

2018 Appendix 4E

Preliminary Final Report

Entity Name: Real Estate Investar Group Limited

ACN: 141 276 959

Under ASX Listing Rule 4.3A

Reporting period ("Current Period") Year ended 30 June 2018

Previous corresponding period Year ended 30 June 2017

Results for announcement to the market

					\$
Revenue from ordinary activities	Down	38.6 %	to	2,906,244	
(Loss) from ordinary activities after tax attributable to members	Up	15.3 %	to	(2,561,898)	
Net (Loss) for the period attributable to members	Up	15.3 %	to	(2,561,898)	

Commentary on results for the year

Revenues in FY 2018 decreased 38.6% over the previous corresponding period to \$2.91 million (FY 2017: \$4.73 million) as the Group transitioned its focus to data driven property sales revenues. Whilst progress in monetising the Property Transaction Business Unit was slower than initially anticipated, the Group has made significant changes to its operating structure which has resulted in a profitable Software-as-a-Service (SaaS) Business Unit on a stand-alone basis going forward.

The Group continues to invest in its new Property Transaction Business Unit. This business unit continues to operate at a loss while skills and capabilities are being built out. It is delivering solid growth in lead generation and the focus now is conversion of these leads to sales. The net loss for FY 2018 increased to \$2.56 million (FY 2017: \$2.22 million).

This report is based on accounts which are in the process of being audited.

The commentary on the interim unaudited results for the period is contained in the Market Release accompanying this 4E report.

Dividends

No dividends have been paid or declared during the year or since the end of the year.

Dividend Reinvestment Plans

No dividend reinvestment plan is in place.

Returns to shareholders -

n/a

Unaudited accounts

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 30 June 2018

	Note	2018 \$	2017 \$
Revenue			
Revenue	3	2,906,244	4,729,700
Expenses			
Commissions		(950,245)	(1,517,804)
Costs of website and data		(847,131)	(1,217,607)
Employee benefits expense	4	(1,696,639)	(2,455,356)
Depreciation and amortisation		(496,495)	(484,860)
Occupancy		(149,659)	(148,185)
Marketing		(229,161)	(328,541)
IT and legal		(151,700)	(165,686)
Bad debts and provision for doubtful debts		(73,561)	(11,816)
Impairment expense		(369,216)	-
Other Expenses		(496,591)	(618,944)
		(5,460,398)	(6,948,799)
Finance costs		(27,731)	(27,622)
Finance income		19,987	23,971
Net Finance Costs		(7,744)	(3,651)
Loss before income tax expense from continuing operations		(2,561,898)	(2,222,750)
Income tax expense		-	-
Loss after income tax expense for the year		(2,561,898)	(2,222,750)
Other comprehensive income			
Items that will be reclassified to profit or loss:			
Foreign currency translation differences		(6,360)	(3,472)
Total comprehensive loss for the year		(2,568,258)	(2,226,222)
		Cents	Cents
Earnings per share			
Basic and diluted loss per share (cents per share)	17	(2.38)	(2.63)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

As At 30 June 2018

	Note	2018 \$	2017 \$
Assets			
Current assets			
Cash and cash equivalents	6	107,444	599,823
Receivables	7	1,415,639	1,650,819
Prepayments	7	96,406	132,781
Total current assets		1,619,489	2,383,423
Non-current assets			
Receivables	7	78,243	1,000,966
Property, plant and equipment	8	32,390	56,656
Intangible assets	9	923,101	1,287,301
Total non-current assets		1,033,734	2,344,923
Total Assets		2,653,223	4,728,346
Liabilities			
Current liabilities			
Trade and other payables	10	1,759,295	2,268,054
Current tax liabilities		-	22
Borrowings	11	334,955	234,955
Provision for employee entitlements	5	114,785	127,944
Total current liabilities		2,209,035	2,630,975
Non-current liabilities			
Trade and other payables	10	23,959	321,135
Provision for employee entitlements	5	31,543	22,421
Total non-current liabilities		55,502	343,556
Total Liabilities		2,264,537	2,974,531
Net Assets		388,686	1,753,815
Equity			
Contributed equity	12	12,469,579	11,285,121
Accumulated losses		(12,422,022)	(9,860,124)
Reserves	14	341,129	328,818
Total Equity		388,686	1,753,815

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

Consolidated Statement of Changes in Equity

For the year ended 30 June 2018

	Note	Contributed Equity \$	Accumulated Losses \$	Share Based Payment Reserve \$	Foreign Currency Translation Reserve \$	Total Equity \$
Balance at 1 July 2016		11,285,121	(7,637,374)	92,374	8,298	3,748,419
Loss after income tax expense for the year		-	(2,222,750)	-	-	(2,222,750)
Other comprehensive income for the year						
Exchange difference on translation of foreign operations		-	-	-	(3,472)	(3,472)
Total comprehensive loss for the year		-	(2,222,750)	-	(3,472)	(2,226,222)
Transaction with owners in their capacity as owners:						
Options issued				231,618		231,618
Shares issued, net of transaction costs		-	-	-	-	-
Balance at 30 June 2017		11,285,121	(9,860,124)	323,992	4,826	1,753,815
Balance at 1 July 2017		11,285,121	(9,860,124)	323,992	4,826	1,753,815
Loss after income tax expense for the year		-	(2,561,898)	-	-	(2,561,898)
Other comprehensive income for the year						
Exchange difference on translation of foreign operations		-	-	-	(6,360)	(6,360)
Total comprehensive loss for the year		-	(2,561,898)	-	(6,360)	(2,568,258)
Transaction with owners in their capacity as owners:						
Options vesting	13	-	-	18,671	-	18,671
Shares issued, net of transaction costs		1,184,458	-	-	-	1,184,458
Balance at 30 June 2018	12	12,469,579	(12,422,022)	342,663	(1,534)	388,686

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

Consolidated Statement of Cash Flows

For the Year Ended 30 June 2018

	Note	2018 \$	2017 \$
Cash flows from operating activities			
Receipts from customers		3,782,460	5,045,955
Payments to suppliers and employees		(5,438,656)	(6,229,834)
Income tax paid		(22)	(69,854)
Interest paid		(14,148)	(14,948)
Interest received		1,267	5,050
Net cash flow used in operating activities	15	(1,669,099)	(1,263,631)
Cash flows from investing activities			
Payment for website development		(267,662)	(306,509)
Receipt of research and development claim		160,742	288,842
Payment for property, plant and equipment		(818)	(3,580)
Proceeds from disposal of property, plant and equipment		-	992
Payment for acquisition of business	16	-	(382,424)
Net cash flow used in investing activities		(107,738)	(402,679)
Cash flows from financing activities			
Repayment of borrowings		-	(5,775)
Proceeds from borrowings		100,000	-
Proceeds from issue of shares		1,284,318	-
Payments for equity raising costs		(99,860)	-
Net cash flow from / (used in) financing activities		1,284,458	(5,775)
Net decrease in cash and cash equivalents		(492,379)	(1,672,085)
Cash and cash equivalents at the beginning of the financial period		599,823	2,271,908
Cash and cash equivalents at the end of the financial period	6	107,444	599,823

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

Notes to the accounts

1. Accounting Standards

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

Accounting policies, estimation methods and measurement bases used in this Appendix 4E are the same as those used in the last annual financial statements and the last half-year financial statements.

2. Segment Reporting

The consolidated entity has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources. Operating segments are determined on the basis of financial information reported to the Board.

Accordingly, management currently identifies the consolidated entity as having the following operating segments:

Reportable Segments	Operation
Subscriptions	Online subscription services offering tools, resources and news services to property investors to assist in the identification, analysis, acquisition, tracking and accounting of residential investment property
Transaction Services	Casual non-subscription services provided to members via a paid marketing referral model with accredited partners, including real estate transaction services, finance and mortgage brokerage, insurance brokerage, accounting and SMSF services, financial and estate planning, depreciation reports, and courses and education.
Property	Facilitating sales of newly built and off-the-plan properties from developers or project marketers to investors.

	Reportable Segments			
	Subscriptions	Transaction Services	Property	Total
2018	\$	\$	\$	\$
Segment Revenue - from external customers	2,288,996	12,740	604,508	2,906,244
Gross Profit	841,974	12,740	254,154	1,108,868
<i>Other segment information</i>				
Interest income	19,987	-	-	19,987
Interest expense	(27,731)	-	-	(27,731)
Depreciation and amortisation	(386,594)	-	(109,901)	(496,495)
Bad debts and provision for doubtful debts	-	(73,561)	-	(73,561)
<i>Unallocated Expenses</i>				
Impairment	-	-	-	(369,216)
Net Loss				(2,561,898)

2. Segment Reporting (continued)

	Reportable Segments			
	Subscriptions	Transaction Services	Property	Total
2018	\$	\$	\$	\$
Assets				
Segment assets	967,939	83,187	1,494,653	2,545,779
<i>Unallocated Assets:</i>				
Cash and cash equivalents				107,444
Total Assets				2,653,223
Additions to non-current assets	108,564	-	818	109,382

	Reportable Segments			
	Subscriptions	Transaction Services	Property	Total
2018	\$	\$	\$	\$
Liabilities				
Segment liabilities	1,465,924	-	463,658	1,929,582
<i>Unallocated Liabilities:</i>				
Borrowings				334,955
Total Liabilities				2,264,537

	Reportable Segments			
	Subscriptions	Transaction Services	Property	Total
2017	\$	\$	\$	\$
Segment Revenue - from external customers	3,229,617	213,497	1,286,586	4,729,700
Gross Profit	1,380,264	193,975	420,050	1,994,289
<i>Other segment information</i>				
Interest income	23,971	-	-	23,971
Interest expense	(27,622)	-	-	(27,622)
Depreciation and amortisation	(330,416)	(22,068)	(132,376)	(484,860)
Bad debts and provision for doubtful debts	-	-	(11,816)	(11,816)
<i>Unallocated Expenses</i>				
Impairment	-	-	-	-
Net Loss				(2,222,750)
Assets				
Segment assets	1,571,152	230,597	2,326,774	4,128,523
<i>Unallocated Assets:</i>				
Cash and cash equivalents				599,823
Total Assets				4,728,346
Additions to non-current assets	141,993	-	2,395	144,388

2. Segment Reporting (continued)

	Reportable Segments			
	Subscriptions	Transaction Services	Property	Total
2017	\$	\$	\$	\$
Liabilities				
Segment liabilities	1,646,287	-	1,093,267	2,739,554
<i>Unallocated Liabilities:</i>				
Current tax liabilities				22
Borrowings				234,955
Total Liabilities				2,974,531

	Consolidated Entity	
	2018	2017
	\$	\$
Reconciliation of Gross Profit to Loss before Income Tax		
Gross profit	1,108,868	1,994,289
Operating expenses	(2,723,750)	(3,716,712)
Depreciation	(24,240)	(34,439)
Bad debts and provision for doubtful debts	(73,561)	(11,816)
Amortisation	(472,255)	(450,421)
Impairment	(369,216)	-
Interest income	19,987	23,971
Interest expense	(27,731)	(27,622)
Loss before income tax	(2,561,898)	(2,222,750)

Geographic Information	Revenues from External Customers		Non-Current Assets ¹	
	2018	2017	2018	2017
Australia	2,528,338	3,361,271	934,796	1,309,023
New Zealand	377,906	1,368,429	20,694	34,934
Total	2,906,244	4,729,700	955,490	1,343,957

¹ These non-current assets exclude financial instruments.

Major customers

During 2018 and 2017, no single customer accounted for greater than 10% of the Group's revenue.

3. Revenue and Other Income

	2018	2017
	\$	\$
Revenue and other income		
Revenue		
Subscriptions	2,288,996	3,229,617
Transaction services	12,740	213,497
Property and other income	604,508	1,286,586
Total revenue	2,906,244	4,729,700

4. Employee benefits expense

	2018	2017
	\$	\$
Employee Benefits Expense		
Short-term employee benefits	1,772,823	2,279,392
Post employment benefits	136,734	172,053
Other long term benefits	2,986	15,566
Termination benefits	-	11,539
Equity-settled share-based payments	18,671	231,618
Capitalised salaries & oncosts to website	(234,575)	(254,812)
Total remuneration	1,696,639	2,455,356

Short term employee benefits include payroll on costs and employment related expenses. Superannuation expense for the year ended 30 June 2018 amounted to \$136,734 (2017: \$172,053).

5. Provision for Employee Entitlements

	2018	2017
	\$	\$
Employee Liabilities		
Current		
Short-term employee benefits	89,937	96,736
Post employment benefits	21,417	34,969
Other long term benefits	114,785	127,944
Total current employee benefits (included in trade and other payables)	226,139	259,649
Non current		
Other long term benefits	31,543	22,421
Total non current employee benefits	31,543	22,421

The current portion of these liabilities represents the Group's obligations to its current and former employees that are expected to be settled during the next 12 months and its accrued annual leave liabilities and current accrued long service leave.

6. Cash and Cash Equivalents

	2018	2017
	\$	\$
Cash and cash equivalents		
Cash at bank and in hand	107,426	526,986
Call deposits	18	72,837
	107,444	599,823

7. Trade and Other Receivables

	2018	2017
	\$	\$
Trade and Other Receivables		
Current		
<i>Trade and other receivables</i>		
Trade receivables	577,553	908,095
Provision for doubtful debts	(73,561)	-
Other debtors	14,700	-
	518,692	908,095
<i>Accrued income</i>		
Research and development claim	159,098	164,516
Subscriptions	5,317	6,241
Transaction services	-	10,613
Property transactions	732,532	561,354
	896,947	742,724
Prepayments	96,406	132,781
	96,406	132,781
Non Current		
<i>Trade and other receivables</i>		
Other debtors	2,218	14,700
¹ Loan - South Mapleton Pty Ltd	369,216	350,496
Provision for impairment	(369,216)	-
	2,218	365,196
<i>Accrued income</i>		
Property sales commissions	76,025	635,770
	78,243	1,000,966

¹ The South Mapleton Pty Ltd loan relates to a loan provided to a related party. This loan was outstanding as at 30 June 2018 and accordingly a provision has been made during the reporting period for the full balance outstanding until such time as the loan is either repaid or its collection terms amended.

8. Property, Plant and Equipment

	2018	2017
	\$	\$
Property, plant and equipment		
Office Equipment	108,144	177,208
Less: Accumulated depreciation	(75,856)	(121,076)
	32,288	56,132
Leasehold Improvements	6,780	6,780
Less: Accumulated depreciation	(6,678)	(6,256)
	102	524
Total property, plant and equipment	32,390	56,656

9. Intangible Assets

	2018	2017
	\$	\$
Intangible assets		
Website at cost	2,632,854	2,525,184
Less: Accumulated amortisation	(1,714,628)	(1,251,748)
	918,226	1,273,436
Contracts Database	23,785	24,834
Less: Accumulated amortisation	(18,910)	(10,969)
	4,875	13,865
Total intangible assets	923,101	1,287,301

10. Trade and Other Payables

	2018	2017
	\$	\$
Trade and other payables		
Current		
Trade creditors	1,005,957	1,129,729
Accruals	469,561	668,612
Income in advance	252,101	451,110
Other payables	31,676	18,603
	1,759,295	2,268,054
Non Current		
Accruals - Property Sales Commissions	23,959	321,135
	23,959	321,135

Trade creditors are unsecured and are normally settled within 30 to 60 days.

11. Borrowings

	2018	2017
	\$	\$
Current Borrowings		
Convertible notes related parties	100,000	-
Convertible notes	234,955	234,955
	334,955	234,955

The convertible notes related parties were issued by Real Estate Investar Group Limited as an unsecured convertible note facility of \$350,000 provided by entities associated with directors, Simon Baker and Joe Hanna. As at 30 June 2018, \$100,000 has been drawn down. Interest rate is a non-cumulative coupon rate of 12% per annum.

Convertible notes were issued to Australian Property Monitors Pty and originally had a maturity date of 10 December 2016 or any earlier date on which the Principal Amount of the Note is required to be repaid. The facility repayment or conversion date was extended by a deed of mutual agreement to 30 June 2018 and has verbally been extended further subject to written agreement between Real Estate Investar Group Limited and the noteholder.

12. Contributed Equity

	2018 \$	2017 \$
Ordinary shares - fully paid	13,244,899	11,960,581
Equity raising costs	(775,320)	(675,460)
	12,469,579	11,285,121

The share capital of the consolidated group consists only of fully paid ordinary shares, the shares do not have a par value. All shares are equally eligible to receive dividends and the repayment of capital and represent one vote at the shareholders' meeting of Real Estate Investar Group Ltd.

Movement in Ordinary Share Capital:	2018 Shares	2017 Shares	2018 \$	2017 \$
Balance at 1 July	84,494,604	84,494,604	11,285,121	11,285,121
Issue of shares Private Placement 20 Sep 17	12,674,191	-	506,968	-
Issue of shares Rights Issue 27 Oct 17	17,797,236	-	711,889	-
Issue of shares Rights Issue Shortfall 27 Oct 17	1,636,523	-	65,461	-
Capital raising costs	-	-	(99,860)	-
Total contributed equity at 30 June	116,602,554	84,494,604	12,469,579	11,285,121

13. Share Based Payments

Director Options

The Company granted 3 million share options to the Directors upon the ASX listing on 10 December 2015. These Options vested 31 December 2017.

The options have been issued on the following terms. Each holder is entitled to acquire 1 newly issued Share for each Option held. The Options have been granted for nil consideration and have an exercise price \$0.20 per Option. The Options are exercisable after 31 December 2017 and lapse on 31 December 2020. No options have been exercised in the reporting period.

The options do not carry any dividend or voting rights

Employee Share Option Plan

The Real Estate Investar Group Limited Employee Share Option Plan (ESOP) was approved on 13th November 2015 and gives all staff the opportunity to participate in the plan. Options vest 2 years after grant date if the staff member is still employed by Real Estate Investar Group Limited.

The company granted 1,450,000 share options to employees under the ESOP to eligible employees.

The options have been issued on the following terms. Each holder is entitled to acquire 1 newly issued Share for each Option held. The Options have been granted for nil consideration and have an exercise price \$0.20 per Option. The Options are exercisable after 27 April 2018 and lapse on 27 April 2021.

The options do not carry any dividend or voting rights.

	2018 \$	2017 \$
Share based payment expense for options		
Share-based payment expense recognised during the financial year:		
Vesting of Options issued to employees	1,796	2,774
Vesting of Options issued to directors	16,875	228,844
	18,671	231,618

14. Reserves

The share based payment reserve is used to recognise the value of equity settled share-based payments provided employees, including key management personnel, as part of their remuneration.

The foreign currency translation reserve arises as a result of translating financial statement items from the functional currency into the presentational currency using the exchange rate at the balance sheet date, which differs from the rate in effect rate at the last measurement date.

	Share Based Payment Reserve		Foreign Currency Translation Reserve		Total	
	2018	2017	2018	2017	2018	2017
Movement in Reserves:	\$	\$	\$	\$	\$	\$
Balance at 1 July	323,992	92,374	4,826	8,298	328,818	100,672
Recognition of Director Share Options	16,875	228,844	-	-	16,875	228,844
Recognition of Employee Share Options	1,796	2,774	-	-	1,796	2,774
Recognition of Exchange Differences	-	-	(6,360)	(3,472)	(6,360)	(3,472)
Balance at 30 June	342,663	323,992	(1,534)	4,826	341,129	328,818

15. Reconciliation of Cash Flows from Operating Activities to Operating results

	2018	2017
Reconciliation of Cashflows from Operating Activities	\$	\$
Loss for the period	(2,561,898)	(2,222,750)
Non cash flows in operating result:		
Depreciation	496,495	484,860
Loss on disposal of equipment	-	84
Share based payments expense	18,671	231,618
Doubtful debts expense	73,561	-
Impairment expense	369,216	-
Movements in operating assets and liabilities:		
(Increase)/decrease in trade and other receivables	713,482	53,453
(Increase)/decrease in prepayments	36,375	33,435
Increase)/(decrease) in trade and other payables	(610,986)	445,893
Increase)/(decrease) in income in advance	(199,008)	(286,967)
Increase)/(decrease) in foreign translation reserve	(5,007)	(3,257)
Net cash inflow/(outflow) from operating activities	(1,669,099)	(1,263,631)

16. Acquisition of a Business

On 1 April 2016, the Group acquired the business of The Property Factory Ltd for NZ\$550,000 and paid \$143,409 (NZ\$150,000) prior to 30 June 2016 with the remaining balance of \$382,424 (NZ\$400,000) paid on 6th July 2016.

Consideration transferred	Currency	2018	2017
		\$	\$
Total Consideration paid	AUD	-	(382,424)
Total Consideration paid	NZD	-	(400,000)

17. Earnings Per Share

Earnings per share		2018	2017
		\$	\$
Profit/(Loss) attributable to ordinary shareholders		(2,561,898)	(2,222,750)
Weighted average number of ordinary shares used in basic and diluted earnings per share ¹		107,507,230	84,494,604
Earnings per share	(Cents)	(2.38)	(2.63)
Diluted Earnings per share	(Cents)	(2.38)	(2.63)

¹The weighted average number of ordinary shares for FY2018 was updated to reflect new issues of shares between September and October 2017.

Net tangible assets backing per ordinary share

		2018	2017
Net tangible assets backing per ordinary share	Cents	(0.46)	0.55

Details of entities over which control has been gained or lost

n/a

Details of associates and joint venture entities

n/a

Any other Significant Information

Refer to Media Release.

Trends in performance

Refer to Media Release.

There are no other factors which have affected the results in the period which are likely to affect the result in the future, including those where the effect could not be quantified.

Status of Audit

This report is based on accounts which are in the process of being audited.

The audit report is likely to contain an emphasis of matter regarding the material uncertainty relating to going concern on a similar basis as the audited annual June 2017 accounts and the December 2017 interim accounts.

There is unlikely to be an audit dispute or qualification.

Signed



Simon Baker
Chairman

Date: 31 August 2018