

Velocity Property Group Limited

ABN: 66 605 935 153

APPENDIX 4D

Financial statements for the half year ended 31 December 2016

(previous corresponding period 31 December 2015)

RESULTS FOR ANNOUNCEMENT TO THE MARKET

	\$	Up / Down	% Movement
Revenues from ordinary activities	8,838,610	up	28370%
Profit / (loss) after tax from ordinary activities attributable to the owners of Velocity Property Group	(114,697)	up	-87%
Profit / (loss) after tax attributable to the owners of Velocity Property Group Limited	(114,697)	up	-87%

Dividend Information

To date, the directors have not proposed to pay any interim / final dividends.

Comments

The large percentage movement reported at 'revenues from ordinary activities' arises because Velocity Property Group had revenues from ordinary activities in the corresponding period of only \$31,045 as none of its developments had been completed by 31 Dec 2015.

The negative percentage movement reported at the 'profit / (loss) after tax' line items above despite the change being reported as 'up' is because a smaller net loss is reported in this period compared to the corresponding period.

Net tangible assets

		Dec-16	Dec-15
Net tangible assets per ordinary security	\$	0.02	(\$0.23)

Entities over which control has been gained or lost

There were no entities over which control was gained during the period.

There were no disposals of controlled entities during the period.

VELOCITY PROPERTY GROUP LIMITED
and its Controlled Entities

ABN 66 605 935 153

Consolidated interim financial report
for the half year ended
31 December 2016

Directors' report

The Directors present their report together with the financial report of Velocity Property Group Limited and its controlled entities (Velocity or the Group), for the half-year ended 31 December 2016 and the independent auditor's report thereon.

Directors

The following persons held office as Directors of Velocity Property Group Limited during the financial period:

Mr Brendon Ansell, CEO

Mr Michael Pearson, Non-Executive Chairman (Appointed 24 October 2016)

Mr Philip Raff, Executive Director (Appointed 15 August 2016)

Ms Cherie Leatham, Non-Executive Director (Appointed 24 October 2016)

Mr Phillip Young (Appointed: 15 August 2016. Resigned 24 October 2016)

Principal activities

Velocity Property Group Limited is a company limited by shares that is incorporated and domiciled in Australia. The principal activity of the consolidated entity is property development.

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

Consolidated result

The consolidated loss after income tax for the half-year attributable to members of Velocity Property Group Limited was \$114,697 (1H 2016: \$873,643 loss)

Review and results of operations

- Net loss after tax of \$114,697 with earnings weighted to the second half of the financial year as existing projects such as Vue at Red Hill (QLD) and Orchard Street (QLD) are delivered and / or settled.
- Directors advise that a full year profit is expected.
- \$230,000 in costs were expensed in the period associated with the successful listing of Velocity on the ASX on 7 February 2017 raising \$10.6M.
- Net repayment of borrowings totalling \$3,577,709, primarily from settlements at Vue at Red Hill.
- Construction of the luxury ONE Burleigh Headland project on the Gold Coast has begun with only 3 apartments remaining to be sold. Subsequently, of the three remaining, two conditional contracts have been sent to prospective buyers.
- Net tangible assets per share increased to \$0.02 (1H 2016: -\$0.23).

Group Development Portfolio

As at 31 December 2016, Velocity's development pipeline comprised of 7 active projects in south-east Queensland. The active projects consist of a mixture of multi-unit residential, housing and commercial, providing a healthy portfolio of premium, quality projects to be delivered over the next two to three years.

These projects include Vue at Red Hill, One Burleigh Headland, One Palm Beach, The Hathaway at Auchenflower, Ellerslie Crescent at Taringa, 48 Orchard Street, Hawthorne and 50 Jamieson Street, Bulimba. We are confident the Group's portfolio will contribute positively to the future earnings of the Company.

During the period, Velocity acquired the remaining sites located at 1331 Gold Coast Highway finalising the acquisition for the One Palm Beach project. No further acquisitions were made in the period as Velocity was not able to reach agreement on terms favourable to Velocity. Growing our development portfolio is a key

focus area within Velocity and this was emphasised with the recent appointment of an Acquisitions Manager. Velocity is actively pursuing the market for new sites to build our pipeline for the medium to long term in line with our strategy and brand to give our shareholders confidence in our forward earnings potential.

Development activities

In Brisbane, the recently completed projects:

- Vue at Red Hill (a premium 32 Apartment project); and
- 50 and 52 Jamieson Street, Bulimba (luxury houses); and
- 48 Orchard Street, Hawthorne (a commercial redevelopment now fully leased).

Velocity's current development activities include our Gold Coast projects:

- ONE Palm Beach, (a luxury prime direct beachfront 17 Penthouse development with construction and marketing commencing early 2017); and
- ONE Burleigh Headland (a luxury beachside 9 Penthouse development where construction commenced late 2016).

Additionally, our pipeline projects comprising:

- The Hathaway at Auchenflower (recently approved by Brisbane City Council for 11 luxury Penthouses, 3 luxury Town homes and 1 heritage listed house. Construction and marketing to commence early 2017); and
- Ellerslie Crescent at Taringa (a premium 4000sqm hilltop site awaiting approval from Brisbane City Council for 11 luxury Town homes, 4 luxury houses and 8 premium Penthouses).

Capital Management and Dividends

The Directors do not anticipate paying a dividend in the short term. Future dividend payments will depend on profitability and the Directors assessment of our best use of capital.

Velocity significantly reduced its borrowings during the period however it will continue to make use of secured and unsecured debt facilities to fund the Group's increasing development activities allowing capital to be retained for future acquisitions. The unsecured debt facilities, together with secured bank debt facilities, provide a favourable cost of debt capital structure for the Group.

Events occurring after the balance sheet date

Velocity was admitted to the official list of the Australian Stock Exchange on 1 February 2017. Official quotation of Velocity's securities commenced at 11:00am (Sydney time), on 7 February 2017.

Rounding

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with the Class Order, amounts in the financial report and Directors' report have been rounded to the nearest thousand dollars, unless otherwise stated.

Auditor Independence

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on the following page.

The report is made in accordance with a resolution of the Directors.



Mr Brendon Ansell
Director and CEO
Dated at Brisbane this 27 February 2017

Auditor's Independence Declaration

As auditor for the review of Velocity Property Group Limited for the half year ended 31 December 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 review; and
- ii. no contraventions of any applicable code of professional conduct in relation to the review.

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



Crowe Horwath Brisbane



Cameron Henry

Partner

Signed at Brisbane, 27 February 2017

Velocity Property Group Limited
Consolidated Statement of Comprehensive Income
For the half year ended 31 December 2016

	Notes	31 December 2016 \$	31 December 2015 \$
Revenue from the sale of properties		8,702,876	-
Other revenue from operations	2(a)	135,734	31,045
Total revenues		8,838,610	31,045
Cost of property development and construction	2(b)	7,351,830	21,896
Employee benefits expense		318,896	34,620
Depreciation and amortisation expense		3,340	-
Administration and other expenses		1,445,356	1,222,590
Total expenses		9,119,422	1,279,106
Profit before income tax		(280,812)	(1,248,061)
Income tax (expense) / benefit		84,244	374,418
Net profit / (loss) after income tax (expense) / benefit for the year		(196,568)	(873,643)
Other comprehensive income / (loss) for the year		-	-
Total comprehensive income / (loss) for the year		(196,568)	(873,643)
Profit for the year is attributable to:			
Non-controlling interest		(81,871)	-
Owners of Velocity Property Group Limited		(114,697)	(873,643)
		(196,568)	(873,643)
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the group:		Cents	Cents
Basic and diluted earnings per share		(\$0.0004)	(\$0.12)

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

Velocity Property Group Limited
Consolidated Statement of Financial Position
For the half year ended 31 December 2016

	Notes	31 December 2016 \$	30 June 2016 \$
Assets			
Current assets			
Cash and cash equivalents		1,222,825	3,316,785
Trade and other receivables	3	127,095	343,492
Trading Stock	4	30,813,534	29,173,453
Other		6,400	71,721
Total current assets		32,169,854	32,905,451
Non-current assets			
Other		-	44,157
Investment Properties	5	4,558,857	4,046,126
Property, plant and equipment		17,842	14,981
Intangible assets		6,443	7,452
Deferred tax		74,460	-
Total non-current assets		4,657,602	4,112,716
Total assets		36,827,456	37,018,167
Liabilities			
Current liabilities			
Trade and other payables	6	1,564,490	414,908
Borrowings	7	20,970,662	30,033,322
Income tax		2,878	2,878
Employee Benefits		26,387	13,187
Redeemable preference shares	8	3,196,821	729,679
Total current liabilities		25,761,238	31,193,974
Non-current liabilities			
Borrowings	7	5,860,468	5,308,564
Deferred Tax		-	6,573
Total non-current liabilities		5,860,468	5,315,137
Total liabilities		31,621,706	36,509,111
Net assets		5,205,750	509,056
Equity			
Issued capital	9	4,900,704	7,441
Reserves	10	472,862	472,862
Retained profits		(83,722)	30,975
Equity attributable to the owners of Velocity Property Group Limited		5,289,844	511,278
Equity attributable to non-controlling interest		(84,094)	(2,223)
Total equity		5,205,750	509,055

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

Velocity Property Group Limited
Consolidated statement of changes in equity
For the half year 31 December 2016

	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	-	-	(873,643)	-	(873,643)
Other comprehensive income for the year	-	-	-	-	-
	-	-	(873,643)	-	(873,643)
Balance at 31 December 2015	<u>7,441</u>	<u>472,862</u>	<u>(1,872,945)</u>	<u>-</u>	<u>(1,392,642)</u>
Balance at 1 July 2016	7,441	472,862	30,975	(2,223)	509,055
Profit after income tax expense for the year	-	-	(114,697)	(81,871)	(196,568)
Other comprehensive income for the year	-	-	-	-	-
	-	-	(114,697)	(81,871)	(196,568)
Transactions with owners in their capacity as owners:					
Shares issued, net of transaction costs	4,893,550	-	-	-	4,893,550
Share redemption	(287)	-	-	-	(287)
Balance at 31 December 2016	<u>4,900,704</u>	<u>472,862</u>	<u>(83,722)</u>	<u>(84,094)</u>	<u>5,205,750</u>

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

Velocity Property Group Limited
Consolidated statement of cash flows
For the half year 31 December 2016

	31 December	31 December
	2016	2015
	\$	\$
Cash flows from operating activities		
Receipts from customers	9,882,325	96,822
Payments to suppliers and employees	(7,699,317)	(9,667,799)
Interest received	7,223	5,804
GST recovered / (paid)	(188,558)	555,339
Net cash inflow / (outflow) from operating activities	2,001,673	(9,009,834)
Cash flows from investing activities		
Payment for property, plant and equipment	(5,193)	-
Payment for investment properties	(512,731)	(38,073)
Net cash inflow / (outflow) from investing activities	(517,924)	(38,073)
Cash flows from financing activities		
Net proceeds from / (repayment) of borrowings	(3,577,709)	8,969,970
Net cash inflow / outflow from financing activities	(3,577,709)	8,969,970
Net increase / (decrease) in cash and cash equivalents	(2,093,960)	(77,937)
Cash and cash equivalents at the beginning of the financial year	3,316,785	458,940
Cash and cash equivalents at the end of the period	1,222,825	381,003

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

Velocity Property Limited
Notes to the consolidated financial statements
For the half year 31 December 2016

1 Summary of significant accounting policies

Basis of preparation of half-year report

Corporate information

These interim financial statements are the consolidated interim financial statements of the consolidated entity consisting of Velocity Property Group Limited and its controlled entities (the "Group" or "Velocity") and are presented in Australian dollars.

Velocity Property Group Limited is a company limited by shares, incorporated and domiciled in Australia. Velocity's principal activity is residential property development. Its registered office and principal place of business is:

Unit 9, 462 Hawthorne Road
Bulimba, Queensland, 4171

The half year financial report does not include all notes of the type normally included within the annual financial report. It should be read in conjunction with the annual financial report of Velocity Property Group Limited as at 30 June 2016 and considered with any public announcements made by the Group.

Basis of accounting

The half year financial report is an interim consolidated financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, applicable Accounting Standards including AASB 134 *Interim Financial Reporting*.

Changes in accounting policy, disclosures, standards and interpretations

The accounting policies applied in the half year financial report are consistent to those applied by the consolidated entity in the financial report of Velocity Property Group Limited for the year ended 30 June 2016.

2 Revenue and expenses

(a) Other revenues	31 December	31 December
	2016	2015
	\$	\$
Commission on property sales	28,315	25,241
Rental income	26,071	4,365
Interest received	7,223	1,439
Other revenue	74,125	
	135,734	31,045
(b) Cost of property development and construction		
Cost of goods sold	6,649,940	21,339
Finance costs	701,890	557
	7,351,830	21,896

3 Trade and other receivables

	31 December	30 June
	2016	2016
	\$	\$
Current		
Trade receivables	127,025	154,054
Less: provision for impairment of receivables	-	-
	127,025	154,054
Other receivables	70	189,439
	127,095	343,493

Velocity Property Limited
Notes to the consolidated financial statements
For the half year 31 December 2016

4 Trading stock

Trading stock expected to be realised within 12 months

Development costs for land held for development and sale	13,361,780	12,664,516
Less: provision for net realisable value	-	-
	13,361,780	12,664,516

Trading stock expected to be realised after 12 months

Development costs for land held for development and sale	17,451,754	16,508,937
Less: provision for net realisable value	-	-
	17,451,754	16,508,937
	30,813,534	29,173,453

5 Investment properties

Investment properties comprised land and buildings held or being developed for long term rental yields, capital appreciation and are not occupied by the Group. Revenue from the rental yields is included included at note 2(a). Investment properties being developed are carried at cost value. Investment properties that are available for leasing are carried at fair market value.

	31 December 2016 \$	30 June 2016 \$
48 Orchard Street, Hawthorne QLD *		
Acquisition and development costs	1,805,669	1,371,126
Lot 1, 94 Oxford Street, Bulimba QLD **		
Acquisition and development costs	568,058	489,871
Fair market value increments - 30 June 2016	1,490,129	1,490,129
	2,058,187	1,980,000
Lot 6, 462 Hawthorne Road, Bulimba QLD		
Acquisition and development costs	545,001	545,000
Fair market value increments - 30 June 2016	150,000	150,000
	695,001	695,000
	4,558,857	4,046,126

* This property was completed and certificate of classification issued on 8 February 2017. This property is fully occupied with annual lease income totalling \$170,000 per annum.

** Additional costs were incurred in the half year to 31 December 2016 to fit out this property to secure a tenant. This property is now subject to an unconditional contract for sale for \$2,050,000 and is due to settle in April 2017.

6 Trade and other payables

	31 December 2016 \$	30 June 2016 \$
Current		
Trade payables	1,019,676	376,610
Other payables	544,814	38,298
	1,564,490	414,908

Velocity Property Limited
Notes to the consolidated financial statements
For the half year 31 December 2016

7 Borrowings

Current

Bank loans - secured	9,210,638	12,918,606
Investor loans - unsecured	11,760,024	17,114,717
	20,970,662	30,033,323

Non-current

Bank loans - secured	5,860,468	5,282,865
Investor loans - unsecured	-	25,699
	5,860,468	5,308,564

8 Redeemable preference shares

P Class redeemable preference shares in 372 The Esplanade Pty Ltd ('372') carry no voting rights and were issued to the previous owner of the properties being acquired by 372. The preference shares are debt instruments in lieu of an equity contribution for the properties acquired by 372. The preference shares can be redeemed at call.

	31 December 2016	30 June 2016
	\$	\$
P Class redeemable preference shares	3,196,821	729,679

9 Issued Capital

(a) Movements in ordinary share capital

Details	Date	Number of shares	\$
Opening balance	1/07/2016	7,153,890	7,154
Shares issued	19/08/2016	2,846,110	2,846
Share split 1:25	19/09/2016	240,000,000	-
Shares issued	22/09/2016	58,587,267	4,933,048
Costs incurred to raise capital	31/12/2016	-	(42,344)
		308,587,267	4,900,704

(b) Movements in D class share capital

Details	Date	Number of shares	\$
Opening balance	1/07/2016	28,673	287
Redemption	14/09/2016	(28,673)	(287)
		-	-

10 Reserves

	31 December 2016	30 June 2016
	\$	\$
Predecessor accounting reserve	472,862	472,862

11 Events occurring after balance sheet date

Velocity was admitted to the official list of Australian Stock Exchange on 1 February 2017. Official Quotation of Velocity's securities commenced at 11:00am (Sydney time), on 7 February 2017.

In accordance with a resolution of the directors of Velocity Property Group Limited, I state that:

In the Directors' opinion:

- a) The financial statements and notes of Velocity Property Group Limited for the half year ended 31 December 2016 are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half year ended on that date; and
 - (ii) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.
- b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.



Mr Brendon Ansell
Director
27 February 2017

Independent Auditor's Review Report

To the members of Velocity Property Group Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Velocity Property Group Limited and its controlled entities, which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

Directors' responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that 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 a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Company's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Velocity Property Group Limited and its controlled entities, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Velocity Property Group Limited and its controlled entities is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the Company's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.



Crowe Horwath Brisbane



Cameron Henry
Partner

Signed at Brisbane, 27 February 2017