

1. Company details

Name of entity:	Velocity Property Group Limited
ABN:	66 605 935 153
Reporting period:	For the half-year ended 31 December 2018
Previous period:	For the half-year ended 31 December 2017

2. Results for announcement to the market

			\$
Revenues from ordinary activities	up	29,007% to	27,310,076
Profit from ordinary activities after tax attributable to the owners of Velocity Property Group Limited	up	205% to	1,290,759
Profit for the half-year attributable to the owners of Velocity Property Group Limited	up	205% to	1,290,759
		31 Dec 2018	31 Dec 2017
		Cents	Cents
Basic earnings per share		0.36	(0.34)
Diluted earnings per share		0.36	(0.34)

Dividends

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

Comments

The profit for the Group after providing for income tax and non-controlling interest amounted to \$1,290,759 (31 December 2017: loss of \$1,232,919).

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	5.64	4.96

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

Velocity Property Group Limited

ABN 66 605 935 153

Interim financial report - 31 December 2018

Velocity Property Group Limited
Contents
31 December 2018



Directors' report	2
Auditor's independence declaration	4
Statement of comprehensive income	5
Statement of financial position	6
Statement of changes in equity	7
Statement of cash flows	8
Notes to the financial statements	9
Directors' declaration	12
Independent auditor's review report to the members of Velocity Property Group Limited	13

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Velocity Property Group Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2018.

Directors

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

Mr Michael Pearson, Non-Executive Chairman
Mr Brendon Ansell, Managing Director
Miss Cherie Leatham, Non-Executive Director
Mr Philip Raff, Executive Director

Principal activities

Velocity is an Australian boutique property development company that develops multi-unit apartment and mixed commercial developments, recognisable for their stylish architectural design, high quality finishes and usable and flexible spaces that maximise lifestyle and sale-ability in the markets in which it operates. During the period, the principal continuing activities of the group consisted of:

- property development (residential multi-unit apartments, residential townhouses and homes and mixed commercial)
- property investment (residential)

The delivery of the group's projects is completed by specialist in-house staff experienced in land acquisition, project due diligence, feasibility analysis, project management, and marketing. Construction and design of the projects are tendered out to external parties.

Consolidated result

The profit for the Group after providing for income tax and non-controlling interest amounted to \$1,290,759 (31 December 2017: loss of \$1,232,919).

Review and results of operations

- Net profit after tax and after providing for non-controlling interests of \$1,290,759, driven by initial settlements at The Hathaway and ONE Palm Beach.
- The Group's revenue from sale of properties was \$27,052,958 (1H18: \$0). Revenue from further sales at The Hathaway and ONE Palm Beach is expected during the 2nd half of FY19.
- Construction has progressed on the Ellerslie Crescent Residences with initial sales also expected in the 2nd half of FY19.
- Due to a weakening AUD, the result was impacted by an unrealised foreign exchange loss of \$451,957 (before tax) arising from the Group's SGD denominated borrowings.
- The Group achieved development margins across the portfolio of 19% on revenue and 23% return on costs (including marketing costs, which are expensed ahead of recognising revenue).
- Construction funding secured for Parque on Oxford and ONE Bulimba Riverfront projects, both of which are due for completion in FY20.
- Earnings per share based on the ordinary shares on issue at balance date was 0.36 cents (2017: -0.34 cents).
- Net tangible assets per share increased to \$0.0564 (2017: \$0.0458) representing growth of 23%.

Group development portfolio

The Group continues to be active in the market for opportunities to replenish its development portfolio, with a continued focus on key markets in south-east Queensland, particularly Brisbane and the Gold Coast. The Group is confident that additional development site(s) will be acquired in the 2nd half of FY19, expanding the Group's development pipeline.

Development activities

The Hathaway project is complete with 80% of settlements achieved by balance date. The Group expects the majority of the balance of sales to be achieved in the 2nd half of FY19.

ONE Palm Beach is complete with 41% of settlements achieved by balance date. The Group expects the balance of sales to be achieved evenly over the course of the 2nd half of FY19 and the 1st half of FY20.

Renovation of the heritage house and construction of the 3 luxury homes at Ellerslie Crescent continued with completion now expected in the January to March 2019 quarter due to construction delays. Initial sales are anticipated to be received before the end of FY19.

Construction of the Parque on Oxford townhouses and apartments has continued to progress with completion and initial sales expected in the first half of FY20.

The Group's latest signature project at ONE Bulimba Riverfront continues to progress well with construction well advanced and on schedule for completion and initial sales in FY20.

Development application approvals were received for The Esplanade, Palm Beach site during the period. Earthworks are scheduled to commence in early FY20.

Capital management and dividends

Cash received from settlement proceeds from completed developments at The Hathaway and ONE Palm Beach were used to repay the respective project finance facilities at these projects. These repayments of borrowings offset the proceeds from borrowings during the period used to fund construction of the Group's existing development pipeline. The Group's borrowings are forecast to increase as construction advances on the current projects and also as the development portfolio is replenished through future site acquisition(s).

Additional funding will continue to be met using a combination of senior debt secured by development sites and other debt facilities while they continue to be available at a reasonable cost. Repayment of borrowings is tied to future project completions to alleviate any reliance on short-term debt.

We do not anticipate paying a dividend in the current financial year.

Significant changes in the state of affairs

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

Matters subsequent to the end of the financial half-year

No matter or circumstance has arisen since 31 December 2018 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

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 306(3)(a) of the Corporations Act 2001.

On behalf of the Directors



Brendon Ansell
Managing Director



Michael Pearson
Chairman

25 February 2019

Auditor's Independence Declaration

As auditor of Velocity Property Group Limited for the half year ended 31 December 2018, I declare that, to the best of my knowledge and belief, there have been:

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

This declaration is in respect of Velocity Property Group Limited during the period.

Crowe Horwath Brisbane

Crowe Horwath Brisbane



John Zabala (FCA)

Partner

Brisbane

Date: 25 February 2019

Crowe Horwath Brisbane is a member of Crowe Horwath International, a Swiss Verein. Each member of Crowe Horwath is a separate and independent legal entity. Liability limited by a scheme approved under Professional Standards Legislation. Liability limited other than for the acts or omissions of financial services licensees.

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

Velocity Property Group Limited
Statement of comprehensive income
For the half-year ended 31 December 2018



	Note	Consolidated	Consolidated
		31 Dec 2018	31 Dec 2017
		\$	\$
Revenue			
Revenue from sale of properties		27,052,958	-
Other revenue from operations	3	<u>257,118</u>	<u>93,827</u>
Total revenue		<u>27,310,076</u>	<u>93,827</u>
Expenses			
Costs of property development and construction	4	(21,971,771)	(238,660)
Employees benefits expense		(557,753)	(608,020)
Depreciation and amortisation expense		(6,346)	(6,032)
Administration and other costs	5	<u>(1,242,368)</u>	<u>(1,031,456)</u>
Total expenses		<u>(23,778,238)</u>	<u>(1,884,168)</u>
Profit/(loss) before income tax (expense)/benefit		3,531,838	(1,790,341)
Income tax (expense)/benefit		<u>(1,041,387)</u>	<u>509,533</u>
Profit/(loss) after income tax (expense)/benefit for the half-year		2,490,451	(1,280,808)
Other comprehensive income for the half-year, net of tax		<u>-</u>	<u>-</u>
Total comprehensive income for the half-year		<u>2,490,451</u>	<u>(1,280,808)</u>
Profit/(loss) for the half-year is attributable to:			
Non-controlling interest		1,199,692	(47,889)
Owners of Velocity Property Group Limited		<u>1,290,759</u>	<u>(1,232,919)</u>
		<u>2,490,451</u>	<u>(1,280,808)</u>
Total comprehensive income for the half-year is attributable to:			
Non-controlling interest		1,199,692	(47,889)
Owners of Velocity Property Group Limited		<u>1,290,759</u>	<u>(1,232,919)</u>
		<u>2,490,451</u>	<u>(1,280,808)</u>
		Cents	Cents
Basic earnings per share		0.36	(0.34)
Diluted earnings per share		0.36	(0.34)

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

Velocity Property Group Limited
Statement of financial position
As at 31 December 2018



	Note	Consolidated 31 Dec 2018	30 Jun 2018
		\$	\$
Assets			
Current assets			
Cash and cash equivalents		5,384,253	3,720,463
Trade and other receivables		17,567	63,290
Inventories	6	66,089,917	64,941,295
Other		690,820	311,308
Total current assets		<u>72,182,557</u>	<u>69,036,356</u>
Non-current assets			
Investment properties	7	7,214,000	7,214,000
Property, plant and equipment		1,097,537	1,095,657
Intangibles		2,441	3,450
Total non-current assets		<u>8,313,978</u>	<u>8,313,107</u>
Total assets		<u>80,496,535</u>	<u>77,349,463</u>
Liabilities			
Current liabilities			
Trade and other payables		3,054,973	3,950,187
Borrowings	8	41,270,650	43,762,671
Employee benefits		34,817	26,062
Redeemable preference shares		3,196,821	3,196,821
Total current liabilities		<u>47,557,261</u>	<u>50,935,741</u>
Non-current liabilities			
Borrowings	9	10,777,068	7,783,343
Deferred tax		1,730,566	689,179
Total non-current liabilities		<u>12,507,634</u>	<u>8,472,522</u>
Total liabilities		<u>60,064,895</u>	<u>59,408,263</u>
Net assets		<u>20,431,640</u>	<u>17,941,200</u>
Equity			
Issued capital		15,216,548	15,216,548
Reserves		472,862	472,862
Retained profits		3,680,266	2,389,518
Equity attributable to the owners of Velocity Property Group Limited		<u>19,369,676</u>	<u>18,078,928</u>
Non-controlling interest		1,061,964	(137,728)
Total equity		<u>20,431,640</u>	<u>17,941,200</u>

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

Velocity Property Group Limited
Statement of changes in equity
For the half-year ended 31 December 2018



Consolidated	Issued capital \$	Reserves - predecessor accounting \$	Retained profits \$	Non-controlling interest \$	Total equity \$
Balance at 1 July 2017	15,216,548	472,862	2,231,705	(77,833)	17,843,282
Loss after income tax benefit for the half-year	-	-	(1,232,919)	(47,889)	(1,280,808)
Other comprehensive income for the half-year, net of tax	-	-	-	-	-
Total comprehensive income for the half-year	-	-	(1,232,919)	(47,889)	(1,280,808)
Balance at 31 December 2017	15,216,548	472,862	998,786	(125,722)	16,562,474

Consolidated	Issued capital \$	Reserve - predecessor accounting \$	Retained profits \$	Non-controlling interest \$	Total equity \$
Balance at 1 July 2018	15,216,548	472,862	2,389,507	(137,728)	17,941,189
Profit after income tax expense for the half-year	-	-	1,290,759	1,199,692	2,490,451
Other comprehensive income for the half-year, net of tax	-	-	-	-	-
Total comprehensive income for the half-year	-	-	1,290,759	1,199,692	2,490,451
Balance at 31 December 2018	15,216,548	472,862	3,680,266	1,061,964	20,431,640

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

Velocity Property Group Limited
Statement of cash flows
For the half-year ended 31 December 2018



	Consolidated	
	31 Dec 2018	31 Dec 2017
	\$	\$
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	29,450,526	118,132
Payments to suppliers and employees (inclusive of GST)	(27,657,208)	(26,063,415)
Interest received	26,845	14,753
Interest and other finance costs paid	<u>(198,450)</u>	<u>(127,173)</u>
Net cash from/(used in) operating activities	<u>1,621,713</u>	<u>(26,057,703)</u>
Cash flows from investing activities		
Payments for property, plant and equipment	(7,670)	(1,044,176)
Proceeds from disposal of investment property	-	3,345,002
Proceeds from disposal of property, plant and equipment	<u>-</u>	<u>1,989</u>
Net cash from/(used in) investing activities	<u>(7,670)</u>	<u>2,302,815</u>
Cash flows from financing activities		
Proceeds from borrowings	37,095,607	22,633,544
Repayment of borrowings	<u>(37,045,860)</u>	<u>(1,601,472)</u>
Net cash from financing activities	<u>49,747</u>	<u>21,032,072</u>
Net increase/(decrease) in cash and cash equivalents	1,663,790	(2,722,816)
Cash and cash equivalents at the beginning of the financial half-year	<u>3,720,463</u>	<u>4,853,472</u>
Cash and cash equivalents at the end of the financial half-year	<u>5,384,253</u>	<u>2,130,656</u>

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

Note 1. General information

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

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

Unit 9, 462 Hawthorne Road
 Bulimba, Queensland, 4171

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

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 25 February 2019.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2018 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2018 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

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

Additionally, any new or amended Accounting Standards or Interpretations that are not yet mandatory have also been early adopted.

Note 3. Other revenue from operations

	Consolidated	
	31 Dec 2018	31 Dec 2017
	\$	\$
Rental income	219,553	137,338
Interest received	26,845	14,753
Fair value gain/(loss) on sale of assets	-	(58,264)
Other	10,720	-
	<u>257,118</u>	<u>93,827</u>

Note 4. Costs of property development and construction

	Consolidated	
	31 Dec 2018	31 Dec 2017
	\$	\$
Cost of goods sold	20,675,290	233,585
Finance costs	1,296,481	5,075
	<u>21,971,771</u>	<u>238,660</u>

Note 5. Administration and other costs

	Consolidated	
	31 Dec 2018	31 Dec 2017
	\$	\$
Legal costs	(7,768)	18,867
Finance costs	209,015	157,788
Rental property expenses	109,789	134,357
Other administration expenses	479,375	480,380
Unrealised foreign exchange loss	451,957	240,064
	<u>1,242,368</u>	<u>1,031,456</u>

Note 6. Current assets - inventories

	Consolidated	
	31 Dec 2018	30 Jun 2018
	\$	\$
Trading stock expected to be realised within 12 months	48,319,172	27,049,934
Trading stock expected to be realised after 12 months	17,770,745	37,891,361
	<u>66,089,917</u>	<u>64,941,295</u>

Note 7. Non-current assets - investment properties

	Consolidated	
	31 Dec 2018	30 Jun 2018
	\$	\$
Investment properties	<u>7,214,000</u>	<u>7,214,000</u>

Reconciliation

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

Opening fair value	7,214,000	10,559,002
Disposals	<u>-</u>	<u>(3,345,002)</u>
Closing fair value	<u>7,214,000</u>	<u>7,214,000</u>

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 investment properties is included at note 3. Investment properties being developed are carried at cost value. Investment properties that are available for leasing are carried at fair market value.

The Group's investment property portfolio occupancy rate is currently 100%.

Note 8. Current liabilities - borrowings

	Consolidated	
	31 Dec 2018	30 Jun 2018
	\$	\$
Bank loans	11,286,968	31,120,677
Non-bank loans (unrelated parties)	29,983,682	12,641,994
	<u>41,270,650</u>	<u>43,762,671</u>

Note 9. Non-current liabilities - borrowings

	Consolidated	
	31 Dec 2018	30 Jun 2018
	\$	\$
Bank loans	556,800	1,256,619
Non-bank loans (unrelated parties)	5,010,849	1,571,323
Non-bank loans (related parties)	5,209,419	4,955,401
	<u>10,777,068</u>	<u>7,783,343</u>

In August 2017, the Group entered into a loan agreement with Byron Street Pte Ltd, a related party entity incorporated in Singapore and controlled by Mr Philip Raff, who is an Executive Director of the Group. The commercial terms and the loan agreement itself reflected a transaction that was negotiated on an arm's length basis (or better) for the Group. The terms of the loan agreement are:

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

In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2018 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of Directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the Directors



Brendon Ansell
Managing Director

25 February 2019



Michael Pearson
Chairman

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 (the Company), which comprises the statement of financial position as at 31 December 2018, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the half year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

Responsibilities of the Directors 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 Responsibilities for the Audit of the Half-Year Financial Report

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 Group's financial position as at 31 December 2018 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*.

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

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 Group's financial position as at 31 December 2018 and of its performance for the half-year ended on that date.
- (b) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.



Crowe Horwath Brisbane



John Zabala (FCA)
Partner

Brisbane
Date: 25 February 2019