real estate investar group limited

ACN 141 276 959

# ANNUAL REPORT

2019

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# Chairman's letter

On behalf of the Board of Directors and the team at Real Estate Investar, I would like to welcome you to our FY 2019 Annual Report.

FY 2019 was a year of significant change for the business. The unfavourable macro-economic environment saw us exit our underperforming Property Transaction business unit, reduce our operating cost base, and focus on turning around the SaaS business unit.

We have successfully arrested the decline in the SaaS business unit and are now seeing an increase in the number of paying subscribers. In addition, we are now operating on a cash flow break even basis and are exploring investment opportunities in the PropTech space that can leverage the Company's assets and provide new growth opportunities.

Highlights for the year include:

- Completed a strategic review resulting in focusing operations on the SaaS business unit, exploring PropTech investment opportunities, and discontinuing the Property Transactions business unit;

- Captured cost savings in continuing operations of $2.0 million resulting in a 52.4 percent reduction in expenses and a 76.1 percent reduction in EBITDA losses;

- Total income from continuing operations decreased by 26.3 percent due to a decline in SaaS revenues over the first three quarters of the year;

- Turned around the SaaS business unit as reflected in the increase in paying SaaS members in the fourth quarter while continuing to operate profitably;

- Reached operational cash flow break even in the fourth quarter;

- Cash on hand as at 30 June 2019 being c.$0.25 million and commission receivables at settlement totalling approximately c.$0.8 million;

- Successfully completed a $1.4 million capital raise in December 2018 with proceeds reducing debt and providing working capital to fund growth initiatives; and

- Enhanced the leadership team with Clint Greaves stepping down as CEO of the Company, the appointment of Joe Hanna as Executive Director, and the appointment of Sam Plowman as a Non-Executive Director.

I would like to thank my fellow Board members, in particular Joe Hanna who has stepped in and ably lead the team, and the staff at Real Estate Investar for their hard work in FY 2019. Finally, I would like to thank all of our shareholders, partners and customers for their continued support throughout the year as we look to grow the business in FY 2020 and beyond.

Simon Baker

Chairman

# Board of directors

The directors bring to the board relevant experience and skills including commercial and industry knowledge, financial management and corporate governance.

### Simon Baker
### Non-Executive Chairman

Simon Baker was appointed chairman of REIG in November 2010 and serves as chairman of the nomination and remuneration committee.

Simon is an experienced chairman with substantial commercial experience and knowledge within the global real estate technology sector gained through positions as chairman and as a significant investor in numerous businesses.

From 2015 to 2019, Simon was the independent non-executive chairman of ASX listed Mitula Group Limited (ASX: MUA), a leading player in the global online classifieds industry. Mitula Group Limited (ASX: MUA) was successfully sold to a Japanese listed company Lifull Co Ltd (TYO: 2120) in January 2019.

Simon was the former CEO and managing director of the ASX listed REA Group from 2001 through 2008. Simon was also the chairman of ASX listed iProperty Group Limited from 2009 to 2012.

Simon is an investor in multiple prop tech and e-commerce companies.

Simon holds a Bachelor of Science with a major in Computer Science from Monash University and a MBA from the Melbourne Business School.

### Joe Hanna
### Executive Director

Joe Hanna was appointed as executive director of REIG in January 2019 and prior to this, served as non-executive director from October 2015.

Joe has extensive product and technology experience within online classifieds, search and SaaS. He is a serial entrepreneur, having co-founded PredictiveMatch: a behavioral classifieds recommendation technology company, xLabs: an AI tech company delivering world leading webcam eye tracking software, and ModernSearch (Acquired by Mitula in 2010).

From 2015 to 2019, Joe served as a non-executive director of ASX listed Mitula Group Limited (ASX: MUA).

In Nov 2010 ModernSearch (a company Joe founded and grew in 2010) merged with Mitula Classifieds SL. From Nov 2010 - Oct 2012 Joe served as Mitula Classifieds South East Asia CEO and was responsible for growing presence in key South East Asian markets.

Previously Joe spent 8 years at Fairfax Media Ltd in various senior roles.

Joe holds a Bachelor of Business with a major in Computing from the University of Victoria.

### Sam Plowman
### Independent
### Non-Executive Director

Sam Plowman was appointed as a non-executive director of REIG in January 2019 and serves as chairman of the audit committee.

Sam has extensive experience in the prop tech and fin tech industries.  He is the former general manager of Domain and has headed up online banking at both ANZ and NAB, Sam was the CEO for Sandstone a fin tech company, and is currently the CEO at Payment Logic.

Sam is the chairman of Vertical Networks Group - the owner and operator of Artshub and Screenhub, Australia's leading Arts' new sites, and Property Portal Watch, the global leader in online real estate news and conferences.

Sam holds a Bachelor of Business with a major in Marketing from RMIT, and a Graduate Diploma in Finance from the Securities Institute of Australia.

# Corporate governance statement as at 30 June 2019

The corporate governance statement (**Statement**) for Real Estate Investar Group Limited (**REV** or **Company**), has been adopted by the board of directors (**Board**) of the company and is current as at 30 September 2019.

The board is responsible for establishing the corporate governance framework of the Company having regard to the ASX corporate governance council (**CGC**) published guidelines (3rd edition) as well as its corporate governance principles and recommendations. The board guides and monitors the business and affairs of REV on behalf of the shareholders by whom they are elected and to whom they are accountable.

The board is committed to conducting the company's business in accordance with the highest standards of corporate governance to create and deliver value for shareholders. The board has established a corporate governance framework, including corporate governance policies, procedures and charters, to support this commitment. The framework is reviewed regularly and revised in response to changes in law, developments in corporate governance and changes in the business of the company.

A copy of these charters, procedures and policies are available on the corporate governance page of the website: http://www.rei-group.com.au.

REV has assessed its governance practices against the CGC guidelines, which set out recommended governance practices which are likely to achieve good governance outcomes for ASX listed entities in most situations. The ASX Principles are not mandatory, and where the company has not adopted a recommendation, this statement will explain why.

REV's corporate governance practices were in place for the entirety of the year ended 30 June 2019.

Various corporate governance practices are discussed within this statement. For further information on corporate governance policies adopted by REV, refer to our website: http://www.rei-group.com.au.

# DIRECTORS' REPORT

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the "Group") consisting of Real Estate Investar Group Limited (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 2019.

## Director details

The names of the directors in office at any time during, or since the end of the year are:

| Director | Positions held |
|---|---|
| Simon Baker | Non-Executive Chairman |
| Clinton Greaves | Managing Director & Chief Executive Officer (resigned 25 January 2019)<br>Independent Non-Executive Director (resigned 28 June 2019) |
| Joe Hanna | Independent Non-Executive Director (resigned 1 January 2019)<br>Executive Director (appointed 1 January 2019) |
| Ian Penman | Independent Non-Executive Director (retired 29 November 2018) |
| Sam Plowman | Independent Non-Executive Director (appointed 29 January 2019) |

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

## Company secretary

Mr Lee Mitchell BA LLM has held the position of company secretary for the year and was appointed company secretary on 31 July 2015.

He is responsible for legal services and regulatory matters. He holds a Master of Laws from the University of Melbourne. Mr Mitchell has over 20 years' experience in corporate and commercial law and is a former partner of Logie-Smith Lanyon Lawyers, practicing principally in corporate law advising on corporate and securities regulation, capital raisings, formulation and implementation of mergers and acquisitions, corporate governance and ASX compliance matters. Since May 2016, Mr Mitchell established his own practice and is the director of Convergence Legal. Convergence Legal merged with Nicholson Ryan lawyers on 1 September 2018 with Mr Mitchell becoming a director.

## Principal activities

The Real Estate Investar Group Limited is a leading prop tech company that provides investment property analysis, tracking and Software-as-a-Service (SaaS) services to Australian and New Zealand property investors.

The consolidated entity offers property investors a comprehensive suite of free online services to grow its member base and increase its knowledge of members as they engage with these services. It monetises this base via its SaaS offering by providing members with paid memberships for advanced tools and services.

The Group is proactively looking for opportunities to leverage its assets, including its database of property investors, to secure investment in Australian and New Zealand prop tech companies.

## Operating results

The consolidated loss of the Group after providing for income tax amounted to $1,148,099 (2018: loss of $2,561,898).

## Dividends

No dividend has been declared for the financial year ended 30 June 2019 (2018: nil).

## Review of operations

During the financial year a strategic review of the Group's operations was conducted. This resulted in a number of key findings:

- Changes in the macro economic environment placed significant downward pressure on Australian property investors. In particular the decrease in Australian home prices and the tightening of credit, reduced the attractiveness of investment properties;
- The Property transaction business unit failed to grow at an acceptable rate and was unlikely to do so in the short to medium term;
- The SaaS business unit was operating profitably on a contribution margin basis and has upside growth potential;
- The Group has developed valuable assets including its database of current and potential property investors that can be leveraged into other Australian and New Zealand prop tech businesses; and
- The Group needed to improve its financial position by retiring Domain related debt and directors' convertible notes.

As a result of these findings the Group has achieved the following this financial year:

- Closed its property transaction business unit;
- Successfully completed a $1.4 million capital raise to retire debt and fund working capital;
- Focused operations on stabilising and growing the SaaS business unit;
- Reduced operating expenses by c.$1m annualised by successful negotiations with suppliers, shedding of non-value services and overheads;
- Initiated to further leverage its network and has secured a number of lead referral partnership agreements with leading property sales corporations and auxiliary property service providers to assist in increasing the extracted value per member;
- Restructured the management team with Joe Hanna appointed as an executive director; and
- Commenced identification of prop tech investment opportunities that leverage the Groups assets.

In January 2019 the Group completed a restructure of operations, which had resulted in significant reductions of costs in key areas, including data services and employment costs. Clint Greaves stepped down as CEO and a number of other staff changes were made to materially reduce the operating expenses of the Group.

## Significant changes in the state of affairs

During the financial year contributed capital increased by $1,372,571 (net of transaction costs) as a result of new shares issued via a rights issue which took place in January 2019.

The company has also decided to discontinue the operations of its property transaction business unit during the financial year, the board decided that it was the right decision, due to its unsatisfactory performance and future growth opportunities in a difficult market.

## Events after the reporting period

There are no significant events post year end 30 June 2019.

## Future developments

Over the coming year, the Group expects continued growth in member numbers which will, ultimately drive increases in paid SaaS memberships. The Group plans to continue adding to the auxiliary partners and complementary products to expand the suite of tools that are offered to the Australian property investment community.

The SaaS business continues to operate profitably on a stand-alone basis and the focus is on profitable growth of SaaS revenues. Significant cost reductions have been made, particularly in data, listing feeds, and employment costs, to ensure that the SaaS offering can be delivered in a cost effective way.

The Company will continue its pursuit on searching for property technology investment opportunities and are progressing these accordingly.

The Directors believe that Real Estate Investar Group Limited, in conjunction with the opportunities provided by the Australian and New Zealand property investment markets and the expertise of the Board and management, has a strong platform for future growth.

## Environmental issues

The Group's operations are not regulated by any significant environmental regulation under any law of either the Commonwealth or State or Territory of Australia.

## Director information

The following information is current at the date of this report.

| Simon Baker - Non-executive chairman | | |
|---|---|---|
| Date of appointment | 15 November 2010 | |
| Experience and expertise | Simon is an experienced chairman with substantial commercial experience and knowledge within the global real estate technology sector gained through positions as chairman and as a significant investor in numerous businesses.<br><br>From 2015 to 2019, Simon was the independent non-executive chairman of ASX listed Mitula Group Limited (ASX: MUA), a leading player in the global online classifieds industry. Mitula Group Limited (ASX: MUA) was successfully sold to a Japanese listed company Lifull Co Ltd (TYO: 2120) in January 2019.<br><br>Simon was the former CEO and managing director of the ASX listed REA Group from 2001 through 2008. Simon was also the chairman of ASX listed iProperty Group Limited from 2009 to 2012.<br><br>Simon is a Serial Investor , and has invested in many online classifieds and e-commerce companies around the world including Vivareal, Redbubble (ASX:RBL), Mitula Group (ASX:MUA), Vertical Networks Group, Fintonic, Transmit Data and CarAdvice.<br><br>Simon holds a Bachelor of Science with a major in Computer Science from Monash University and a Master of Business Administration from the Melbourne Business School. | |
| Other current Australian listed directorships | Nil | |
| Former Australian listed company Directorships in last 3 years | Non-executive chairman of Mitula Group Limited (ASX: MUA).<br>Appointed 1 April 2015 and Retired 8 January 2019 | |
| Special responsibilities | Chairman of the board<br>Member of the audit committee<br>Chairman of the nomination and remuneration committee (appointed 1 January 2019) | |
| Relevant interests in shares and options | Ordinary shares – Real Estate Investar Group Ltd | 78,488,344 |
| | Options over ordinary shares – Real Estate Investar Group Ltd | 500,000 |
| | Contractual rights to shares – Real Estate Investar Group Ltd | Nil |

## Clint Greaves - Independent non-executive director

| | | |
|---|---|---|
| Date of appointment | 24 November 2010 (Resigned 28 June 2019) | |
| Experience and expertise | Clint was appointed the managing director and chief executive officer of Real Estate Investar Group Limited on the 19th of December 2014. Prior to this, Clint was chief operating officer and executive director appointed 24 November 2010. He has substantial knowledge of the property investment sector having invested in real estate for over 15 years and been involved in a number of residential and commercial developments.<br><br>Clint has extensive senior management experience in operational and financial roles in Australia, New Zealand and the United Kingdom. He has worked in real estate related businesses since 2002 and has been with Real Estate Investar Group since 2010. Prior to this, he worked as a management consultant for Ernst & Young.<br><br>Clint holds a Bachelor of Commerce with a major in Marketing and International Business and a Master of Commerce with a major in Management Science and Information Systems from Auckland University. | |
| Other current Australian listed directorships | Nil | |
| Former Australian listed company<br>Directorships in last 3 years | Nil | |
| Special responsibilities | Chief executive officer (resigned 25 January 2019) | |
| Relevant interests in shares and options | Ordinary shares – Real Estate Investar Group Ltd | 4,379,000 |
| | Options over ordinary shares – Real Estate Investar Group Ltd | 1,000,000 |
| | Contractual rights to shares – Real Estate Investar Group Ltd | Nil |

## Ian Penman - Independent non-executive director

| | | |
|---|---|---|
| Date of appointment | 1 October 2013 (retired 29 November 2018) | |
| Experience and expertise | Ian also served as chief executive officer and managing director of Real Estate Investar Group Limited from 1 February 2014 to 19 December 2014.<br><br>Ian has vast senior management experience including 18 years with IBM in Australia, the US and Europe, before spending 15 years heading up Compaq Computer Corporation in Australia. More recently, Ian was the chief executive officer of Volante Group Limited. | |
| Other current Australian listed directorships | Nil | |
| Former Australian listed company<br>Directorships in last 3 years | Nil | |
| Special responsibilities | Chairman of the audit committee (retired 29 November 2018)<br>Member of the nomination and remuneration committee (retired 29 November 2018) | |
| Relevant interests in shares and options | Ordinary shares – Real Estate Investar Group Ltd | 292,500 |
| | Options over ordinary shares – Real Estate Investar Group Ltd | 500,000 |
| | Contractual rights to shares – Real Estate Investar Group Ltd | Nil |

| Joe Hanna - Executive director | | |
|---|---|---|
| Date of appointment | 1 January 2019 (previously non-executive director from 15 October 2015) | |
| Experience and expertise | Joe has extensive product and technology experience with online classifieds, search and SaaS. He is a serial entrepreneur, having co-founded PredictiveMatch: a behavioural classifieds recommendation technology company, xLabs: an AI tech company delivering world leading webcam eye tracking software, and ModernSearch (Acquired by Mitula in 2010).<br><br>From 2015 to 2019, Joe served as a non-executive director of ASX listed Mitula Group Limited (ASX: MUA), a leading player in the global online classifieds industry. Mitula Group Limited (ASX: MUA) was successfully sold to a Japanese listed company Lifull Co Ltd (TYO: 2120) in January 2019.<br><br>In November 2010 ModernSearch (a company Joe founded and grew in 2010) merged with Mitula Classifieds SL. From Nov 2010 - Oct 2012 Joe served as Mitula Classifieds South East Asia CEO and was responsible for growing presence in key South East Asian markets, and helped shape the companies product and technology strategy.<br><br>Previously Joe spent 8 years at Fairfax Media Limited in senior roles including: product and technology director – online employment at CIO Advantate, and emerging business and technology manager at The Age.<br><br>Joe holds a Bachelor of Business with a major in Computing from the University of Victoria. | |
| Other current Australian listed directorships | Non-executive chairman of Latam Autos Limited (ASX: LAA) (from 26 July 2019) | |
| Former Australian listed company Directorships in last 3 years | Non-executive director of Mitula Group Limited (ASX: MUA).<br>Appointed 1 April 2015 and Retired 8 January 2019 | |
| Special responsibilities | Chairman of the nomination and remuneration committee (until 1 Jan 2019)<br>Member of the audit committee (until 1 January 2019) | |
| Relevant interests in shares and options | Ordinary shares – Real Estate Investar Group Ltd | 26,455,952 |
| | Options over ordinary shares – Real Estate Investar Group Ltd | 4,500,000 |
| | Contractual rights to shares – Real Estate Investar Group Ltd | Nil |

| Sam Plowman - Independent non-executive director | | |
|---|---|---|
| Date of appointment | 29 January 2019 | |
| Experience and expertise | Sam has extensive experience in the prop tech and fin tech industries. He is the former general manager of Domain, headed up online banking at both ANZ and NAB, was the CEO at fin tech company Sandstone, and is currently the CEO at Payment Logic.<br><br>From a corporate governance perspective, Sam is the chairman of Vertical Networks Group - the owner and operator of Artshub and Screenhub, Australia's leading Arts' new sites, and Property Portal Watch, the global leader in online real estate news and conferences.<br><br>Sam holds a Bachelor of Business with a major in Marketing from RMIT, and a Graduate Diploma in Finance from the Securities Institute of Australia. | |
| Other current Australian listed directorships | Nil | |
| Former Australian listed company Directorships in last 3 years | Nil | |
| Special responsibilities | Chairman of the audit committee (appointed 29 January 2019)<br>Member of the nomination and remuneration committee (appointed 29 January 2019) | |
| Relevant interests in shares and options | Ordinary shares – Real Estate Investar Group Ltd | Nil |
| | Options over ordinary shares – Real Estate Investar Group Ltd | 4,000,000 |
| | Contractual rights to shares – Real Estate Investar Group Ltd | Nil |

## Meetings of directors

During the financial year 11 director meetings were held. Attendances by each director during the financial year were as follows:

| Director's name | Board meetings | | Audit committee | | Nomination and remuneration committee | |
|---|---|---|---|---|---|---|
| | A | B | A | B | A | B |
| Simon Baker | 11 | 11 | 2 | 2 | - | - |
| Clinton Greaves | 10 | 10 | 2 | 2 | - | - |
| Joe Hanna | 11 | 11 | 2 | 2 | - | - |
| Ian Penman | 6 | 6 | 1 | 1 | - | - |
| Sam Plowman | 4 | 4 | 1 | 1 | - | - |

Where:

- Column A is the number of meetings the director was entitled to attend.
- Column B is the number of meetings the director attended.

## Shares

On 29 November 2018, Real Estate Investar Group Limited announced its intention to complete a 1:1 non-renounceable entitlement offer to be offered to shareholders at an issue price of $0.012 per share. The Company issued 116,602,554 new shares relating to applications, including applications under a shortfall facility, lodged by eligible shareholders under the entitlement offer on 7 January 2019. The entitlement offer raised an amount of $681,648 in cash, with a further $717,583 in debt being converted to equity. Total capital injection, excluding costs, amounted to $1,399,231. As a result, movements in shares increase the total ordinary shares issued in Real Estate Investar Group Limited to 233,205,108 (2018: 116,602,554).

## Shares under option

The following share options existed as at 30 June 2019.

Unissued ordinary shares of Real Estate Investar Group Limited under option at the date of this report are:

| Grant date | Expiry date | Exercise price | No of options issued |
|---|---|---|---|
| 10 Dec 2015 | 31 Dec 2020 | $ 0.20 | 2,500,000 |
| 28 Apr 2016 | 27 Apr 2021 | $ 0.20 | 475,000 |
| 29 Nov 2018 | 30 Nov 2023 | $ 0.015 | 4,000,000 |
| 29 Jan 2019 | 27 Jan 2023 | $ 0.012 | 4,000,000 |
| 31 Jan 2019 | 30 Jan 2021 | $ 0.015 | 4,000,000 |

All share options relate to ordinary shares of the Company.

## Remuneration report (audited)

### Introduction

This Remuneration Report for the financial year ended 30 June 2019 outlines the Group's remuneration structure in accordance with the requirements of the *Corporations Act 2001 (Cth) (the Act)* and its regulations.

This report provides remuneration information in relation to the Group's key management personnel (KMP) including the managing director (who is also the chief executive officer (CEO)), and the non-executive directors (NEDs).

KMP are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the Group.

This Remuneration report has been audited as required by section 308(3C) of the Act

The Remuneration report is presented under the following sections:

| | |
|---|---|
| 1 | Key management personnel |
| 2 | Principles of remuneration and strategy |
| 3 | Non-executive director remuneration arrangements |
| 4 | Executive remuneration arrangements |
| 5 | Service agreements |
| 6 | Remuneration of key management personnel |
| 7 | Shareholdings of key management personnel |
| 8 | Loans to key management personnel |
| 9 | Option holdings of key management personnel |
| 10 | Additional information |

### 1. Key management personnel

For the purposes of this report, KMP include all directors of the board, executive and non-executive, who have the authority and responsibility for planning, directing and controlling the activities of the Group as outlined below for the financial year ended 30 June 2019.

| Key management personnel | |
|---|---|
| **Executive director** | |
| Clint Greaves | Chief executive officer & Managing director (resigned 25 January 2019) |
| Joe Hanna | Executive director (appointed 1 January 2019) |
| **Non-executive directors** | |
| Simon Baker | Chairman & Non-executive director |
| Ian Penman | Independent non-executive director (retired 29 November 2018) |
| Sam Plowman | Independent non-executive director (appointed 29 January 2019) |
| Joe Hanna | Independent non-executive director (until 1 January 2019 when he became an Executive director) |
| Clint Greaves | Independent non-executive director (from 25 January 2019 until resignation on 28 June 2019) |

# Remuneration report (audited) (continued)

## 2. Principles of remuneration and strategy

### Nomination and remuneration committee

The board established the nomination and remuneration committee under the Company's constitution which operates in accordance with its charter as approved by the board.

The committee oversees the level and composition of remuneration of the non-executive directors (NEDs) and executives.

The nomination and remuneration committee objectives are to assist the board in ensuring the Company:

a) Has a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties;

b) Has coherent remuneration policies and practices to attract and retain non-executive directors who will create value for shareholders; and

c) Observes those remuneration policies and practices.

In performing its responsibilities in relation to remuneration, the nomination and remuneration committee must give appropriate consideration to the Company's position as an externally managed investment company where containment of costs is an important consideration.

The responsibilities of the nomination and remuneration committee include:

a) Review the remuneration of non-executive directors for serving on the Board and any committee (both individually and in total);

b) Recommend to the Board the remuneration, retirement and termination policies for non-executive directors having regard to market trends and shareholder interests; and

c) Review any insurance premiums or indemnities for the benefit of directors.

The remuneration and nomination committee meets periodically during the year. Executives are not present at meetings of the committee except by invitation.

The remuneration and nomination committee is made up of members of the board, each of which are NEDs for the year ended 30 June 2019:

- Joe Hanna acted as chair of the committee until 1 January 2019 when he was appointed executive director; and
- The following directors served as members of the committee - Simon Baker, Ian Penman (until retirement 29 November 2018) and Sam Plowman from appointment 29 January 2019.
- Simon Baker serves as renumeration committee chair since 1 January 2019

### Remuneration strategy

Real Estate Investar Group's remuneration strategy is designed to attract and retain high quality directors and executives and to motivate high quality senior executives by identifying and rewarding high performers and recognising the contribution of each employee to the continued growth and success of the Group.

To this end, key objectives of the Group's reward framework are to ensure that remuneration practices:

- Are aligned to the Group's business strategy,
- Offer competitive remuneration benchmarked against the external market, and
- Provide strong linkage between individual and Group performance and rewards and align the interests of executives with shareholders.

Where relevant, the remuneration framework will incorporate at risk components through STI and LTI arrangements tailored to the particular executive by reference to both financial and other metrics which generate value for shareholders. In 2019 no KMPs were provided with an at risk component that was linked to Group performance.

## Remuneration report (audited) (continued)

### 3. Non-executive director remuneration arrangements

In accordance with best practice corporate governance, the structure of NED and executive remuneration is separate and distinct. The remuneration of NEDs consists of director fees and committee fees (where applicable). Under the current policy NEDs are not entitled to receive performance related remuneration. Remuneration levels are to be reviewed by the Board annually.

NEDs are paid up to a maximum of the aggregate Director's fees as outlined in the Constitution and to be approved by shareholders at the inaugural annual general meeting. The annual current limit is $500,000, to be divided among them as agreed by the Board.

The total fees paid to directors during the year did not exceed the approved limit. The following table sets out the current approved fee structure:

| Role | Per annum $ |
|---|---|
| Board chair | 55,000 |
| Chair - nomination & remuneration committee | 5,000 |
| Chair - audit committee | 5,000 |
| Board member | 35,000 |

The remuneration of NEDs for the year is detailed in the table 'remuneration of key management personnel' in section 6.

### 4. Executive remuneration arrangements

The Group aims to reward executives with a level and mix of remuneration that is commensurate with their position and responsibilities within the Group and is aligned with market practice.

### Elements of remuneration

In 2019, the executive remuneration framework consisted of the following components:

- Fixed remuneration; and
- Variable remuneration for eligible staff comprising of short term incentives only.

### Fixed remuneration

Executive contracts do not include any guaranteed base pay increases. Fixed remuneration levels are set so as to provide a base level of remuneration which is both appropriate to the position and is competitive in the market.

Fixed remuneration is reviewed at least annually by the remuneration and nomination committee and the process consists of a review of the Group's performance, relevant comparative remuneration in the market and, where appropriate, external advice on policies and practices. Employees receive their fixed remuneration in cash. The Board's policy is to ensure that fixed remuneration is market competitive having regard to industry peers and companies of similar financial size.

No external advice was obtained during the current or previous financial year.

### Variable remuneration – short term incentive (STI)

The Group does not currently operate a formal STI program other than in respect of executives.

For eligible executive staff, the Group awards STI payments each financial year currently comprising of a cash bonus only, the quantum of which is determined by the achievement of a pre-defined set of Group and individual KPIs.

The following financial and non-financial components constitute the three key KPIs of the executive STI:

- Targeted group revenue amount;
- Targeted group EBITDA amount; and
- Operational performance.

## 4. Executive remuneration arrangements (continued)

### Variable remuneration – short term incentive (STI) (continued)

Key performance indicators (KPIs) are individually tailored by the board, based on recommendations and input from the remuneration & nomination committee in advance for each executive each year, and reflect an assessment of how that executive can fulfil his or her particular responsibilities in a way that best contributes to Group's performance and shareholder wealth in that year with close alignment to the role and responsibility within the organisation and in conjunction with the strategic objectives of the Group.

The remuneration and nomination committee is yet to determine the specific weightings of these components at the current time for the year ending 30 June 2020.

The remuneration and nomination committee reviews annually the ongoing appropriateness of the STI policy including individual KPIs, weighting of KPIs, performance hurdles, and assessment of performance and reward outcomes.

On an annual basis, after consideration of performance against KPIs, the board, in line with their responsibilities, determine the amount, if any, of the short-term incentive to be paid to each executive, seeking recommendations from the CEO as appropriate. No payments or accruals have been made or provided for, for the year ended 30 June 2019.

The Group may refine its STI plan and extend to the non-executive employees in the coming year. Any such changes would take effect only from date of the agreement, and hence not relate to any period prior to 30 June 2019.

### Variable remuneration – long term incentive (LTI)

The Group does not currently have a long term incentive plan but may seek to introduce one in the coming year.

### Employee share option plan (ESOP)

The Real Estate Investar Group Limited has established the ESOP to assist in the motivation, retention and reward of executives and employees. The ESOP is designed to align the interests of employees with the interests of shareholders by providing an opportunity for eligible employees (including any person who is a full-time or permanent part-time employee or officer) to receive an equity interest in the Group through the granting of options.

The Real Estate Investar Group Limited employee share option plan (ESOP) was approved on 13 November 2015 and gives all staff the opportunity to participate in the plan. The company granted 1.45 million share options to employees under the ESOP to eligible employees during FY2016, with no further options being granted since 2016.

The current number of options issued is 475,000 due to a net reduction of 600,000 (2018: 100,000) employee shares under option for staff who have ceased employment with REI and their options have lapsed.

## 5. Service agreements

Service agreements are entered into by the Group with key management personnel, describing the components and amounts of remuneration applicable on their initial appointment, including terms and performance criteria for performance-related cash bonuses and entitlements to options under the Real Estate Group Limited employee share option plan.

Performance related entitlements are yet to be set. These agreements do not fix the amount of remuneration increases from year to year. Remuneration levels are reviewed generally each year by the nomination and remuneration committee to align with changes in job responsibilities and market salary expectations

## Remuneration report (audited) (continued)

**5. Service agreements (continued)**

**Chief executive officer**

The services of the CEO, Clint Greaves were provided by way of a formalised employment agreement along with other terms of employment. The Group terminated the employment agreement with Clint Greaves on 25 January 2019.

An overview of these remuneration arrangements are included in the table below.

| Name | Salary & fees $ | Super - annuation [1] | Term of agreement | Notice period | Additional gratuity payment [2] $ | Restraint period Mths | Region |
|---|---|---|---|---|---|---|---|
| Clint Greaves | 225,000 | 9.5% | Ongoing | 9 weeks by either party | 12,000 | 12 | Australia |
| | | | | | | 9 | New Zealand |
| | | | | | | 6 | Asia |

1. Paid up to the maximum super contributions base.
2. Due to length of service, the Group paid an additional gratuity payment in addition to the notice period.

On 1 April 2019, the Group engaged Cupertino Group Pty Ltd, a company controlled by Clint Greaves, to provide consulting services. Contract terms are based on standard business terms for independent contractors. The agreement was terminated by the company and ended on 31 May 2019. Under this agreement fees of $22,000 were incurred by the company over the term of the contract.

**6. Remuneration of key management personnel**

Details of the nature and amount of each element of the remuneration of each KMP of Real Estate Investar Group Ltd is set out in the table below:

| | Short term employee benefits | | Post employment benefit | Share based payments | | |
|---|---|---|---|---|---|---|
| FY 2019 | Salary & fees $ | Non-monetary benefits $ | Super - annuation $ | Other $ | Total $ | Performance based % of remuneration |
| **Executive director** | | | | | | |
| Clint Greaves, CEO & Managing director [1] | 239,383 | - | 12,735 | - | 252,118 | 0.00% |
| Joe Hanna, Executive director [2] | 112,500 | - | - | 26,065 | 138,565 | |
| **Non-executive directors** | | | | | | |
| Simon Baker, Non-executive chair | 57,500 | - | - | - | 57,500 | 0.00% |
| Ian Penman, Independent non-executive [3] | 16,670 | - | - | - | 16,670 | 0.00% |
| Sam Plowman, Independent non-executive [4] | 16,996 | - | - | 3,918 | 20,914 | 0.00% |
| **Total** | **443,049** | **-** | **12,735** | **29,983** | **485,767** | **0.00%** |

1. Clint Greaves – termination of employment effective 29 January 2019 as CEO. Salary and fees include consulting fees of $22,000 (incl GST) paid as per engagement after CEO role terminated.
2. Joe Hanna appointed as managing director from 1 January 2019. Salary and fees include consulting fees of $75,000 payable for services performed as managing director from 1 January 2019.
3. Ian Penman – retired 29 November 2018
4. Sam Plowman – appointed 29 January 2019

## Remuneration report (audited) (continued)

### 6. Remuneration of key management personnel (continued)

| | Short term employee benefits | | Post employment benefit | Share based payments | | |
|---|---|---|---|---|---|---|
| FY 2018 | Salary & fees $ | Non-monetary benefits $ | Super - annuation $ | Other $ | Total $ | Performance based % of remuneration |
| **Executive director** | | | | | | |
| Clint Greaves, CEO & Managing director | 225,000 | - | 19,890 | 22,592 | 267,482 | 0.00% |
| **Non-executive directors** | | - | | | | |
| Simon Baker, Non-executive chair | 55,000 | | - | 11,296 | 66,296 | 0.00% |
| Ian Penman, Independent non-executive | 40,008 | - | - | 11,296 | 51,304 | 0.00% |
| Antony Catalano, Non-executive [1] | 5,833 | - | - | (39,605) | (33,772) | 0.00% |
| Joe Hanna, Independent non-executive | 40,000 | - | - | 11,296 | 51,296 | 0.00% |
| **Total** | **365,841** | **-** | **19,890** | **16,875** | **402,606** | **0.00%** |

1. Antony Catalano – Share based payments expense was written back for share options lapsed on resignation on 1 September 2017 prior to 500,000 options vesting.

### Cash bonuses

No bonuses were paid or included in remuneration of key management personnel during the financial year ended 30 June 2019.

### 7. Shareholdings of key management personnel

Details of equity instruments (other than options and rights) in Real Estate Investar Group Limited held directly, indirectly or beneficially by key management personnel are as follows:

| FY 2019 | Balance 1 July 2018 | Granted as compen-sation | Received on exercise of options | Other changes [1] | Balance 30 June 2019 | Balance held nominally |
|---|---|---|---|---|---|---|
| Simon Baker | 14,538,933 | - | - | 63,949,411 | 78,488,344 | 78,488,344 |
| Clint Greaves | 5,533,000 | - | - | (1,154,000) | 4,379,000 | 4,379,000 |
| Ian Penman | 292,500 | - | - | - | 292,500 | 292,500 |
| Joe Hanna | - | - | - | 26,455,952 | 26,455,952 | 26,455,952 |
| Sam Plowman | - | - | - | - | - | - |
| **Total** | **20,364,433** | **-** | **-** | **89,251,363** | **109,615,796** | **109,615,796** |

1. Other changes included the purchase of additional shares under entitlement offer and on market and off market trades.

| FY 2018 | Balance 1 July 2017 | Granted as compen-sation | Received on exercise of options | Other changes [2] | Balance 30 June 2018 | Balance held nominally |
|---|---|---|---|---|---|---|
| Simon Baker | 12,115,776 | - | - | 2,423,157 | 14,538,933 | 14,538,933 |
| Clint Greaves | 5,390,000 | - | - | 143,000 | 5,533,000 | 5,533,000 |
| Ian Penman | 292,500 | - | - | - | 292,500 | 292,500 |
| Joe Hanna | - | - | - | - | - | - |
| **Total** | **17,798,276** | **-** | **-** | **2,566,157** | **20,364,433** | **20,364,433** |

2. Other changes included the purchase of additional shares under entitlement offer.

## Remuneration report (audited) (continued)

### 8. Loans to key management personnel

On 13 November 2015 Real Estate Investar Group Limited issued 2,000,000 shares to South Mapleton Pty Limited for an aggregate subscription price of $320,000 ($0.16 per share). South Mapleton Pty Limited is the corporate trustee for the South Mapleton Trust of which Annette Greaves (the wife of Clint Greaves) is the sole director and shareholder. Clint Greaves is the settlor of the South Mapleton Trust.

The subscription price was funded by way of a loan provided by REI to South Mapleton Pty Limited. The loan to South Mapleton Pty Limited carries an interest rate of 5.25% for 2018 (2017: 5.65%) based on FBT benchmark rates, was due to be repaid in full on or before 31 March 2018. As at 30 June 2018 the loan to South Mapleton Pty Limited was not repaid and accordingly a provision was made during the reporting period for the full balance outstanding until such time as the loan is either repaid or its collection terms are amended.

The aggregate loan to key management personnel and their related party is as follows as at 30 June 2018:

| FY 2018 | Balance 1 July 2017 | Interest paid & payable on loan [1] $ | Interest not charged $ | Write-downs & doubtful debts allowance [2] $ | Balance 30 June 2018 $ | Highest indebtedness during the year $ |
|---|---|---|---|---|---|---|
| Clint Greaves | 350,496 | 18,720 | - | (369,216) | - | 369,216 |

1. Interest revenue of $18,720 (2017: $18,921) was recognised on loans granted to key management personnel.
2. An impairment of $369,216 (2017:Nil) was recognised on loans granted to key management personnel.

Under a deed of assignment dated 20 June 2019, Real Estate Investar Group Limited assigned all its legal and beneficial right, title and interest in the loan to Watchell Consulting Ltd, an external third party, for the cash consideration of $16,000. As the loan had been fully impaired in FY 2018, $16,000 was recognised as revenue in FY 2019. The decision to sell the debt was made , as it was becoming highly unlikely that recovery of the loan would occur.

### 9. Option holdings of key management personnel

As a one-off allocation, the Group granted 3 million share options to the directors upon the ASX listing on 10 December 2015. These options vested on 31 December 2017. Antony Catalano's share options lapsed on 1 September 2017, the date of his resignation.

On 29 November 2018, at the Annual General Meeting, shareholders' approved the granting of 4 million share options to Joe Hanna.

In conjunction with the appointment of the director, on 29 January 2019, the Company granted 4 million share options to Sam Plowman.

All options refer to options over ordinary shares of the Group, which are exercisable on a one to one basis. All options remain subject to vesting criteria and do not carry any dividend or voting rights.

| | Grant date | Options granted | Exercisable date | Expiry date | Value per option at grant date | Total value of option at grant date | Exercise price per option |
|---|---|---|---|---|---|---|---|
| Simon Baker | 10-Dec-15 | 500,000 | 31-Dec-17 | 31-Dec-20 | $0.10 | $50,000 | $0.20 |
| Clint Greaves | 10-Dec-15 | 1,000,000 | 31-Dec-17 | 31-Dec-20 | $0.10 | $100,000 | $0.20 |
| Ian Penman | 10-Dec-15 | 500,000 | 31-Dec-17 | 31-Dec-20 | $0.10 | $50,000 | $0.20 |
| Antony Catalano | 10-Dec-15 | 500,000 | 31-Dec-17 | 31-Dec-20 | $0.10 | $50,000 | $0.20 |
| Joe Hanna | 10-Dec-15 | 500,000 | 31-Dec-17 | 31-Dec-20 | $0.10 | $50,000 | $0.20 |
| Joe Hanna | 29-Nov-18 | 4,000,000 | 29-Nov-18 | 30-Nov-23 | $0.015 | $60,000 | $0.015 |
| Sam Plowman | 29-Jan-19 | 4,000,000 | 29-Jan-21 | 27-Jan-23 | $0.012 | $48,000 | $0.012 |

## Remuneration report (audited) (continued)

### 9. Option holdings of key management personnel (continued)

Details of options over ordinary shares of Real Estate Investar Group Limited, held directly or beneficiary by key management personnel are as follows.

| FY 2019 | Balance 1 July 2018 | Granted during year | Exercised during year | Lapsed during year | Vested during year | Balance 30 June 2019 unexercisable | Balance 30 June 2019 vested and exercisable |
|---|---|---|---|---|---|---|---|
| Simon Baker | 500,000 | - | - | - | - | - | 500,000 |
| Clint Greaves | 1,000,000 | - | - | - | - | - | 1,000,000 |
| Ian Penman | 500,000 | - | - | - | - | - | 500,000 |
| Joe Hanna | 500,000 | 4,000,000 | - | - | 4,000,000 | - | 4,500,000 |
| Sam Plowman | - | 4,000,000 | - | - | - | 4,000,000 | - |
| **Total** | **2,500,000** | **8,000,000** | **-** | **-** | **4,000,000** | **4,000,000** | **6,500,000** |

| FY 2018 | Balance 1 July 2017 | Granted during year | Exercised during year | Lapsed during year [1] | Vested during year | Balance 30 June 2018 unexercisable | Balance 30 June 2018 vested and exercisable |
|---|---|---|---|---|---|---|---|
| Simon Baker | 500,000 | - | - | - | 500,000 | - | 500,000 |
| Clint Greaves | 1,000,000 | - | - | - | 1,000,000 | - | 1,000,000 |
| Ian Penman | 500,000 | - | - | - | 500,000 | - | 500,000 |
| Antony Catalano | 500,000 | - | - | (500,000) | - | - | - |
| Joe Hanna | 500,000 | - | - | - | 500,000 | - | 500,000 |
| **Total** | **3,000,000** | **-** | **-** | **(500,000)** | **2,500,000** | **-** | **2,500,000** |

1. Lapse of share options effective on resignation of director.

### 10. Additional information

The earnings of the consolidated entity since IPO is as follows:

| | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Loss for the year attributable to ordinary shareholders | (1,148,099) | (2,561,898) | (2,222,750) | (1,365,347) |
| Earnings per share for the year (cents per share) | (0.67) | (2.38) | (2.63) | (2.09) |

**End of remuneration report (audited)**

## Indemnification of officers and auditors

During the financial year, Real Estate Investar Group Limited paid a premium in respect of a contract insuring directors, secretaries and executive officers of the company and its controlled entities against a liability incurred as director, secretary or executive officer 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.

The company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the company or any of its controlled entities against a liability incurred as such an officer or auditor.

## Non-audit services

During the financial year, there were no non-audit services paid or payable to the auditor, RSM Australia Partners or their related practices.

## Auditor's independence declaration

There were no former partners or directors of RSM Australia Partners, the Company's auditor, who are or were at any time during the financial year an officer of the Company. A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 19 and forms part of this Directors' Report.

## Proceedings on behalf of 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.

No proceedings have been brought or intervened in on behalf of the company with leave of the court under section 237 of the *Corporations Act 2001* .

Signed in accordance with a resolution of the directors dated 26 September 2019.

Simon Baker
Chairman

**RSM Australia Partners**

Level 21, 55 Collins Street Melbourne VIC 3000
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**AUDITOR'S INDEPENDENCE DECLARATION**

As lead auditor for the audit of the financial report of Real Estate Investar Group Limited and its controlled entities for the year ended 30 June 2019, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

RSM

**RSM AUSTRALIA PARTNERS**

**J S CROALL**
Partner

Dated: 26 September 2019
Melbourne, Victoria

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

**FOR THE YEAR ENDED 30 JUNE 2019**

| | Note | Consolidated 2019 | Consolidated 2018 |
|---|---|---|---|
| | | $ | $ |
| **Revenue and income** | | | |
| Revenue | | 1,070,795 | 1,793,187 |
| Other income | | 250,955 | - |
| **Total revenue and other income** | 3 | **1,321,750** | **1,793,187** |
| **Expenses** | | | |
| Commissions | | (15,724) | (91,343) |
| Costs of website and data | | (212,618) | (847,131) |
| Employment expense | 23 | (902,161) | (1,488,422) |
| Depreciation and amortisation | | (498,902) | (482,791) |
| Occupancy | | (98,853) | (118,845) |
| Marketing | | (99,245) | (177,446) |
| IT and legal | | (121,786) | (148,440) |
| Professional and consulting expenses | | (171,106) | (62,224) |
| Bad debts and provision for doubtful debts | | (381) | (73,561) |
| Impairment expense | | - | (369,216) |
| Other expenses | | (171,816) | (393,187) |
| | | **(2,292,592)** | **(4,252,606)** |
| Finance costs | | (40,351) | (26,472) |
| Finance income | | 548 | 19,987 |
| **Net finance costs** | | **(39,803)** | **(6,485)** |
| **Loss before income tax expense from continuing operations** | | **(1,010,645)** | **(2,465,904)** |
| Income tax expense | 4 | - | - |
| Loss after income tax expense from continuing operations | | (1,010,645) | (2,465,904) |
| Loss after income tax expense from discontinued operations | 5 | (137,454) | (95,994) |
| **Loss after income tax expense for the year** | | **(1,148,099)** | **(2,561,898)** |
| **Other comprehensive income / (loss)** | | | |
| Items that will be reclassified to profit or loss in future periods: | | | |
| Foreign currency translation differences | | (18,730) | (6,360) |
| **Total comprehensive loss for the year** | | **(1,166,829)** | **(2,568,258)** |
| **Earnings per share** | | **Cents** | **Cents** |
| Basic and diluted loss per share (cents per share) | 6 | **(0.67)** | **(2.38)** |

*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 2019**

| | Note | Consolidated 2019 | Consolidated 2018 |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 8 | 251,974 | 107,444 |
| Receivables | 9 | 727,845 | 1,415,639 |
| Prepayments | 9 | 45,917 | 96,406 |
| **Total current assets** | | **1,025,736** | **1,619,489** |
| **Non-current assets** | | | |
| Receivables | 9 | - | 78,243 |
| Plant and equipment | 10 | 15,439 | 32,390 |
| Intangible assets | 11 | 454,971 | 923,101 |
| **Total non-current assets** | | **470,410** | **1,033,734** |
| **Total assets** | | **1,496,146** | **2,653,223** |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 12 | 1,203,111 | 1,759,295 |
| Borrowings | 13 | - | 334,955 |
| Provision for employee entitlements | 23 | 60,022 | 114,785 |
| **Total current liabilities** | | **1,263,133** | **2,209,035** |
| **Non-current liabilities** | | | |
| Trade and other payables | 12 | 71,925 | 23,959 |
| Provision for employee entitlements | 23 | - | 31,543 |
| **Total non- current liabilities** | | **71,925** | **55,502** |
| **Total liabilities** | | **1,335,058** | **2,264,537** |
| **Net assets** | | **161,088** | **388,686** |
| **Equity** | | | |
| Contributed equity | 14 | 13,842,150 | 12,469,579 |
| Accumulated losses | | (14,046,765) | (12,422,022) |
| Reserves | 17 | 365,703 | 341,129 |
| **Total equity** | | **161,088** | **388,686** |

*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 2019**

| | Note | Contributed equity | Accumulated losses | Share based payment reserve | Foreign currency translation reserve | Total equity |
|---|---|---|---|---|---|---|
| | | $ | $ | $ | $ | $ |
| 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 | 15 | - | - | 18,671 | - | 18,671 |
| Shares issued, net of transaction costs | 14 | 1,184,458 | - | - | - | 1,184,458 |
| **Balance at 30 June 2018** | | **12,469,579** | **(12,422,022)** | **342,663** | **(1,534)** | **388,686** |
| Balance at 1 July 2018 | | 12,469,579 | (12,422,022) | 342,663 | (1,534) | 388,686 |
| Adjustment for change in accounting policy | 1, 9 | | (476,644) | | 3,547 | (473,097) |
| Balance at 1 July 2018 - restated | | 12,469,579 | (12,898,666) | 342,663 | 2,013 | (84,411) |
| Loss after income tax expense for the year | | - | (1,148,099) | - | - | (1,148,099) |
| *Other comprehensive income for the year* | | | | | | |
| Exchange difference on translation of foreign operations | | - | - | - | (18,730) | (18,730) |
| Total comprehensive loss for the year | | - | (1,148,099) | - | (18,730) | (1,166,829) |
| *Transaction with owners in their capacity as owners:* | | | | | | |
| Options issued | 15 | - | - | 3,918 | - | 3,918 |
| Options vesting | 15 | - | - | 35,839 | - | 35,839 |
| Shares issued, net of transaction costs | 14 | 1,372,571 | - | - | - | 1,372,571 |
| **Balance at 30 June 2019** | | **13,842,150** | **(14,046,765)** | **382,420** | **(16,717)** | **161,088** |

*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 2019**

| | Note | Consolidated 2019 | Consolidated 2018 |
|---|---|---|---|
| | | $ | $ |
| **Cash flows from operating activities** | | | |
| Receipts from customers (inclusive of GST) | | 1,444,076 | 3,273,911 |
| Payments to suppliers and employees (inclusive of GST) | | (2,490,108) | (4,930,107) |
| Income tax paid | | - | (22) |
| Interest paid | | (51,587) | (14,148) |
| Interest received | | 548 | 1,267 |
| **Net cash flow used in operating activities** | 22(a) | **(1,097,071)** | **(1,669,099)** |
| **Cash flows from investing activities** | | | |
| Payment for website development | | (123,491) | (267,662) |
| Receipt of research and development claim | | 159,098 | 160,742 |
| Payment for property, plant and equipment | | - | (818) |
| Proceeds from disposal of property, plant and equipment | | 1,006 | - |
| **Net cash flow from / (used in) investing activities** | | **36,613** | **(107,738)** |
| **Cash flows from financing activities** | | | |
| Proceeds from borrowings | | 550,000 | 100,000 |
| Proceeds from issue of shares | | 681,648 | 1,284,318 |
| Payments for equity raising costs | | (26,660) | (99,860) |
| **Net cash flow from financing activities** | | **1,204,988** | **1,284,458** |
| Net increase / (decrease) in cash and cash equivalents | | 144,530 | (492,379) |
| Cash and cash equivalents at the beginning of the financial year | | 107,444 | 599,823 |
| **Cash and cash equivalents at the end of the financial year** | 8 | **251,974** | **107,444** |

*The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes, and is inclusive of the cash flows from discontinued operations, refer to note 5 (c).*

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## Note 1. Statement of significant accounting policies

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

### A. General information

The financial report covers Real Estate Investar Group Limited ("the parent entity") and the entities it controlled (the "**Consolidated Group**", the "**Group**" or "**Consolidated Entity** "). The financial report is presented in Australian dollars, which is Real Estate Investar Group Limited's functional and presentation currency.

The financial report consists of the consolidated financial statements, notes to the consolidated financial statements and the directors' declaration.

Real Estate Investar Group Limited is a listed public company limited by shares, incorporated and domiciled in Australia.

The address of the registered office is:

Suite 810 Level 8
2 Queen St
Melbourne Victoria 3000

The address of the principle place of business is:

Level 1
142 Bundall Rd
Bundall Queensland 4217

The financial report was authorised for issue, in accordance with a resolution of directors, on 26 September 2019. The directors have the power to amend and reissue the financial report.

### B. Basis of preparation

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

**Going concern**

The consolidated financial statements have been prepared on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and liabilities in the ordinary course of business.

The Group has incurred a loss after tax of $1,148,099 (2018: $2,561,898) and had net cash outflows from operations of $1,097,071. (2018: $1,669,099). At 30 June 2019, current liabilities exceeded current assets by $237,397 (2018: $589,546).

Included in current liabilities is income in advance of $154,623 and related party payables of $294,627 and included in current assets are prepayments of $45,917. Excluding these items, current assets would exceed current liabilities by $165,936.

The directors are satisfied that the Group will have sufficient cash resources to meet its working capital requirements in the future. The directors have reviewed the cash flow forecasts and believe that for a period in excess of 12 months from the date of signature of the financial report, the Group has the ability to meet all commitments and working capital requirements. The directors believe there are sufficient funding strategies and alternatives to meet working capital requirements should the need arise including:

- The Group completed a restructure in January 2019 which has result in significant reductions of costs in key areas, including data services and employment costs. The next 12 months will see the full impact of this on operational cash flows, resulting in material savings;
- The Software-as-a-Service business continues to operate profitably on a standalone basis;

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

## Note 1. Statement of significant accounting policies (continued)

**B. Basis of preparation (continued)**

**Going concern (continued)**

- The Group has closed the loss-making property transaction business, which has removed the burden of further investment required to grow this part of the business;
- The directors have agreed to accept between 75% and 100% of their base directors' fees in script (subject to shareholder approval);
- A new management team has been established, which includes experienced turnaround & entrepreneurial members;
- With regard to the related party payables of $294,627, which relate to current and former directors of the company, it has been agreed by each party that repayment of these amounts will not be called upon, for a period of at least 12 months after the signing of the company financial report for the year ended 30 June 2019, if this would affect the solvency of the company, including jeopardising its ability to pay its debts as and when they fall due. Included in the above amount is Clint Greaves' convertible note (principal plus interest) of $52,615 as at 30 June 2019, which will be converted into shares (pending on shareholders approval);
- The company has a forward property book that is still due as at 30 June 2019 in the amount of $767,665 (incl GST), with $695,037 (incl GST) expected to fall due and become collectible over the next 12 months;
- The cash flows prepared by management, supports the going concern basis in the preparation of the financial statements without a need for a further fund raise in the next 12 months from signing, but if required, additional funds may be sought.

Although the directors believe they will be successful in these measures, there remains a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and therefore their ability to realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial report.

The financial statements do not include any adjustments relating to the recoverability or classification of recorded asset amounts, or to the amounts or classification of liabilities which might be necessary should the consolidated entity not be able to continue as a going concern.

**C. New or amended accounting standards and interpretations adopted**

The consolidated entity has adopted all of the new, revised and amended standards and interpretations issued by the Australian Accounting Standards Board ('AASB') that are relevant to its operations and effective for the current annual reporting period.
AASB 15 *Revenue from Contracts with Customers* and AASB 9 *Financial Instruments* are applicable to the Group for the first time for the current year.

**AASB 15 Revenue from contracts with customers**

The standard requires contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; a determination of the transaction price, adjusted for the time value of money excluding credit risk; an allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct service provided, and the recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For services, the performance obligation will be satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied.

Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

## Note 1. Statement of significant accounting policies (continued)

### C. New or amended accounting standards and interpretations adopted (continued)

**Impact of adoption of AASB 15**

The Group performed an assessment of the impact on the consolidated financial statements of AASB 15 and concluded that the current revenue recognition policy did not account for discounted subscriptions to comply with the new standard. AASB 15 requires these types of transactions to be accounted for as a reduction of the transaction price of the related revenue. Although the Total comprehensive loss for the year ($2,561,898) in FY 2018 has not changed, the adoption of AASB 15 has had an impact on the accounts with restated revenues and expenses for FY 2018. In FY 2018 a reduction of revenue of $508,549 and a corresponding amount of $508,549 was reduced in expenses.

In FY 2019 the impact on the accounts similar to FY 2018 resulted in a reduction of revenue of $379,005 and a corresponding amount of $379,005 was reduced in expenses. There was no impact on total comprehensive loss for the year ($1,148,099).

**AASB 9 financial instruments**

The consolidated entity has adopted AASB 9 from 1 July 2018. The standard introduced new classification and measurement models for financial assets. Financial assets are to be measured at amortised cost if it is held within a business model with an objective to hold assets to collect contractual cash flows which arise on specified dates and are solely of principal and interest. All other financial assets are to be classified and measured at fair value through profit or loss, unless the entity makes an irrevocable election on initial recognition to present gains and losses in other comprehensive income ('OCI'). Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities, the portion of the change in fair value relating to the entity's own credit risk is to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method, unless the credit risk on a financial instrument has increased significantly since initial recognition, in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

**Impact of adoption of AASB 9**

AASB 9 was adopted using the modified retrospective approach and as such comparatives have not been restated. The application of AASB 9 has resulted in increased provisions for impairment of receivables. The Group has used an ECL method to determine an allowance for expected credit losses on trade receivables, as prescribed under AASB 9. That is, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance.

The impact of adoption on opening accumulated losses as at 1 July 2018 amounted to an increase in losses by $476,644 for an allowance for expected credit losses.

Except for the adoption of AASB 15 and AASB 9, the same accounting policies and methods of computation have generally been followed in these current financial statements as compared with the prior annual financial statements.

### D. Basis of consolidation

These consolidated financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 19.

Subsidiaries are entities over which the Group has control. The group has control over an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity, and has the ability to use its power to affect those returns. 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.

All intercompany balances and transactions, including unrealised profits arising from intragroup transactions have been eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

## Note 1. Statement of significant accounting policies (continued)

### E. Business combination

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group and the amount of any non-controlling interest in the acquiree which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of (a) fair value of consideration transferred, (b) the recognised amount of any non-controlling interest in the acquire, and (c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognised in profit or loss immediately.

### F. Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

### G. Revenue

**Subscription revenue**

Revenue is recognised at the fair value of the consideration received or receivable, and is recognised over the period which the services are provided to the customer.

**Property transaction revenue**

Property commission fees are recognised when the agreement to sell the property, or any part of it, becomes unconditional and binding on the purchaser. 50% of the commissions are payable on the contracts becoming unconditional and 50% on settlement of the contract. Based on historical data, management estimate all unconditional contracts to have a high probability of settlement (see note 1X use of estimates and judgements), thus recognise 100% of the commissions once the contracts are unconditional based on no further services needing to be performed.

**Interest revenue**

Interest revenue is recognised on a time proportion basis using the effective interest method.

### H. Income tax

The income tax expense for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for all temporary differences, between carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases, at the tax rates expected to apply when the assets are recovered or liabilities settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. Exceptions are made for certain temporary differences arising on initial recognition of an asset or a liability if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

## Note 1. Statement of significant accounting policies (continued)

**H. Income tax (continued)**

Deferred tax assets and liabilities are not recognised for temporary differences between the carrying amount and tax bases of investments in subsidiaries, associates and interests in joint ventures where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances relating to amounts recognised directly in other comprehensive income and equity are also recognised directly in other comprehensive income and equity, respectively.

**I. Impairment non-financial assets**

Non-financial assets are assessed for indicators of impairment on an annual basis or 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.

The recoverable amount is the higher of an asset's fair value less costs to sell 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.

**J. 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 changes in value.

For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

**K. Trade and other receivables**

Trade and other receivables are recognised at amortised cost, less any provision for impairment.

**L. Accrued income**

Revenue is measured at the fair value of the consideration received or receivable. The Group recognises accrued income when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

**M. Plant and equipment**

Plant and equipment is stated at historical cost, including costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, less depreciation and any impairments.

Depreciation on assets is calculated on a straight-line basis over the estimated useful life, as follows:

- Office equipment: 3–10 years
- Leasehold Improvements: 3 years

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at the end of each reporting period.
Gains and losses on disposals are calculated as the difference between the net disposal proceeds and the asset's carrying amount and are included in profit or loss in the year that the item is derecognised.

**N. Intangible assets**

**Website**

Costs incurred in acquiring and developing the website that will contribute to future financial period benefits are capitalised as intangible assets. These intangible assets have finite lives and are subject to amortisation on a straight-line basis over 5 years.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

## Note 1. Statement of significant accounting policies (continued)

**N. Intangible assets (continued)**

Costs incurred on development, relating to the design and testing of new or improved services, are recognised as intangible assets when it is probable that the project will, after considering its commercial and technical feasibility, be completed and generate future economic benefits and its costs can be measured reliably.

The expenditure capitalised comprises all directly attributable costs, including cost of materials, services, direct labour and an appropriate proportion of overheads. Other development expenditure that does not meet this criteria is expensed as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as an intangible asset and are amortised from the point at which the asset is ready for use.

**Acquired intangible assets**

Intangible assets acquired in a business combination (customer lists) that qualify for separate recognition are recognised as intangible assets at their fair values (see note E. business combination).

All intangible assets are subsequently accounted for under the cost model, whereby capitalised costs are amortised on a straight-line basis over their estimated useful lives as these assets are considered finite. Residual values and useful lives are reviewed at each reporting date. In addition, they are subject to impairment testing as described in 'Impairment' above.

The following useful lives are applied:

- Website: 5 years
- Customer lists: 4 years

**O. Trade and other payables**

Trade and other payables represent liabilities for goods and services provided to the Group prior to the year end, which are unpaid at balance date. These amounts are unsecured and typically have 30 day payment terms.

**P. Borrowings**

Convertible notes can be settled, at the option of the noteholder, by making a cash payment to the noteholder or by the issue of shares. The liability and embedded derivative components of the convertible note are initially measured at fair value and are subsequently measured at fair value through profit or loss at the end of each reporting period.

**Q. Employee benefits**

**Short-term employee benefit obligations**

Liabilities for wages and salaries, including non-monetary benefits expected to be wholly settled within 12 months of the end of the reporting period are recognised in other liabilities in respect of employees' services rendered up to the end of the reporting period and are measured at amounts expected to be paid when the liabilities are settled. Non-accumulating sick leave is recognised when leave is taken, and measured at the actual rates paid or payable.

**Other long-term employee benefit obligations**

Liabilities for long service leave and annual leave are not expected to be settled wholly within 12 months after the end of the reporting period. They are recognised as part of the provision for employee benefits and measured at the present value of expected future payments to be made in respect of services provided by employees to the end of the reporting period using the projected unit credit method. Consideration is given to expected future salaries and wages levels, experience of employee departures and periods of service. Expected future payments are discounted using corporate bond rates at the end of the reporting period with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Regardless of when settlement is expected to occur, liabilities for long service leave are presented as current liabilities in the consolidated statement of financial position if the Group does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

## Note 1. Statement of significant accounting policies (continued)

**R. Share based payments**

The Group provides benefits to employees of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or options over shares ("equity-settled transactions"). The following plan is currently in place to provide these benefits:

The Real Estate Investar Group Limited employee share option plan (ESOP) provides benefits to senior executives, and employees. The fair value of options granted under the Real Estate Investar Limited employee share option plan are recognised as an employee benefit expense with a corresponding increase in equity (share option reserve).

The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options. Fair value is determined by an independent valuator using a Black-Scholes option pricing model. In determining fair value, no account is taken of any performance conditions other than those related to the share price of the Group ("market conditions").

The cumulative expense recognised between grant date and vesting date is adjusted to reflect the directors' best estimate of the number of options that will ultimately vest because of internal conditions of the options, such as the employees having to remain with the company until vesting date, or such that employees are required to meet internal sales targets. No expense is recognised for options that do not ultimately vest because internal conditions were not met. An expense is still recognised for options that do not ultimately vest because a market condition was not met.

Where the terms of options are modified, the expense continues to be recognised from grant date to vesting date as if the terms had never been changed. In addition, at the date of the modification, a further expense is recognised for any increase in fair value of the transaction as a result of the change.

Where options are cancelled, they are treated as if vesting occurred on cancellation and any unrecognised expenses are taken immediately to profit or loss. However, if new options are substituted for the cancelled options and designated as a replacement on grant date, the combined impact of the cancellation and replacement options are treated as if they were a modification.

**S. Contributed equity**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

**T. Goods and services tax (GST)**

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 recoverable from, or payable to, the tax authority is included in other receivables or other payables in the consolidated 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 recoverable 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.

**U. Foreign currency translation**

The financial report is presented in Australian dollars, which is the Group's functional and presentational currency.

**Foreign currency transactions**

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

## Note 1. Statement of significant accounting policies (continued)

### U. Foreign currency translation (continued)

**Foreign operations**

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rate at the date of the transaction, for the period.

All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity. The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

### V. Earnings per share

**Basic earnings per share**

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

**Diluted earnings per share**

Earnings used to calculate diluted earnings per share are calculated by adjusting the basic earnings by the after-tax effect of dividends and interest associated with dilutive potential ordinary shares. The weighted average number of shares used is adjusted for the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. The calculation of diluted earnings per share does not assume the conversion of potential ordinary shares that have an antidilutive effect on earnings per share.

### W. Fair value measurement

Fair values may be used for financial and non-financial asset and liability measurement. Fair value is 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. It is based on the presumption that the transaction takes place either in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market. The principal or most advantageous market must be accessible to, or by, the Group.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

In measuring fair value, the group uses valuation techniques that maximise the use of observable inputs and minimise 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 each reporting date and transfers between levels are determined based on a reassessment of the lowest level input that is significant to the fair value measurement.

### X. Use of estimates and judgements

The preparation of the financial statements in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances. The estimates and judgements that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

## Note 1. Statement of significant accounting policies (continued)

**X. Use of estimates and judgements (continued)**

**Revenue recognition – property sale commissions**

There is judgment involved in determining the probability of settlement of the unconditional property sales. Since the Group uses standard terms for its property sales, management considers its property sales portfolio probability of settlement of the unconditional property sales based upon historical data for all property sales, reliable evidence supporting this judgment. The Group maintains data which demonstrates that unconditional property sales have a high probability of settlement, thus the Group believes that historical data is a relatively accurate proxy for future trends and circumstances.

**Recognition of deferred tax assets**

Deferred tax assets, comprising of tax losses and temporary differences, have not been recognised as an asset on the basis that it is not expected that sufficient taxable income will be generated within the next twelve months to utilise the losses or to offset the temporary differences. At the point where it is more certain that sufficient taxable income will be generated to utilise the losses and to offset the temporary differences, the deferred tax asset will be recognised as an asset.

**Impairment review**

The consolidated entity assesses impairment of non-financial assets and other indefinite life intangible assets at each reporting date by evaluation conditions specific to the consolidated Group and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value in use calculations, which incorporate a number of key estimates and assumptions.

**Y. Change of accounting policy**

During the year there have been no changes of accounting policy.

**Z. Comparatives**

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current financial period.

**AA. New accounting standards issued but not yet effective**

AASB 16 Leases has been published and is not mandatory for the 30 June 2019 reporting period and has not been early adopted by the Group. AASB 16 eliminates the operating and finance lease classifications for lessees currently accounted for under AASB 117 Leases. It instead requires an entity to bring most leases onto its statement of financial position in a similar way to how existing finance leases are treated under AASB 117. An entity will be required to recognise a lease liability and a right of use asset in its statement of financial position for most leases.

There are some optional exemptions for leases with a period of 12 months or less and for low value leases.

Lessor accounting remains largely unchanged from AASB 117.

AASB 16 applies to the Group for the year ending 30 June 2020.

**Possible impact of adoption of AASB 16**

As the value of the consolidated entity's leases is not material, there is no material impact expected from the application of this standard. The consolidated entity notes that EBITDA results will be improved – albeit not materially – as the operating lease expense will be replaced by interest expense and depreciation in profit or loss under AASB 16.

Apart from AASB 16, there are no other new accounting standards or interpretations, applicable to the Group, that would have any effect to the Group financial position and results.

## Note 2. Segment reporting

Due to the discontinued operations of the segment known as the property transaction business Unit in FY 2019, the Group no longer has any significant operating segments to report other than the subscriptions business unit.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

## Note 3. Revenue and other income

| | 2019 | 2018 |
|---|---|---|
| **Revenue** | **$** | **$** |
| Subscriptions | 1,032,981 | 1,780,447 |
| Transaction services | 37,814 | 12,740 |
| **Total revenue** | **1,070,795** | **1,793,187** |
| Debt foregiveness (refer to Note 13) | 234,955 | - |
| Other income | 16,000 | - |
| **Total other income** | **250,955** | **-** |
| **Total revenue and other income** | **1,321,750** | **1,793,187** |
| **Geographical sources of revenue** | | |
| Australia | 989,215 | 1,691,748 |
| New Zealand | 81,580 | 101,439 |
| **Total revenue** | **1,070,795** | **1,793,187** |

## Note 4. Income tax

| | 2019 | 2018 |
|---|---|---|
| **Income Tax** | **$** | **$** |
| **Total income tax expense in profit or loss** | - | - |
| **The prima facie tax on loss before income tax is reconciled to the income tax expense as follows:** | | |
| Profit/(loss) from continuing operations before income tax expense | (1,010,645) | (2,465,904) |
| Profit/(loss) before income tax expense from discontinued operations | (137,454) | (95,994) |
| Add back other adjustments | (483,252) | - |
| | **(1,631,351)** | **(2,561,898)** |
| Income tax benefit at the Australian tax rate of 27.5% (2018: 27.5%) | 448,621 | 678,124 |
| Non-deductible expenses: | | |
| - Impairment expense on related party loan | - | (101,534) |
| - Share based expense | (10,933) | (5,135) |
| - Other | (430) | (1,898) |
| Non-assessable income R & D rebate | 39,193 | 33,685 |
| Tax effect of deferred tax assets not brought to account | 476,451 | 603,242 |
| **Income tax expense at effective tax rate of 27.5% (2018: 27.5%)** | **-** | **-** |

**Unrecognised deferred tax assets**

Deferred tax assets have not been recognised in the statement of financial position for the following items:

| | 2019 | 2018 |
|---|---|---|
| | **$** | **$** |
| Unused tax losses | 9,989,472 | 8,811,014 |
| Deductible temporary differences | 716,171 | 871,144 |
| | **10,705,643** | **9,682,158** |
| **Potential benefit at 27.5% (2018: 27.5%)** | **2,944,052** | **2,662,593** |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

## Note 4. Income tax (continued)

The deferred tax asset has not been brought to account on the basis that it is not expected that sufficient taxable income will be generated within the next twelve months to utilise the losses or to offset the temporary differences. At the point where it is more probable that sufficient taxable income will be generated to utilise the losses and to offset the temporary differences, the deferred tax asset will be recognised as an asset. There is no expiry date on the future deductibility of the unused tax losses.

## Note 5. Discontinued operations

(a) During the financial year the board decided to discontinue the operations of the property transaction business unit. The decision was made due to its unsatisfactory performance and future growth opportunities in a difficult market. Further investment and large amounts of working capital would of been required which was not seen viable from an operational and overall business position.

### (b) Result of discontinued operations

| Financial performance information | 2019 | 2018 |
|---|---|---|
| **Revenue** | **$** | **$** |
| Property | 132,959 | 604,508 |
| **Total revenue** | **132,959** | **604,508** |
| | | |
| Commissions | 17,430 | (350,353) |
| Employment expense | (150,324) | (208,217) |
| Depreciation and amortisation | (9,689) | (13,704) |
| Occupancy | (10,146) | (30,815) |
| Marketing | (10,986) | (51,715) |
| Professional and consulting expenses | (49,177) | (3,000) |
| Bad debts and provision for doubtful debts | (34,263) | - |
| Other Expenses | (23,258) | (42,698) |
| **Total expenses** | **(270,413)** | **(700,502)** |
| Loss before income tax expense | (137,454) | (95,994) |
| Income tax | - | - |
| **Loss after income tax from discontinued operations** | **(137,454)** | **(95,994)** |

### (c) Cash flow information

| | 2019 | 2018 |
|---|---|---|
| | **$** | **$** |
| Net cash from / (used in) operating activities | 72,331 | (72,296) |
| Net cash used in investing activities | - | - |
| Net increase / (decrease) in cash and cash equivalents from discontinued operations | **72,331** | **(72,296)** |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

## Note 6. Earnings per share

Both the calculation of the basic and the diluted earnings per share has been based on the loss attributable to ordinary shareholders and weighted-average number of ordinary shares.

| | | 2019 | 2018 |
|---|---|---|---|
| **Earnings per share** | | **$** | **$** |
| Profit/(Loss) attributable to ordinary shareholders | | (1,148,099) | (2,561,898) |
| Weighted average number of ordinary shares used in basic and diluted earnings per share [1] | | 172,507,888 | 107,507,230 |
| **Earnings per share** | **(Cents)** | (0.67) | (2.38) |
| **Diluted Earnings per share** | **(Cents)** | (0.67) | (2.38) |

[1] The weighted average number of ordinary shares for FY2019 was updated to reflect new issues of shares in January 2019. The weighted average number of ordinary shares for FY2018 was updated to reflect new issues of shares between September and October 2017.

## Note 7. Remuneration of auditors

During the financial year, the following fees were paid or payable for services provided by RSM Australia Partners (2018: BDO Audit Pty Limited fees for 2017) and its related practices:

| | 2019 | 2018 |
|---|---|---|
| **Remuneration of auditors** | **$** | **$** |
| **Audit services** | | |
| Audit and review of the financial statements by RSM Australia Partners | 51,797 | 46,000 |
| Audit and review of the financial statements by BDO Audit Pty Ltd | - | 16,366 |
| **Other services - Lee & Lee Accountants** | | |
| Trust account compliance | 723 | 950 |
| | **52,520** | **63,316** |

## Note 8. Cash and cash equivalents

| | 2019 | 2018 |
|---|---|---|
| **Cash and cash equivalents** | **$** | **$** |
| Cash at bank and in hand | 125,907 | 107,426 |
| Call deposits | 126,067 | 18 |
| | **251,974** | **107,444** |

Cash at bank and in hand are non-interest bearing. Deposits at call bear floating interest rates between 0.25% and 0.50% (2018: 0.50% and 0.60%).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

## Note 9. Trade and other receivables

| | 2019 | 2018 |
|---|---|---|
| **Current** | **$** | **$** |
| **Trade and other receivables** | | |
| Trade receivables | 185,686 | 577,553 |
| Provision for doubtful debts | (151,795) | (73,561) |
| Other debtors | 11,649 | 14,700 |
| | **45,540** | **518,692** |
| **Accrued income** | | |
| Research and development claim | 100,140 | 159,098 |
| Subscriptions | 14,973 | 5,317 |
| Property transactions | 674,034 | 732,532 |
| Provision for doubtful debts | (106,843) | - |
| | **682,304** | **896,947** |
| **Total current receivables** | **727,845** | **1,415,639** |
| Prepayments | 45,917 | 96,406 |
| **Total current prepayments** | **45,917** | **96,406** |
| **Non current** | | |
| **Trade and other receivables** | | |
| Other debtors | - | 2,218 |
| Loan - South Mapleton Pty Ltd | - | 369,216 |
| Provision for impairment | - | (369,216) |
| | **-** | **2,218** |
| **Accrued income** | | |
| Property sales commissions | - | 76,025 |
| | **-** | **76,025** |
| **Total non-current receivables** | **-** | **78,243** |

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 was made to account for the full balance outstanding until such time as the loan was either repaid or its collection terms amended. Under a deed of assignment dated 20 June 2019, Real Estate Investar Group Limited assigned the loan to an external party including all of its rights, title and interest in the loan for a cash consideration of $16,000. The loan balance of $353,216 was written off as uncollectable at the date of the assignment.

Non-current accrued income relates to property transaction commissions that are earned however the payment terms are such that they are not due for payment until property settlement which is scheduled in a future period greater than 12 months.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

## Note 9. Trade and other receivables (continued)

The closing loss allowances for trade and other receivables as at 30 June 2019 reconcile to the opening loss allowances as follows:

| | 2019 | 2018 |
|---|---|---|
| **Current** | **$** | **$** |
| **Movement in provision for doubtful debts** | | |
| Opening balance | 73,561 | - |
| Amounts restated through opening accumulated losses | 476,644 | - |
| Amounts restated through opening foreign currency translation reserve | (3,547) | - |
| Opening loss allowance as at 1 July 2018 (calculated under AASB9) | 546,658 | - |
| Increase in the allowance recognised in profit or loss during the period | 34,644 | 73,561 |
| Receivables written off during the year as uncollectible | (341,215) | - |
| Foreign exchange translation difference | 18,551 | - |
| Closing balance | **258,638** | **73,561** |
| | | |
| **Current** | | |
| **Movement in provision for impairment** | | |
| Opening balance | 369,216 | - |
| New provisions recognised | - | 369,216 |
| Loan - South Mapleton Pty Ltd written off during the year as uncollectible | (353,216) | - |
| Unused amount reversed on receipt of proceeds from sale of loan | (16,000) | |
| Closing balance | **-** | **369,216** |

The consolidated entity has recognised a loss of $34,644 in respect of credit losses for the year ended 30 June 2019.

The ageing of trade receivables and allowance for expected credit losses provided for above are as follows:

| | Expected credit loss rate 30 June 2019 | Carry amount 30 June 2019 | Allowance for expected credit losses 30 June 2019 |
|---|---|---|---|
| **Consolidated** | **%** | **$** | **$** |
| Not overdue | 13% | 807,206 | 106,468 |
| 0 to 3 months overdue | 7% | 16,754 | 1,197 |
| 3 to 6 months overdue | - | - | - |
| Over 6 months overdue | 93% | 162,523 | 150,973 |
| | | **986,483** | **258,638** |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

## Note 10. Plant and equipment

| | 2019 | 2018 |
|---|---|---|
| **Plant and equipment** | **$** | **$** |
| Office equipment | 78,604 | 108,144 |
| Less: Accumulated depreciation | (63,165) | (75,856) |
| | **15,439** | **32,288** |
| Leasehold improvements | - | 6,780 |
| Less: Accumulated depreciation | - | (6,678) |
| | **-** | **102** |
| **Total plant and equipment** | **15,439** | **32,390** |

| **Movements in plant and equipment** | Office equipment | Leasehold improvements | TOTAL |
|---|---|---|---|
| **2019** | **$** | **$** | **$** |
| Carrying amount at beginning of financial year | 32,288 | 102 | 32,390 |
| Disposals | (610) | - | (610) |
| Depreciation expense | (16,884) | (102) | (16,986) |
| Foreign exchange translation difference | 645 | - | 645 |
| **Carrying amount at end of financial year** | **15,439** | **-** | **15,439** |

| | Office equipment | Leasehold improvements | TOTAL |
|---|---|---|---|
| **2018** | **$** | **$** | **$** |
| Carrying amount at beginning of financial year | 56,132 | 524 | 56,656 |
| Additions | 818 | - | 818 |
| Depreciation expense | (23,818) | (422) | (24,240) |
| Foreign exchange translation difference | (844) | - | (844) |
| **Carrying amount at end of financial year** | **32,288** | **102** | **32,390** |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### Note 11. Intangible assets

| | 2019 | 2018 |
|---|---|---|
| **Intangible assets** | **$** | **$** |
| Website at cost | 2,647,879 | 2,632,854 |
| Less: Accumulated amortisation | (2,192,907) | (1,714,628) |
| | **454,971** | **918,226** |
| Contracts database | - | 23,785 |
| Less: Accumulated amortisation | - | (18,910) |
| | **-** | **4,875** |
| **Total intangible assets** | **454,971** | **923,101** |

| **Movements in intangible assets** | Website platform | Contracts database | TOTAL |
|---|---|---|---|
| **2019** | **$** | **$** | **$** |
| Carrying amount at beginning of financial year | 918,226 | 4,875 | 923,101 |
| Additions | 123,490 | - | 123,490 |
| R & D Rebate | (100,140) | - | (100,140) |
| Amortisation expense | (486,605) | (5,001) | (491,606) |
| Foreign exchange translation difference | - | 126 | 126 |
| **Carrying amount at end of financial year** | **454,971** | **-** | **454,971** |

| | Website platform | Contracts database | TOTAL |
|---|---|---|---|
| **2018** | **$** | **$** | **$** |
| Carrying amount at beginning of financial year | 1,273,436 | 13,865 | 1,287,301 |
| Additions | 267,662 | - | 267,662 |
| R & D Rebate | (159,098) | - | (159,098) |
| Amortisation expense | (463,774) | (8,480) | (472,254) |
| Foreign exchange translation difference | - | (510) | (510) |
| **Carrying amount at end of financial year** | **918,226** | **4,875** | **923,101** |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### Note 12. Trade and other payables

| | 2019 | 2018 |
|---|---|---|
| **Current** | **$** | **$** |
| Trade creditors | 542,064 | 1,005,957 |
| Accruals | 453,942 | 469,561 |
| Income in advance | 154,623 | 252,101 |
| Other payables | 52,482 | 31,676 |
| | **1,203,111** | **1,759,295** |
| **Non Current** | | |
| Trade creditors | 71,925 | - |
| Accruals - property sales commissions | - | 23,959 |
| | **71,925** | **23,959** |

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

### Note 13. Borrowings

| | 2019 | 2018 |
|---|---|---|
| **Current** | **$** | **$** |
| Convertible notes (related parties) | - | 100,000 |
| Convertible notes | - | 234,955 |
| | **-** | **334,955** |

On 19 June 2018, Real Estate Investar Group Limited agreed terms with their directors (Noteholders) to enter into a convertible note facility which would provide funding for the company as and when required. The instruments issued were an unsecured convertible note facility, with a facility limit of $650,000. These convertible notes had a maturity date of 1 May 2019 with interest on a non-cumulative coupon rate of 12% per annum. The noteholders that provided the funding were entities associated with directors, Simon Baker and Joe Hanna.

A principal of $600,000 was provided by CAV Investment Holdings HK Ltd which consisted of $100,000 in FY 2018 and $500,000 in FY 2019 (Refer to note 24). This was fully settled on 7 January 2019 (principal plus interest) by issue of shortfall shares from the entitlement offer to the underwriters.

The remaining facility of $50,000 was provided by Atherley Investments Pty Ltd with the full amount loaned to the company in FY 2019. This was fully settled on 7 January 2019 (principal plus interest) by issue of shortfall shares from the entitlement offer to the underwriters.

Convertible notes totalling $234,955 were issued to Australian Property Monitors Pty Ltd on 10 December 2015 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 was on an unsecured basis and interest accrued at 5% per annum.

A deed of settlement was agreed on 26 November 2018 which released and discharged Real Estate Investar Group Limited from all of its obligations under the convertible note. The $234,955 debt was foregiven subject to a payment of a trade payable in the amount $148,500 plus accrued interest on the principal amount of the convertible. Settlement took effect on 14 December 2018 with a payment of $148,500 plus $37,341 in interest.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

## Note 14. Contributed equity

| | 2019 | 2018 |
|---|---|---|
| **Contributed equity** | **$** | **$** |
| Ordinary shares - fully paid | 14,644,130 | 13,244,899 |
| Equity raising costs | (801,980) | (775,320) |
| | **13,842,150** | **12,469,579** |

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.

| | 2019 | 2018 | 2019 | 2018 |
|---|---|---|---|---|
| **Movement in ordinary share capital:** | **Shares** | **Shares** | **$** | **$** |
| Balance at 1 July 2018 | 116,602,554 | 84,494,604 | 12,469,579 | 11,285,121 |
| Issue of shares private placement 20 Sep 17 | - | 12,674,191 | - | 506,968 |
| Issue of shares rights issue 7 Jan 19 (2018: 27 Oct 17) | 116,602,554 | 19,433,759 | 1,399,231 | 777,350 |
| Capital raising costs | - | - | (26,660) | (99,860) |
| **Total contributed equity at 30 June 2019** | **233,205,108** | **116,602,554** | **13,842,150** | **12,469,579** |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### Note 15. Share based payments

**Director options**

**Options granted in 2019**

On 29 November 2018, at the Annual General Meeting, shareholders' approved the granting of 4 million share options to Joe Hanna. The option holder is entitled to acquire 1 newly issued share for each option held. These options have been granted for nil consideration and have an exercise price $0.015 per option. The options vested on the date of issue and will lapse on 30 November 2023.

In conjunction with the appointment of the director, on 29 January 2019, the Company granted 4 million share options to Sam Plowman. The option holder is entitled to acquire 1 newly issued share for each option held. These options have been granted for nil consideration and have an exercise price $0.012 per option. The options are exercisable after 29 January 2021, subject to Sam Plowman being a director of the Company at that time, and will lapse on 27 January 2023.

On 31 January 2019, the Company granted 4 million share options to an independent contractor in lieu of cash consideration for the provision of accounting and corporate advisory services for the Company throughout FY2019. The option holder is entitled to acquire 1 newly issued share for each option held. These options have been granted for nil consideration and have an exercise price $0.015 per option. The options vested on the date of issue and will lapse on 30 January 2021.

**Options granted in prior periods**

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 13 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 The Real Estate Investar Group Limited. The Company granted 1,450,000 share options to employees under the ESOP to eligible employees, of which 475,000 options are outstanding as at 30 June 2019 (30 June 2018: 1,075,000).

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.

No options have been exercised in the reporting period. The options do not carry any dividend or voting rights.

| **Share based payment expense for options** | **2019** | **2018** |
|---|---|---|
| **Share-based payment expense recognised during the financial year:** | **$** | **$** |
| Vesting of options issued to employees | - | 1,796 |
| Vesting of options issued to directors | 26,065 | 16,875 |
| Issue of options to director | 3,918 | - |
| Vesting of options issued to contractor | 9,774 | - |
| | **39,757** | **18,671** |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

## Note 15. Share based payments (continued)

| FY 2019<br>Grant Date | Exercise Price | Balance at beginning of year | Granted during year | Lapsed during year[1] | Exercised during year | Exercisable at end of year | Outstanding at end of year |
|---|---|---|---|---|---|---|---|
| 10-Dec-15 | $ 0.20 | 2,500,000 | - | - | - | 2,500,000 | 2,500,000 |
| 28-Apr-16 | $ 0.20 | 1,075,000 | - | (600,000) | - | 475,000 | 475,000 |
| 29-Nov-18 | $ 0.015 | - | 4,000,000 | - | - | 4,000,000 | 4,000,000 |
| 29-Jan-19 | $ 0.012 | - | 4,000,000 | - | - | - | 4,000,000 |
| 31-Jan-19 | $ 0.015 | - | 4,000,000 | - | - | 4,000,000 | 4,000,000 |
| | | **3,575,000** | **12,000,000** | **(600,000)** | **-** | **10,975,000** | **14,975,000** |

| FY 2018<br>Grant Date | Exercise Price | Balance at beginning of year | Granted during year | Lapsed during year[1] | Exercised during year | Exercisable at end of year | Outstanding at end of year |
|---|---|---|---|---|---|---|---|
| 10-Dec-15 | $ 0.20 | 3,000,000 | - | (500,000) | - | 2,500,000 | 2,500,000 |
| 28-Apr-16 | $ 0.20 | 1,175,000 | - | (100,000) | - | 1,075,000 | 1,075,000 |
| | | **4,175,000** | **-** | **(600,000)** | **-** | **3,575,000** | **3,575,000** |

**Options lapsed**

[1]There is a net reduction of 500,000 director shares under option due to the resignation of a director in 2018 and a net reduction of 600,000 (2018: 100,000) employee shares under option due to staff who have ceased employment with REI and their options have lapsed. Where options have lapsed and prior to the vesting date, the share based payment total expensed to date is derecognised as an expense in the period in which they lapse.

**Fair value of options granted**

The fair value at grant date was determined using a Black-Scholes option pricing model that takes into account the share price at grant date, exercise price, expected volatility, option life, expected dividends, the risk free rate, vesting and performance criteria, the impact of dilution, the fact that the options are not tradeable. The volatility calculations were provided by an external advisor.

The inputs used for the Black-Scholes option pricing model for options granted during the year ended 30 June 2019 were as follows:

| Grant Date | Consider-ation | Exercise price | Share price at grant date | Expected volatility | Expected dividend yield | Risk free rate | Vesting period | Expiry date |
|---|---|---|---|---|---|---|---|---|
| 29-Nov-18 | Nil | $ 0.015 | $ 0.015 | 70% | 0% | 2% | At grant date | 5 Years |
| 29-Jan-19 | Nil | $ 0.012 | $ 0.012 | 70% | 0% | 2% | 2 Years | 4 Years |
| 31-Jan-19 | Nil | $ 0.015 | $ 0.012 | 70% | 0% | 2% | At grant date | 2 Years |
| 10-Dec-15 | Nil | $ 0.20 | $ 0.20 | 70% | 0% | 2% | 3 Years | 2 Years |
| 28-Apr-16 | Nil | $ 0.20 | $ 0.06 | 50% | 0% | 2% | 3 Years | 2 Years |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### Note 16. 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 cost of capital.

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.

Capital management requires the maintenance of strong cash balance to support on-going website development, growth of the business. In the event the company finds an opportunity to invest in another business that adds value to the existing business or is seen as a worthy investment that will increase shareholders value , the company may look to raise capital to complete such activities.

### Note 17. Reserves

**Nature and purpose of reserves**

The share based payment reserve is used to recognise the value of equity settled share-based payments provided to employees, including key management personnel and consultants, 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 | |
|---|---|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| **Movements in reserves:** | $ | $ | $ | $ | $ | $ |
| Balance at 1 July 2018 | 342,663 | 323,992 | (1,534) | 4,826 | 341,129 | 328,818 |
| Amounts restated (calculated under AASB9) | - | - | 3,547 | - | 3,547 | - |
| Recognition of director share options | 29,983 | 16,875 | - | - | 29,983 | 16,875 |
| Recognition of employee share options | - | 1,796 | - | - | - | 1,796 |
| Recognition of contractor share options | 9,774 | - | - | - | 9,774 | - |
| Recognition of exchange differences | - | - | (18,730) | (6,360) | (18,730) | (6,360) |
| **Balance at 30 June 2019** | **382,420** | **342,663** | **(16,717)** | **(1,534)** | **365,703** | **341,129** |

### Note 18. Subsidiaries

**Parent entity and subsidiaries**

The parent entity of the group is Real Estate Investar Group Ltd. The group's subsidiaries are as follows:

| | | Ownership interest held by the group | |
|---|---|---|---|
| | | 2019 | 2018 |
| **Subsidiary name** | **Place of incorporation** | % | % |
| Real Estate Investar Australia Pty Ltd | Australia | 100 | 100 |
| Real Estate Investar Accounting Services Pty Ltd | Australia | 100 | 100 |
| Property Investor Developments Pty Ltd | Australia | 100 | 100 |
| Real Estate Investar Ltd | New Zealand | 100 | 100 |
| 0953117 B.C. Ltd | Canada | 100 | 100 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

## Note 19. Parent entity information

The following information relates to the parent entity, Real Estate Investar Group Ltd. The information presented has been prepared using accounting policies that are consistent with those presented in note 1.

| | 2019 | 2018 |
|---|---|---|
| **Real Estate Investar Group Ltd - Statement of financial position** | **$** | **$** |
| **Financial position** | | |
| Current assets | 153,479 | 50,004 |
| Non-current assets | 10,306,666 | 9,461,624 |
| **Total assets** | **10,460,145** | **9,511,628** |
| Current liabilities | 370,208 | 567,335 |
| Non-current liabilities | - | - |
| **Total liabilities** | **370,208** | **567,335** |
| **Net assets** | **10,089,937** | **8,944,293** |
| **Shareholders' equity** | | |
| Issued capital | 13,842,150 | 12,469,579 |
| Accumulated loss | (4,134,633) | (3,867,949) |
| Reserves | 382,420 | 342,663 |
| **Total equity** | **10,089,937** | **8,944,293** |

| | 2019 | 2018 |
|---|---|---|
| **Comprehensive loss for the year** | **$** | **$** |
| Loss for the year | (266,684) | (794,326) |
| **Total comprehensive loss for the year** | **(266,684)** | **(794,326)** |

**Guarantees entered into by the parent entity in relation to the debts of its subsidiaries**

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2019 and 30 June 2018.

**Contingent liabilities**

The parent entity had no contingent liabilities as at 30 June 2019 and 30 June 2018.

**Capital commitments**

The parent entity had no capital commitments as at 30 June 2019 and 30 June 2018.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

## Note 20. Financial instruments

**Financial risk management objectives**

The consolidated entity's directors monitor and manage the financial risks relating to the operation of the Group. These risks include credit risk and liquidity risk. The Group's overall risk management program focuses on managing these risks and implementing and monitoring of controls around the cash management function.

The board of directors has overall responsibility for the establishment and oversight of the risk management framework which is summarised below:

**Credit risk**

The maximum exposure to credit risk, excluding the value of any collateral or other security, at reporting date to recognised financial assets is the carrying amount of those assets, net of any provision for doubtful debts, as disclosed in the consolidated statement of financial position and notes to the consolidated financial statements. The Group's cash at bank is deposited with Westpac Bank and ASB.

Trade and other receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 120 days past due. The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

To measure the expected credit losses, trade and other receivables have been grouped based on shared credit risk characteristics and the days past due. The Group has a number of receipts from New Zealand property transactions which are past due, relating to sales already completed in prior years. Credit risk in relation to property sales commissions was managed by:

- Performing reference checks on developers to assess past credit history.
- Assessing on a monthly basis, past due amounts to determine factors impacting their recovery.
- Selecting a diversity of property developments to limit significant credit risk exposure to a single developer.

Other than this the Group does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the Group.

The expected loss rates for property transactions reflect current and forward-looking information mainly, changes in the macro economic environment which have placed significant downward pressure on Australian and New Zealand property developers and the Group's decision to exit the property transaction segment.

On that basis, the loss allowance as at 30 June 2019 and 1 July 2018 (on adoption of AASB 9) was determined as follows for trade receivables:

| 30 June 2019 | Current | More than 30 days past due | More than 60 days past due | More than 90 days past due | More than 120 days past due | Total |
|---|---|---|---|---|---|---|
| Expected loss rate | - | 6% | 10% | - | 93% | |
| Gross carrying amount - trade receivables | 21,810 | 12,944 | 59 | - | 162,523 | 197,336 |
| **Loss allowance** | - | 816 | 6 | - | 150,973 | 151,795 |
| Expected loss rate | 14% | 10% | - | - | - | |
| Gross carrying amount - accrued income | 785,397 | 3,750 | - | - | - | 789,147 |
| **Loss allowance** | 106,468 | 375 | - | - | - | 106,843 |
| **Total loss allowance** | **106,468** | **1,191** | **6** | **-** | **150,973** | **258,638** |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### Note 20. Financial instruments (continued)

| 1 July 2018 | Current | More than 30 days past due | More than 60 days past due | More than 90 days past due | More than 120 days past due | Total |
|---|---|---|---|---|---|---|
| Expected loss rate | - | 100% | 5% | 10% | 92% | |
| Gross carrying amount - trade receivables | 52,816 | 352,967 | 3,288 | 297 | 185,103 | 594,471 |
| **Loss Allowance** | - | 352,283 | 164 | 30 | 170,473 | 522,950 |
| Expected loss rate | 2% | - | - | - | - | |
| Gross carrying amount - accrued income | 972,972 | - | - | - | - | 972,972 |
| **Loss Allowance** | 23,708 | - | - | - | - | 23,708 |
| **Total Loss Allowance** | **23,708** | **352,283** | **164** | **30** | **170,473** | **546,658** |

Refer note 9 for a reconciliation of the opening and closing loss allowances. The impact of adoption of AASB 9 on opening accumulated losses as at 1 July 2018 amounted to an increase in losses by $476,644 for an allowance for expected credit losses. The restatement was adjusted for foreign exchange differences of $3,547 resulting in an adjusted allowance loss of $473,097.

**Previous accounting policy for impairment of trade receivables**

In the prior year, the impairment of trade receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. At 30 June 2018, a provision was recognised for $73,561 being 50% of a receivable totalling $147,122 that was past due. The Group will endeavour to collect this receivable in full in FY 2020 with an associated New Zealand property receivable. The receivable has been impaired in full as at 30 June 2019 applying the lifetime expected loss allowance approach.

**Liquidity risk**

Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable. The consolidated entity manages liquidity risk 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.

The following are the contractual maturities of financial liabilities:

| Maturity Analysis 2019 | Carrying value | Contractual cash flow | Less than 6 months | 6 to 12 months | 1 to 3 Years |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| Trade payables | 613,989 | 613,989 | 374,657 | 48,000 | 191,332 |
| Other payables | 52,482 | 52,482 | 52,482 | - | - |
| Accruals | 453,942 | 453,942 | 344,446 | - | 109,496 |
| | **1,120,413** | **1,120,413** | **771,585** | **48,000** | **300,828** |

| Maturity Analysis 2018 | Carrying value | Contractual cash flow | Less than 6 months | 6 to 12 months | 1 to 3 Years |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| Trade payables | 1,005,957 | 1,005,957 | 841,380 | 83,817 | 80,760 |
| Other payables | 31,676 | 31,676 | 31,676 | - | - |
| Accruals | 469,561 | 469,561 | 432,893 | - | 36,668 |
| Convertible notes (related parties) | 100,000 | 100,000 | - | 100,000 | - |
| Convertible notes | 234,955 | 234,955 | 234,955 | - | - |
| | **1,842,149** | **1,842,149** | **1,540,904** | **183,817** | **117,428** |

Cash flows in the maturity analysis are not expected to occur significantly earlier, or at significantly different amounts.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

## Note 20. Financial instruments (continued)

**Market risk**

**Foreign currency risk**

The consolidated entity undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations. Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

Management has put in place a policy requiring group entities to manage their foreign exchange risk against their functional currency. The Group companies are required to bring significant foreign currency transactions to the attention of the central finance function for evaluation as to the use of hedging using forward foreign currency contracts.

**Foreign currency sensitivity analysis**

Exposures to currency exchange rates arise from the Group's overseas sales and purchases, which are primarily denominated in NZ dollars (NZD). The amounts shown are those translated into $AUD at the closing rate and shows the impact of the Australian dollar strengthening or weakening 10% against the New Zealand dollar.

Foreign currency denominated financial assets and liabilities which expose the Group to currency risk are disclosed below. The amounts shown are those translated into $AUD at the closing rate and shows the impact of the Australian dollar strengthening or weakening 10% against the New Zealand dollar.

| Assets below are currently in NZD denominations and have been translated to AUD | | Strengthening AUD + 10% | Weakening AUD - 10% |
|---|---|---|---|
| | AUD | Profit or (Loss) | Profit or (Loss) |
| **30 June 2019** | $ | $ | $ |
| Financial assets | 603,854 | (54,896) | 67,095 |
| Financial liabilities | 268,260 | (24,387) | 29,807 |
| **Total exposure** | **335,594** | **(30,509)** | **37,288** |
| **30 June 2018** | $ | $ | $ |
| Financial assets | 1,111,946 | (101,086) | 123,550 |
| Financial liabilities | 427,517 | (38,865) | 47,502 |
| **Total exposure** | **684,429** | **(62,221)** | **76,048** |

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to currency risk.

**Price risk**

The consolidated entity is not exposed to any significant price risk.

**Interest rate risk**

The Group holds its surplus cash in bank deposits with floating interest rates. The Group analyses its interest rate exposure on an ongoing basis.

Currently there are no assets or liabilities that are materially exposed to variations in interest rate changes.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

## Note 21. Fair value measurement

There are various methods used in estimating the fair value of a financial instrument. The methods comprise:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 - Inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 - Inputs for the assets or liability that are not based on observable market data (unobservable inputs).

Due to their short-term nature the net fair values of financial assets and liabilities approximate their carrying value as disclosed in the consolidated statement of financial position. No financial assets or liabilities are readily traded on organised markets in standardised form.

## Note 22(a). Reconciliation of cash flows from operating activities with operating results

| | 2019 | 2018 |
|---|---|---|
| **Reconciliation of cashflows from operating activities** | **$** | **$** |
| Loss for the period | (1,148,099) | (2,561,898) |
| **Non cash flows in operating result:** | | |
| Depreciation | 508,191 | 496,495 |
| Loss on disposal of equipment | 3 | - |
| Share based payment expense | 107,340 | 18,671 |
| Doubtful debts expense | 34,644 | 73,561 |
| Impairment expense | - | 369,216 |
| Debt forgiveness | (234,955) | - |
| **Movements in operating assets and liabilities:** | | |
| Decrease in trade and other receivables | 296,769 | 713,482 |
| (Increase)/decrease in prepayments | (50,489) | 36,375 |
| (Decrease) in trade and other payables | (497,047) | (610,986) |
| (Decrease) in income in advance | (97,478) | (199,008) |
| (Decrease) in foreign translation reserve | (15,950) | (5,007) |
| **Net cash outflows from operating activities** | **(1,097,071)** | **(1,669,099)** |

## Note 22(b). Significant non cash transactions

**(i)** During the financial year, The Group had issued new shares which had increased contributed capital by $1,372,570 (net of transaction costs).

The transaction was part cash and part non-cash;

- Cash : $681,648
- Non-Cash : $717,583

The non-cash element was in relation to the following:

- Conversion of borrowings (refer note 13) : $650,000
- Conversion of interest on borrowings : $ 19,085
- Conversion of director payables : $ 48,498

**(ii)** During the financial year, a deed of settlement was agreed with Australian Property Monitors Pty Ltd which released and discharged Real Estate Investar Group Limited from all of its obligations under the convertible note. The non cash element of the transaction amounted to $234,955.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

## Note 23. Employment expense

**Employee benefits expense**

Expenses recognised for employee benefits are analysed below:

| | 2019 | 2018 |
|---|---|---|
| **Employee benefits expense** | **$** | **$** |
| Short-term employee benefits | 843,090 | 1,517,267 |
| Post employment benefits | 69,744 | 126,583 |
| Other long term benefits | 39,907 | 2,986 |
| Termination benefits | 12,000 | - |
| Equity-settled share-based payments | 29,983 | 18,671 |
| Capitalised salaries & oncosts to website | (101,152) | (234,575) |
| **Total employee benefits expense** | **893,572** | **1,430,932** |
| Other employment related costs | 8,589 | 57,490 |
| **Total employment expense** | **902,161** | **1,488,422** |

**Share based employee remuneration**

Refer to Note 15.

**Employee liabilities**

Liabilities recognised for employee benefits are analysed below:

| | 2019 | 2018 |
|---|---|---|
| **Employee liabilities** | **$** | **$** |
| **Current** | | |
| Short-term employee benefits | 48,794 | 89,937 |
| Post employment benefits | 10,549 | 21,417 |
| | 59,343 | 111,354 |
| Provision for employee entitlements | 60,022 | 114,785 |
| **Total current employee benefits** | **119,364** | **226,139** |
| **Non-current** | | |
| Provision for employee entitlements | - | 31,543 |
| **Total non-current employee benefits** | **-** | **31,543** |

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

## Note 24. Related parties

**Parent entity**

Real Estate Investar Group Limited is the parent entity of the Group.

**Subsidiaries**

Interests in subsidiaries are disclosed in note 18.

**Key management personnel compensation**

Key management personnel are identified as being the directors and CEO of the Group.

| | 2019 | 2018 |
|---|---|---|
| **KMP compensation** | **$** | **$** |
| Short-term employee benefits | 397,926 | 365,841 |
| Post employment benefits | 12,735 | 19,890 |
| Other long term benefits | 33,124 | - |
| Termination benefits | 12,000 | - |
| Equity-settled share-based payments | 29,983 | 16,875 |
| **Total remuneration** | **485,767** | **402,606** |

**Key management personnel transactions**

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

| | 2019 | 2018 |
|---|---|---|
| **Balances owing to / from KMPs** | **$** | **$** |
| Licencing fees incurred with Transmit Data Pty Ltd | 30,800 | 30,800 |
| Directors fees payable | 136,345 | 86,628 |
| Professional and consulting fees payable | 75,000 | - |
| Loan payable to Clint Greaves | 52,482 | - |
| Property sales commission fee receivable | - | (27,415) |
| | **294,627** | **90,013** |

Current payables due to directors are for consultancy, licensing and director fees owing and are paid on normal commercial terms. All are non-interest bearing and unsecured.

Property sales commissions receivable is for a NZ property sale to a director first recognised in FY2017. The sale was at the market rate and the commission earned was based on the standard terms for Real Estate Agency services entered into in the vendor contract.

The following balances are for amounts recognised during the reporting period as a result of transactions with related parties, excluding employee benefits which are disclosed above:

| | 2019 | 2018 |
|---|---|---|
| **Transactions recognised during the year** | **$** | **$** |
| Licencing fees incurred with Transmit Data Pty Ltd | - | 46,200 |
| International portal conference fees | - | 1,940 |
| Contractor fees incurred with Cupertino Group Pty Ltd | 22,000 | - |
| | **22,000** | **48,140** |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

## Note 24. Related parties (continued)

**Key management personnel transactions (continued)**

**Transactions recognised during the year (continued)**

Up until January 2018, the Group used the services of Transmit Data Pty Limited, a company controlled by a director. Contract terms are based on standard business terms.

In the previous reporting period, the Group attended a property portal conference that was promoted by Property Portal Watch Pty Limited, a company controlled by a director.

On 1 April 2019, the Group engaged Cupertino Group Pty Ltd, a company controlled by a director, to provide consulting services. Contract terms are based on standard business terms for independent contractors. The agreement included terms that allowed either party to terminate the agreement by providing one week of notice. The agreement was terminated by the company and ended 31 May 2019.

On 1 January 2019 Joe Hanna was appointed managing director, for his role the board had agreed to remunerate him for the work undertaken of managing the restructure of the business and taking over the day to day responsibility from the previous CEO, a fee for the 6 months period of $75,000 was charged to the company which will be taken in shares (pending shareholders approval).

**Loans to directors and their related entities**

| | 2019 | 2018 |
|---|---|---|
| **KMP Loan: South Mapleton Pty Ltd Loan Agreement** | **$** | **$** |
| Principal component of loan | 320,000 | 320,000 |
| Accrued interest | 49,216 | 49,216 |
| Write-downs & provision for impairment | (353,216) | (369,216) |
| Proceeds received from sale of loan | (16,000) | - |
| **Balance outstanding at the end of the year** | **-** | **-** |

On the 13 November 2015 Real Estate Investar Group Limited issued 2,000,000 shares to South Mapleton Pty Limited for an aggregate subscription price of $320,000 under a subscription agreement with South Mapleton Pty Limited, a company owned and controlled by Mr Clint Greaves. The subscription price was funded by way of a loan provided by Real Estate Investar Group Limited to South Mapleton Pty Limited. The loan to South Mapleton Pty Limited carries an interest rate of 5.65% which if unpaid at the end of each quarter is capitalised. This loan is at arms-length with standard commercial terms. The loan was repayable in full on or before 31 March 2018.

As at 30 June 2018, the loan to South Mapleton Pty Limited was not repaid and accordingly a provision was made during the reporting period for the full balance outstanding until such time as the loan is either repaid or its collection terms amended.

Under a deed of assignment dated 20 June 2019, Real Estate Investar Group Limited assigned to an external party all of its rights, title and interest in the loan for a cash consideration of $16,000. The loan balance of $353,216 was written off as uncollectable at the date of the assignment.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

## Note 24. Related parties (continued)

**Key management personnel transactions (continued)**

**Loans from directors and their related entities**

| | 2019 | 2018 |
|---|---|---|
| **KMP loan: CAV Investment Holdings HK Limited Convertible Note Facility** | **$** | **$** |
| Principal component of loan | 600,000 | 100,000 |
| Accrued interest | 16,470 | 395 |
| Settled by issue of shares: Rights Issue 7 Jan 19 | (616,470) | - |
| **Balance outstanding at the end of the year** | **-** | **100,395** |

| | 2019 | 2018 |
|---|---|---|
| **KMP loan: Atherley Investments Pty Ltd Convertible Note Facility** | **$** | **$** |
| Principal component of loan | 50,000 | - |
| Accrued interest | 2,615 | - |
| Settled by issue of shares: Rights Issue 7 Jan 19 | (52,615) | - |
| **Balance outstanding at the end of the year** | **-** | **-** |

The convertible notes to related parties were issued by Real Estate Investar Group Limited as an unsecured convertible note facility of $650,000 provided by entities associated with directors, Simon Baker and Joe Hanna. These convertible notes mature in May 2019 with interest on a non-cumulative coupon rate of 12% per annum. The total loan of $600,000 plus interest to CAV Investment Holdings HK Limited was settled on 7 January 2019 by issue of shortfall shares from the entitlement offer to the underwriters. The total loan of $50,000 plus interest to Atherley Investments Pty Ltd was settled on 7 January 2019 by issue of shortfall shares from the entitlement offer to the underwriters.

**Loans from directors and their related entities**

| | 2019 | 2018 |
|---|---|---|
| **KMP loan: Clint Greaves Convertible Note Facility** | **$** | **$** |
| Principal component of loan | 50,000 | - |
| Accrued interest | 2,482 | - |
| **Balance outstanding at the end of the year** | **52,482** | **-** |

On 28 June 2019, the convertible note to Clint Greaves was issued by Real Estate Investar Group Limited as an unsecured convertible note facility in the amount of $50,000 representing accrued service entitlements owing from 31 January 2019. The convertible note will mature on 1 December 2019 with interest on a non-cumulative coupon rate of 12% per annum, with a convrsion price of a 1 month VWAP with a 20% discount. Upon shareholder approval the note will be converted into shares of the company.

## Note 25. Contingent assets and liabilities

There were no contingent assets and liabilities as at 30 June 2019 (2018: Nil).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

## Note 26. Commitments

The Group leases premises under non-cancellable operating leases expiring within 1 year for both the Australian and New Zealand offices. Office equipment is leased under non-cancellable operating leases for 2 year and 5 year periods. The leases have terms which allow for annual renewal and have annual CPI escalation clauses.

The commitments below do not include any commitments for any renewal options on leases. Lease conditions do not impose any restrictions on the ability of Real Estate Investar Group Limited and its subsidiaries from borrowing further funds or paying dividends.

| | 2019 | 2018 |
|---|---|---|
| **Commitments** | **$** | **$** |
| due within one year | 16,770 | 16,095 |
| due after one year and within five years | - | 4,896 |
| | **16,770** | **20,991** |

## Note 27. Subsequent events

There have been no events subsequent to balance date that require adjustments or disclosure in the financial report.

## DIRECTORS' DECLARATION

**For the year ended 30 June 2019**

The directors of the Company declare that:

The financial statements, comprising the consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position, consolidated statement of cash flows, consolidated statement of changes in equity and accompanying notes are in accordance with the *Corporations Act 2001* and:

(a) comply with Australian Accounting Standards; and

(b) give a true and fair view of the consolidated entity's financial position as at 30 June 2019 and of its performance for the year ended on that date;

(c) The consolidated entity has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards;

(d) In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001 from the Chief Executive Officer and the Chief Financial Officer.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:

Director: Simon Baker

Date: 26 September 2019

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**INDEPENDENT AUDITOR'S REPORT**
**TO THE MEMBERS OF REAL ESTATE INVESTAR GROUP LIMTIED**

## Opinion

We have audited the financial report of Real Estate Investar Group Limited ("the Company") and its controlled entities (together referred to as "the Group") which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit and loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001.*

## Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Group, would be in the same terms if given to the directors as at the time of this auditor's report.

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

## Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial report, which indicates that the Group incurred a net loss after tax of $1,148,099 and had operating cash outflows of $1,097,071 during the year ended 30 June 2019, and, as of that date, the Group's current liabilities exceeded its current assets by $237,397. As stated in Note 1, these events and conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

| Key Audit Matter | How our audit addressed this matter |
|---|---|
| ***Revenue Recognition***<br>Refer to Note 3 in the financial statements | |
| The financial year ended 30 June 2019 was the initial adoption of the new revenue standard *AASB 15 Revenue from Contracts with Customers*.<br><br>The new standard affected the Group's recognition of property commission revenue, particularly in the determination of the transaction price and allocating the transaction price to the performance obligations.<br><br>In addition, the Group's revenue recognition related to the commission from property transactions involves a significant degree of management judgement and estimates, and revenue from subscriptions is subject to potential errors of income in advance being recognised as revenue in the wrong period.<br><br>The Group's revenue could be materially misstated as a result of the above factors. | Our audit procedures in relation to the recognition of revenue included:<br>• Evaluating and testing the operating effectiveness of management's controls relating to revenue recognition for subscription revenues.<br>• A detailed substantive analytical review to assess the reasonableness of both deferred and recognised subscription revenue by reference to membership numbers and fees.<br>• Inspection of sales contracts and settlement documentation, and review of the recognition of revenue from property transactions in line with the terms of the contract.<br>• Review of sales transactions settled before and after year-end to ensure that revenue was recognised in the correct period; and<br>• Assessing whether a material impact resulted from the adoption of AASB 15, particularly regarding revenue of subscriptions given to customers in exchange for marketing services provided by them. |
| ***Carrying value of Intangible Assets***<br>***Refer to Note 11 in the financial statements*** | |
| The Group has an internally generated intangible asset amounting to $454,971 relating to the development of its web-tool system. As the Group has experienced recurring operating cash losses, there exists indicators that the intangible asset may be impaired.<br><br>For the year ended 30 June 2019 management have performed an impairment assessment over the intangible balance by calculating the value in use of the intangible asset using a discounted cash flow model. | Our audit procedures in relation to management's impairment assessment and review included:<br>• Assessing management's determination that the intangible asset should be allocated to a single Cash Generating Unit (CGU) based on the nature of the Group's business and the ability of this CGU to generate largely independent cash inflows from other assets held by the Group. |

**Key Audit Matters (Continued.)**

| ***Carrying value of Intangible Assets (continued)*** <br> ***Refer to Note 11 in the financial statements*** | |
|---|---|
| Management also performed a sensitivity analysis over the value in use calculations, by varying the assumptions used (underlying cashflows, growth rates, terminal growth rate and WACC) to assess the impact on the valuations.<br><br>We identified this area as a Key Audit Matter due to the size of the balance, and because the directors' assessment of the 'value in use' of the intangible asset involves judgements about the future underlying cash flows relating to the asset, and the discount rates applied to them. | • Assessing management's determination of cashflows which are directly related to the intangible asset being subject to the impairment review.<br>• Assessing the valuation methodology used.<br>• Challenging the reasonableness of key assumptions, including the cash flow projections, discount rates, and sensitivities used.<br>• Checking the mathematical accuracy of the cash flow model; and<br>• Reconciling input data to supporting evidence, such as approved budgets, updated contracts where key costs were projected to significantly decrease; and considering the reasonableness of these budgets. |

**Other Information**

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2019, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of the Directors for the Financial Report**

The directors of the Group 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.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

**Auditor's Responsibilities for the Audit of the Financial Report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar2.pdf. This description forms part of our auditor's report.

**Report on the Remuneration Report**

*Opinion on the Remuneration Report*

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Real Estate Investar Group Limited for the year ended 30 June 2019 complies with section *300A* of the *Corporations Act 2001.*

*Responsibilities*

The directors of the Group are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

**RSM AUSTRALIA PARTNERS**

**J S CROALL**
Partner

Dated: 26 September 2019
Melbourne, Victoria

# Information provided under ASX listing rule 4.10

The information in this document is as at 30 August 2019

## Note 1 – Substantial shareholders

| Rank | Substantial holder | Shares held | % of Issued capital |
|---|---|---|---|
| 1 | CAV INVESTMENT HOLDINGS HK LIMITED | 61,786,110 | 26.49% |
| 2 | ATHERLEY INVESTMENTS PTY LTD | 26,455,952 | 11.34% |
| 3 | INVIA CUSTODIAN PTY LTD <SDS CAPITAL NO 3 UNIT A/C> | 18,124,975 | 7.77% |

## Note 2 – Classes of equity securities on issue

| Equity security class | Ordinary shares | Director options | Employee / contractor options |
|---|---|---|---|
| Number of holders | 335 | 6 | 6 |

## Note 3 – Voting rights attached to each class of equity security

At a general meeting of the Company, every shareholder present in person or by proxy, representative or attorney has one vote on a show of hands and, on a poll, one vote for each Share held. If the votes are equal on a proposed resolution, the chairperson of the meeting has a casting vote, in addition to any deliberative vote.

Each shareholder is entitled to receive notice of, attend and vote at general meetings of the Company and to receive all notices, accounts and other documents required to be sent to shareholders under the constitution, Corporations Act and listing rules. The Company must give at least 28 days' written notice of a general meeting.

Options holders do not have voting rights.

## Note 4 – Distribution schedule in each class of equity securities

| Range | Total holders | Units | % of Issued capital |
|---|---|---|---|
| 1–1,000 | 9 | 1,178 | 0.00% |
| 1,001–5,000 | 22 | 108,714 | 0.05% |
| 5,001–10,000 | 35 | 303,705 | 0.13% |
| 10,001–100,000 | 144 | 7,051,948 | 3.02% |
| 100,001–9,999,999,999 | 125 | 225,739,563 | 96.80% |
| **Totals** | **335** | **233,205,108** | **100.00%** |

## Note 5 – Unmarketable parcels

The number of holders holding less than a marketable parcel of the Company's main class of securities (fully paid ordinary shares) based on the closing market price as at 30 August 2019.

| | Holders | Unmarketable units | UMP % |
|---|---|---|---|
| Minimum $500.00 parcel at $0.01 per share | 133 | 2,198,606 | 0.94% |

## Note 6 – Top 20 shareholders

The 20 largest holders of ordinary shares and the number of ordinary shares and the percentage of capital held by each are as follows:

| Rank | Name | Shares held | % Held |
|---|---|---|---|
| 1 | CAV INVESTMENT HOLDINGS HK LIMITED | 61,786,110 | 26.49% |
| 2 | ATHERLEY INVESTMENTS PTY LTD | 26,455,952 | 11.34% |
| 3 | INVIA CUSTODIAN PTY LTD <SDS CAPITAL NO 3 UNIT A/C> | 18,124,975 | 7.77% |
| 4 | HB SUPER HOLDINGS PTY LTD <HB SUPER FUND A/C> | 10,987,948 | 4.71% |
| 5 | CALAMA HOLDINGS PTY LTD <MAMBAT SUPER FUND A/C> | 8,643,478 | 3.71% |
| 6 | POHUTUKAWA PTY LTD | 8,034,281 | 3.45% |
| 7 | CAVIH NO 5 LIMITED | 5,714,286 | 2.45% |
| 8 | OCTIFIL PTY LTD | 5,288,060 | 2.27% |
| 9 | ANDREW MCQUEEN PTY LTD <ANDREW MCQUEEN STF PL SF AC> | 4,999,030 | 2.14% |
| 10 | DISRUPTIVE INVESTMENT GROUP LIMITED | 3,830,864 | 1.64% |
| 11 | MILA INVESTMENT CO PTY LTD <MILA INVESTMENT A/C> | 2,763,637 | 1.19% |
| 12 | SOUTH MAPLETON PTY LTD <SOUTH MAPLETON A/C> | 2,675,000 | 1.15% |
| 13 | ASSET GROWTH FUND PTY LTD | 2,644,030 | 1.13% |
| 14 | CORPORATE PROPERTY SERVICES PTY LTD <K W SHARE A/C> | 2,532,474 | 1.09% |
| 15 | INVIA CUSTODIAN PTY LIMITED <FERN ESTATES PTY LTD A/C> | 2,502,914 | 1.07% |
| 16 | SAILORS OF SAMUI PTY LTD | 2,250,000 | 0.96% |
| 17 | TONER HOLDINGS PTY LTD <TONER SUPER FUND A/C> | 2,245,000 | 0.96% |
| 18 | THREE ZEBRAS PTY LTD <JUDD FAMILY A/C> | 2,095,000 | 0.90% |
| 19 | MR MICHAEL FIORENZA | 2,000,000 | 0.86% |
| 20 | LV2 PTY LTD | 1,926,787 | 0.83% |
| | | **177,499,826** | **76.11%** |

## Note 7 – Number and class of restricted securities or securities subject to voluntary escrow

| | Free float | Escrowed | Total |
|---|---|---|---|
| Fully paid ordinary shares | 233,205,108 | - | 233,205,108 |

## Note 8 – Unquoted equity securities

| | Holders | Units |
|---|---|---|
| Directors – 20c options vested 31-Dec-17, expiring 31-Dec-20 | 4 | 2,500,000 |
| Employees – 20c options vested 27-Apr-18, expiring 27-Apr-21 | 5 | 475,000 |
| Director – 0.015c options vested 29-Nov-18, expiring 30-Nov-23 | 1 | 4,000,000 |
| Director – 0.012c options vesting 29-Jan-21, expiring 27-Jan-23 | 1 | 4,000,000 |
| Contractor – 0.015c options vested 31-Jan-19, expiring 30-Jan-21 | 1 | 4,000,000 |
| **Total** | **12** | **14,975,000** |

# Corporate directory

## ABN 39 141 276 959

## Directors

**Simon Baker**, Non-executive chairman

**Joe Hanna,** Executive director

**Sam Plowman,** Independent non-executive director

## Company secretary

Lee Mitchell

## Registered office

Suite 810, Level 8
2 Queen St
Melbourne, VIC 3000

## Principal place of business

Level 1, 142 Bundall Rd
Bundall, QLD 4217

**Postal address**
P O Box 4144
Ashmore, QLD 4214

## Auditor

RSM Australia Partners

## Bankers

Westpac (Australia) & ASB (New Zealand)

## Stock exchange listing

Real Estate Investar Group Ltd is listed on the Australian Securities Exchange (ASX). ASX Code: REV

## Share registry

Boardroom Pty Limited

Level 12, 225 George Street Sydney, NSW, 2000, Australia

**Postal address**
GPO Box 3993
Sydney NSW 2001

enquiries@boardroomlimited.com.au
1300 737 760 (in Australia) +61 29290 9600 (international)

## Website

http://www.rei-group.com.au

real estate investar group limited

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REI-GROUP.COM.AU