15,855</u>

Note 22. Related party transactions

Parent entity

Velocity Holdings Pty Ltd is the parent entity.

Subsidiaries

Interest is subsidiaries are set out in note 23

Key management personnel

Disclosures relating to key management personal are set out in note 20.

Transactions with related parties

The following transactions occurred with related parties:

	2016 \$	2015 \$
Payment for goods and services:		
Payment for interior design services to Contemporary Concepts (director related entity of Brendon Ansell)	59,652	-
Payment for finance consulting services to Velocity Finance Pty Ltd (director related entity of Brendon Ansell)	60,000	-
Payment for project management and sales services to Velocity Property Qld Pty Ltd (director related entity of Brendon Ansell)	156,225	99,138
Payment for consulting services to Mikayleia Pte Ltd (director related entity of Philip Raff)	165,634	-
Payment for sales commission to 8 Property Agency Pte Ltd	-	48,400
Payment for consulting services to Vue at Red Hill Pte Ltd (major shareholder of Velocity Holdings Pty Ltd)	72,000	232,000
Payment for consulting services to Fusion 462 Pte Ltd (major shareholder of Velocity Holdings Pty Ltd)	64,800	112,500
Payment for consulting services to Oxford Views Pte Ltd (wholly owned subsidiary of 8I Holdings Ltd which is also the sole shareholder of Vue at Red Hill Pte Ltd and Fusion 462 Pte Ltd)	124,800	200,000
	<u>\$703,111</u>	<u>\$692,038</u>
Interest on related party loans:		
Payment for interest to 8I Holdings Ltd (8I Holdings Ltd owns 100% of Vue at Red Hill Pte Ltd and Fusion 462 Pte Ltd which in turn collectively owns 49.9% of Velocity Holdings Pty Ltd)	358,551	44,394
Payment for interest to Raffphi Discretionary Trust (director related entity of Philip Raff)	28,726	-
Payment for interest to Catherine Raff (director related party of Philip Raff)	20,170	-
Payment for interest to Vue at Red Hill Pte Ltd (Vue at Red Hill Pte Ltd is a major shareholder of Velocity Holdings Pty Ltd)	213,740	240,455
Payment for interest to Fusion 462 Pte Ltd (Fusion 462 Pte Ltd is a major shareholder of Velocity Holdings Pty Ltd)	130,482	170,667
Payment for interest to Oxford Views Pte Ltd (wholly owned subsidiary of 8I Holdings Ltd which is also the sole shareholder of Vue at Red Hill Pte Ltd and Fusion 462 Pte Ltd)	299,886	368,174
	<u>1,051,555</u>	<u>823,690</u>

Current payables:

There were no trade payables to related parties at the end of the current or previous financial year.

Loans to related parties

There were no loans to related parties at the end of the current or previous financial year.

Loans from related parties

The following loans from related parties existed at the end of the financial year.

	2016	2015
	\$	\$
Catherine Raff (director related party of Philip Raff)	351,798	-
Raffphi Discretionary Trust (director related entity of Philip Raff)	428,726	24,600
Vue at Red Hill Pte Ltd (Vue at Red Hill Pte Ltd is a major shareholder of Velocity Holdings Pty Ltd)	-	1,443,694
Fusion 462 Pte Ltd (Fusion 462 Pte Ltd is a major shareholder of Velocity Holdings Pty Ltd)	-	2,364,373
Oxford Views Pte Ltd (wholly owned subsidiary of 8I Holdings Ltd which is also the sole shareholder of Vue at Red Hill Pte Ltd and Fusion 462 Pte Ltd)	-	1,016,647
Velocity Property Qld Pty Ltd (director related entity of Brendon Ansell)	-	76,107
8I Holdings Ltd (8I Holdings Ltd owns 100% of Vue at Red Hill Pte Ltd and Fusion 462 Pte Ltd which in turn collectively owns 49.9% of Velocity Holdings Pty Ltd)	-	3,189,719
	780,524	8,115,140

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates, except for the following;

- Loan from 8I Holdings Ltd for \$99,800 for start-up working capital had an interest rate of 0%
- Loan from Velocity Property Qld Pty Ltd for \$75,600 for start-up working capital had an interest rate of 0%
- Loan from Raffphi Discretionary Trust for \$24,600 for start-up working capital had an interest rate of 0%

Note 23. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following wholly-owned subsidiaries in accordance with the accounting policy described in note 1:

	Principal place of business / Country of incorporation	Ownership interest	
		2016 %	2015 %
Velocity Project Marketing Pty Ltd	Australia	100.00%	0.00%
Velocity Property Hawthorne Pty Ltd	Australia	100.00%	0.00%
46 Cadell Pty Ltd	Australia	100.00%	0.00%
Fusion 462 Pty Ltd	Australia	100.00%	0.00%
39 Ellerslie Pty Ltd	Australia	100.00%	0.00%
48 Orchard Street Pty Ltd	Australia	100.00%	0.00%
Vue at Red Hill Pty Ltd	Australia	100.00%	0.00%
Velocity Property Red Hill Pty Ltd	Australia	100.00%	0.00%
1 Nathan Street Pty Ltd	Australia	100.00%	0.00%
Velocity Property Group Pty Ltd	Australia	100.00%	0.00%
Velocity Holdings No 1 Pty Ltd	Australia	100.00%	0.00%
Velocity Holdings No 4 Pty Ltd	Australia	100.00%	0.00%
Velocity Property Oxford Pty Ltd**	Australia	0.00%	0.00%
Oxford Views Pty Ltd**	Australia	0.00%	0.00%
372 The Esplanade Pty Ltd	Australia	50.00%	50.00%

** The consolidated financial statements incorporate the assets, liabilities and results of these entities despite the parent entity not legally owning any interest in these entities. At all times throughout the reporting period though the parent entity controlled these entities through its ability to exercise its power over these entities which affected the parent entity's returns from its involvement with these entities. As mentioned in the directors' report, the parent entity took legal ownership of these entities on 19 August 2016.

Note 24. Financial risk management

The consolidated entity's principal financial instruments comprise, receivables, payables, bank loans, investor loans and cash.

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

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

The main risks arising from the consolidated entity's instruments are interest rate risk and liquidity risk. The consolidated entity uses different methods to measure and manage different types of risks to which it is exposed. This includes monitoring levels of exposure to interest rate and assessment of market forecasts for interest rates. Liquidity risk is managed by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Liquidity risk

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

The consolidated entity's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans for project specific developments. The project specific facilities will operate in line with the development of each project.

Facilities are reviewed by the lender annually for compliance with facility terms and covenants.

Remaining contractual maturities

The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument asset and liabilities.

The amounts disclosed in the tables are the contractual cash flows. Where the impact of the discounting is not significant on balances due within 12 months, the amounts disclosed equal their carrying balances.

As at 30 June 2016	1 Year or less	1 – 2 years	2 – 5 years	Over 5 years	Remaining contractual maturities
Financial assets					
Cash	3,316,785	-	-	-	3,316,785
Trade receivables	343,492	-	-	-	343,492
	<u>3,660,277</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,660,277</u>
Financial liabilities					
Trade payables	414,908	-	-	-	414,908
Bank loans	9,164,606	9,036,866	-	-	18,201,472
Investor loans	1,062,883	8,071,939	3,000,000	5,005,593	17,140,415
	<u>10,642,397</u>	<u>17,108,805</u>	<u>3,000,000</u>	<u>5,005,593</u>	<u>35,756,795</u>
Net maturity	<u>(6,982,120)</u>	<u>(17,108,805)</u>	<u>(3,000,000)</u>	<u>(5,005,593)</u>	<u>(32,096,518)</u>

Note 25. Commitments

The consolidated entity has entered into the following construction contracts in the normal course of business which will require payment subsequent to year end:

Red Hill project – \$2,223,417

Jamieson Street project – \$475,095

The consolidated entity has no land acquisition or operating lease commitments in place at the end of the financial year.

Note 26. Parent entity information

The individual financial statements for the parent entity, Velocity Holdings Pty Ltd, show the following aggregate amounts:

	2016 \$	2015 \$
Profit / (loss) for the year	(605,203)	-
Total comprehensive income / (loss)	(605,203)	-
Balance sheet		
Current assets	263,261	-
Non-current assets	16,503,214	-
Total assets	16,766,475	-
Current liabilities	70,298	-
Non-current liabilities	17,301,380	-
Total liabilities	17,371,678	-
Net assets / (liabilities)	(605,203)	-
<i>Shareholders' equity</i>		
Retained earnings / (losses)	(605,203)	-

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

Note 27. Reconciliation of profit after tax to net cash from operating activities

	2016 \$	2015 \$
Operating profit / (loss) after tax	1,027,994	(999,302)
Adjustments for:		
Net fair value loss/(gain) on investment properties	(1,729,473)	-
Depreciation and amortisation	1,456	-
Change in operating assets and liabilities:		
Movement in trade and other receivables	(278,744)	(64,749)
Movement in trading stock	(13,206,860)	(14,756,551)
Movement in prepayments	(21,721)	-
Movement in other operating assets	(56,016)	(38,141)
Movement in trade and other payables	(432,511)	847,419
Movement in tax payable	(59)	2,937
Movement in provision for employee benefits	13,187	-
Movement in deferred tax liability	437,691	(431,118)
Net cash from the operating activities	(14,245,056)	(15,439,505)

DIRECTORS DECLARATION

In the directors' opinion:

- The attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- The attached financial statements and notes comply with the International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- The attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the financial year ended on that date;
- There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

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

On behalf of the directors



Brendon Ansell
Director

14 October 2016
Brisbane

Independent Auditor's Report

To the members of Velocity Holdings Pty Ltd

Report on the financial statements

We have audited the accompanying financial report of Velocity Holdings Pty Ltd and, which comprises the statements of financial position as at 30 June 2016, the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company and the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Opinion

In our opinion the financial report of Velocity Holdings Pty Ltd is in accordance with the *Corporations Act 2001*, including:

- i. giving a true and fair view of the company and consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
- ii. complying with Australian Accounting Standards, and the *Corporations Regulations 2001*.



Crowe Horwath Brisbane



Cameron Henry
Partner

Signed at Brisbane, 14 October 2016