

Prospectus

Real Estate Investar Group Limited
ACN 141 276 959

For the fully underwritten initial public offering of
25.0 million Shares in Real Estate Investar Group Limited
at an Offer Price of \$0.20 per Share to raise \$5.0 million.

For personal use only



Important information

This is an important document that you should read in full. If you do not understand it, consult your professional advisers.

Underwriter and Lead Manager

Baillieu Holst
Since 1889

REAL ESTATE
INVESTAR

Important Notices

THE OFFER

This Prospectus is issued by Real Estate Investar Group Limited (ACN 141 276 959) (**REI or Company**) for the purposes of Chapter 6D of the Corporations Act 2001 (Cth) (**Corporations Act**). The offer contained in this Prospectus is an initial public offering to acquire fully paid ordinary shares (**Shares**) in the Company (**Offer**).

LODGEMENT AND LISTING

This Prospectus is dated 16 November 2015 and a copy was lodged with the Australian Securities and Investments Commission (**ASIC**) on that date (**Prospectus Date**). The Company will apply to ASX Limited (**ASX**) within seven days after the Prospectus Date for admission of the Company to the official list and quotation of its Shares on the ASX. None of ASIC, ASX or their respective officers take any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

As set out in Section 7.11.3, it is expected that the Shares will be quoted on the ASX initially on a deferred settlement basis. The Company, Boardroom Pty Limited (**Share Registry**), and the Lead Manager disclaim all liability, whether in negligence or otherwise, to persons who trade Shares before receiving their holding statement. Shares issued to Fairfax Media and the Convertible Note holders are issued under this Prospectus.

EXPIRY DATE

This Prospectus expires on the date that is 13 months after the Prospectus Date (**Expiry Date**) and no Shares will be issued on the basis of this Prospectus after the Expiry Date.

NOTE TO APPLICANTS

The information in this Prospectus is not financial product advice and does not take into account your investment objectives, financial situation or particular needs. It is important that you read this Prospectus carefully and in its entirety before deciding whether to invest in the Company.

In particular, you should consider the assumptions underlying the Forecast Financial Information and the risk factors that could affect the performance of the Company. You should carefully consider these risks in light of your personal circumstances (including financial and tax issues) and seek professional guidance from your stockbroker, solicitor, accountant or other independent professional adviser before deciding whether to invest in the Company. Some of the key risk factors that should be considered by prospective investors are set out in Section 5. There may be risk factors in addition to these that should be considered in light of your personal circumstances.

Except as required by law, and only to the extent required, no person named in this Prospectus, nor any other person, warrants or guarantees the performance

of the Company or the repayment of capital by the Company or any return on investment made pursuant to this Prospectus.

This Prospectus includes information regarding past performance of REI. Investors should be aware that past performance is not indicative of future performance.

No person is authorised to give any information or to make any representation in connection with the Offer described in this Prospectus that is not contained in this Prospectus. Any information not so contained may not be relied upon as having been authorised by the Company, the Lead Manager or any other person in connection with the Offer. You should rely only on information contained in this Prospectus.

FINANCIAL INFORMATION PRESENTATION

Section 4 sets out in detail the Financial Information referred to in this Prospectus and the basis of preparation of that information is set out in Section 4.2.

The Financial Information has been prepared and presented in accordance with the recognition and measurement principles of Australian Accounting Standards (**AAS**) (including the Australian Accounting Interpretations) issued by the Australian Accounting Standards Board (**AASB**), which are consistent with International Financial Reporting Standards (**IFRS**) issued by the International Accounting Standards Board. The Forecast Financial Information included in this Prospectus is unaudited and is based on the best estimate assumptions of the Directors. The basis of preparation and presentation of the Forecast Financial Information is, to the extent applicable, consistent with the basis of preparation and presentation of the Historical Financial Information.

All financial amounts contained in this Prospectus are expressed in Australian currency, unless otherwise stated. Some numerical figures included in this Prospectus have been subject to rounding adjustments. Any discrepancies between totals and sums of components in tables and figures contained in this Prospectus are due to rounding.

The Historical Financial Information and the Forecast Financial Information in this Prospectus should be read in conjunction with, and are qualified by reference to, the information contained in Section 4.

FORWARD-LOOKING STATEMENTS

This Prospectus contains forward-looking statements that are identified by words such as 'may', 'could', 'believes', 'estimates', 'expects', 'intends' and other similar words that involve risks and uncertainties. The Forecast Financial Information included in Section 4 of this Prospectus is an example of forward-looking statements. Any forward-looking statements involve known and unknown risks, uncertainties, assumptions and other important

factors that could cause actual events or outcomes to differ materially from the events or outcomes expressed or anticipated in these statements, many of which are beyond the control of REI. The Forecast Financial Information and the forward-looking statements should be read in conjunction with, and qualified by reference to, the risk factors as set out in Section 5, the specific and general assumptions set out in Sections 4.7.1 and 4.7.2 respectively, the sensitivity analysis set out in Section 4.8 and other information contained in this Prospectus.

The Directors cannot and do not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this Prospectus will actually occur and investors are cautioned not to place undue reliance on such forward-looking statements. The Company does not intend to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

This Prospectus uses market data and third party estimates and projections. The Company has obtained significant portions of this information from market research prepared by third parties. There is no assurance that any of the third party estimates or projections contained in this information will be achieved. The Company has not independently verified this information. Estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed in the risk factors set out in Section 5.

FOREIGN JURISDICTIONS

This Prospectus does not constitute an offer or invitation to apply for Shares in any place in which, or to any person to whom, it would be unlawful to make such an offer or invitation. No action has been taken to register or qualify the Shares or the Offer, or to otherwise permit a public offering of the Shares, in any jurisdiction outside Australia.

The taxation treatment of Australian securities may not be the same as those for securities in foreign jurisdictions. The distribution of this Prospectus outside Australia may be restricted by law, and persons who come into possession of this Prospectus outside Australia should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

In particular, the Shares have not been, and will not be, registered under the United States Securities Act of 1933, as amended (**US Securities Act**) or any state securities laws in the United States and may not be offered, sold, pledged or transferred in the United States unless the shares are registered under the US

Securities Act, or an exemption from the registration requirements of the US Securities act and applicable US state securities laws is available.

See Section 7.8.3 for more details on selling restrictions that apply to the Offer and sale of Shares in jurisdictions outside Australia.

EXPOSURE PERIOD

The Corporations Act prohibits the Company from processing applications for Shares in the seven day period after the Prospectus Date (**Exposure Period**). ASIC may extend this period by up to a further seven days (that is, up to a total of 14 days). The purpose of the Exposure Period is to enable the Prospectus to be examined by market participants prior to the raising of the funds. The examination may result in the identification of certain deficiencies in this Prospectus in which case any Application may need to be dealt with in accordance with section 724 of the Corporations Act. Applications received during the Exposure Period will not be processed until after the expiry of the Exposure Period. No preference will be given to Applications received during the Exposure Period.

PROSPECTUS AVAILABILITY

During the Offer Period, a paper copy of this Prospectus is available free of charge to any General Offer Applicant in Australia by calling REI IPO Information Line on 1300 737 760 (within Australia) and +61 2 9290 9600 (outside Australia) from 8.15am to 5.30pm (AEDT), Monday to Friday (excluding public holidays). This Prospectus is also available to General Offer Applicants in Australia in electronic form at the Company's website www.rei-group.com.au/offer. The Offer constituted by this Prospectus in electronic form is available only to persons downloading or printing it within Australia and is not available to persons in any other jurisdiction (including the United States). Persons who access the electronic version of this Prospectus must ensure that they download and read the entire Prospectus.

APPLICATIONS

Applications may be made only during the Offer Period by applying online at www.rei-group.com.au/offer and paying by BPAY® or by completing the application form (**Application Form**) attached to, or accompanying, this Prospectus in its paper copy form, or in its electronic form, which must be downloaded in its entirety from www.rei-group.com.au/offer and paying by cheque, bank draft or money order. By making an Application, you represent and warrant that you were given access to the Prospectus, together with an Application Form. The Corporations Act prohibits any person from passing on to another person an Application Form unless it is attached to, or accompanied by, the complete and unaltered version of this Prospectus.

NO COOLING-OFF RIGHTS

Cooling-off rights do not apply to an investment in Shares issued under the Prospectus. This means that, in most circumstances, you cannot withdraw your Application once it has been accepted.

DEFINITIONS AND ABBREVIATIONS

Defined terms and expressions used in this Prospectus are explained in the Glossary at Section 11 at the end of this Prospectus. Unless otherwise stated or implied, references to times in this Prospectus are to Australian Eastern Daylight Time (**AEDT**).

PRIVACY

By filling out an Application Form to apply for Shares, you are providing personal information to the Company and the Share Registry, which is contracted by the Company to manage Applications. The Company and the Share Registry on their behalf, may collect, hold and use that personal information in order to process your Application, service your needs as a Shareholder, provide facilities and services that you request and carry out appropriate administration. Some of this personal information is collected as required or authorised by certain laws including the Income Tax Assessment Act 1997 (Cth) and the Corporations Act. If you do not provide the information requested in an Application Form, the Company and the Share Registry may not be able to process or accept your Application.

Your personal information may also be used from time to time to inform you about other products and services offered by the Company, that it considers may be of interest to you.

Your personal information may also be provided to the Company's agents and service providers on the basis that they deal with such information in accordance with the Company's privacy policy. The agents and service providers of the Company may be located outside Australia where your personal information may not receive the same level of protection as that afforded under Australian law. The types of agents and service providers that may be provided with your personal information and the circumstances in which your personal information may be shared are:

- the Share Registry for ongoing administration of the register of members;
- printers and other companies for the purpose of preparation and distribution of statements and for handling mail;
- market research companies for the purpose of analysing the Shareholder base and for product development and planning; and
- legal and accounting firms, auditors, contractors, consultants and other advisers for the purpose of administering, and advising on, the Shares and for associated actions.

If an Applicant becomes a Shareholder, the Corporations Act requires the Company to include information about the Shareholder (including name, address and details of the Shares held) in its public register of members. If you do not provide all the information requested, your Application Form may not be able to be processed.

The information contained in the Company's register of members must remain there even if a person ceases to be a Shareholder. Information contained in the Company's register of members is also used to facilitate dividend payments and corporate communications (including financial results, annual reports and other information that the Company may wish to communicate to its Shareholders) and compliance by the Company with legal and regulatory requirements. An Applicant has a right to access and correct the information that the Company and the Share Registry hold about that person, subject to certain exemptions under law. Applicants can obtain a copy of the Company's privacy policy by visiting the Company's website www.rei-group.com.au. The privacy policy contains further details regarding access, correction and complaint rights and procedures.

The Share Registry's complete privacy policy can be accessed by calling 1300 737 760, 8.15am to 5.30pm (AEDT), Monday to Friday (excluding public holidays) and requesting a copy.

PHOTOGRAPHS AND DIAGRAMS

Photographs and diagrams used in this Prospectus that do not have descriptions are for illustration only and should not be interpreted to mean that any person shown in them endorses this Prospectus or its contents. Diagrams used in this Prospectus are illustrative only and may not be drawn to scale. Unless otherwise stated, all data contained in charts, graphs and tables is based on information available at the date of this Prospectus.

QUESTIONS

If you have any questions about how to apply for Shares, please call REI IPO Information Line on 1300 737 760 (within Australia) or +61 2 9290 9600 (outside Australia) from 9.00am to 5.00pm (AEDT), Monday to Friday (excluding public holidays). Instructions on how to apply for Shares are set out in Section 7 of this Prospectus and on the back of the Application Form.

If you have any questions about whether to invest in the Company, you should seek professional advice from your accountant, financial adviser, stockbroker, lawyer or other professional adviser.

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Key Offer Information

Key Offer Information

Prospectus Date	16 November 2015
Retail Offer opens	9.00am (Melbourne time) 24 November 2015
Retail Offer closes	5.00pm (Melbourne time) 7 December 2015
Settlement of the Offer	14 December 2015
Allotment of Shares and commencement of trading on ASX (on a deferred settlement basis) (Completion of the Offer)	15 December 2015
Expected completion of despatch of holding statements	17 December 2015
Expected commencement of trading of Shares on ASX on a normal settlement basis	18 December 2015

This timetable is indicative only. The Company, in consultation with the Lead Manager, reserves the right to vary dates of the Offer (subject to the ASX Listing Rules and the Corporations Act) without prior notice, including to close the Offer early, extend the date the Offer closes, accept late Applications or withdraw the Offer and the issue of Shares (in each case without notifying any recipient of the Prospectus or any Applicant).

If the Offer is cancelled before the issue of Shares, then all Application Monies will be refunded in full (without interest) as soon as practicable in accordance with the requirements of the Corporations Act. Investors are encouraged to submit their Applications as soon as possible after the Offer opens.

The Offer

Offer Price ¹	\$0.20 per Share
Number of Shares offered under the Offer	25.0 million
Gross proceeds from the Offer to the Company	\$5.0 million
Number of Shares issued to Fairfax Media	10.6 million
Number of Shares issued to Convertible Note holders	6.6 million
Total number of Shares on issue at Completion of the Offer	84.5 million
Market capitalisation at the Offer Price ²	\$16.9 million
Pro forma net cash (as at 30 June 2015) ³	\$4.6 million
Enterprise value at the Offer Price ⁴	\$12.3 million

1 The Convertible Note holders will acquire Shares at an issue price of \$0.151 per Share. See Section 9.4.

2 Market capitalisation at the Offer Price is defined as the Offer Price multiplied by the total number of Shares on issue immediately following Completion of the Offer.

3 Net cash (cash and cash equivalents less borrowings) of \$4.6 million is calculated on a pro forma basis (as at 30 June 2015), immediately after Completion of the Offer.

4 The enterprise value at the Offer Price is calculated by subtracting pro forma net cash (as at 30 June 2015) from market capitalisation at the Offer Price.

Chairman's Letter

Dear Investor,

On behalf of the Directors, it is my pleasure to invite you to become a Real Estate Investar Group Shareholder.

The Real Estate Investar Group (**REI Group**) is a leading provider of online services to Australian and New Zealand property investors to help simplify their acquisition and management of residential investment property.

These services fall under three categories:

- > **Portfolio Builder:** tools that help property investors make better acquisition decisions through education, and the identification and detailed analysis of potential investment properties;
- > **Transactions:** a new service that provides members with access to pre-evaluated investment grade properties that may not be available to non-members; and
- > **Portfolio Manager:** tools that help property investors track and account for the performance of their existing investment properties.

The services provided to property investors are a combination of internally developed and externally sourced tools from a range of partners including Domain, APM, and CoreLogic NZ.

REI Group uses a "freemium" approach to building its business. It offers all Australian and New Zealand property investors the opportunity to become a complimentary member and to use some of its services for free. Through the use of these services, Real Estate Investar is able to build an investment profile of each of its members and then offer a range of premium paid services to further enhance their acquisition and management of residential investment property. These premium services are offered on a paid subscription and a casual use basis.

REI Group has a relationship spanning more than four years with Fairfax Media which owns the Domain Group and APM. This relationship includes:

- > On Completion of the Offer, Fairfax Media will hold convertible notes and 12.5% of the share capital of REI in full and final satisfaction of amounts due to APM in connection with services provided by APM to REI under the APM Distribution Agreement (see Section 9.5);
- > Antony Catalano, the Chief Executive Officer of the Domain Group, is a member of the REI Board;
- > REI Group is in the process of negotiating a contract with Domain to partner and provide investor-centric content and events information which could be integrated into the Domain website and include jointly promoted investor events, webinars and services;
- > REI Group has a commercial relationship with APM for the provision of data services; and
- > Domain provides a direct feed of its listings into the Real Estate Investar Search tool.

The REI Group generated \$4.0 million of revenue and an EBITDA loss of \$0.8 million in FY15. This performance was marginally down on FY14 when the REI Group delivered \$4.1 million in revenues and an EBITDA loss of \$0.4 million. The key drivers of this plateauing in growth were a focus in late FY14 and in FY15 on the redevelopment of the technology platform to allow for future growth, a consequentially high churn rate during this period, and the under capitalisation of the business.

The first version of the redeveloped technology platform was released in mid FY15 and, with recapitalization through a successful IPO, the Directors believe that the REI Group will be adequately funded to generate strong revenue growth and to achieve its pro forma forecast revenue of \$5.2 million in the 12 months to 30 June 2016.

Chairman's Letter (continued)

To continue growing the business, the Directors will seek to:

- > Build Australian and New Zealand subscription and casual non-subscription revenues through:
 - Increasing partnerships to create awareness of the services provided;
 - Increasing direct promotion of the business;
 - Developing a deeper knowledge of the members;
 - Improving the conversion to subscriptions and reducing the churn rate; and
 - Improving the take up of casual non-subscription services;
- > Developing the property sale transaction revenue part of the business; and
- > Investigating international expansion through:
 - Provisioning of customized versions of the Real Estate Investar platform for selected international markets;
 - Partnering with international property portals; and
 - “White labelling” the Real Estate Investar platform in selected overseas markets.

The Offer will raise \$5.0 million (at an Offer Price of \$0.20 per Share) and the Directors believe that following a successful IPO, the business will be adequately funded to achieve its growth objectives.

As set out in Section 5, the REI Group is subject to a range of risks that may impact the ability of REI Group to achieve its forecast results and business objectives. All potential shareholders are advised to read this section carefully.

The Directors believe that the REI Group's businesses, in conjunction with the opportunities provided by the Australian and New Zealand property investment markets and the expertise of the Board and management, provide the Company with a strong platform for future growth.

I look forward to welcoming you as a Shareholder in REI Group.

Yours sincerely,



Simon Baker
Chairman

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01.

Investment Overview



01. Investment Overview

1.1. Introduction

Topic	Summary	Where to find more information
What is REI?	<p>REI comprises Real Estate Investar Group Limited (the Company), and its wholly owned subsidiaries including, Real Estate Investar Australia Pty Limited and Real Estate Investar Ltd, which own and operate the 'REI' branded websites www.realestateinvestar.com.au and www.realestateinvestar.co.nz.</p> <p>REI is a leading provider of integrated online services to Australian and New Zealand property investors to assist in the identification, analysis, acquisition, tracking and accounting of residential investment property.</p>	Section 3.1 and 9.3
What industry does REI operate in?	<p>REI operates in the Australian and New Zealand residential property investment market, offering online tools to residential property investors. The Independent Market Report estimates that REI's addressable market for current residential investment property owners comprises approximately 2.2 million individuals in Australia and New Zealand combined.</p> <p>An estimate of the amount spent by investors on the residential property management process alone in Australia can be obtained from the Australian Taxation Office (ATO) statistics on rental property expenses claimed by investors. For FY13 (July 2012 – June 2013), investors claimed around approximately \$10.7 billion in rental property expenses, excluding loan interest, depreciation, and agents' commissions. Almost \$1.0 billion was spent on sundry and rental expenses, a category into which REI's paid services are likely to fall within.</p>	Section 2

01. Investment Overview (continued)

Topic	Summary	Where to find more information
What are REI's services?	<p>REI has assembled an integrated set of high quality online services designed to add value to property investors in connection with the identification, analysis, and acquisition of investment property and the tracking and accounting of residential investment property.</p> <p>These services are offered to customers on a freemium basis whereby basic services are offered free of charge and premium services are purchased either via a subscription or on a casual basis.</p> <p>REI's paid subscription services are Portfolio Builder and Portfolio Manager. These services comprise:</p> <p>Portfolio Builder:</p> <ul style="list-style-type: none">> Investar Search and Development Search;> My Valuer;> My Research;> Property Analyser; and> Portfolio Tracker and Xero. <p>Portfolio Manager:</p> <ul style="list-style-type: none">> Property Analyser; and> Portfolio Tracker and Xero. <p>REI's paid casual services are provided either directly by REI or via an accredited partner. These casual services include:</p> <ul style="list-style-type: none">> Real estate transaction services;> Finance and mortgage brokerage;> Insurance brokerage;> Accounting and SMSF services;> Financial and estate planning;> Depreciation reports; and> Courses and education. <p>Currently real estate transaction services are limited to referral arrangements with partners, however REI believes this is a segment with significant upside and plans to develop a dedicated property transaction team following Completion of the Offer.</p>	Sections 3.1.2 and 3.1.4

01. Investment Overview (continued)

Topic	Summary	Where to find more information
How does REI generate revenue?	<p>REI generates revenue from three sources:</p> <ul style="list-style-type: none"> > Premiums paid for subscription services comprising: <ul style="list-style-type: none"> – Portfolio Manager subscriptions ranging from \$29 to \$69 per month; and – Portfolio Builder subscriptions ranging from \$79 to \$249 per month. > Revenue generated from casual services offered directly by REI or via referral to one of REI's accredited partners. > Referral fees from property transaction services which are currently in the early stages of development and are limited to partner referral activity for the present. <p>As at 30 June 2015 REI had a total of 2,749 subscribers with average revenue per account (ARPA) of \$109 per month.</p> <p>In FY15, REI generated 87% of its revenues from subscription services and 13% from casual services. In FY16, REI predicts that 73% of its revenues will be generated from subscriptions, with the remaining 27% generated from growing casual services.</p> <p>Of the 27% of total revenues predicted to be generated from casual services, 11% are expected from property transaction services with the remaining 16% expected from existing casual services.</p> <p>Investors should be aware that the Forecast Financial Information discloses the fact that REI does not expect to be profitable in FY16.</p>	Section 3.2.2
What is the purpose of the Offer?	<p>The Offer is being conducted to:</p> <ul style="list-style-type: none"> > allow Australian and New Zealand sales and marketing growth (\$1.0 million); > fund further product development and enhancements (\$1.0 million); > create a dedicated transactional property team (\$0.5 million); > explore potential international expansion (\$0.5 million); > cover IPO and capital raising costs (\$0.6 million); > provide working capital for the business (\$1.4 million); and > provide REI with the benefits of access to the capital markets and an increased profile that comes from being a listed entity. 	Sections 7.1.3 and 7.1.4

01. Investment Overview (continued)

1.2. Key features of REI

Topic	Summary	Where to find more information
How does REI attract users to its services?	<p>REI uses a “freemium” strategy to attract and build its customer base. Property investors are provided with ongoing access to free reports, calculators and news services if they become members. REI then upgrades these members to customers by offering them premium services in the form of paid subscriptions, casual services and transaction services.</p> <p>REI markets its free services through a multi channel approach. These channels include:</p> <ul style="list-style-type: none">> Search engine optimisation (SEO) – the generation of traffic from Google and other search engines to the realestateinvestar.com.au site and other REI associated sites by customising these sites for search engine indexing;> Search engine marketing (SEM) – the purchase of visits from Google and other search engines;> Promotion through business partners who advertise REI services to their customers in exchange for a commission; and> Direct REI branded webinars and roadshows.	Section 3.2.1
Who are REI’s business partners?	<p>REI’s key business partners who promote REI products and services to their customers include:</p> <ul style="list-style-type: none">> Domain;> Connective;> Xero;> Anne Street Partners;> Resicert;> Washington Brown;> Local Agent Finder; and> Key Media. <p>These partners utilise REI suburb performance reports, offers, webinars and 21-day free subscription trial offers to generate new members for REI and also assist in converting these members into paid subscription customers.</p> <p>REI has also established formal partnerships and collaborative relationships with property portals and data companies including Domain, APM, and CoreLogic NZ.</p>	Section 3.2.1

01. Investment Overview (continued)

Topic	Summary	Where to find more information																								
What is REI's partnership with Fairfax Media?	<p>REI has a strong partnership with Fairfax Media across corporate, content and promotion, and product categories.</p> <p>Corporate:</p> <ul style="list-style-type: none">> On Completion of the Offer, REI will be 12.5% owned by Fairfax Media (which also wholly owns Domain); and> REI non-executive director, Antony Catalano, is also the Chief Executive Officer of Domain. <p>Content and promotion:</p> <ul style="list-style-type: none">> REI is in the process of negotiating a contract with Domain whereby REI will provide investor-centric content and events information which could be integrated into the Domain website and include jointly promoted investor events, webinars and services. <p>Product:</p> <ul style="list-style-type: none">> APM property data is integrated into REI's subscription services including My Valuer, My Research, Property Analyser and Portfolio Tracker;> Domain provides direct listings feeds (sales and rentals) to REI for inclusion in Investar Search; and> REI drives investor visits back to the specific listings on the Domain website.	Section 3.5.1.1																								
Who are REI's key competitors?	REI is currently not aware of other businesses that offer a fully integrated online residential property investor solution that competes directly with REI. However, REI does compete with property portals, property data businesses, new property developers and project marketers, mortgage brokers and professional service providers, and property investment management software providers in each of their relevant industry or business segments relating to the overall property investment process.	Section 3.2.5																								
What has been the growth of REI's key operating metrics?	<p>REI has recently delivered strong growth in some of its key operating metrics, including total members and total customers.</p> <table><tr><th>Key Operating Metric</th><th>Jan 15</th><th>Sep 15</th><th>% Growth</th></tr><tr><td>Members</td><td>107,810</td><td>148,639</td><td>37.9%</td></tr><tr><td>Customers</td><td>2,667</td><td>3,704</td><td>38.9%</td></tr><tr><td>Customer Conversion</td><td>2.5%</td><td>2.5%</td><td>0.0%</td></tr><tr><td>Subscriptions</td><td>2,252</td><td>2,652</td><td>17.8%</td></tr><tr><td>Customer ARPA per Month</td><td>\$113</td><td>\$83</td><td>(26.6)%</td></tr></table>	Key Operating Metric	Jan 15	Sep 15	% Growth	Members	107,810	148,639	37.9%	Customers	2,667	3,704	38.9%	Customer Conversion	2.5%	2.5%	0.0%	Subscriptions	2,252	2,652	17.8%	Customer ARPA per Month	\$113	\$83	(26.6)%	Section 3.3
Key Operating Metric	Jan 15	Sep 15	% Growth																							
Members	107,810	148,639	37.9%																							
Customers	2,667	3,704	38.9%																							
Customer Conversion	2.5%	2.5%	0.0%																							
Subscriptions	2,252	2,652	17.8%																							
Customer ARPA per Month	\$113	\$83	(26.6)%																							

01. Investment Overview (continued)

Topic	Summary	Where to find more information																																			
What are REI's key growth strategies?	<p>REI aims to be the first choice of property investors for all their online property investment needs, by assisting in the identification, analysis and acquisition process as well as ongoing tracking and accounting of investment property.</p> <p>REI has identified three key growth strategies:</p> <ol style="list-style-type: none">1. Build Australian and New Zealand subscription and casual revenues through;<ul style="list-style-type: none">> increased partnerships;> increased promotion;> deeper knowledge of members; and> improved conversion and retention;2. Capture direct property transaction revenues by;<ul style="list-style-type: none">> creating a dedicated property transaction team;> engaging directly with developers in the selection of new multi-dwelling projects; and> offering projects to members on preferential terms; and3. International expansion from;<ul style="list-style-type: none">> targeting overseas investors into the Australian and New Zealand markets; and> licensing to other property portals.	Section 3.5																																			
What is REI's key financial information?	<table><tr><th></th><th colspan="3">Actual Historical Results</th><th>Forecast Results</th></tr><tr><th>A\$</th><th>FY13</th><th>FY14</th><th>FY15</th><th>FY16</th></tr><tr><td>Revenue</td><td>3,805,086</td><td>4,125,890</td><td>4,022,805</td><td>5,177,488</td></tr><tr><td>EBITDA</td><td>(484,156)</td><td>(391,284)</td><td>(773,340)</td><td>(762,437)</td></tr><tr><td>EBIT</td><td>(524,203)</td><td>(433,402)</td><td>(1,068,339)</td><td>(1,227,437)</td></tr><tr><td>NPAT</td><td>(329,834)</td><td>(334,139)</td><td>(2,094,188)</td><td>(1,215,376)</td></tr><tr><td>Earnings per share (cents)⁵</td><td>(0.4)</td><td>(0.4)</td><td>(2.5)</td><td>(1.4)</td></tr></table> <p>The Financial Information presented above contains Australian Accounting Standards (AAS) financial measures and is intended as a summary only and should be read in conjunction with the more detailed discussion of the Financial Information disclosed in Section 4 as well as the risk factors set out in Section 5.</p> <p>Please read Section 4 for full details of the Company's statutory results and the assumptions underlying this information.</p>		Actual Historical Results			Forecast Results	A\$	FY13	FY14	FY15	FY16	Revenue	3,805,086	4,125,890	4,022,805	5,177,488	EBITDA	(484,156)	(391,284)	(773,340)	(762,437)	EBIT	(524,203)	(433,402)	(1,068,339)	(1,227,437)	NPAT	(329,834)	(334,139)	(2,094,188)	(1,215,376)	Earnings per share (cents) ⁵	(0.4)	(0.4)	(2.5)	(1.4)	Section 4
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5. Represents NPAT divided by the total number of Shares to be on issue following Completion of the Offer, being 84,494,604.

01. Investment Overview (continued)

Topic	Summary	Where to find more information
How does REI expect to fund its operations?	<p>REI will raise net cash proceeds from the Offer of approximately \$4.4 million. In addition, REI expects to partially fund its operations from the cash flow generated from its businesses.</p> <p>The Directors believe that on Completion of the Offer the Company will have sufficient working capital to carry out the business objectives stated in this Prospectus.</p>	Sections 3 and 7
What is the Company's dividend policy?	<p>Shareholders should not expect to receive dividends in the short term. The Company has a number of growth strategies it is pursuing, and it is expected that the Company will devote all its financial resources for that purpose and will continue to record losses in the short term. It will therefore not be in a position to pay dividends.</p> <p>In the longer term, the ability of the Company to pay dividends (and the timing of dividends) will be dependent on the success of the execution of its business strategies. In assessing the dividend payment in future periods the Directors may consider a number of factors, including the general business environment, the operating results and financial condition of the Company, future funding requirements, capital management initiatives, taxation considerations (including the level of franking credits available), any contractual, legal or regulatory restrictions on the payment of dividends by REI, and any other factors the Directors may consider relevant.</p>	Section 4.9
What will the Company's capital structure be on Completion of the Offer?	<p>On Completion of the Offer, the Company will have on issue:</p> <ul style="list-style-type: none"> > 84,494,604 Shares; and > 3,000,000 Options to be issued to Directors following Completion of the Offer⁶. <p>There will be no classes of share on issue other than fully paid ordinary Shares.</p>	Sections 6.3.4.2 6.3.4.3 and 7.3

⁶ In addition, the Company intends to issue up to 2,000,000 Options to employees under the ESOP within 12 months after Completion of the Offer.

01. Investment Overview (continued)

1.3. Key strengths

Topic	Summary	Where to find more information
Attractive business model	<p>REI operates a business model that has been developed over 8 years and is difficult to replicate given the data captured on its membership of over 140,000 Australian and New Zealand residential property investors.</p> <p>REI has a number of key industry partnerships in place that may be difficult to replicate in particular the relationship with Domain and APM (both part of Fairfax Media). Fairfax Media will own 12.5% of the Shares in REI on Completion of the Offer.</p> <p>The Directors believe the business is highly scalable and can be rolled out to new countries by leveraging REI's existing core technology platform and websites.</p>	Section 3.4.1
Residential property investment is increasing	<p>The number of residential property investors in Australia and New Zealand is increasing, which positively impacts the size of the market that REI operates in. This is being driven by a number of factors including population growth, a favourable taxation regime, historically low interest rates, growth in property values, the increase in purchase of investment properties as a retirement asset, and growth in availability of new dwellings.</p>	Section 3.4.2
Use of Software-as-a-Service (SaaS) is increasing	<p>REI operates its business using a SaaS model. Usage of cloud computing and SaaS services have accelerated significantly over recent years being encouraged by factors such as improved internet infrastructure and the growing awareness of, and confidence in, SaaS solutions by consumers.</p>	Section 3.4.3
Experienced Board and management team	<p>The Chairman, Simon Baker, has proven ASX listed company experience in the online real estate industry being the current Chairman of Mitula Group, the former Chief Executive Officer and Managing Director of the REA Group, and former Chairman of iProperty Group.</p> <p>Director Antony Catalano has significant experience in the online real estate industry and is currently the Chief Executive Officer of Domain Group, a business division of ASX listed Fairfax Media.</p> <p>REI's Chief Executive Officer and Managing Director Clint Greaves, together with REI's founder David Hows, have a combined 15 years' experience at REI and have demonstrated their ability to grow the business and establish key industry partnerships.</p>	Section 3.4.4
Anticipated future acquisition opportunities	<p>Being listed on the ASX and having a strong balance sheet provides the ability for REI to opportunistically and quickly acquire complementary businesses to enhance capabilities and to enter new countries.</p>	Section 3.4.5

01. Investment Overview (continued)

1.4. Key risks

Topic	Summary	Where to find more information
Forecast financial growth not realised	<p>There is no guarantee that REI will achieve the projected financial growth as:</p> <ul style="list-style-type: none">> the rate of churn of subscribing customers may increase;> the growth in subscriptions may be less than forecast;> the up-sell of casual services may be less than forecast; or> the adoption of property transaction services may be less than forecast. <p>These may be due to internal operations failing to deliver the forecast growth, and/or through macro economic factors changing, such as interest rate increases.</p>	Section 5.1.1
Security software and technology breaches and improper access to the private data of REI's customers	<p>In providing services to its customers, REI stores, analyses and transmits confidential and private personal information. It is possible that the measures taken by REI to protect its proprietary information and the private information of its customers are not sufficient to prevent unauthorised access to, or disclosure of, such data.</p> <p>Any accidental or deliberate security breaches or other unauthorised access to REI's information technology systems or client data may subject REI to reputational damage, a loss of confidence in the services it provides, claims by customers, loss of customers, a disruption of services to customers, legal action and regulatory scrutiny. Any of these events could adversely impact REI's reputation, business, financial condition and financial performance.</p>	Section 5.1.2
Reliance on third party IT suppliers	<p>REI's reliance on third parties to provide data and key services decreases its control over the ability to deliver this data and key services and the quality and reliability of the services provided.</p>	Section 5.1.3
Reliance on the effective performance of IT infrastructure	<p>REI and its customers are dependent on the effective performance, reliability and availability of REI's technology platforms, software, third party data centres and communication systems. There is a risk that REI may fail to successfully achieve the required development and operation of its technology and systems, which may, in turn, adversely affect its operations, relationship with customers, financial performance and financial condition.</p>	Section 5.1.4
Failure to renew subscriptions	<p>There is a risk that customers may cease their paid subscriptions with REI with little or no notice, or that casual non-subscription volumes could decrease unexpectedly.</p>	Section 5.1.5

01. Investment Overview (continued)

Topic	Summary	Where to find more information
Expanded marketing and promotion expenditure may not deliver increased level of members	REI plans to spend up to \$1.0 million in the 18 months following Completion of the Offer on sales and marketing activities in Australia and New Zealand to increase its member numbers and convert these members into paid subscription customers. There is no guarantee that REI's investment in marketing and promotion, including traffic acquisition, will result in an increase in the number of members, or those members choosing to become paid subscription customers. To the extent that REI is not able to successfully execute its strategy, its business, growth prospects and profitability may all be adversely impacted.	Section 5.1.6 and 7.1.5
Existing Shareholders retain a significant holding / liquidity risk	<p>REI's Shares are currently not traded on any public market exchange so there is no guarantee that an active market will develop for the Shares or that the price of Shares will increase.</p> <p>The Offer is for a minority stake in the Company. Immediately after Completion, assuming that the Existing Shareholders and their associates do not subscribe for any Shares under the Offer, Fairfax Media and the Existing Shareholders collectively, will beneficially own approximately 65% of the Company's issued share capital. In addition, approximately 56% of the Shares are subject to escrow restrictions for periods of between 12 months and 2 years and so cannot be sold during the relevant escrow period. This will likely have an adverse effect on the liquidity of the market for Shares.</p> <p>In particular, Fairfax Media will hold approximately 12.5%, Simon Baker (and his associated entities) will own 13.5%, Campbell Venning (and his associated entity, Pohutukawa Pty Ltd) and David Hows (via his associated entity, LV2 Pty Ltd) will each hold 9.5% of the issued share capital. Should any one of the Existing Shareholders sell their respective Shareholdings in a poorly managed sell down (especially on cessation of the escrow restrictions that apply to the Escrowed Shareholders – see Section 9.6) or if certain Existing Shareholders decide to act collectively as a group, this may adversely affect the price of Shares and the other Shareholders generally.</p> <p>Alternatively, the absence of any sale of Shares by the Existing Shareholders may cause or contribute to a diminution in the liquidity of the market for Shares which may have an adverse effect on Shareholders generally.</p>	Section 5.1.7
REI relies on key partnerships for content and promotion	Each of REI's contracts to provide data and listings and to drive promotion of REI services adds significant value to the REI service offering. If one or more of these parties were to cease providing data and services to REI this would adversely affect REI's operations, earnings and financial condition.	Section 5.1.8

01. Investment Overview (continued)

Topic	Summary	Where to find more information
Regulatory Compliance	REI is subject to privacy laws in Australia and in New Zealand that impact the way REI can collect, use, analyse, transfer and share personal and other information that is central to many of the services REI provides. Any actual or perceived failure by REI to comply with relevant laws and regulations may result in the imposition of fines or other penalties, customer losses, a reduction in existing services, and limitations on the development of technology and services making use of such data.	Section 5.1.9
REI may be unable to profitably or successfully compete	REI provides services to property investors that compete in part or in whole with services offered by property portals, data companies and a number of other property industry service providers, under either paid or free service offerings. Furthermore, current or future competitors may adopt certain aspects of REI's business model, as well as develop and evolve new technologies and business models that may reduce REI's ability to differentiate its services.	Section 5.1.10
Reputational damage	There is a risk that the REI brand may be tarnished by incidents such as negative publicity, data security breach or one-off unforeseen events that negatively impact REI's operations. The occurrence of any such incidents may lead to client loss and the failure to attract new customers, which, in turn, may have an adverse impact on REI's financial performance.	Section 5.1.11
REI is subject to foreign currency risk	REI currently sells services and targets subscribers outside of Australia and has plans to target expansion into further overseas markets, which may result in a proportion of revenues and associated cost of goods sold being denominated in foreign currency. Fluctuations in the exchange rate between the Australian dollar and the relevant international currency may accordingly impact the future profitability of REI. Any adverse exchange rate fluctuations or volatility in these currencies may have an adverse effect on REI's future financial performance and position.	Section 5.1.12
Other key risks	A number of other key risks are included in Section 5, including other commercial operational risks and general risks.	

01. Investment Overview (continued)

1.5. Directors and key management

Topic	Summary	Where to find more information
Who are the Directors?	<ul style="list-style-type: none">> Simon Baker – Non-Executive Chairman> Clint Greaves – Managing Director and Chief Executive Officer> Antony Catalano – Non-Executive Director> Joe Hanna – Independent Non-Executive Director> Ian Penman – Independent Non-Executive Director	Section 6.1
Who are REI's key managers?	<ul style="list-style-type: none">> Clint Greaves – Managing Director and Chief Executive Officer> David Hows – Head of Sales and Marketing> Gaylene Carr – Financial Controller> Ben Fry – Development Manager> Justin Davey – Head of Partnerships> James Lawrence – Marketing Manager> Logan Horstead – Sales Manager> Karen Austin – Customer Success Manager	Section 6.2

01. Investment Overview (continued)

1.6. Significant interests of key people and related party transactions

Topic	Summary					Where to find more information
Who are the Company's key Shareholders and what will their interests be on Completion of the Offer?						Section 7.3
	Shareholder ¹	Shares on Prospectus Date	Share-holding on Prospectus Date (%)	Shares on Completion of the Offer	Share-holding on Completion of the Offer (%)	
	Simon Baker ²	9,009,937	21.3%	11,441,451	13.5%	
	Campbell Venning	8,034,281	19.0%	8,034,281	9.5%	
	David Hows	8,024,705	19.0%	8,024,705	9.5%	
	Clint Greaves	4,835,000	11.4%	4,835,000	5.7%	
	Ian Penman	292,500	0.7%	292,500	0.4%	
	Other Existing Shareholders	12,108,076	28.6%	12,108,076	14.3%	
	Fairfax Media ³	0	0.0%	10,576,125	12.5%	
	Convertible Note holders ²	0	0.0%	4,182,466	5.0%	
	New Shareholders under the Offer	0	0.0%	25,000,000	29.6%	
	Total⁴	42,304,499	100.0%	84,494,604	100.0%	
Notes:						
1. Some of the shareholders hold Shares directly and/or through beneficial interests or entities associated with them.						
2. \$950,000 was raised under the pre-IPO seed capital raising through the issue of 19 convertible notes with a face value of \$50,000 each to sophisticated and professional investors, including to the Company's chairman Mr Simon Baker. The terms of these notes are summarised in Section 9.4.						
3. Fairfax Media will also hold 234,955 Convertible Notes on Completion of the Offer. See Section 9.5 for further details.						
4. The Shares held by the Escrowed Shareholders on Completion of the Offer will be subject to escrow arrangements. See Section 9.6 for further details.						

01. Investment Overview (continued)

Topic	Summary	Where to find more information																																				
What are the related party transactions REI has entered into?	<p>Transmit Data Pty Ltd, a company majority owned and controlled by Simon Baker, provides listing feed management and mapping services to REI. REI purchases these services from Transmit Data Pty Ltd on an arm’s length basis. In FY16, it is expected that REI will spend approximately \$120,000 on these services.</p> <p>REI is a party to the APM Distribution Agreement with APM (see Section 9.8.1 for details). Fairfax Media will, on Completion, be a substantial shareholder in the Company. Mr Antony Catalano is the Chief Executive Officer of Domain, which is also part of the Fairfax Media group of companies. Mr Catalano also holds shares in Fairfax Media.</p> <p>On 21 October 2015 REI issued 2,000,000 Shares to South Mapleton Pty Ltd for an aggregate subscription price of \$320,000 (\$0.16 per Share). The subscription price was funded by way of a loan provided by REI to South Mapleton Pty Ltd. These Shares will form part of the Escrowed Shares and will not be released from escrow until the loan is repaid in full or the date that is 24 months after the date REI is admitted to the official list of ASX (whichever is the later to occur). See section 9.6 for further details relating to the escrow arrangements.</p>	Section 6.4																																				
What are the Directors’ Shareholdings?	<table><tr><th>Director</th><th>Shares on Prospectus Date</th><th>Share-holding on Prospectus Date (%)</th><th>Shares on Completion of the Offer</th><th>Share-holding on Completion of the Offer (%)</th><th>Options held on Completion of the Offer</th></tr><tr><td>Simon Baker</td><td>9,009,937</td><td>21.3%</td><td>11,441,451</td><td>13.5%</td><td>500,000</td></tr><tr><td>Clint Greaves</td><td>4,835,000</td><td>11.4%</td><td>4,835,000</td><td>5.7%</td><td>1,000,000</td></tr><tr><td>Antony Catalano</td><td>0</td><td>0.0%</td><td>0</td><td>0.0%</td><td>500,000</td></tr><tr><td>Joe Hanna</td><td>0</td><td>0.0%</td><td>0</td><td>0.0%</td><td>500,000</td></tr><tr><td>Ian Penman</td><td>292,500</td><td>0.7%</td><td>292,500</td><td>0.4%</td><td>500,000</td></tr></table>	Director	Shares on Prospectus Date	Share-holding on Prospectus Date (%)	Shares on Completion of the Offer	Share-holding on Completion of the Offer (%)	Options held on Completion of the Offer	Simon Baker	9,009,937	21.3%	11,441,451	13.5%	500,000	Clint Greaves	4,835,000	11.4%	4,835,000	5.7%	1,000,000	Antony Catalano	0	0.0%	0	0.0%	500,000	Joe Hanna	0	0.0%	0	0.0%	500,000	Ian Penman	292,500	0.7%	292,500	0.4%	500,000	Section 6.3.3.4
Director	Shares on Prospectus Date	Share-holding on Prospectus Date (%)	Shares on Completion of the Offer	Share-holding on Completion of the Offer (%)	Options held on Completion of the Offer																																	
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Joe Hanna	0	0.0%	0	0.0%	500,000																																	
Ian Penman	292,500	0.7%	292,500	0.4%	500,000																																	

01. Investment Overview (continued)

Topic	Summary	Where to find more information																																								
What escrow restrictions apply to Existing Shareholders' Shares?	A number of Existing Shareholders are subject to ASX-imposed (mandatory) escrow arrangements. REI Directors, Simon Baker and Clint Greaves together with shareholders Fairfax Media and Campbell Venning have also agreed to voluntary escrow restrictions in relation to Shares that are not subject to ASX-imposed escrow arrangements. Aggregated escrow arrangements (both mandatory and voluntary) for Existing Shareholders are shown below:	Section 9.6																																								
	<table><tr><th>Escrowed Shareholder</th><th>Escrowed Share-holding</th><th>% of Share-holding subject to escrow</th><th>Escrow Period</th></tr><tr><td>Simon Baker</td><td>8,009,016</td><td>70%</td><td>2 years from date of Completion of the Offer</td></tr><tr><td>Campbell Venning</td><td>8,034,281</td><td>100%</td><td>2 years from date of Completion of the Offer</td></tr><tr><td>David Hows</td><td>8,024,705</td><td>100%</td><td>2 years from date of Completion of the Offer</td></tr><tr><td>Clint Greaves</td><td>4,835,000</td><td>100%</td><td>2 years from date of Completion of the Offer</td></tr><tr><td>Ian Penman</td><td>292,500</td><td>100%</td><td>2 years from date of Completion of the Offer</td></tr><tr><td>Fairfax Media</td><td>10,576,125</td><td>100%</td><td>12 months from date of Completion of the Offer</td></tr><tr><td>Other Existing Shareholders</td><td>6,342,505</td><td>52%</td><td>Between 12 months and 2 years from date of Completion of the Offer</td></tr><tr><td>Convertible Note holders¹</td><td>1,018,760</td><td>24%</td><td>12 months from date of Completion of the Offer</td></tr><tr><td>Total</td><td>47,132,892</td><td>55.8% of Shares on Completion of the Offer</td><td></td></tr></table>		Escrowed Shareholder	Escrowed Share-holding	% of Share-holding subject to escrow	Escrow Period	Simon Baker	8,009,016	70%	2 years from date of Completion of the Offer	Campbell Venning	8,034,281	100%	2 years from date of Completion of the Offer	David Hows	8,024,705	100%	2 years from date of Completion of the Offer	Clint Greaves	4,835,000	100%	2 years from date of Completion of the Offer	Ian Penman	292,500	100%	2 years from date of Completion of the Offer	Fairfax Media	10,576,125	100%	12 months from date of Completion of the Offer	Other Existing Shareholders	6,342,505	52%	Between 12 months and 2 years from date of Completion of the Offer	Convertible Note holders ¹	1,018,760	24%	12 months from date of Completion of the Offer	Total	47,132,892	55.8% of Shares on Completion of the Offer	
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Notes:																																										
1. Convertible Note holders excluding Simon Baker / associated entities.																																										
What significant benefits and interests are payable to Directors and other persons connected with REI or the Offer?	<p>All Directors will receive directors' fees and Options.</p> <p>Members of management will receive remuneration and will be eligible to participate in the ESOP.</p> <p>Advisers and other service providers are entitled to fees for services.</p>	Section 6.3																																								

01. Investment Overview (continued)

1.7. Overview of the Offer

Topic	Summary	Where to find more information
What is the Offer?	<p>The Offer is an initial public offering of 25.0 million Shares to be issued at the Offer Price of \$0.20 per Share to raise a total of \$5.0 million.</p> <p>The Shares being offered will represent approximately 29.6% of Shares on issue on Completion of the Offer.</p>	Section 7.1.1
Who is the issuer of the Prospectus?	<p>Real Estate Investar Group Limited (ACN 141 276 959) which is a public company registered in Queensland, with a registered office located in Victoria.</p>	Section 7.1
Why is the Offer being conducted?	<p>The purpose of the Offer is to:</p> <ul style="list-style-type: none">> raise funds to allow REI to pursue future sales and marketing growth opportunities in Australia and New Zealand and other potential international expansion opportunities;> fund further product development and enhancements;> establish an internal property transaction focused team;> assist REI in attracting and retaining quality staff;> achieve Listing on the ASX to broaden the Company's shareholder base and provide a more liquid market for its Shares;> provide REI with access to capital markets, which it expects will give it added financial flexibility and capacity to pursue its growth strategy;> provide the business with the benefits of an increased profile, transparency and credibility from being a listed entity; and> pay for the transaction costs associated with a listing on the ASX. <p>Following Completion of the Offer, the Directors believe REI will have sufficient working capital to carry out its stated objectives.</p>	Section 7.1.3

01. Investment Overview (continued)

Topic	Summary	Where to find more information																								
What are the uses of the funds?	<p>Offer proceeds from the issue of New Shares will be utilised as follows:</p> <table> <tr> <th>Use of funds</th><th>\$ million</th><th>% Total</th></tr> <tr> <td>AU/NZ sales and marketing growth</td><td>1.0</td><td>20.0%</td></tr> <tr> <td>Further product development and enhancements</td><td>1.0</td><td>20.0%</td></tr> <tr> <td>Explore potential international expansion</td><td>0.5</td><td>10.0%</td></tr> <tr> <td>Property transaction focused team</td><td>0.5</td><td>10.0%</td></tr> <tr> <td>Provide Working Capital</td><td>1.4</td><td>28.0%</td></tr> <tr> <td>IPO and capital raising costs</td><td>0.6</td><td>12.0%</td></tr> <tr> <td>Total</td><td>5.0</td><td>100.0%</td></tr> </table>	Use of funds	\$ million	% Total	AU/NZ sales and marketing growth	1.0	20.0%	Further product development and enhancements	1.0	20.0%	Explore potential international expansion	0.5	10.0%	Property transaction focused team	0.5	10.0%	Provide Working Capital	1.4	28.0%	IPO and capital raising costs	0.6	12.0%	Total	5.0	100.0%	Section 7.1.4
Use of funds	\$ million	% Total																								
AU/NZ sales and marketing growth	1.0	20.0%																								
Further product development and enhancements	1.0	20.0%																								
Explore potential international expansion	0.5	10.0%																								
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Provide Working Capital	1.4	28.0%																								
IPO and capital raising costs	0.6	12.0%																								
Total	5.0	100.0%																								
Will the Shares be quoted?	The Company will apply for admission to the official list of the ASX and quotation of Shares on the ASX under the code 'REV'. Completion of the Offer is conditional on the ASX approving this application. If approval is not given within three months after such application is made (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act.	Section 7.11																								
How is the Offer structured?	<p>The Offer comprises:</p> <ul style="list-style-type: none"> > the Retail Offer, which consists of: <ul style="list-style-type: none"> – the Broker Firm Offer which is open to Australian resident retail clients of Brokers who have received a firm allocation of Shares from their Broker; and – the General Offer which is open to investors in Australia; > the Institutional Offer, which consists of an offer to Institutional Investors in Australia and certain other jurisdictions around the world, made under this Prospectus. 	Section 7.1.2																								
Is the Offer underwritten?	Yes, the Offer is fully underwritten by the Lead Manager.	Sections 7.7 and 9.7																								
What is the allocation policy?	<p>Allocations will be determined by the Lead Manager in consultation with the Company.</p> <p>For Broker Firm Offer Applicants, brokers will determine how they allocate Shares among their retail clients and they (and not the Company) will be responsible for ensuring that clients who have received a firm allocation from them receive the relevant Shares.</p>	Sections 7.4.2, 7.5.5 and 7.6.5																								

01. Investment Overview (continued)

Topic	Summary	Where to find more information
Is there any brokerage, commission or stamp duty payable by Applicants?	No brokerage, commission or stamp duty is payable by Applicants on acquisition of Shares under the Offer.	Section 7.2
What are the tax implications of investing in the Shares?	<p>Given that the taxation consequences of an investment will depend upon the investor's particular circumstances, it is the obligation of the investors to make their own enquiries concerning the taxation consequences of an investment in the Company.</p> <p>If you are in doubt as to the course you should follow, you should consult your stockbroker, solicitor, accountant, tax adviser or other independent and qualified professional adviser.</p>	Section 7.9
How can I apply?	<p>Institutional Offer</p> <p>The Lead Manager will provide instructions for institutional investors who wish to participate in the Offer.</p> <p>Broker Firm Offer</p> <p>Applicants under the Broker Firm Offer can apply by completing the General Offer Application Form accompanying this Prospectus (also available online for Australian investors from www.rei-group.com.au/offer). You should contact your broker for instructions on how to complete the Application Form and lodge your Application Form with the broker from whom you received your firm allocation.</p> <p>General Offer</p> <p>Applicants under the General Offer can apply by completing and returning the General Offer Application Form enclosed with this Prospectus (also available online for Australian investors from www.rei-group.com.au/offer). Application forms should be accompanied by the requisite Application Monies.</p> <p>Payment may also be made via BPAY® for General Offer Applicants in Australia. Application Monies must be received by the Share Registry by 5.00pm AEDT on 7 December 2015. To make a payment via BPAY®, General Offer Applicants must apply online at www.rei-group.com.au/offer and must comply with the instructions provided on the website.</p> <p>The key dates for the Offer are set out in the front of this Prospectus.</p> <p>Applications will only be accepted during the Offer Period which is open from 9.00am (Melbourne time) 24 November 2015 to 5.00pm (Melbourne time), 7 December 2015.</p> <p>All times and dates referred to in this Prospectus are subject to change and, as such, if you wish to participate in the Offer you are encouraged to submit your Application Form as soon as possible after the opening date.</p> <p>To the extent permitted by law, an Application by an Applicant under the Offer is irrevocable.</p>	Sections 7.4.1, 7.5.2 and 7.6.2

01. Investment Overview (continued)

Topic	Summary	Where to find more information
When will I receive confirmation that my Application has been successful?	It is expected that initial holding statements will be despatched by standard post on or about 17 December 2015.	Section 7.2
Can the Offer be withdrawn?	<p>The Company reserves the right not to proceed with the Offer at any time before the issue of Shares to successful Applicants.</p> <p>If the Offer does not proceed, Application Monies will be refunded.</p> <p>No interest will be paid on any Application Monies refunded as a result of the withdrawal of the Offer.</p>	Section 7.10
Where can I find more information about this Prospectus or the Offer?	<p>If you have any questions about this Prospectus or how to apply for Shares, please call the REI IPO Information Line on 1300 737 760 (within Australia) or +61 2 9290 9600 (outside Australia) from 8.15am to 5.30pm (AEDT), Monday to Friday (excluding public holidays).</p> <p>If you are unclear or uncertain as to whether REI is a suitable investment for you, you should seek professional guidance from your lawyer, stockbroker, accountant or other independent and qualified professional adviser before deciding whether to invest in Shares.</p>	Important Notices

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02.

Independent Market Report



02. Independent Market Report

F R O S T & S U L L I V A N

"We Accelerate Growth"

Frost & Sullivan (Australia) Pty. Ltd.
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Sydney, NSW 2000
Tel: 02 8247 8900 Fax: 02 9252 8066
www.frost.com

November 10, 2015

The Directors
Real Estate Investar Group Ltd
Level 6, 333 Collins Street
Melbourne, VIC 3000

Dear Directors,

Independent Market Report on the Residential Property Investment Market

Introduction

This Independent Market Report (**IMR** or **Report**) on the residential property investment market in Australia and New Zealand has been prepared by Frost & Sullivan (Australia) Pty Limited (**Frost & Sullivan**) at the request of the Directors of Real Estate Investar Group Limited (**REI**) for inclusion in a prospectus to be lodged with the Australian Securities Exchange (**ASX**) on or around 16 November 2015 (**Prospectus**) in connection with its proposed initial public offering (**IPO**) and associated listing on the ASX.

Overview of REI

REI is a provider of online tools to residential property investors. These tools are either developed by REI or by partners, and are generally accessed by customers over the "cloud", on a "software as a service" (**SaaS**) basis. In combination, these tools provide property investors with support at all stages of the residential property investment process, from search, analysis and tracking through to accounting. These tools include Investar Search, My Valuer, My Research, Property Analyser, Portfolio Tracker and My Knowledge. REI's tools are integrated with the online accounting software provided by Xero.

REI offers both free and paid services to customers. Paid services include access to discrete services or products, as well as ongoing paid subscriptions. Two subscriptions are available – Portfolio Builder and Portfolio Manager.

<i>Auckland</i>	<i>Bangalore</i>	<i>Bangkok</i>	<i>Beijing</i>	<i>Bogota</i>	<i>Buenos Aires</i>	<i>Cape Town</i>	<i>Chennai</i>	<i>Delhi</i>	<i>Dubai</i>
<i>Frankfurt</i>	<i>Kolkatta</i>	<i>Kuala Lumpur</i>	<i>London</i>	<i>Manhattan</i>	<i>Melbourne</i>	<i>Mexico City</i>	<i>Mumbai</i>	<i>New York</i>	<i>Oxford</i>
<i>Palo Alto</i>	<i>Paris</i>	<i>San Antonio</i>	<i>Sao Paulo</i>	<i>Seoul</i>	<i>Shanghai</i>	<i>Singapore</i>	<i>Sydney</i>	<i>Tokyo</i>	<i>Toronto</i>

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These are currently priced at A\$99/NZ\$99 per month for Portfolio Builder and A\$49/NZ\$49 per month for Portfolio Manager (based on the price for a 24-month contract).

The opportunity for REI is driven by the growth in residential property investment in Australia and New Zealand, in particular the increasing number of individuals that own, or aspire to own, a residential investment property. This provides a growing addressable market for REI's services. The growth in residential property investment is stimulated by a number of factors that are described in more detail in this report.

About Frost & Sullivan

Frost & Sullivan is an independent market research and consulting group operating in 40 countries globally, of which Frost & Sullivan Australia Pty Ltd (**Frost & Sullivan**) is a member. Founded in New York in 1961, the Frost & Sullivan group now employs over 1,500 staff globally.

Frost & Sullivan has undertaken a number of market studies in the digital media and software sectors on behalf of market participants and financial institutions, as well as producing a number of multi-client reports on the digital media and related industries.

In preparing this report, Frost & Sullivan has relied on information derived from reputable publicly available sources and industry publications. Additionally, Frost & Sullivan conducted a survey with a representative sample of 204 residential property investors in Australia and 53 in New Zealand. The sample comprised individuals who currently own a residential investment property (including properties owned directly; together with other family member(s); through a self-managed superannuation fund (**SMSF**); or through a trust or company). The sample was drawn from an existing panel of individuals who have opted-in to undertaking occasional market research. This research was undertaken in September 2015.

All effort has been made by Frost & Sullivan to ensure that information in this report is accurate and appropriate at the time of writing. Conclusions, and assumptions attached to those conclusions, are based on Frost & Sullivan's investigations and analyses of the facts as they are known as at the date of this report and Frost & Sullivan is of the opinion that the conclusions and underlying assumptions are reasonable.

Residential Investment Property Markets

Investment in residential property is increasing in Australia and New Zealand, with a growing number of residential property investors, and hence an increasing addressable market for REI. Information on the size and growth of residential property investment is given below.

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Number of Investment Properties and Investors

As at 31 December 2014, Australia had a residential property stock of approximately 9.45 million dwellings, with an estimated total value at current market prices of A\$5.4 trillion.¹ Australia's residential property market comprises both owner-occupied dwellings and rented dwellings. The proportion of owner-occupied dwellings has fallen slightly over the past 50 years, and was 67% in 2011, a decrease from 68.1% in 2006.² In New Zealand, as of 2013, there were 1.756 million dwellings, including unoccupied dwellings. As with Australia, home ownership rates in New Zealand have declined over recent years, although more dramatically, from 73.8% in 1991 to 64.8% in 2013.³

Rented property can be rented from both private landlords or from public housing authorities, housing co-operatives or other groups. Using data from the most recent national censuses, Frost & Sullivan has estimated the number of dwellings owned by private landlords. Just under 25% of households in Australia rent their property from a private sector landlord (excluding state or territory housing authorities and housing co-operatives, communities or church groups).⁴ Hence, the total stock of dwellings that can be categorised as investment properties is around 2.35 million. In New Zealand, an estimated 22.6% of dwellings are rented from private landlords (excluding public sector housing authorities). Hence, the total stock of dwellings that can be categorised as investment properties is around 397,000.⁵ This is summarised in Table 1.

Table 1: Residential Dwellings in Australia and New Zealand

	Residential Dwelling Stock (000's)	Proportion Rented from Private Landlords	Estimated Residential Investment Property Stock (000's)
Australia	9,448	24.9%	2,353
New Zealand	1,756	22.6%	397

Source: Australian Bureau of Statistics (ABS), Residential Dwellings: Values, Mean Price and Number by State and Territories; ABS, Yearbook of Australia 2012; ABS, Perspectives on Regional Australia: Housing Arrangements - Home Ownership in Local Government Areas; Statistics New Zealand, 2013 Census QuickStats about Housing.

Given that a private landlord may own more than one dwelling, the number of residential investment properties does not necessarily match the total number of residential property investors. The number of individuals who have an interest in a property that is rented out to others can be estimated from data from national statistical offices and tax offices. In Australia, the number of individuals who completed a rental

¹ Australian Bureau of Statistics (ABS), Residential Dwellings: Values, Mean Price and Number by State and Territories

² Australian Bureau of Statistics, 2006 and 2011 censuses

³ Statistics New Zealand, 2013 Census QuickStats about Housing

⁴ ABS, Perspectives on Regional Australia: Housing Arrangements - Home Ownership in Local Government Areas, 2011

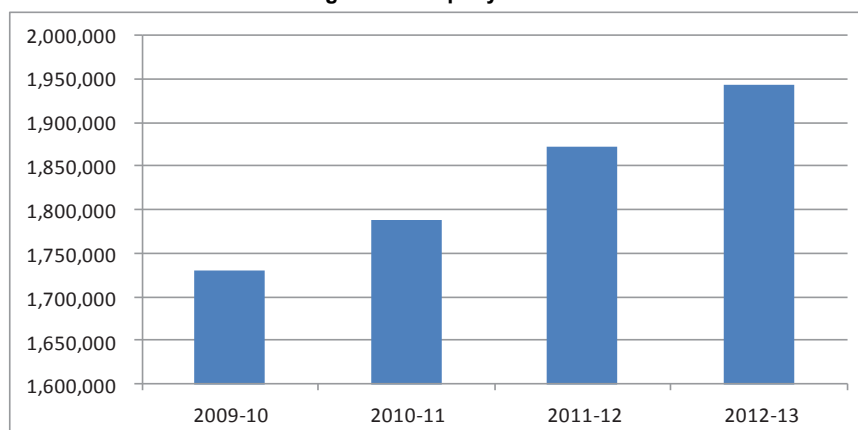
⁵ Statistics New Zealand, 2013 Census

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property schedule reached 1.95 million in 2012-13, an increase of 213,000 individuals from 2009-10 (see Figure 1). The 2012-13 data is equivalent to 15% of all individuals who submitted a tax return.

Figure 1: Number of Individuals Submitting Rental Property Schedules with Annual Tax Return



Source: Australian Taxation Office (ATO), Tax Statistics

The majority of residential property investors in Australia (73% in 2010-11) have an interest in only one investment property. However, 27% of investors have multiple properties.⁶

In New Zealand, there is very limited current data on the number of individual property investors. A 2007 working paper from the New Zealand Treasury estimated that 15% of households owned an investment property.⁷ If this ratio has remained unchanged to 2015, then approximately 232,000 households will own an investment property.⁸

The current addressable market for REI (defined as current residential investment property owners) is therefore around 2.18 million individuals in Australia and New Zealand combined. Based on approximately 140,000 users of REI's services, REI has a current penetration of approximately 6-7% of residential property investors in Australia and New Zealand. However, REI's services may also be applicable for individuals who do not currently own a residential investment property, but are considering doing so. Based on the screening question to Frost & Sullivan's survey, 20% of individuals who do not currently own an investment property in Australia are considering buying one over the next three years, and 24% in New Zealand.⁹

⁶ ATO, Taxation Statistics, 2010-11

⁷ New Zealand Treasury Working Paper, Housing in the Household Portfolio and Implications for Retirement Saving: Some Initial Finding from SOFIE, March 2007

⁸ Based on 1.55 million households in 2013 as per the 2013 NZ Census

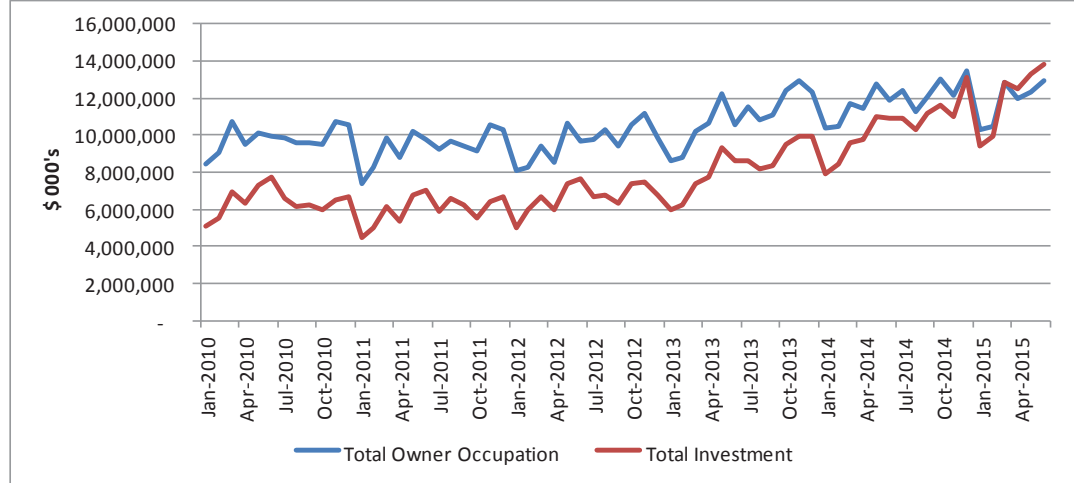
⁹ Frost & Sullivan survey of 257 residential property investors, September 2015

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Trends in Investment Lending

The growth in residential property investment is also indicated by data on housing loans for investment purposes. In Australia, housing finance commitments¹⁰ for investment purposes reached A\$13.8 billion in June 2015, exceeding commitments for owner occupation. The growth of housing commitments for investment over the past five years is illustrated in Figure 2. The value of commitments in June 2015 was over double the value of five years earlier.

Figure 2: Housing Finance Commitments by Purpose, Australia, 2010 to 2015



Source: Australian Bureau of Statistics (ABS), Housing Finance Commitments Australia, July 2015

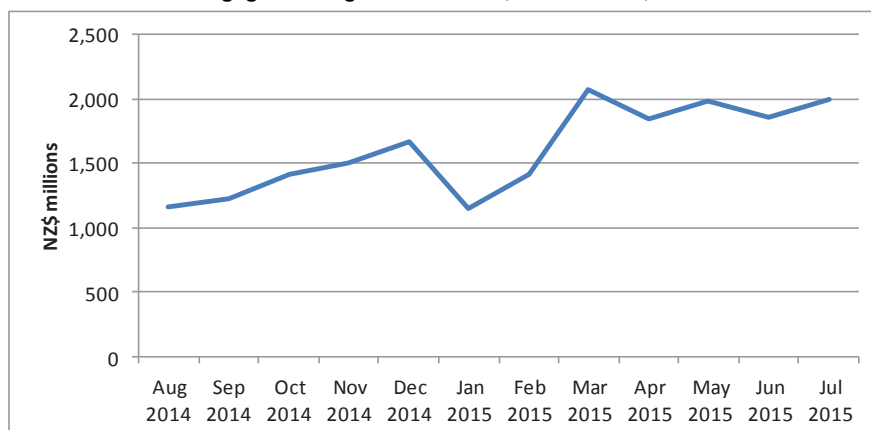
Data on mortgage lending by purpose in New Zealand is only available from 2014. In July 2015, new residential mortgage lending for investment purposes was NZ\$2.2 billion, 34% of new residential mortgage lending. Since mid-2014, new residential mortgage lending for investment has almost doubled (see Figure 3).

¹⁰ A lending commitment is a firm offer of housing finance

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Figure 3: New Residential Mortgage Lending for Investment, New Zealand, 2014 to 2015

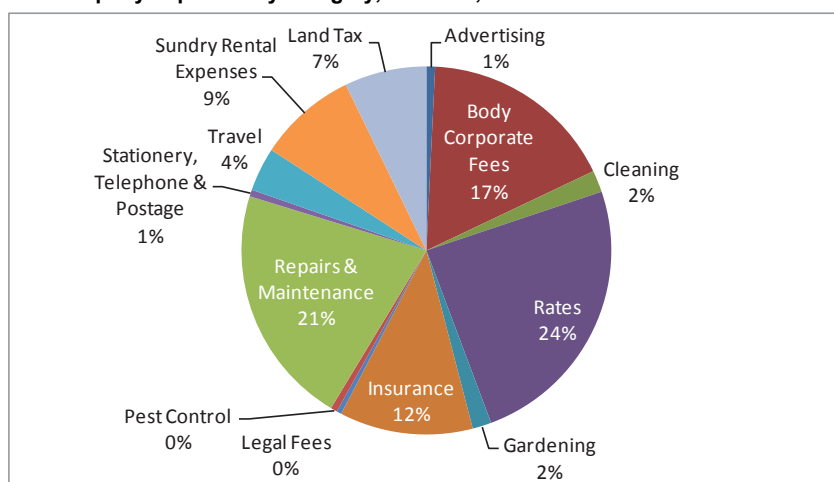


Source: RBNZ New Residential Mortgage Lending by Borrower type, July 2015

Expenditure on Investment Property Management

An estimate of the amount spent by investors on the residential property management process, at least in Australia, can be obtained from the Australian Taxation Office (ATO) statistics on rental property expenses claimed by investors. For the 2012-13 financial year, investors claimed around A\$10.7 billion in rental property expenses, excluding loan interest, depreciation and agents' commissions. Almost \$1 billion was spent on sundry rental expenses, a category into which REI's paid services are likely to fall into (see Figure 4).

Figure 4: Rental Property Expenses by Category, Australia, 2012-13



Source: ATO statistics, 2012-13

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Market Drivers for Residential Property Investment

Frost & Sullivan considers that there are a number of factors that are stimulating demand for residential property investment in Australia and New Zealand. These factors include population growth, which is increasing demand for housing, including growing net migration; a favourable taxation regime for property investment; historically low interest rates for housing loans; growth in property values; the increase in purchase of investment properties as a retirement asset; and growth in availability of new dwellings, especially dwellings in multi-unit buildings. These factors are discussed in more detail below.

Population Growth

Strong population growth is likely to be a major driver for residential property investment, as the increasing number of households coupled with a declining rate of home ownership stimulates demand for rented property. In March 2015, Australia's resident population was estimated at 23.75 million, an increase of 8.8 million from 1981 at a CAGR of 1.4%. The Australian Bureau of Statistics (**ABS**) has made population projections that, under its Series B¹¹ (or middle) assumptions, estimate that the population will grow by a CAGR of 1.2% to 2031, to reach 30.5 million at that date.

In New Zealand, the National Population Projections forecast that the population will increase by approximately 1 million people between 2011 and 2036, from 4.4 million in 2011 to 5.4 million in 2036.¹²

A main driver of population growth will be immigration, as the Australian and NZ governments seek to maintain positive migration balances to stimulate population growth. In Australia, since 2005, net overseas migration (**NOM**)¹³ has increased from 124,000 to 213,000 in 2014 (see Figure 5). The effect of the growth in NOM has been to increase the proportion of the population born overseas from 23% in 1993 to 28% in 2014.¹⁴ In NZ, NOM has increased significantly in recent years, reaching 60,000 in the year ended July 2015.¹⁵

¹¹ Series B is the middle of three assumptions used in estimating future population, and assumes the total fertility rate (TFR) will decrease to 1.8 babies per woman by 2026 and then remain constant, life expectancy at birth will continue to increase each year until 2061, though at a declining rate (reaching 85.2 years for males and 88.3 years for females), net overseas migration (NOM) will remain constant at 240,000 per year throughout the projection period

¹² Statistics NZ, National Population Projections, 2014. The median projected probability projection has been used

¹³ NOM is defined as permanent immigrants minus permanent emigrants

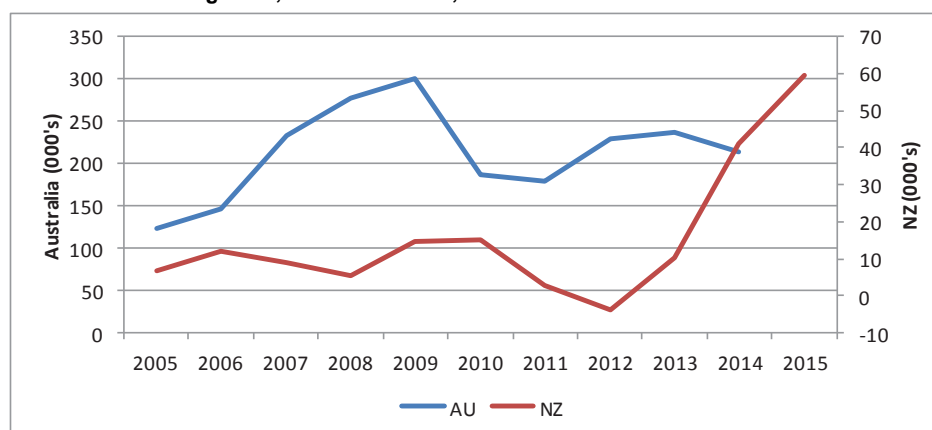
¹⁴ ABS, Migration Australia, 2013-14

¹⁵ Statistics NZ International Travel & Migration, 2015

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Figure 5: Net Overseas Migration, Australia and NZ, 2005 to 2015



Source: ABS, Migration Australia, 2013-14; Statistics NZ International Travel & Migration, 2015

Under the ABS' population growth projections, the Australian population will increase by an average of 450,000 persons per year over the period 2011 to 2031. Assuming no change to the average number of persons per household (2.51 in 2014), this will therefore create demand for an additional 180,000 houses per year.¹⁶ This requirement will be higher should there be a fall in the average number of persons per household. In New Zealand, the average annual population increase over the period 2011 to 2036 will be 40,000 per year, creating demand for an additional 16,000 dwellings per year.¹⁷

Tax Benefits for Property Investment

Investment in residential property is encouraged by aspects of Australia and New Zealand's taxation systems, including the existence of negative gearing provisions in both countries and an absence of or reductions in capital gains tax (CGT). Negative gearing occurs when the cost of owning a rental property outweighs the income it generates each year. This creates a taxable loss, which can normally be offset against other income including wages or salaries, to provide tax savings to a resident tax payer. In New Zealand, there is no CGT, and in Australia a reduction of 50% is also available on CGT when the investment property has been held for 12 months or more.¹⁸ These factors have helped to stimulate investment in residential property.

Low Interest Rates

Purchases of residential property have been encouraged by the fact that interest rates for housing loans in Australia are now at the lowest levels since the 1960s. The average standard variable interest for a housing loan in Australia was 5.45% in September 2015, the lowest level since 1968.¹⁹ The Reserve Bank of Australia reduced the official

¹⁶ Frost & Sullivan estimate, based on the resident population divided by the number of households

¹⁷ Ibid

¹⁸ <https://www.ato.gov.au/General/Capital-gains-tax/Working-out-your-capital-gain-or-loss/>

¹⁹ Reserve Bank of Australia, Indicator Lending Rates

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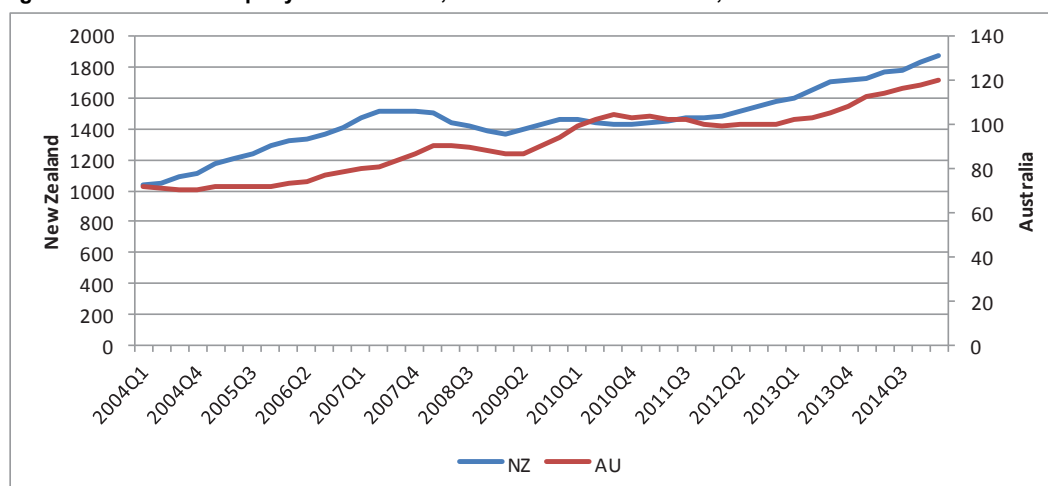
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cash rate (OCR) to 2% in its meeting in May 2015²⁰, and this has resulted in further reductions in housing loan interest rates by lenders. A number of economic factors suggest that interest rates are likely to remain at historically low levels in the short to medium term, including benign inflation, a desire by the RBA to weaken the Australian dollar, and to increase household consumption.²¹ In New Zealand, following reductions to the cash rate in June and July 2015, the effective mortgage rate in July 2015 was 5.82%, the lowest since 1998, with the exception of the period between August 2012 and July 2014, when rates bottomed out at 5.51%.²² A further reduction in the cash rate to 2.75% was announced by the Reserve Bank of New Zealand on September 10th 2015.

Growth in Property Values

Over recent years, the strong growth in property values in Australia and New Zealand has encouraged investment, as investors believe that better returns will be obtained from property than other asset classes. This is illustrated in Figure 6. Since Q1 2004 residential property prices in New Zealand have on average increased by approximately 87%, and in Australia by 68%.

Figure 6: Residential Property Prices Indices, Australia and New Zealand, 2004 to 2015



Sources: RBNZ, House Price / Values; ABS, Residential Property Price Indexes: Eight Capital Cities, Mar 2015 (weighted average of 8 capital cities)

Purchase of Property as a Retirement Asset

Investment in residential property is also being stimulated by the use of residential property as an investment asset, particularly when held in a personal pension or self-managed superannuation fund. The number of SMSFs is growing strongly in Australia, with the number of funds reaching 534,000 in 2014, with over 1 million members. The

²⁰ <http://www.rba.gov.au/statistics/cash-rate/>

²¹ RBA, Statement on Monetary Policy, May 8th 2015

²² Reserve Bank of New Zealand, Interest rates on lending and deposits

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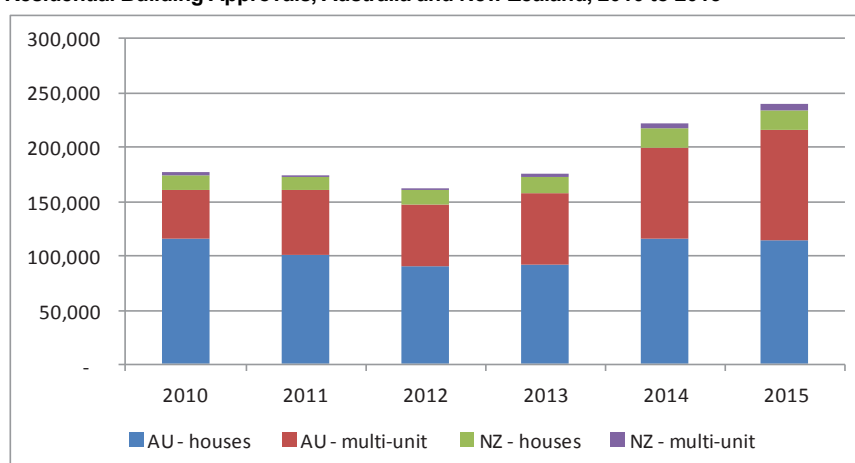
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number of funds has approximately doubled over the past decade. In 2013, 7% of SMSFs held residential property as an asset, with the value of residential property held within SMSFs increasing by 60% between 2008 and 2013.²³

Growing Availability of New Dwellings

A significant trend in residential property markets in both Australia and New Zealand is a strong increase in construction of new dwellings, particularly in multi-unit buildings (apartments and town-houses). This creates a growing supply of properties for investors, particularly for “off the plan” purchases. In Australia, 216,000 residential building approvals were issued in 2014-15, the highest number on record. Dwellings in multi-unit buildings comprised 47% of approvals, an increase from 28% in 2009-10.²⁴ In New Zealand, residential building consents reached 26,000 in 2014-15, of which multi-unit dwellings accounted for 23%, an increase from 11% in 2009-10.²⁵ The number of residential building approvals by property type in Australia and New Zealand over recent years is indicated in Figure 7.

Figure 7: Residential Building Approvals, Australia and New Zealand, 2010 to 2015



Sources: ABS, *Building Approvals, Australia*, Jul 2015; Statistics NZ, *Building Consents Issued*, July 2015

A significant factor behind the growth in construction of multi-unit dwellings is demand from overseas buyers. For example, in Australia, current policies towards foreign investment in residential real estate have encouraged foreign buyers to focus on new developments, and many foreign buyers have a preference for multi-unit, urban developments, particularly when bought “off the plan”. A major part of foreign purchases of residential property is therefore purchases of “off the plan” properties, whereby foreign persons can acquire newly constructed

²³ ATO, Self-managed Super Fund Statistics, accessed September 2015

²⁴ ABS, *Building Approvals, Australia*, Jul 2015

²⁵ Statistics NZ, *Building Consents Issued*, July 2015.

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dwellings directly from developers. Applications from individuals are normally approved without conditions. Foreign persons may purchase new residences in such developments over a number of years.²⁶

In Australia, developers are able to sell up to 100% of new residences in a development to foreign interests (the developer is also required to market the dwellings locally). Property developers can apply for an advanced-off-the-plan certificate to sell all new properties in a development of 100 or more dwellings to foreign persons, provided the development is also marketed locally. An individual foreign buyer is not then required to gain separate approval to purchase dwellings in a certified development.²⁷ Purchases of off the plan developments by foreign persons have been growing strongly in recent years, with an increase of 185% in purchase value in 2013-14 compared to 2012-13.²⁸ In 2013-14, off the plan developments accounted for 63% of purchases of new dwellings by foreign buyers.²⁹

Dwelling Sales

Frost & Sullivan understands that REI may also generate sales leads for property sales, primarily for new dwellings, with revenue generated through commission payments from property developers. Hence, the volume of property sales, particularly for new dwellings, is a measure of the potential market opportunity addressable for REI.

In the year ended June 30th 2015, there were a total of 478,464 dwelling transfers in Australia, of which approximately 380,000 were houses and 97,000 dwellings in multi-unit buildings.³⁰ In New Zealand, over the year ended July 30th 2015 there were 83,792 dwelling sales.³¹ The total number of residential dwelling sales in Australia and New Zealand over the most recent 12-month period is therefore approximately 562,000. Although data on sales of new dwellings only is not available, an estimate can be made based on residential building approvals, given that over 95% of buildings approved are ultimately completed. In the year ended June 2015, approximately 242,000 dwelling approvals were issued in Australia and New Zealand combined, indicating that approximately 230,000 new dwellings will be sold.³²

Data on the proportion of dwelling sales that is to investors and to owner-occupiers is not available, however a reasonable estimation can be made based on the proportion of mortgage lending to both groups. Over the year to June 2015, investors accounted for 49% of housing finance commitments in Australia, and 32% in New Zealand in

²⁶ Foreign Investment Review Board (FIRB), Annual Report, 2013-14

²⁷ Parliament of Australia, Report on Foreign Investment in Residential Real Estate, 2014

²⁸ Foreign Investment Review Board (FIRB), Annual Report, 2013-14

²⁹ Ibid

³⁰ ABS, Residential Property Price Index, June 2015

³¹ Quotable Value NZ data

³² Frost & Sullivan estimate based on ABS, Building Approvals, Australia, Jul 2015; Statistics NZ, Building Consents Issued, July 2015

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the year to July 2015.³³ Applying these ratios to the number of dwelling sales suggests that investors accounted for approximately 234,000 property purchases in Australia and approximately 27,000 in New Zealand in 2014-15.

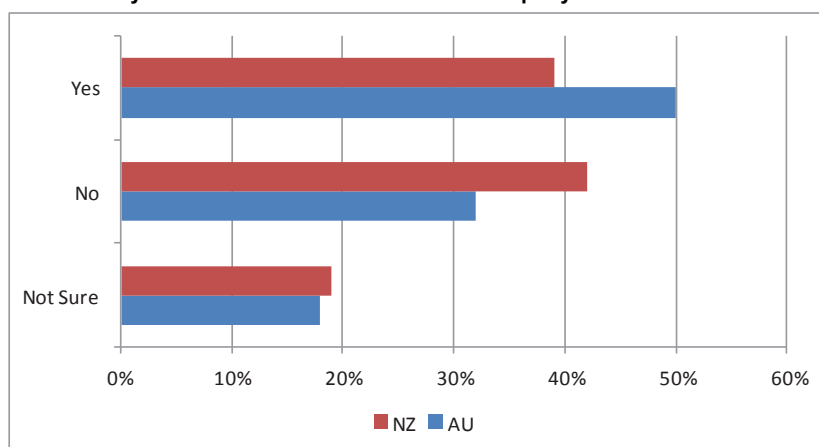
Residential Property Investor Behaviour and Attitudes

Frost & Sullivan undertook a survey with 257 residential property investors in Australia and New Zealand to understand attitudes and behaviours of this group. Key findings from this survey are presented in the sections below.

Attitudes to Property Acquisition

Based on the survey, 67% of property investors in Australia and 68% in New Zealand own a single investment property, with 33% and 32% respectively currently owning multiple properties. Over the next three years, 50% of investors in Australia and 39% in New Zealand intend to buy at least one additional investment property (see Figure 8).³⁴

Figure 8: Intention to Buy Additional Residential Investment Property over the next Three Years



Source: Frost & Sullivan survey of 257 residential property investors, September 2015

The majority of property investors (64% in Australia and 67% in New Zealand) will consider purchasing additional residential investment property mainly in the state or region where they live. However, 32% in Australia and 20% in New Zealand are likely to purchase anywhere in the country, or even overseas.³⁵

³³ Australian Bureau of Statistics (ABS), Housing Finance Commitments Australia, July 2015, RBNZ New Residential Mortgage Lending by Borrower type, July 2015

³⁴ Frost & Sullivan survey of 257 residential property investors, September 2015

³⁵ Ibid

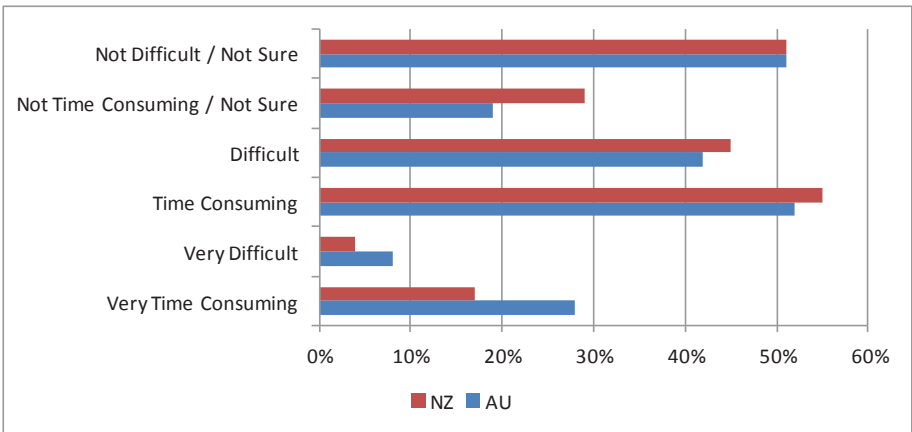
48% of residential property investors in Australia and 36% in New Zealand are willing to consider buying an additional residential investment property “off the plan”.³⁶

The Investment Property Process

In the survey, Frost & Sullivan questioned how difficult and how time-consuming residential property investors find various stages of the investment property process, including searching for a property to buy, analysing a selected property, and ongoing management and accounting of a property or properties already owned.

In terms of the process of searching for properties to buy, almost 80% of residential property investors on average across Australia and New Zealand find this process very time-consuming or time-consuming, and about 50% find it difficult or very difficult (see Figure 9).

Figure 9: Attitudes to the Property Search Process



Source: Frost & Sullivan survey of 257 residential property investors, September 2015

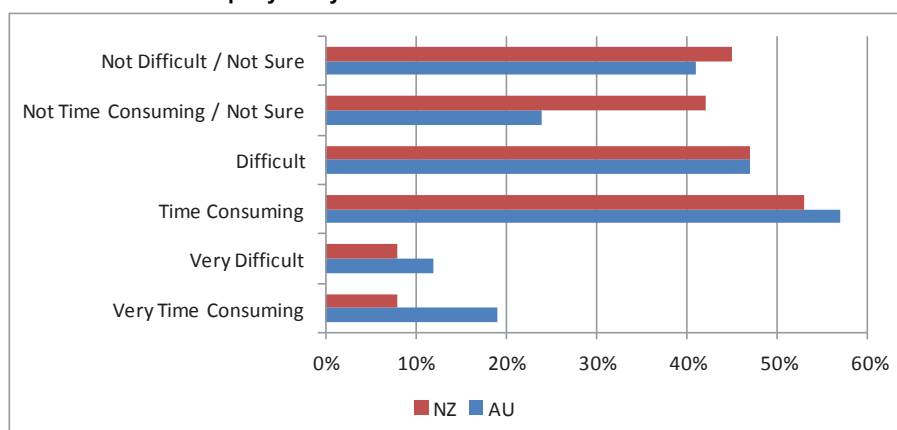
Following the identification of a potentially suitable property, investors will generally undertake some analysis, for example to estimate cash-flow or capital gain potential. Overall, 72% of investors find this process very time-consuming or time-consuming, and 58% find it difficult or very difficult (see Figure 10).

³⁶ Ibid

02. Independent Market Report (continued)

Frost & Sullivan Australia Pty Ltd | 2015

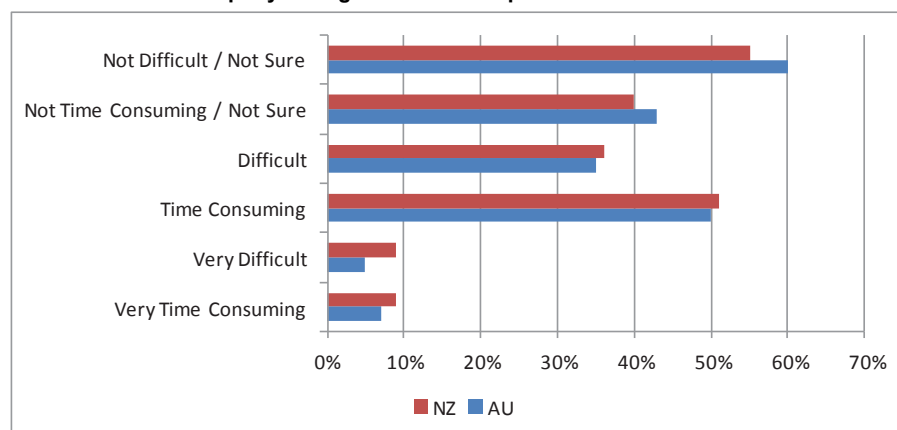
Figure 10: Attitudes to the Property Analysis Process



Source: Frost & Sullivan survey of 257 residential property investors, September 2015

Another aspect of property management is the ongoing management of owned properties, including all the compliance requirements (such as annual tax returns). Overall, 58% of investors find this process very time-consuming or time-consuming, and 41% find it very difficult or difficult.

Figure 11: Attitudes to the Property Management and Compliance Process

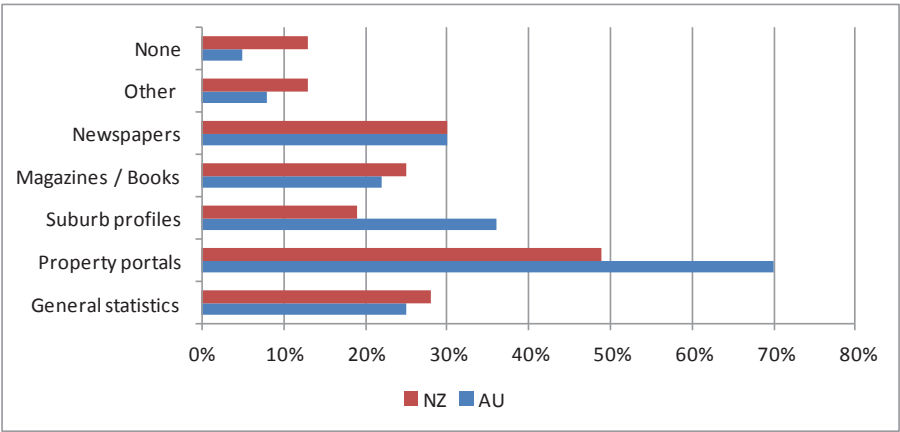


Source: Frost & Sullivan survey of 257 residential property investors, September 2015

Property investors were also asked about the tools and resources that they use for support at various stages of the investment property process. For searching for properties to buy, the most commonly-used resource is online property portals (such as *realestate.com.au* and *domain.com.au*) which allow investors to search for properties for sale in selected areas. These are particularly widely used by investors in Australia (see Figure 12).

02. Independent Market Report (continued)

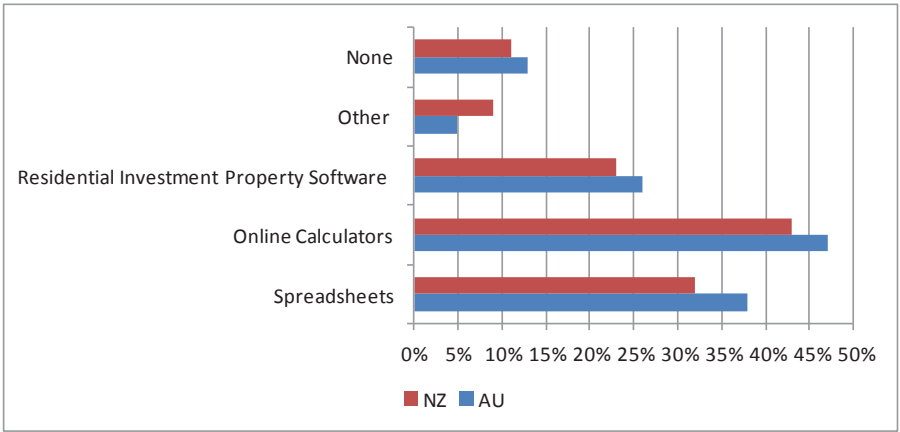
Figure 12: Resources and Tools used for Property Search



Source: Frost & Sullivan survey of 257 residential property investors, September 2015

For analysis of property and the ongoing management and reporting of property, although specialist software is available to support these processes, currently only about one-quarter of property investors are using specialist software. More commonly, investors are using spreadsheets or online tools such as calculators often made available online by organisations such as banks (see Figure 13).

Figure 13: Resources and Tools used for Property Analysis, Management and Reporting



Source: Frost & Sullivan survey of 257 residential property investors, September 2015

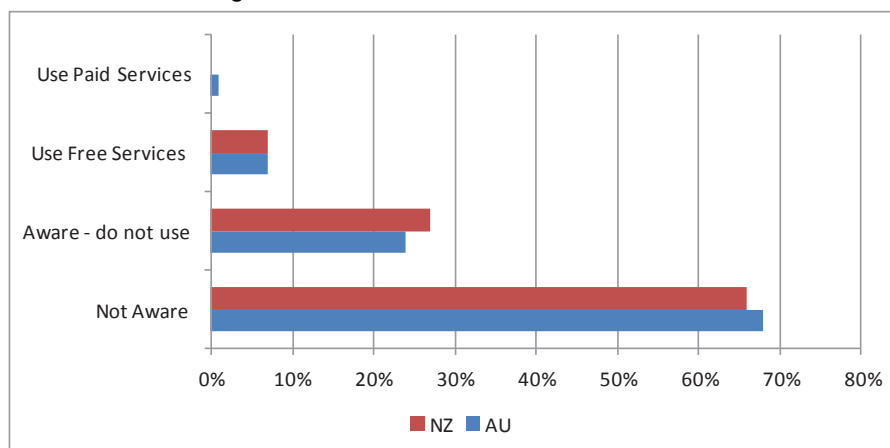
Awareness and Usage of REI

Frost & Sullivan's survey indicated that awareness and usage of REI's services is relatively limited, approximately two-thirds of investors are not aware of REI, and about 7% are currently using REI's free services. Use of paid services is currently minimal (see Figure 14).

02. Independent Market Report (continued)

Frost & Sullivan Australia Pty Ltd | 2015

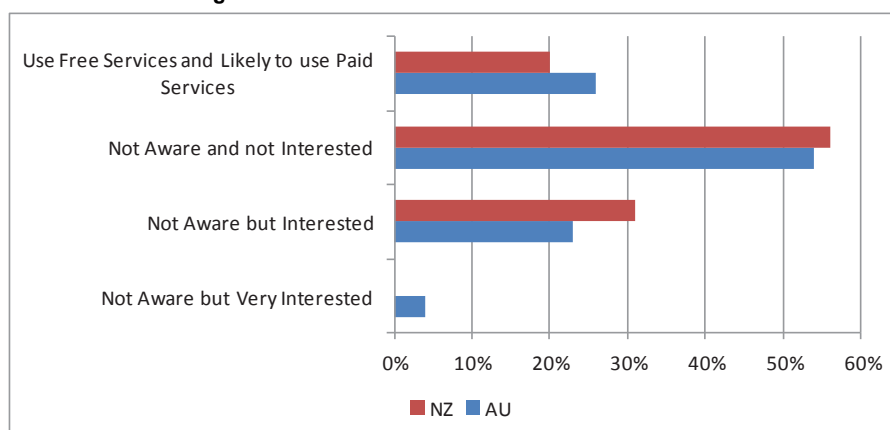
Figure 14: Awareness and Usage of REI



Source: Frost & Sullivan survey of 257 residential property investors, September 2015

Of the current users of REI's services, 87% overall find the services useful or very useful. However, the potential for further expansion of REI's user base is indicated by the fact that between one-quarter and one-third of investors who are not currently aware of REI expressed an interest in the use of REI's services. Of the investors that are currently using REI's free services, 25% are likely to start to use REI's paid services (see Figure 15).

Figure 15: Likelihood of Using REI's Services



Source: Frost & Sullivan survey of 257 residential property investors, September 2015

02. Independent Market Report (continued)

Frost & Sullivan Australia Pty Ltd | 2015

Market Opportunity for REI

An assessment of the market opportunity available to REI can be derived from Frost & Sullivan's survey of residential property investors. Currently, 140,000 individuals, 6-7% of the estimated 2.18 million residential property investors in Australia and New Zealand, are using REI's free services, with a minimal number (under 6,000) using the paid services. However, two-thirds of residential property investors are currently unaware of REI's services.

Across Australia and New Zealand, 25% of investors who are currently unaware of REI expressed an interest in using REI's services. This creates a potential user base of an additional 365,000 individuals, which if added to the 140,000 current users, would deliver over 500,000 users. Of current users, 25% expressed an intention to start using paid services. If applied to the total user base of 500,000 users, this would deliver approximately 125,000 users of paid services.

Use of Software as a Service (SaaS)

Cloud computing is a term used for delivering hosted services over the internet to remotely store, process and share digital data.³⁷ Cloud computing services include the delivery of software, which is software that a user accesses over the internet on an "as needed" basis. This is known as software as a service, or SaaS. SaaS may be available free of charge to users, or provided for a recurring subscription fee. Although SaaS services have been available for some time, usage has accelerated significantly over recent years. Some of the factors that have stimulated this include;

- Improvements in the speed and reliability of internet access, both over mobile and fixed networks, which is being further enhanced by the roll-out of national high speed internet networks in Australia and New Zealand.
- Increased use of internet-enabled mobile devices, such as smartphones and tablets, which allow consumers to access cloud computing services in a broader range of situations.
- Increased awareness of the benefits of cloud computing services.
- Wider range of software being delivered over the cloud.

A survey commissioned by the Australian Communications & Media Authority (ACMA) indicated that as of 2013 34% of the Australian population had used online software (i.e. SaaS).³⁸

³⁷ Australian Communications and Media Authority (ACMA), Cloud Computing in Australia, 2014

³⁸ Ibid

02. Independent Market Report (continued)

Disclosure

This is an independent report prepared by Frost & Sullivan. Save for the preparation of this report and services rendered in connection with this report for which normal professional fees will be received, Frost & Sullivan has no interest in Real Estate Investar Group Limited and no interest in the outcome of the IPO. Payment of these fees to Frost & Sullivan is not contingent on the outcome of the IPO. Frost & Sullivan has not and will not receive any other benefits (including any commissions) and there are no factors which may reasonably be assumed to have influenced the contents of this report nor which may be assumed to have provided bias or influence. Frost & Sullivan consents to the inclusion of this report in the Prospectus in the form and context in which it is included. As at the date of this report, this consent has not been withdrawn. Frost & Sullivan does not hold a dealer's license or Financial Services License. This report does not constitute advice in respect of the IPO.

Conclusion

REI serves residential property investors in Australia and New Zealand with a suite of online tools and resources to assist at all stages of the residential property investment process. REI's market opportunity is determined by the number of residential property investors. Over recent years, the number of residential property investors has increased, with an estimated 2.18 million individuals in Australia and New Zealand owning a residential investment property.³⁹ Additionally, 20% of individuals who do not currently own an investment property in Australia are considering buying one over the next three years, and 24% in New Zealand. In Australia, investors spent almost A\$11 billion on residential property management expenses in 2012-13.⁴⁰

Investment in residential property is being stimulated by a number of factors, including declining home ownership rates and population growth which are stimulating demand for rented property; the tax benefits of property investment; low interest rates; growth in property values; the increasing use of residential property as a retirement asset; and the growing availability of new dwellings which is stimulating "off the plan" purchases, including by foreign investors. These factors are likely to stimulate investment in residential real estate. Over the next three years 50% of existing property investors in Australia and 39% in New Zealand plan to acquire at least one additional investment property.⁴¹

Investors generally find the investment property process challenging and time-consuming, across all stages of the process, from search to ongoing management and compliance, with well over 50% of investors generally finding the various stages of the process both time-consuming and difficult. This is likely to present

³⁹ Frost & Sullivan estimate based on ATO and NZ Treasury data

⁴⁰ ATO statistics

⁴¹ Frost & Sullivan survey of 257 residential property investors, September 2015

02. Independent Market Report (continued)

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an opportunity for REI in providing resources to simplify and streamline the investment property process. However, two-thirds of property investors are currently unaware of REI, suggesting that activities to raise market awareness are likely to yield significant numbers of additional customers. Of the two-thirds of investors who are unaware of REI currently, an average of 25% across Australia and New Zealand are potentially interested in using REI's services. Additional take-up of paid services is also indicated by the fact that 25% of investors currently using free services are likely to start using paid services.⁴²

Based on the survey carried out by Frost & Sullivan, REI has a potential incremental user base of an additional 365,000 individuals, if 25% of the investors who are currently unaware of REI start to use its services. If added to the 140,000 current users, this would deliver over 500,000 users. Of current users, 25% expressed an intention to start using paid services. If applied to the total user base of 500,000 users, this would deliver approximately 125,000 users of paid services.⁴³

Delivery of services over the internet, using a SaaS model, is an appropriate business model given the growing acceptance of SaaS services by consumers. Use of SaaS is being encouraged by factors such as improved internet infrastructure and the growing awareness of and confidence in SaaS solutions by consumers.

Yours Sincerely



Mark Dougan
Managing Director, Australia & New Zealand

⁴² Ibid

⁴³ Frost & Sullivan estimate based on survey of 257 residential property investors, September 2015

03.

Company
Overview

For personal use only



03. Company Overview

3.1. What is REI?

REI comprises Real Estate Investar Group Limited (the **Company**), and its wholly owned subsidiaries, Real Estate Investar Australia Pty Limited and Real Estate Investar Ltd, which own and operate the 'REI' branded websites www.realestateinvestar.com.au and www.realestateinvestar.co.nz. The Company also has a number of other subsidiaries, details of which are set out in Section 9.3.

REI is a leading provider of integrated online products and services to Australian and New Zealand property investors to assist in the identification, analysis, acquisition, tracking and accounting of residential investment property.

REI provides real estate investors, initially on a free subscription basis, with online tools, resources and news services to grow its total member numbers.

REI then seeks to convert these members to paying customers via an ongoing paid subscription service. This service offers an integrated set of high quality online tools to assist customers in making the best property investment decisions. REI also converts members to paying customers by offering paid casual services for complementary services offered directly by REI or by one of REI's business partners.

REI has a team of 19 employees working in its Gold Coast and Melbourne offices servicing customers across Australia and New Zealand.

3.1.1. Corporate history of REI

Real Estate Investar Australia Pty Limited was established in 2005 to assist residential property investors in making better property investment decisions by providing online property investor focused magazines and editorial content. In 2008 the business changed its focus to provide online search, analysis and tracking solutions under a paid subscription service.

Subscriptions remain the key revenue generator for REI and have been enhanced with a range of pay-per-use casual non-subscription services provided either directly by REI or via one of REI's business partners.

3.1.2. What are the subscription services?

REI has developed and assembled a set of high quality online services to add value to property investors whether during the initial residential property investment process (Portfolio Builder) or in the ongoing management of their property investments (Portfolio Manager).

These services are offered to customers via a paid subscription, with different service and payment options available based on the needs of the customer.

03. Company Overview (continued)

Figure 3.1: REI integrated products

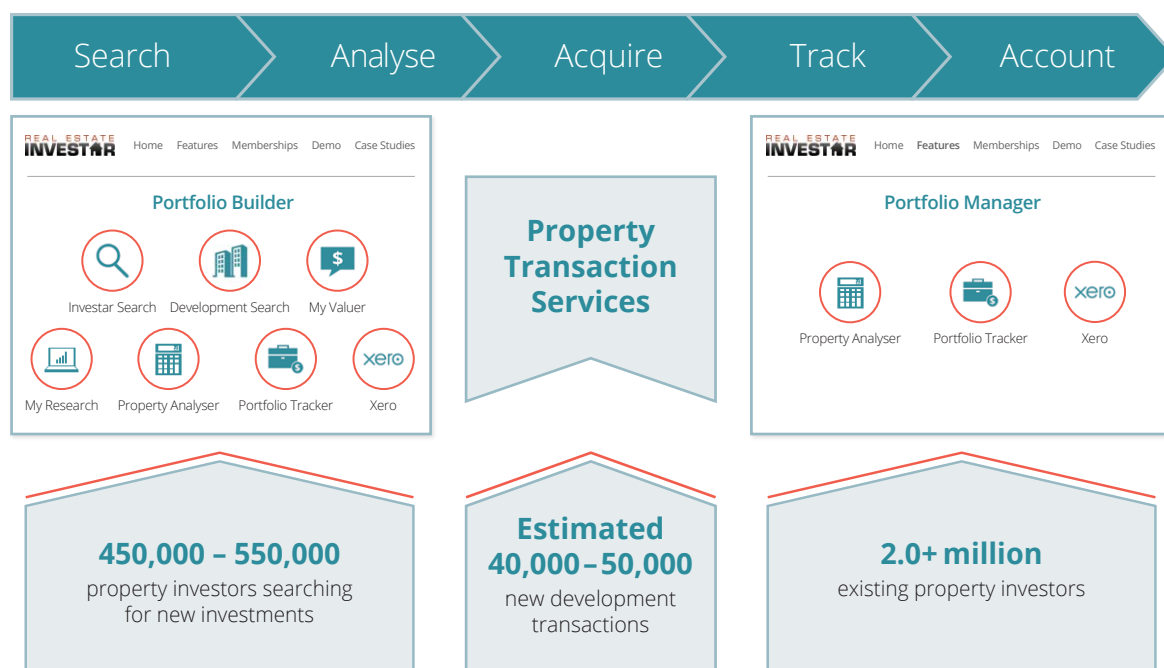


Figure 3.2: REI paid subscription services

Integrated Product Set Refined Over 8 Years	
Investar Search & Development Search	Search engines that match investment search criteria with properties available on the Australian / NZ market. Multiple sources.
My Valuer	Estimate of the current market price for a specific residential property. Leverages APM data and CoreLogic NZ.
My Research	Suburb or regional reports covering sales trends, median prices, zoning, and comparable sales. Leverages APM data and CoreLogic NZ.
Property Analyser	Forecasting (up to 10 years) the likely capital growth and cash flow for a particular investment property.
Portfolio Tracker & Xero	Monitor investment property portfolio including income, loans, and equity position across one or multiple entities. Integrated with Xero and APM data.
<div>Investar Search</div> <div>Development Search</div> <div>My Valuer</div> <div>My Research</div> <div>Property Analyser</div> <div>Portfolio Tracker</div> <div>Xero</div>	

3.1.2.1. Investar Search

Investar Search is a customised search engine for residential property investors. It allows a REI customer to filter on-the-market property search results to find investments that match certain user defined investment strategies and buying rules such as properties with positive cash flow, a potential discount to market value, or with renovation potential.

Investar Search can access sale listings across approximately 14,700 suburbs throughout both Australia and New Zealand.

03. Company Overview (continued)

3.1.2.2. My Valuer

My Valuer provides estimates of the current market price or price range of residential property across Australia and New Zealand. My Valuer helps a REI customer to research historical information about a property and assists with determining a reasonable current market price when considering a purchase or a sale. My Valuer is an online tool provided to REI customers under a partnership with APM (part of Fairfax Media) in Australia and with CoreLogic in New Zealand.

3.1.2.3. My Research

My Research enables REI customers to analyse suburb performance trends, sales and on-the-market history, mapping, zoning and comparable sales where available. It is particularly useful for due diligence reviews.

REI customers can research how a particular suburb has performed, what a property last sold for, how many properties have sold recently, plus sales and transaction volume trends, legal descriptions, council zonings, suburb mapping analysis and the median sale price and transaction trends.

3.1.2.4. Property Analyser

Property Analyser enables REI customers to evaluate property investment opportunities by forecasting up to 10 years of capital growth and cash flow based on assumptions entered by the user, historical suburb performance data, and by using existing portfolio information and user defined defaults. Property Analyser allows REI customers to determine if a potential property purchase is likely to meet their investment criteria and goals when making an investment. Property Analyser also allows for the calculation and comparison of estimates around equity, capital growth, depreciation benefits and cash flow.

3.1.2.5. Portfolio Tracker

Portfolio Tracker is an online platform that REI customers can use to monitor their property portfolio. This can assist in maximising rental income, managing cash flow, loan, equity and tenancy information, and therefore has the potential to simplify any potential refinancing process. The platform allows REI customers to manage the value of their property portfolio, track annual rental returns, manage debt and interest rates, monitor expenses, and add contacts and photos.

Portfolio Tracker is integrated with the Property Analyser to generate financial forecasts for individual properties entities and can create an overall portfolio summary for customers. It also integrates with My Valuer to update property value estimates and integrates with Xero to capture actual financial information so that actual portfolio performance can be tracked and compared with forecasts.

3.1.2.6. Xero Accounting

Xero online accounting software allows a REI customer to establish, operate and access property portfolio accounts quickly and easily. REI customers are able to manage their accounting online using automated bank feeds to ensure their financial accounts are always up to date. Xero automates property portfolios accounting to give real-time cash flow analysis and ensure property records are readily available for finance applications and property purchasing.

3.1.3. How do customers access the REI subscription services?

REI offers a Portfolio Builder subscription for customers seeking to acquire new investment properties and therefore need all of the REI services to search, analyse, acquire, track and account for their investments. Customers can subscribe on a casual basis or on 1 or 2 year contract terms.

For existing investors focused on managing and accounting for their existing property investment portfolio and do not have an intention to acquire further property investments REI provides a lower cost Portfolio Manager subscription. This subscription includes Property Analyser, Portfolio Tracker and Xero accounting services only, with subscriptions from \$29 to \$69 per month.

These different subscription options enable REI to provide cost effective subscription options to property investors based on their current needs.

03. Company Overview (continued)

3.1.4. What are the casual non-subscription services?

In addition to its subscription services, REI offers a number of casual non-subscription services to its members that are either provided directly by REI or via a paid marketing referral model with an accredited partner of REI. These services generate revenue for REI and include:

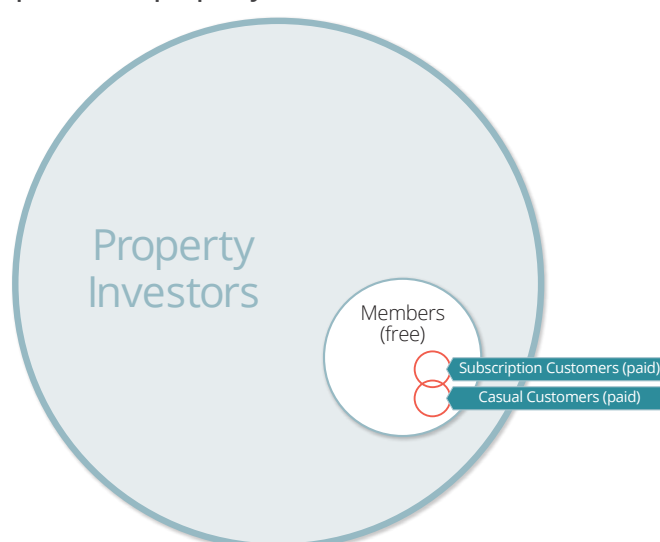
- > Real estate transaction services;
- > Finance and mortgage brokerage;
- > Insurance brokerage;
- > Accounting and SMSF services;
- > Financial and estate planning;
- > Depreciation reports; and
- > Courses and education.

A number of these casual non-subscription services and partnerships are well established, whilst others such as property transaction services (facilitating sales of newly built and off-the-plan properties from developers or project marketers to investors) are currently in the early stages of testing and development within REI.

3.2. REI's business model

REI operates a "freemium" business model whereby it engages with current and aspiring residential property investors by offering free online tools, resources and news services to increase its total member numbers. As total members increase, REI has the opportunity to increase paid customer numbers and revenues by converting members to paid subscription customers and by increasing casual non-subscription services.

Figure 3.3: Relationship between property investors, members and customers



3.2.1. How does REI attract members?

REI uses a number of marketing channels to attract members, including search engine optimisation (SEO) and search engine marketing (SEM) of its websites and over 8,000 Australian suburb performance pages that it has created. This SEO and SEM activity generated 522,000 page views between January and June 2015.

REI is creating property investor focused content and audience engagement material to promote REI to the Domain property investor audience and the broader Fairfax Media network. Past referral activity tested with Domain from November 2013 to May 2014, including Email Direct Marketing campaigns (EDM's) to the Domain audience and REI "widgets" on the Domain website, resulted in 355,000 to 499,000 page views per month.

03. Company Overview (continued)

REI also engages with business partners who promote REI products and services to their customers. These partners include Connective, Xero, Anne Street Partners, Resicert, Washington Brown, Local Agent Finder and Key Media. These partners utilise REI suburb performance reports offers, webinars and 21-day free subscription trial offers to generate new members for REI and also assist in converting these members into paid subscription customers.

REI also engages with accounting firms and bookkeepers whose clients use Xero, through Xero roadshows and conferences held across Australia and New Zealand each year as well as the Xero Add-on marketplace at xero.com. REI was recently awarded the 2015 Australian Emerging Add-On Partner of the Year in August 2015 by Xero.

Through seminar activity with partners, REI currently present to more than 2,500 residential property investors at a number of events nationally each year. All attendees are provided with free REI membership and these events generate on average more than 700 subscription trials annually.

3.2.2. How does REI generate revenue?

REI generates revenue from three sources:

- > paid subscription services;
- > casual non-subscription services offered directly by REI or via referral to one of REI's partners; and
- > referral fees from property transaction services which are currently in the early stages of development and are limited to partner referral activity until Completion of the Offer.

In the 12 months to 30 June 2015 (FY15), REI generated 87% of its revenues from subscription services and 13% from casual non-subscription services. For the 12 months to 30 June 2016 (FY16), REI predicts that 73% of its revenues will be generated from subscriptions, with the remaining 27% generated from growing casual non-subscription services.

Of the 27% of total revenues predicted to be generated in casual non-subscription services, 11% are estimated to be from property transaction services with the remaining 16% expected from existing casual services.

3.2.2.1. Subscription services

REI offers paid subscription services to residential property investors in Australia and New Zealand as detailed in Section 3.1.3, ranging from \$29 to \$69 per month for Portfolio Manager subscriptions and \$99 to \$249 per month for Portfolio Builder subscriptions. At 30 June 2015 REI had a total of 2,749 subscribers with average revenue per account (**ARPA**) of \$109 per month.

REI engages with its members through various media, including property investment related news services, live and recorded webinars, EDM's, blogs, and demonstration videos. These activities, along with referral activity from partners, generate between 300 and 500 free 21-day trials of the REI subscription services per month, with an average of 369 trials per month between 1 January and 30 June 2015.

Once a member has commenced a free 21-day trial, REI focuses on providing training and support designed to maximise the conversion rate of members to ongoing paid subscription customers.

During this 21-day free access period, on-boarding and conversion is driven by:

- > Email/training video workflows based on each member's level of engagement to date including invitations to live and recorded training webinars;
- > One-on-one training and on-boarding support with all members contacted directly by REI's on-boarding team and offered "getting started" training sessions; and
- > Xero setup and support with REI facilitating the establishment of Xero subscriptions and their integration with REI's Portfolio Tracker.

Conversion of trials into ongoing subscriptions range between 30% and 45% of new trial customers per month. The overall trial conversion rate for the 12-month period ending on 30 June 2015 was 39%.

03. Company Overview (continued)

Once a person becomes a subscription customer REI focuses on measuring and driving engagement with the REI subscription services. REI also provides an attractive pricing strategy for those subscribers who are prepared to commit to 1 or 2-year contract terms.

3.2.2.2. Casual non-subscription services

REI offers casual non-subscription services, provided directly by REI or via referral to one of REI's partners as detailed in Section 3.1.4.

REI engages with its members each month to promote these casual non-subscription services based on the individual profiles developed for each member. A combination of strategies, including webinars, email workflows, telesales and EDM's are used to generate lead referrals and sales opportunities, which are then managed through the various stages of the sales process to generate customer transactions.

REI has formal contractual arrangements in place with partners to ensure service levels, revenue agreements, and all relevant licensing and compliance requirements are maintained at all times.

3.2.3. What is REI's mobile offering?

All of the REI websites and subscription services are also available for use on all mobile devices, such as smartphones and tablets. REI utilises a responsive HTML design for all its websites to ensure they can be accessed by mobile users.

REI has developed an iOS iPad app for subscribers as well as partner on-boarding apps in iOS and Android to drive member growth, and will continue to develop further mobile apps for smartphones and tablets based on member and subscriber demand.

3.2.4. How does REI invest in its technology?

REI is committed to invest in technology development and innovation. This is evidenced by its proprietary investor-centric search capabilities and fully integrated online service offering which has been developed over the last 8 years. In 2014, REI released a new platform and integrated subscription offering following an investment of more than \$2.0 million encompassing a complete redesign of its core systems and platform as well as its websites and customer facing services.

REI has developed strong capabilities in managing high volumes of property for sale and rental listings data, listings feed management, de-duplication of listings, SEO and SEM tactics, third party data and systems integrations, and in creating easy to use online services. In addition, REI's technology team has implemented a scalable platform and website architecture that enables new partner integrations and new country websites to be quickly and cost-effectively implemented.

3.2.5. Who are REI's key competitors?

REI is not aware of other businesses that offer a fully integrated online residential property investor solution that competes with REI. However, REI does compete with property portals, property data businesses, new property developers and project marketers, mortgage brokers and professional service providers, and property investment management software providers in each of their relevant industry or business segments relating to the overall property investment process.

Notwithstanding this, REI has established formal partnerships and collaborative relationships with property portals and data companies including Domain, APM, and CoreLogic NZ.

3.3. REI's key operating metrics

3.3.1. Members

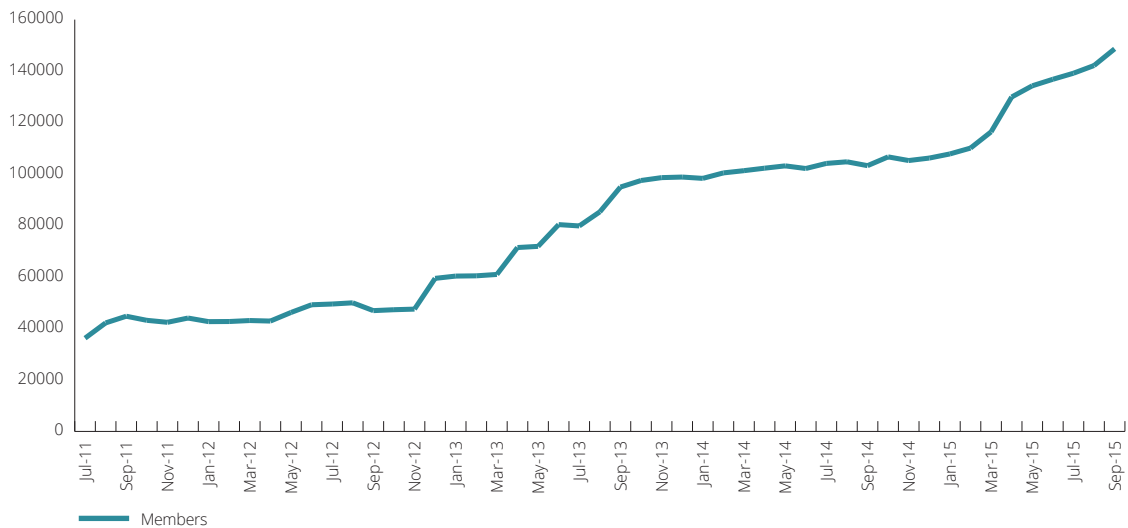
The number of members is the key metric for REI as it is the basis for data capture and the opportunity to convert members into paid customers, either via paid subscription services or casual non-subscription services.

At 30 September 2015 REI had a total of 148,639 members. Through planned investment in sales and marketing initiatives outlined in Section 7.1.4, REI will seek to increase total members to over 250,000 by 31 December 2016.

03. Company Overview (continued)

REI is also working on collecting additional data on the existing member base to increase its knowledge of each member and to allow for more better customised sales and marketing strategies to convert free members to paid customers.

Figure 3.4: Total members per month



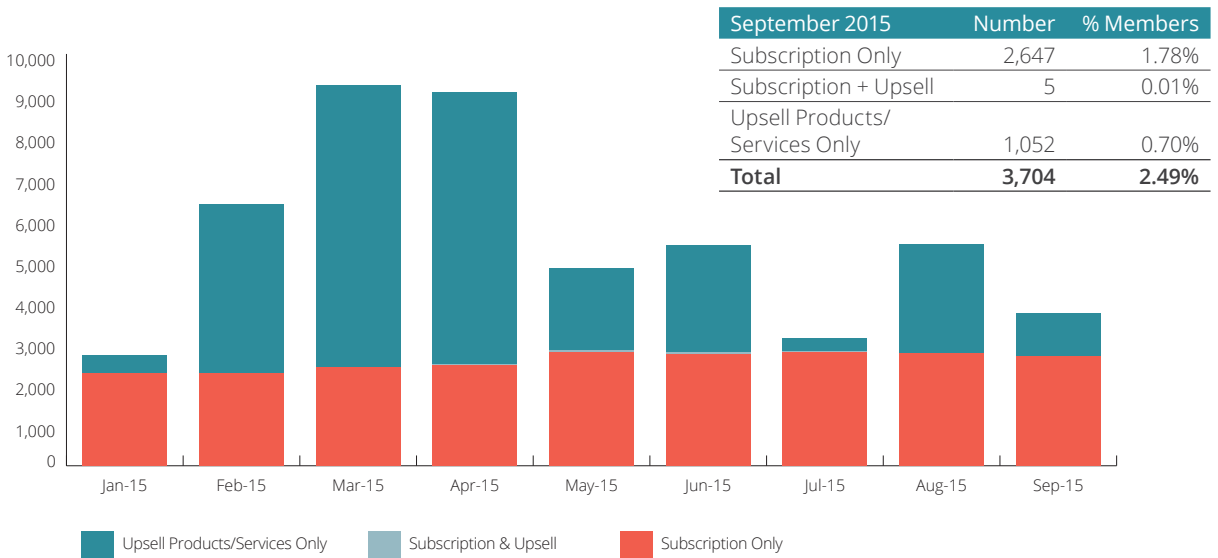
3.3.2. Customers

Total customers consist of paid subscription customers plus casual non-subscription customers.

Subscriptions vary from month-to-month terms to contracts with 1 or 2 year commitments, which results in relatively stable and predicable revenues.

The number of casual non-subscription customers vary from month to month based on the frequency of promotions for these casual services. In particular, promotions relating to partner events or education courses can increase customer numbers significantly in single months, as seen in March 2015 and April 2015 in Figure 3.5.

Figure 3.5: Total customers per month



Currently less than 3% of members are customers. This creates an opportunity for REI to potentially increase revenues from subscription and casual services if it can increase its knowledge of each member to allow for more customised sales and marketing aimed at improving conversion of free members to paid customers.

03. Company Overview (continued)

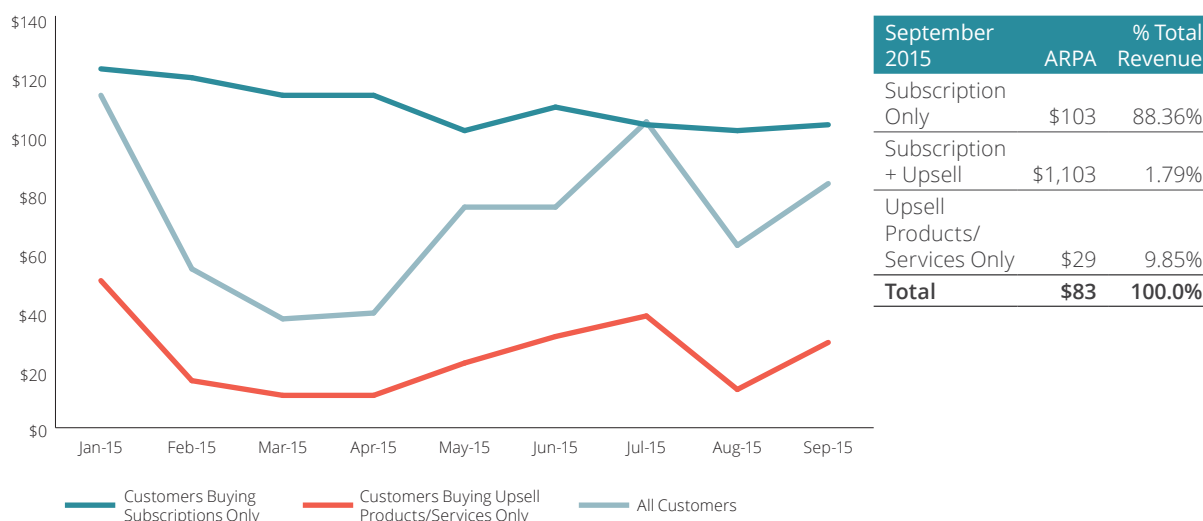
3.3.3. Average Revenue Per Account (ARPA)

Average revenue per account (**ARPA**) is relatively stable for subscription customers but will vary depending on the type and volume of casual non-subscription services each month.

ARPA for subscription customers is driven by the proportion of customers on higher priced Portfolio Builder subscriptions versus lower priced Portfolio Manager subscriptions, and also by the number of customers subscribing on month-to-month terms versus those entering into 1 or 2 year commitments where ARPA will be lower but retention is improved. Changes in the mix of subscription type and subscription term have resulted in ARPA for subscription customers decreasing from \$122 per month in January 2015 to \$103 per month in September 2015 as shown in Figure 3.6. However REI expects these changes to also contribute to increased retention due to more customers having lower priced subscriptions but with longer-term commitments.

Figure 3.6 also demonstrates the impact of higher volume lower priced activity such as partner events or education courses which increased customer numbers in March 2015 and April 2015 but substantially reduced ARPA. Conversely ARPA is higher in months where there is higher priced lower volume transactional real estate activity such as in July 2015.

Figure 3.6: Customer ARPA per month



3.4. Key strengths of REI's business

To deliver the growth strategies outlined in Section 3.5, REI will utilise its key strengths, skills and capabilities as outlined below.

3.4.1. Attractive business model

REI operates a business model that has been developed over 8 years and is considered difficult to replicate given the data captured on its membership of over 140,000 Australian and New Zealand residential property investors.

REI has a number of key industry partnerships in place that are difficult to replicate in particular the relationship with Domain and APM (both part of Fairfax Media). Fairfax Media will own 12.5% of the Shares in REI on Completion of the Offer.

The business is highly scalable and relatively easy to roll out to new countries by leveraging REI's existing core technology platform and websites.

03. Company Overview (continued)

3.4.2. Residential property investment is increasing

The number of residential property investors in Australia and New Zealand is increasing which positively impacts the size of the market that REI operates in. This is being driven by a number of factors as detailed in the Independent Market Report in Section 2, including population growth, a favourable taxation regime, historically low interest rates, growth in property values, the increase in purchase of investment properties as a retirement asset, and growth in availability of new dwellings.

3.4.3. Use of Software as a Service (SaaS) is increasing

REI operates its business using a SaaS model. As described in the Independent Market Report in Section 2, usage of cloud computing and SaaS services have accelerated significantly over recent years, encouraged by factors such as improved internet infrastructure and the growing awareness of and confidence in SaaS solutions by consumers.

3.4.4. Proven Board and management team

REI has assembled a strong Board and management team. The Chairman, Simon Baker, has proven ASX listed company experience in the online real estate industry being the current Chairman of Mitula Group Limited, the former Chief Executive Officer and Managing Director of the market leading REA Group, and the former Chairman of iProperty Group.

Director Antony Catalano has significant experience in the online real estate industry and is currently the Chief Executive Officer of Domain, part of ASX listed Fairfax Media.

REI's Chief Executive Officer and Managing Director Clint Greaves, together with REI's founder David Hows, have a combined 15 years' experience at REI and have demonstrated their ability to grow the business and establish key industry partnerships.

3.4.5. Anticipated future expansion opportunities

Being listed on the ASX and having a strong balance sheet provides the ability for REI to opportunistically and quickly acquire complementary businesses to enhance capabilities and to enter new countries.

3.5. Growth strategies

REI aims to be the first choice of property investors for all of their online property investment needs, by assisting in the identification, analysis and acquisition process as well as ongoing tracking and accounting of investment property.

The Independent Market Report in Section 2 indicates a total market of approximately 2.2 million residential property investors in Australia and New Zealand and a potential user base for REI of up to 500,000 members. It also indicates that based on the ratio of current users surveyed that expressed an intention to start using paid subscription services, there are approximately 125,000 potential users of paid services provided by REI (customers), being 25% of the potential user base (members) for REI.

Some of the key activities that REI's senior management team believe are necessary to access this market potential include:

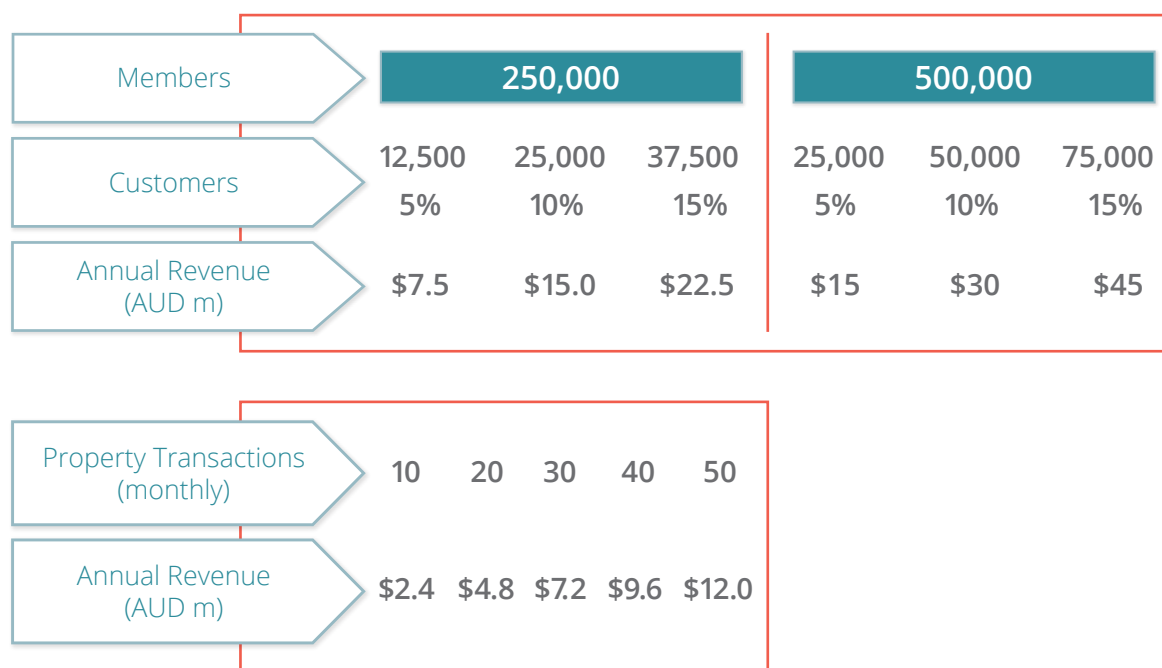
- > investment in marketing activities to increase awareness of REI and grow member numbers;
- > strong teams in place to drive activities to grow member and subscription customer numbers;
- > an expanded retention team in place to increase customer engagement, reduce subscription cancellations and increase upsell opportunities to casual non-subscription services;
- > a dedicated team in place to drive property transactional activity; and
- > increased conversion rates of members to customers to between 5% and 15% with ARPA of at least \$50 per month.

03. Company Overview (continued)

Based on a market potential of between 250,000 and 500,000 members in Australia and New Zealand, with a conversion rate of freemium members to paid customers of between 5% and 15% and with an ARPA of \$50 per month, potential annual revenues exist of \$7.5 million to \$45.0 million as shown in Figure 3.7. In addition, Figure 3.7 shows that 10 to 50 property transactions per month with an average transaction value of \$20,000 provides further market potential of between \$2.4 million and \$12.0 million per annum. It is important to realise however that this represents a potential market and there can be no guarantee or other assurance that REI will achieve this degree of market penetration.

Figure 3.7: Potential market size

- > Potential user base of 500,000 members.
- > Of current users, 25% expressed an intention to start using paid services.
- > Approximately 125,000 potential users of paid services⁷.

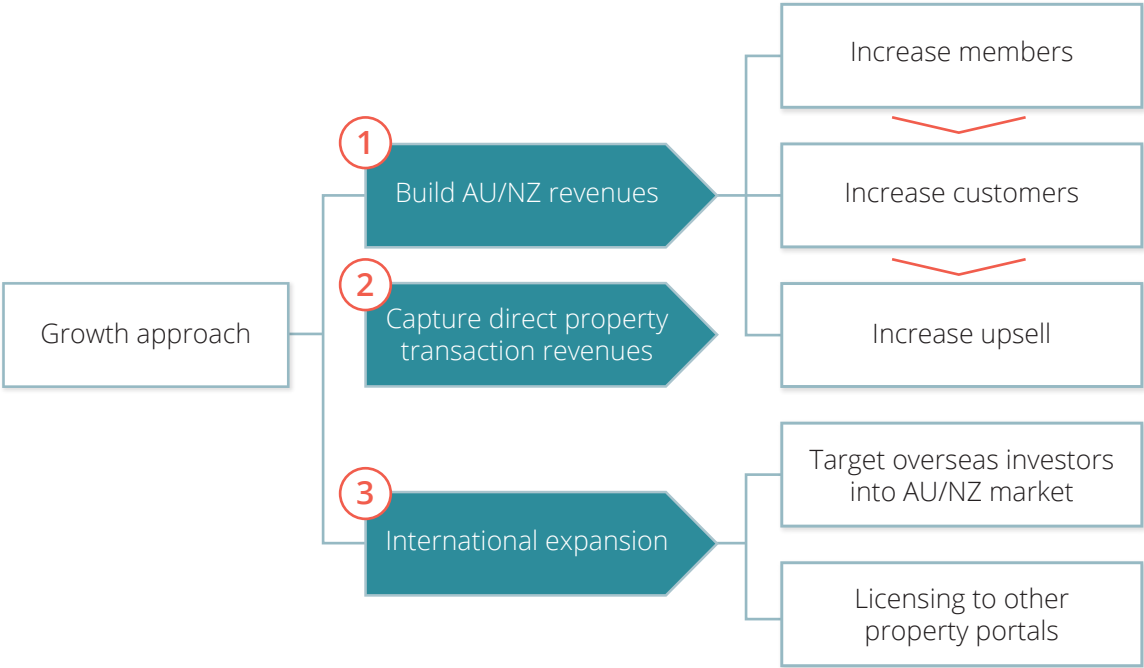


To attempt to realise the potential market opportunity and deliver growth, REI's senior management team has identified 3 key strategies that they are focusing on, as outlined in Figure 3.8 and detailed in this section.

⁷ Frost & Sullivan Independent Market Report and estimate based on survey of 257 residential property investors, September 2015.

03. Company Overview (continued)

Figure 3.8: Growth approach



3.5.1. Build Australian and New Zealand subscription and casual non-subscription revenues

3.5.1.1. Increased partnerships

REI plans to increase the number of its business partners that have residential property investors as clients. In doing so, this would provide REI with an additional source of potential members.

REI has a dedicated partnership on-boarding team to focus on engaging with industry partners, including Domain (and the broader Fairfax Media network), plus accounting firms and bookkeepers whose property investment clients use Xero, through the Xero roadshows and conferences.

REI has a strong partnership with Fairfax Media across corporate, content and promotion, and product categories. On Completion of the Offer, REI will be 12.5% owned by Fairfax Media (which also wholly owns Domain). REI non-executive director, Antony Catalano, is also the Chief Executive Officer of Domain.

REI is in the process of negotiating a contract with Domain whereby REI will provide investor-centric content and events information which could be integrated into the Domain website and include jointly promoted investor events, webinars and services.

APM property data is integrated into REI’s subscription services including My Valuer, My Research, Property Analyser and Portfolio Tracker. Domain provide direct listings feeds (sales and rentals) to REI for inclusion in Investar Search, and REI drives investor visits back to the specific listings on the Domain website.

03. Company Overview (continued)

Figure 3.9: Key industry partners

Partner	Product
APM Pricefinder	My Valuer / My Research / AVM data integrated into REI platform
CoreLogic NZ	My Valuer / My Research / AVM data integrated into REI platform
Domain	Investar Search (Listings)
Xero	Portfolio Tracker
Washington Brown	Depreciation calculators / Property Analyser / Portfolio Tracker / Depreciation reports
Valuit	Depreciation calculators / Property Analyser / Portfolio Tracker / Depreciation reports
Investorist	Development Search
Connective	Finance
Local Agent Finder	Property management and sales referrals
Anne Street Partners	Finance / Accounting & SMSF / Off-the-plan sales / Insurance / Wealth & Estate planning

3.5.1.2. Increased promotion

REI plans to engage with Domain around property investor focused content and audience engagement to promote REI to the broader Domain property investor audience. Given the close relationship with Domain and the broader Fairfax Media network, REI's senior management team believe there is a significant opportunity to increase promotion via this partnership.

REI will also expand its SEO and SEM activity and will invest in direct promotion campaigns to create awareness of REI and seek to drive increased member volumes. As outlined in the Independent Market Report in Section 2, awareness of REI is currently low, however when made aware of REI, interest in the use of REI's services is relatively high, at (greater than 25% based on the Independent Market Report).

3.5.1.3. Deeper knowledge of members

REI plans to deepen its knowledge of members, including details on their current residential property portfolios and their short and long term acquisition plans, to better target its paid subscription services and position relevant casual non-subscription services based on each member's individual circumstances.

Member engagement data and surveys are already utilised by REI and proceeds from the Offer will enable further investment to be made in customer and marketing automation systems, as well as dedicated customer engagement teams, to continue to deepen REI's knowledge of members and their planned residential property investment activities.

3.5.1.4. Improved conversion and retention

REI will focus on improving its conversion of free members to paid customers. Increased knowledge of members will enable REI to better target paid subscription offers to members with dedicated on-boarding and customer engagement teams in place to drive conversions and retention of these subscription customers.

REI will also focus on increasing conversion rates for casual non-subscription revenues generated through finance, accounting, property management, depreciation reports, education and insurance products based on increasing the knowledge and understanding of members, partnering with market leading providers, ensuring these services are fully integrated into the REI service offering, and creating a dedicated team to extract more information and value through these offerings.

03. Company Overview (continued)

3.5.2. Capture direct property transaction revenues

REI plans to create a dedicated sales team and strategy to offer new dwelling sales services to its members.

As outlined in the Independent Market Report in Section 2, the Australian and New Zealand real estate markets generated approximately 562,000 dwelling sales in the most recent 12-month period and approximately 230,000 of these sales were estimated to be new dwellings.

REI will develop this area of its casual non-subscription revenues by offering services to all members, with some further advantages to subscription customers to also encourage greater conversion of members to subscribers.

REI currently offer a limited number of new dwelling sales services via marketing referral partnerships that have been trialled over the last 2 years. By creating a dedicated transactional property sales team REI will be able to engage directly with developers in the selection of new multi-dwelling projects that can be offered to its members on preferential terms, with the potential to generate commissions ranging between 2% and 8% of the sales value of each property.

3.5.3. International expansion

3.5.3.1. Target overseas investors into the Australian and New Zealand markets

Major markets investing into Australia and New Zealand residential property include China, Singapore, Malaysia, the USA, the United Kingdom, and Canada. REI intends to build international versions of its websites and subscription services targeted at each of these markets and will promote its services to these market through a number of channels including local marketing partners and property portals.

3.5.3.2. Licensing to other property portals

REI plans to pursue opportunities to license its platform in international markets where there are a high number of internal investors, through targeting property portals to become partners where they exhibit:

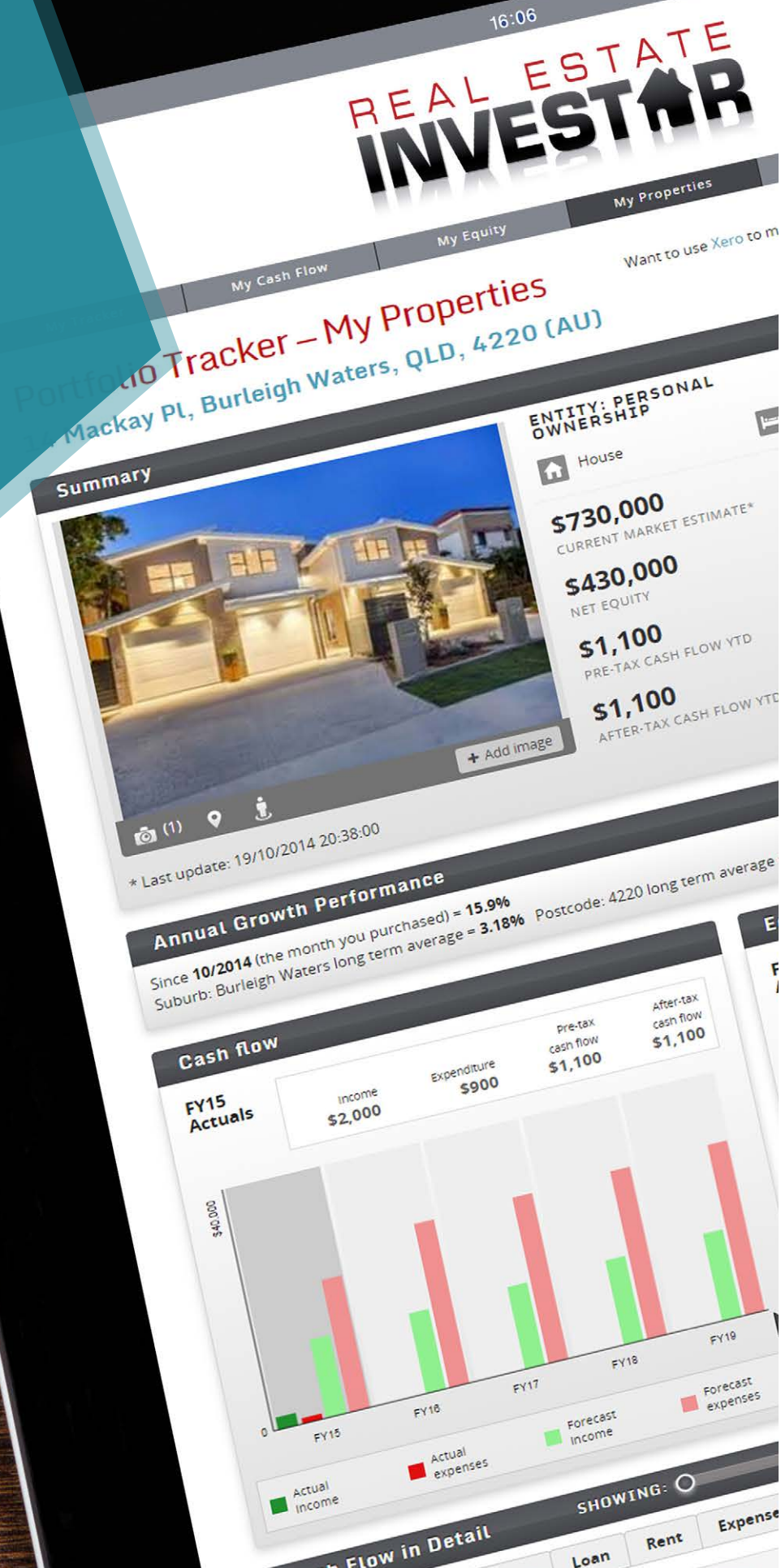
- > a high number of visitors (including investors);
- > an investment section that has been deprioritised, or where the requisite skill is not present in that property portal;
- > that there is access to the data required; and
- > that the portal operators are seeking ways to monetise consumer traffic.

These partnerships could operate on a set-up fee and revenue sharing basis, and REI could engage third party referral and strategy service providers to assist in commencing this process.

04.

Financial Information

Personal use only



04. Financial Information

4.1. Introduction

The Financial Information for REI contained in this Section 4 (**Financial Information**) has been prepared by REI and includes:

- > **Historical Financial Information** being the:
 - **Actual Historical Financial Information** comprising:
 - Actual consolidated statement of financial performance for the years ended 30 June 2013 (**FY13**), 30 June 2014 (**FY14**) and 30 June 2015 (**FY15**) (**Actual Historical Results**);
 - Actual consolidated statement of financial position as at 30 June 2015 (**Actual Balance Sheet**); and
 - Actual consolidated statement of cash flows for the years ended FY13, FY14 and FY15 (**Actual Historical Cash Flows**).
 - **Pro Forma Historical Financial Information** being the:
 - Pro forma consolidated historical statement of financial position as at 30 June 2015 (**Pro Forma Historical Balance Sheet**); and
- > **Forecast Financial Information** being the:
 - **Forecast** comprising:
 - Consolidated forecast statement of financial performance for the financial year end 30 June 2016 (**Forecast Results**); and
 - Consolidated forecast statement of cash flows for the financial year end 30 June 2016 (**Forecast Cash Flow**).

Also contained in this Section 4 are:

- > the basis of preparation and presentation of the Financial Information (refer to Section 4.2);
- > management's discussion and analysis of the Historical Financial Information (refer to Section 4.6);
- > the Directors' best estimate specific and general assumptions underlying the Forecast Financial Information (refer to Section 4.7.1 and 4.7.2); and
- > a sensitivity analysis of the Forecast Financial Information to changes in certain key forecast assumptions (refer to Section 4.8).

The information in this Section 4 should also be read in conjunction with the risk factors set out in Section 5, the significant accounting policies in Section 10 and the other information contained in this Prospectus.

All information included in this section of the Prospectus is presented in Australian dollars.

4.2. Basis of Preparation of the Financial Information

4.2.1. Overview

The Financial Information has been prepared and presented in accordance with the recognition and measurement principles of Australian Accounting Standards (**AAS**) (including the Australian Accounting Interpretations) issued by the Australian Accounting Standards Board (**AASB**), which are consistent with International Financial Reporting Standards (**IFRS**) issued by the International Accounting Standards Board.

The Actual Historical Financial Information has been sourced from the audited financial statements of REI that were prepared in accordance with AAS. Prospectively, REI will prepare its financial statements in accordance with AAS and the Financial Information has been presented on this basis.

This Prospectus includes Forecast Financial Information based on the specific and general assumptions of REI. The Forecast Financial Information presented in this Prospectus is unaudited.

The basis of preparation and presentation of the Forecast Financial Information, to the extent applicable, is consistent with the basis of preparation and presentation of the Historical Financial Information.

04. Financial Information (continued)

The Financial Information is presented in an abbreviated form insofar as it does not include all the presentation and disclosures, statements or comparative information as required by AAS and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act. The Company's key accounting policies have been consistently applied throughout the financial periods presented and are set out in Section 10. The Financial Information presented in this Section 4 should be read in conjunction with the risk factors set out in Section 5 and other information contained in this Prospectus.

The Directors are responsible for the preparation and presentation of the Financial Information.

4.2.2. Preparation of Historical Financial Information

The Actual Historical Financial Information presented in this financial section has been based on the general purpose statutory audited accounts of REI. The Actual Historical Financial Information is referred to as "statutory" since the Company prepares annual accounts for Australian Statutory purposes.

BDO Audit Pty Ltd audited the FY13, FY14 and FY15 financial statements of REI in accordance with Australian Auditing Standards.

All financial statements were issued with unqualified opinions but contained an Emphasis of Matter statement that draws attention to the fact that the ability of the consolidated entity to continue as a going concern is dependent upon, among other things, the future successful raising of necessary funding through equity.

The Pro Forma Historical Financial Information has been prepared for the purpose of inclusion in this Prospectus and has been derived from the Actual Historical Financial Information. In preparing the Pro Forma Historical Financial Information, a number of adjustments have been made to the Actual Historical Financial Information to reflect the Completion of the Offer, pre IPO capital raising and the issue of shares to Fairfax Media in satisfaction of moneys payable to APM as described in Section 4.4.1 and Section 9.5. All of these adjustments are set out in Table 4.2.

Investors should note that past results do not guarantee future performance.

4.2.3. Preparation of Forecast Financial Information

The Forecast Financial Information has been prepared solely for inclusion in this Prospectus. The Forecast Financial Information is presented on a statutory basis for FY16. Forecast Financial Information for the period from 1 July 2015 to 30 June 2016 is based on REI's specific and general assumptions for that period, as set out in Sections 4.7.1 and 4.7.2.

The Forecast Financial Information has been prepared by REI based on an assessment of current economic and operating conditions, and on the specific and general assumptions regarding future events and actions as set out in Sections 4.7.1 and 4.7.2. The Forecast Financial Information is also subject to the risks set out in Section 5. The inclusion of these assumptions and these risks is intended to assist investors in assessing the reasonableness and likelihood of the assumptions occurring, and is not intended to be a representation that the assumptions will occur.

REI believes the specific and general assumptions, when taken as a whole, to be reasonable at the time of preparing this Prospectus. However, the information is not fact, and investors are cautioned not to place undue reliance on the Forecast Financial Information.

Investors should be aware that the timing of actual events and the magnitude of their impact might differ from that assumed in preparing the Forecast Financial Information and that this may have a material positive or negative effect on REI's actual financial performance, cash flows or financial position. In addition, the assumptions upon which the Forecast Financial Information is based are by their very nature subject to significant uncertainties and contingencies, many of which will be outside the control of the Company, the Directors and management, and are not reliably predictable. Accordingly, none of the Company and its Directors and management or any other person can give investors any assurance that the outcomes disclosed in the Forecast Financial Information will arise. Events and outcomes might differ in amount and timing from the assumptions, with a material consequential impact on the Forecast Financial Information.

04. Financial Information (continued)

The Forecast Financial Information should be read in conjunction with the specific assumptions set out in Section 4.7.1, the general assumptions set out in Section 4.7.2, the sensitivity analysis set out in Section 4.8, the risk factors as set out in Section 5 and other information in this Prospectus.

REI has no intention to update or revise the Forecast Financial Information or other forward looking statements or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

The Forecast Financial Information has been reviewed and reported on but not audited by BDO Corporate Finance (QLD) Ltd as set out in the Independent Assurance Report set out in Section 8. Investors should note the scope and limitations of the Independent Assurance Report.

4.2.4. Non-IFRS financial measures

Investors should be aware that certain financial data included in this Section 4 is 'non-IFRS financial information' under Regulatory Guide 230 'Disclosing non-IFRS financial information' published by ASIC. This information relates to non-IFRS financial measures used by REI management to evaluate the performance and profitability of the overall REI business. The principal non-IFRS financial information referred to in this Prospectus are as follows:

- > **gross profit** means revenues less cost of sales;
- > **EBITDA** means earnings before net interest, depreciation, amortisation and taxation;
- > **EBIT** means earnings before net interest and taxation;
- > **NPAT** means net profit after taxation;
- > **CAGR** means the compound annual growth rate;
- > **working capital** is trade and other receivables, and other current assets less trade and other payables and provisions;
- > **operating free cash flow** is EBITDA less non-cash items in EBITDA and changes in working capital; and
- > **net free cash flow** is operating free cash flow less capital expenditure.

REI believes that this non-IFRS financial information provides useful information to users in measuring the financial performance of REI. As non-IFRS measures are not defined by recognised standard setting bodies, they do not have a prescribed meaning. Therefore, the way in which REI calculates these measures may be different to the way other companies calculate similarly titled measures. Investors are cautioned not to place undue reliance on any non-IFRS financial information and ratios.

04. Financial Information (continued)

4.3. Actual Historical Results and Forecast Results

4.3.1. Overview

Table 4.1 sets out the Actual Historical Results from the statutory accounts for FY13, FY14, FY15 together with the Forecast Results for FY16.

Table 4.1 Actual Historical Results for FY13, FY14 and FY15 and Forecast Results for FY16

	Notes	Actual Historical Results			Forecast Results
		Statutory FY13 \$	Statutory FY14 \$	Statutory FY15 \$	Statutory FY16 \$
Membership revenue		3,717,141	3,963,247	3,446,899	3,779,970
Referral and other income		87,945	162,643	575,906	1,397,518
Revenue		3,805,086	4,125,890	4,022,805	5,177,488
Cost of Sales	1	2,112,828	2,214,617	2,137,302	2,663,188
Gross Profit		1,692,258	1,911,273	1,885,503	2,514,300
<i>Gross Margin</i>		<i>44.5%</i>	<i>46.3%</i>	<i>46.9%</i>	<i>48.6%</i>
Employment expenses	1	1,189,086	1,570,025	1,908,639	2,179,037
Operational expenses	2	860,433	589,625	605,043	917,700
Premises expenses		126,895	142,907	145,161	180,000
Total Operating Expenses		2,176,414	2,302,557	2,658,843	3,276,737
EBITDA	1	(484,156)	(391,284)	(773,340)	(762,437)
<i>EBITDA Margin</i>		<i>(12.7%)</i>	<i>(9.5%)</i>	<i>(19.2%)</i>	<i>(14.7%)</i>
Depreciation and amortisation expense		(40,047)	(42,118)	(294,999)	(465,000)
EBIT		(524,203)	(433,402)	(1,068,339)	(1,227,437)
Net finance income / (expense)		(75,746)	(63,078)	(37,006)	12,061
Profit/(loss) before tax		(599,949)	(496,480)	(1,105,345)	(1,215,376)
Income tax benefit / (expense)	3	270,115	162,341	(988,843)	–
NPAT		(329,834)	(334,139)	(2,094,188)	(1,215,376)

Notes:

1. Included in FY15 historical costs are non-recurring costs. Included in the cost of sales is \$92,008 for the finalisation of a minimum contract guarantee and \$226,463 is included in employment costs for one off reorganisation costs. Excluding these one-off costs, FY15 normal operating EBITDA would have been \$(454,869).
2. In the FY16 statutory Forecast operational expenses include public company costs. These are based on REI's estimate of the incremental annual costs and transaction costs that the Company will incur as an entity listed on ASX. These costs include Chairman and other Non-Executive Director remuneration, additional audit and legal costs, listing fees, share registry costs, Director's and officer's insurance premiums as well as investor relations, annual general meeting and annual report costs. One off costs of \$151,200 are expensed in the statutory Forecast Results for FY16 for the proportion of listing costs relating to existing shares.
3. In FY15 the deferred tax asset of \$988,843 was derecognised. This was on the basis that it is not expected that sufficient taxable income will be generated within the next twelve months to FY16 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 re-recognised as an asset. There is no expiry date on the future deductibility of the unused tax losses.

4.3.2. Segment reporting

REI identifies that the consolidated entity has only one operating segment, being the provision of real estate information services, and the financial results from the segment are equivalent to the financial statements of the consolidated entity as a whole.

04. Financial Information (continued)

4.4. Pro Forma Historical Balance Sheet

4.4.1. Overview

Table 4.2 sets out the adjustments that have been made to the actual consolidated balance sheet of REI as at 30 June 2015 to present the Pro Forma Historical Balance Sheet for REI.

The adjustments reflect the impact of the operating and capital structure that will be in place following Completion of the Offer as if they had occurred or were in place as at 30 June 2015.

Table 4.2 Actual Balance Sheet and Pro Forma Historical Balance Sheet as at 30 June 2015

	Statutory FY15 ¹ \$	Equity participation agreement ² \$	Pre-IPO capital raising ³ \$	Impact of the Offer ⁴ \$	Pro Forma FY15 \$
Assets					
Current assets					
Cash and cash equivalents	128,813	–	250,000	4,418,000	4,796,813
Trade and other receivables	712,414	–	–	–	712,414
Total current assets	841,227	–	250,000	4,418,000	5,509,227
Non-current assets					
Intangible assets	1,655,937	–	–	–	1,655,937
Property, plant and equipment	45,179	–	–	–	45,179
Deferred tax asset	119,014	–	–	–	119,014
Total non-current assets	1,820,130	–	–	–	1,820,130
Total assets	2,661,357	–	250,000	4,418,000	7,329,357
Liabilities					
Current liabilities					
Trade and other payables	3,841,324	(1,484,955)	–	–	2,356,369
Borrowings	706,300	234,955	(700,000)	–	241,255
Total current liabilities	4,547,624	(1,250,000)	(700,000)	–	2,597,624
Non-current liabilities					
Borrowings	5,775	–	–	–	5,775
Provision for employee entitlements	15,054	–	–	–	15,054
Deferred tax liabilities	119,014	–	–	–	119,014
Total non-current liabilities	139,843	–	–	–	139,843
Total liabilities	4,687,467	(1,250,000)	(700,000)	–	2,737,467
Net Assets	(2,026,110)	1,250,000	950,000	4,418,000	4,591,890
Equity					
Contributed equity	4,165,796	1,250,000	950,000	4,569,200	10,934,996
Reserves	(6,272,028)	–	–	(151,200)	(6,423,228)
Retained earnings	80,122	–	–	–	80,122
Total equity	(2,026,110)	1,250,000	950,000	4,418,000	4,591,890

04. Financial Information (continued)

Notes:

1. **Statutory FY15:** represents the audited statutory accounts 30 June 2015 balance sheet.
2. **Equity participation agreement:** under the 31 March 2015 agreement with Australian Property Monitors Pty Ltd (**APM**) an amount due to APM of \$1,484,955 by REI will be satisfied by the issue of 10,576,125 Shares and convertible notes upon Completion of the Offer. The terms of these convertible notes are summarised in Section 9.5.
3. **Pre-IPO capital raising:** \$950,000 was raised under the pre-IPO seed capital raising through the issue of 19 convertible notes with a face value of \$50,000 each to a number of sophisticated and professional investors, including to the Company's chairman Mr Simon Baker. These funds were raised to finance working capital. The notes are convertible into shares in the company upon Completion of the Offer at the lower of \$8,000,000 divided by the number of shares on issue immediately preceding the IPO Conversion Event (excluding the notes); or a 20% discount to the Offer Price. At the Offer price this represents a conversion price of \$0.151 per Share. The terms of these notes are summarised in Section 9.4.
4. **Impact of the Offer:** As a consequence of the Offer, contributed equity increases \$4,569,200 through the issue of new Shares for \$5,000,000, less Offer costs of \$430,800 that are offset against equity. \$151,200 is expensed for the proportion of listing costs relating to existing shares. Details of the shareholding structure are provided at Section 7.3.

4.4.2. Contractual obligations and commitments

Table 4.3 summarises REI's contractual obligations and commitments.

Table 4.3: Contractual obligations and commitments

	Notes	< 1 Year \$	> 1 Year \$	Total commitments \$
Operating Lease Commitments	1	76,251	0	76,251

Notes

1. REI leases premises under non-cancellable operating leases expiring within 1 year which include terms that allow for annual renewal.

4.4.3. Off-balance sheet items

The Company has no material contingent liabilities or off-balance sheet arrangements.

04. Financial Information (continued)

4.5. Actual Historical and Forecast Cash Flows

4.5.1. Overview

Table 4.4 sets out the Actual Historical Cash Flows for FY13, FY14, FY15 and the Forecast Cash Flow for FY16.

Table 4.4: Actual Historical Cash Flows for FY13, FY14 and FY15 and Forecast Cash Flow for FY16

Actual Historical Results					Forecast
	Note	Statutory FY13 \$	Statutory FY14 \$	Statutory FY15 \$	Statutory FY16 \$
Cash flows from operating activities					
Receipts from customers		4,822,116	3,974,848	3,657,153	5,526,590
Payments to suppliers and employees		(4,236,551)	(3,901,545)	(3,909,059)	(6,070,100)
Interest paid		(8,610)	(67,883)	(13,000)	(25,439)
Interest received		–	4,805	1,902	37,500
Net cash flow from operating activities		576,955	10,225	(263,004)	(531,449)
Cash flows from investing activities					
Payment for website development		(632,009)	(1,266,836)	(1,045,633)	(755,500)
Receipt of research and development claim		283,141	275,452	495,943	433,000
Payment for property, plant and equipment		(2,453)	(47,867)	(1,810)	–
Net cash flow from investing activities		(351,321)	(1,039,251)	(551,500)	(322,500)
Cash flows from financing activities					
Repayment of borrowings		(90,000)	–	(6,300)	(106,324)
Proceeds from issue of shares	1	118,000	959,264	175,077	5,000,000
Payments for equity raising costs	2	(56,700)	(97,424)	(11,557)	(430,800)
Proceeds from issue of convertible notes	3	–	–	700,000	250,000
Net cash flow from financing activities		(28,700)	861,840	857,220	4,712,876
Net increase/(decrease) in cash and cash equivalents		196,934	(167,186)	42,716	3,858,927
Cash and cash equivalents at the beginning of the financial period		56,349	253,283	86,097	128,813
Cash and cash equivalents at the end of the financial period		253,283	86,097	128,813	3,987,740

Notes:

- Proceeds from issue of new shares in relation to the Offer:** As a consequence of the Offer, anticipated proceeds through the issue of new Shares are forecast to be \$5,000,000.
- Offer Costs:** The Offer costs are estimated at \$582,000, of which \$430,800 are directly attributable to the issue of new Shares by the Company and will be offset against equity raised in the Offer. The remaining \$151,200 is expensed in the statutory Forecast Results FY16 and is included in the payments to suppliers and employees.
- Proceeds of pre-IPO capital raising:** A total of \$950,000 was raised under pre-IPO capital raising through the issue of 19 convertible notes with a face value of \$50,000 each. An amount of \$700,000 was raised in FY15 and a further \$250,000 in FY16. These funds were raised to finance working capital. The convertible notes automatically convert into Shares upon Completion of the Offer.

04. Financial Information (continued)

4.6. Management Discussion and Analysis of the Actual Historical Financial Information

4.6.1. General factors affecting the operating results of REI

Section 4.6 sets out a discussion of the key factors which affected REI's operating and financial performance during FY13, FY14, FY15 and which REI expects may affect the Company's operating and financial performance over the period of the Forecast Financial Information.

The general matters discussed below are a summary only and do not represent everything that affected REI's historical operating and financial performance, nor everything that may affect REI's operating and financial performance in future periods. The information in this Section 4.6 should also be read in conjunction with the risk factors set out in Section 5 and the other information contained in this Prospectus.

4.6.1.1. Revenue

The key drivers of revenue are:

- > **Membership revenue:** the number of free members and paid subscription trialists generated directly from the REI website, as well as through webinars, EDMs and partner activity. REI then focuses on conversion of these trialists into ongoing paid subscription customers, with the retention of these subscription customers along with upgrades from casual terms to contract terms determining overall membership revenue. REI released new subscription services and pricing in November 2014. The focus on completing and releasing these new services, along with the subsequent transitioning of existing customers to lower priced plans, resulted in a decline in total membership revenue in FY15; and
- > **Referral and other income:** the monthly volumes of casual non-subscription services provided by REI either directly or via REI's accredited partners as described in Section 3.1.4. Revenues from this activity have increased due to the increased partnership and referral activity and the increased number of partner relationships.

4.6.1.2. Cost of sales

REI has variable costs directly associated with revenue generating activities. Key drivers of cost of sales are:

- > **Sales commissions:** costs associated with partner sales commissions paid based on a 10% to 20% revenue share model from members introduced to REI who become paying customers;
- > **Data licensing:** costs associated with data licensing from APM in Australia and CoreLogic in New Zealand incurred on a per subscription customer per month basis; and
- > **Processing costs:** costs associated with processing customer payments and the provision of services to customers.

4.6.1.3. Operating expenses

REI has a relatively stable operating expense base with the ability to grow member and customer numbers with only a small proportion of the Company's operating expense base comprising variable costs. The key drivers of operating expenses are:

- > **Employment expenses:** costs associated with the salaries, related on-costs, costs related to issuing share options and bonuses of all REI staff and contractors, including sales and marketing, technology and product, customer support, executive management and corporate personnel;
- > **Operational expenses:** costs associated with REI's corporate functions, external consulting services, travel, business development and marketing; and
- > **Premises expenses:** costs associated with office leases and related amenities.

04. Financial Information (continued)

4.6.1.4. Depreciation and amortisation

Depreciation and amortisation are non-cash items and include depreciation of REI's furniture, leasehold improvements, office and computer equipment and the amortisation of costs incurred in acquiring and developing the REI websites and technology platform. The REI website and technology platform amortisation is adjusted for R&D tax rebates received by reducing the amortisation over the life of the asset.

REI's accounting policies with regards to the calculation of depreciation are set out in Section 10 and also at www.rei-group.com.au.

4.6.1.5. Tax

The primary jurisdictions in which REI operates and the general corporate tax rates applicable in those jurisdictions are as follows:

- > **Australia:** 30% corporate income tax rate for all income years; and
- > **New Zealand:** 28% corporate income tax rate for all income years.

4.6.1.6. Foreign exchange

REI's revenues and expenses are primarily denominated in Australian Dollars, although some revenues and expenses are denominated in other currencies, including New Zealand and US Dollars.

The financial information included in this Section 4 of the Prospectus is presented in Australian Dollars.

4.7. Forecast Financial Information

The Forecast Financial Information has been prepared based on the significant accounting policies adopted by REI that are in accordance with AAS and contained in Section 10. It is assumed that there will be no changes to Accounting Standards, the Corporations Act or other financial reporting requirements that may have a material effect on REI's accounting policies during the forecast period.

The Forecast Financial Information is based on a large number of best estimate assumptions concerning future events as set out below. REI believes that it has prepared the Forecast Financial Information with due care and attention and considers all assumptions when taken as a whole to be reasonable at the time of preparing this Prospectus, including each of the general assumptions set out in Section 4.7.2.

However, the actual results are likely to vary from that forecast and any variation may be materially positive or negative. The assumptions on which the Forecast Financial Information is based are by their nature subject to significant uncertainties and contingencies, many of which are outside the control of REI and its Directors, and are not reliably predictable.

Accordingly, none of REI, the Directors or any other person can give any assurance that the Forecast Financial Information or any prospective statement contained in this Prospectus will be achieved. Events and outcomes might differ in quantum and timing from the assumptions, with a material consequential impact on the Forecast Financial Information.

Investors are advised to review the best estimate assumptions set out below in conjunction with the description of the basis of preparation of the Forecast above, the sensitivity analysis in Section 4.8 and the risk factors set out in Section 5. The Independent Assurance Report on REI's Forecast Financial Information is set out in Section 8.

Accordingly, neither REI and its Directors nor any other person can give any assurance that the forecast or any prospective statement contained in this Prospectus will be achieved. Events and outcomes might differ in quantum and timing from the assumptions, with a material consequential impact on the forecast.

04. Financial Information (continued)

4.7.1. Specific assumptions

The basis of the specific assumptions that have been used in the preparation of the Forecast Financial Information is set out below.

4.7.1.1. Revenue assumptions

The Forecast Financial Information is based on the following key revenue assumptions for the financial year ending 30 June 2016:

- > Paid subscription customers will continue to increase, driven by:
 - the mix of subscription types and conversion of subscription trials to paid customer contracts remaining relatively constant;
 - paid subscription customer upgrades and retention remaining relatively constant, with 33% per month churn for casual subscription customers and 1-2% per month for 1 and 2-year contract customers; and
 - a 28% increase in the average number of subscription trials per month to 471 compared to 369 per month for the period 1 January 2015 to 30 June 2015. This increase is driven by the introduction of new partners including Xero accounting and bookkeeper channels, increased expenditure in sales and marketing with proceeds from the Offer, and continued activity with existing partner channels to increase total member and customer referral activity.
- > Casual non-subscription customer revenues relating to property transactions will increase driven by:
 - an increase of 80 additional property transactions facilitated for customers based on increased marketing to REI members, the addition of further partners delivering this service, and growth in members currently in the sales cycle generated from activities in FY15; and
 - a 200% CAGR increase in property transaction related lead generation based on this revenue activity being introduced in the final three months of FY15, with FY16 being the first full year of operation of this model.
- > Casual non-subscription customer revenues for all other activities will increase based on:
 - a 24% CAGR increase in lead generation, course and education sales driven from the addition of new services and marketing to a larger volume of REI members;
 - a 21% CAGR increase in depreciation report sales from marketing to a larger volume of REI members; and
 - an increase of \$0.29 million from new partnership arrangements in place for referrals to accounting, financial services, mortgage broking and insurance services not provided in FY15.

4.7.1.2. Cost of sales, operating expenses and other assumptions

The Forecast Financial Information is based on the following key cost assumptions between FY15 and for the financial year ending 30 June 2016:

- > Cost of sales including data costs, sales commissions and other direct costs associated with sales activities will increase 25% CAGR based on the projected growth in subscription and non-subscription revenues with no material change to the costs paid per customer or per transaction;
- > Employment expenses will increase by 14% CAGR driven by 8 additional full time employees and costs related to issuing share options, with a focus on growth in the sales and technology teams. The increase in employment expenses from the 8 new employees is partially offset by the reorganisation of employment costs completed in January 2015 that reduced employment costs for the second half of FY15;
- > Operational expenses will increase by 52% CAGR due to increased marketing and promotion activities, travel associated with sales and business development activities, increased technology costs to support a larger number of employees, a higher usage of external professional services and the inclusion of costs associated with running a public company;
- > Premises expenses will increase 24% CAGR due to increases in office lease costs along with ancillary services including telephone, internet and utilities expenses;

04. Financial Information (continued)

- > Depreciation policy will remain consistent;
- > Interest income will reflect a 2.5% interest rate on the forecasted balance of IPO proceeds;
- > No Income tax benefit or expense has been included based on the assumption that REI's deferred taxation asset of \$988,843 which was de-recognised in FY15, will not be re-recognised until some time after 30 June 2016;
- > Working capital reflects forecast movements in trade and other receivables, and other current assets less movements in trade and other payables, and provisions; and
- > Capital expenditure reflects expected ongoing investment in REI's website and technology platform.

4.7.2. General assumptions

In preparing the Forecast Financial Information, the following general assumptions have been adopted for the financial year ending 30 June 2016:

- > No change in applicable Australian Accounting standards or the Corporations Act that would have a material effect on REI's financial performance and the way in which they are reported;
- > There is no material change to the competitive operating environment in which REI operates;
- > There is no material impact from the entry to new markets;
- > There is no significant deviation from current market expectations of broader economic conditions relevant to countries in which REI operates;
- > There is no material change in the legislative regimes (including taxation) and regulatory environment in the areas in which REI and its key suppliers operate;
- > There are no material amendments to any of REI's key supplier contracts;
- > There are no material losses of customers or suppliers;
- > No significant disruptions to the continuity of operations of REI and there are no other material changes in REI's business;
- > There is no loss of key management personnel and REI maintains its ability to recruit and retain required personnel;
- > There is no change in REI's capital structure, other than changes flowing directly from the Offer as set out in, or contemplated by, this Prospectus;
- > There are no material acquisitions or disposals or restructuring or investments; and
- > The Offer proceeds in accordance with the timetable set out on page 03 of this Prospectus.

04. Financial Information (continued)

4.7.3. Management's discussion of assumptions relating to the Forecast Results FY16 compared to Actual Historical Results for FY15

Table 4.5 Actual Historical Results FY15 and Forecast Results FY16

A\$	Historical and Forecast Results		
	Statutory FY15	Statutory FY16	% Change
Membership revenue	3,446,899	3,779,970	10%
Referral and other income	575,906	1,397,518	143%
Revenue	4,022,805	5,177,488	29%
Cost of Sales	2,137,302	2,663,188	25%
Gross Profit	1,885,503	2,514,300	33%
<i>Gross Margin</i>	46.9%	48.6%	
Employment expenses	1,908,639	2,179,037	14%
Operational expenses	605,043	917,700	52%
Premises expenses	145,161	180,000	24%
Total Operating Expenses	2,658,843	3,276,737	23%
EBITDA	(773,340)	(762,437)	1%
<i>EBITDA Margin</i>	(19.2%)	(14.7%)	
Depreciation and amortisation expense	294,999	465,000	58%
EBIT	(1,068,339)	(1,227,437)	(15%)
Net finance income/ (expense)	(37,006)	12,061	133%
Profit/(loss) before tax	(1,105,345)	(1,215,376)	(10%)
Income tax benefit / (expense)	(988,843)	–	100%
NPAT	(2,094,188)	(1,215,376)	42%

4.7.3.1. Revenue

Total revenue increases \$1.15 million or 29% from \$4.02 million in FY15 to \$5.18 million in FY16.

Membership revenue from paid subscription services increases by \$0.33 million or 10% from \$3.45 million in FY15 to \$3.78 million in FY16 due to a 28% increase in subscription trials generated from REI marketing to members and partner referral activities compared to the average trials per month generated in the period 1 January 2015 to 30 June 2015. This assumes no material changes in subscription customer trial mix, conversion of trialists to paid subscription customers, and retention of existing subscription customers when compared to the period 1 January 2015 and 30 June 2015.

Referral and other income increases by \$0.82 million or 143% from \$0.58 million in FY15 to \$1.40 million in FY16 due to:

- > a 462% increase in property transaction related non-subscription customer revenues resulting from a full financial year of activity in FY16;
- > a 109% increase in other casual non-subscription customer revenues driven by increased marketing to a larger volume of REI members and the introduction of new partner referral arrangements; and
- > a decline of \$0.07 million in other non-recurring income.

04. Financial Information (continued)

4.7.3.2. Cost of Sales and Gross Profit

Cost of sales are forecast to increase \$0.53 million or 25%, from \$2.14 million in FY15 to \$2.66 million in FY16 driven by an increase in the volume of customers and the cost of data licensing, sales commissions and other processing costs associated with these customers.

Gross profit margin is forecast to increase from 46.9% in FY15 to 48.6% in FY16 due to the increase in casual non-subscription revenues which carry higher gross margins than existing subscription services.

4.7.3.3. Operating Expenses

Total operating expenses are forecast to increase by \$0.62 million or 23% from \$2.66 million in FY15 to \$3.28 million in FY16. This is primarily due to a \$0.31 million or 52% increase in operational expenses. Employment expenses are forecast to increase by \$0.27 million or 14% to include the planned addition of 8 new employees and costs related to issuing share options. This is partially offset by the reorganisation of employment costs completed in January 2015 that reduced employment costs for the second half of FY15. Estimated additional public company costs to be expensed of \$0.15 million have been included in the forecast for FY16.

4.7.3.4. EBITDA and NPAT

EBITDA is forecast to remain relatively constant in FY16 for the reasons described above.

NPAT is forecast to improve by \$0.88 million or 42% from negative \$2.09 million in FY15 to negative \$1.21 million in FY16. This is due to the reasons described above, a \$0.17 million increase in depreciation and amortisation costs, and due to FY15 including a one-off tax expense of \$0.99 million that was a result of the deferred tax asset being derecognised.

At the point where it is more certain sufficient taxable income will be generated to utilise the losses and to offset the temporary differences, the deferred tax asset will be re-recognised. As at FY15 the balance of the unrecognised deferred tax asset was \$1.02 million based on the current tax rate of 30%. There is no expiry date on the future deductibility of the unused tax losses.

4.8. Sensitivity Analysis

The Forecast Financial Information included in Section 4.7 is based on a number of specific and general assumptions which have been outlined above and which are subject to change. The Forecast Financial Information is also subject to a number of risks as outlined in Section 5.

Investors should be aware that future events cannot be predicted with certainty and as a result, deviations from the figures forecast in this Prospectus are to be expected. To assist investors in assessing the impact of these assumptions on the forecasts, the sensitivity of the forecast EBITDA for FY16 to changes in certain key assumptions is set out below.

Care should be taken in interpreting these sensitivities. The estimated impact of changes in each of the variables has been calculated in isolation from changes in other variables, in order to illustrate the likely impact on the forecast. In practice, changes in variables may offset each other or be additive, and it is likely that Management would respond to any adverse change in one variable by seeking to minimise the net effect on REI's EBITDA.

The sensitivity analysis is intended to provide a guide only and variations in actual performance could exceed the ranges shown.

04. Financial Information (continued)

Table 4.6: Sensitivity analysis on forecast EBITDA for FY16

A\$	Notes	Increase / Decrease	FY16 Forecast EBITDA Impact
Subscription trial volumes	1	+/- 10%	26,309 / (31,989)
Subscription churn rates	2	+/- 10%	(39,318)/37,035
Value per property transaction service	3	+/- 10%	44,640 / (44,640)
Volume of property transaction services	4	+/- 10%	49,767 / (49,767)
Volume of other non-subscription services sold	5	+/- 10%	39,554 / (39,554)

Notes

1. Sensitivity based on +/- 10% increase / decrease in the total number of trials of paid subscription services
2. Sensitivity based on +/- 10% increase / decrease in the average rate of monthly churn or cancellations of existing subscription customers
3. Sensitivity based on +/- 10% increase / decrease in the average value of a property transaction service
4. Sensitivity based on +/- 10% increase / decrease in the total number of property transaction services
5. Sensitivity based on +/- 10% increase / decrease in the total number of casual non-subscription services excluding property transaction services

4.9. Dividends

Shareholders should not expect to receive dividends. The Company has a number of growth strategies it is pursuing, and it is expected that the Company will devote all its financial resources for that purpose and will continue to record losses in the short term. It will therefore not be in a position to pay dividends.

In the longer term, the ability of the Company to pay dividends in the future (and the timing of dividends) will be dependent principally on the success of its business strategies. In assessing the dividend payment in future periods the Directors may consider a number of factors, including the general business environment, the operating results and financial condition of the Company, future funding requirements, capital management initiatives, taxation considerations (including the level of franking credits available), any contractual, legal or regulatory restrictions on the payment of dividends by REI, and any other factors the Directors may consider relevant.

No guarantees can be given by any person, including the Directors, about the payment of any dividend and the level of franking on any such dividend. Please read the Forecast Financial Information in conjunction with the assumptions underlying its preparation as set out in Sections 4.7.1 and 4.7.2 and the risk factors set out in Section 5. Investors who are not residents of Australia and who acquire Shares may be subject to Australian withholding tax on dividends or other distributions paid in respect of the Shares. Prospective investors who are not residents of Australia should consult with their own tax advisers regarding the application of the Australian withholding or other taxes to their particular situations as well as any additional tax consequences resulting from purchasing, holding or disposing of the Shares.

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05.

Risk Factors



05. Risk Factors

REI is subject to a variety of risk factors. Some of these are specific to its business activities, while others are of a more general nature. Individually, or in combination, these risk factors may affect the future operating and financial performance of REI, its investment returns and the value of an investment in the Shares.

The risks listed below are not an exhaustive list of risks associated with an investment in REI, either now or in the future, and this information should be considered in conjunction with all other information presented in this Prospectus. Many of the risks described below are outside the control of REI, the Directors and management. There is no guarantee that REI will achieve its stated objectives or that any forward-looking statements or forecasts will eventuate.

Before applying for Shares, you should be satisfied that you have a sufficient understanding of the matters identified in this Section 5 and should consider whether the Shares are a suitable investment for you, having regard to your own investment objectives, financial circumstances, and tax issues.

We recommend you seek professional advice from your stockbroker, solicitor, accountant or other qualified professional adviser before deciding whether to invest.

5.1. Risks specific to an investment in the Company

5.1.1. Forecast financial growth not realised

REI has projected financial growth in its forecast. There is no guarantee that REI will achieve the projected financial growth as:

- > the rate of churn of subscribing customers may increase;
- > the growth in subscriptions may be less than forecast;
- > the up-sell of casual services may be less than forecast; or
- > the adoption of property transaction services may be less than forecast.

These may be due to internal operations failing to deliver the forecast growth, and/or through macro economic factors changing, such as interest rate increases.

5.1.2. Security software and technology breaches and improper access to the private data of REI's customers

The use of information technology and the effectiveness of REI's proprietary technology platform is critical to the ability of REI to deliver services to its customers and the growth of its business. By their nature, information technology systems are susceptible to cyber attacks, with third parties seeking unauthorised access to data. Security breaches may involve unauthorised access to REI's networks, systems and databases, including with respect to REI's service offerings and technology platforms and the deployment of viruses or other malicious software designed to create system and service disruptions, exposing financial, proprietary and personal user information.

In addition, in providing services to its customers, REI stores, analyses and transmits confidential and private personal information. It is possible that the measures taken by REI to protect its proprietary information and the private information of its customers are not sufficient to prevent unauthorised access to, or disclosure of, such data. Any accidental or deliberate security breaches or other unauthorised access to REI's information technology systems or client data may subject REI to reputational damage, a loss of confidence in the services it provides, claims by customers, loss of customers, a disruption of services to customers, legal action and regulatory scrutiny. Any of these events could adversely impact REI's reputation, business, financial condition and financial performance.

Further, some of REI's third party suppliers may receive and store information provided by REI or its customers through mobile or web applications. Although any such information provided by REI is limited and subject to contractual confidentiality obligations, if these third party suppliers fail to adopt or adhere to robust security practices, or in the event of a breach of their security systems, the data of REI's customers may be improperly accessed, used or disclosed.

05. Risk Factors (continued)

5.1.3. Reliance on third party IT suppliers

REI relies on certain contracts with third party suppliers to maintain and support its IT infrastructure and software, which underpin its core business activities. REI's reliance on third parties to provide key services decreases its control over the delivery of these services and the quality and reliability of the services provided. REI is also subject to the risk of any failures in each third party provider's systems or IT infrastructure, which may impact that third party's ability to deliver the services it is contracted to provide. Any delay, disruption or deterioration in the level of service by a third party provider could impair REI's ability to provide services to its customers at all, or to the service levels REI and its customers expect. In addition, if any such contracts are terminated for any reason and an alternative source of technology or systems is not found in a timely manner or on similar commercial terms, REI's operations, earnings and financial condition could be adversely impacted.

5.1.4. Reliance on the effective performance of IT infrastructure

Technology is the key enabler of REI's services. REI and its customers are dependent on the effective performance, reliability and availability of REI's technology platforms, software, third party data centres and communication systems.

While REI's existing proprietary platforms are designed to appropriately and effectively service REI's customers, changes and developments in technology, including by its competitors, or the commercial and/or regulatory environment may require REI to develop and maintain new and/or enhanced technology platforms. There is a risk that REI may fail to successfully achieve the required development of its technology and systems, which may, in turn, adversely affect its operations, relationship with customers, financial performance and financial condition.

Further, REI's core technologies may be exposed to damage or interruption from system failures, viruses, cyber attacks, telecommunication provider failures, disasters from natural or human causes, or other unforeseen events which may cause the systems to be unavailable from time to time. This may affect the ability of REI to deliver consistent, quality services to its customers and lead to reputational damage and may also adversely impact REI's operations, financial performance and financial condition.

5.1.5. Failure to renew subscriptions

A number of REI's customers subscribe on a month-to-month basis as described in Section 3.1.3 and, in addition, REI offers casual non-subscription services as described in Section 3.1.4. Whilst REI actively engages with customers and seeks to migrate them to longer-term contractual arrangements there is a risk that customers may cease their subscription with REI with little or no notice, or that casual non-subscription volumes could decrease unexpectedly. Should this occur, REI's business operations, and financial performance and prospects may be adversely affected.

5.1.6. Expanded marketing and promotion expenditure may not deliver increased level of members

REI plans to spend up to \$1.0 million in the 18 months following Completion of the Offer on sales and marketing activities in Australia and New Zealand to increase its member numbers and convert these members into paid subscription customers. There is no guarantee that REI's investment in marketing and promotion including traffic acquisition, will result in an increase in the number of members, or those members choosing to become paid subscription customers. To the extent REI is not able to successfully execute its strategy, its business, growth prospects and profitability may all be adversely impacted.

5.1.7. Existing Shareholders retain a significant holding / liquidity risk

Immediately after Completion, assuming that the Existing Shareholders and their associates do not subscribe for any Shares under the Offer, Fairfax Media and the Existing Shareholders collectively, will beneficially own approximately 65% of the Company's issued share capital. In particular, Fairfax Media will hold approximately 12.5%, Simon Baker (and his associated entities) will own 13.5% and Campbell Venning (and his associated entity Pohutukawa Pty Ltd) and David Hows (and his associated entity LV2 Pty Ltd) will each hold 9.5% of the issued share capital.

05. Risk Factors (continued)

Many of the Existing Shareholders are subject to both mandatory and voluntary escrow arrangements in relation to some or all of their Escrowed Shares as described in Section 9.6. These escrow arrangements account for 47,132,892 Shares representing 55.8% of all Shares following Completion of the Offer. The absence of any sale of Escrowed Shares by the Escrowed Shareholders during their Escrow Period may cause, or at least contribute to, limited liquidity in the market for the Shares. This could affect the prevailing market price at which Shareholders are able to sell their Shares. It is important to recognise that Shareholders may receive a market price for their Shares that is less than the price that Shareholders paid. Following the end of the relevant Escrow Period, a significant sale of Shares, or a perception of a sale of Shares, by one or more of the Escrowed Shareholders might occur, which could adversely affect the market price of the Shares.

Fairfax Media and the Escrowed Shareholders, if they were to act together, would be able to exert a significant degree of influence over the Company's management and affairs and over matters requiring Shareholder approval, including the election of Directors and approval of significant corporate transactions. Also, while they hold a large stake in the Company, these Shareholders may be able to determine or influence whether a takeover or similar offer for the Shares is successful.

5.1.8. REI relies on key partnerships for content and promotion

REI has contracts with several parties including APM and CoreLogic to provide data and listings and to drive promotion of REI services. Each of these contracts adds significant value to the REI service offering. If one or more of these parties were to cease providing data and services to REI this would adversely affect REI's operations, earnings and financial condition. REI believes that, should this occur, equivalent services are available from other providers but there can be no assurance that any of these providers would contract with REI on acceptable commercial terms, or at all.

5.1.9. Regulatory Compliance

REI is subject to privacy laws in Australia and in New Zealand. These laws generally regulate the handling of personal information and data collection. Such laws impact the way REI can collect, use, analyse, transfer and share personal and other information that is central to many of the services REI provides. Any actual or perceived failure by REI to comply with relevant laws and regulations may result in the imposition of fines or other penalties, customer losses, a reduction in existing services, and limitations on the development of technology and services making use of such data. Any of these events could adversely impact REI's business, financial condition and financial performance.

5.1.10. REI may be unable to profitably or successfully compete

REI provides services to property investors that compete in part or in whole with services offered by property portals, data companies and a number of other property industry service providers, under either paid or free service offerings. Furthermore, current or future competitors may adopt certain aspects of REI's business model, as well as develop and evolve new technologies and business models that may reduce REI's ability to differentiate its services. Examples of factors that may impact REI's competitive position include:

- > level of innovation relative to that of competitors;
- > commercial factors, including pricing and liability terms;
- > ability to keep up with technological or regulatory change;
- > ability to respond to client preferences for products and services; and
- > ability to maintain strong relationships with existing customers by upholding the consistency and quality of services.

In addition, REI needs to respond effectively to any changes in the competitive landscape, which may evolve as a result of a number of factors, including the entry of new competitors into the market and the consolidation of existing market participants. Increased competition may have a materially adverse impact on REI's financial performance and prospects.

05. Risk Factors (continued)

As REI is not currently profitable and does not forecast to be profitable in the current financial year, REI will need to successfully implement its growth plans to reach profitability in future periods taking into account current and future competitive risks.

5.1.11. Reputational damage

The REI brand is important in attracting and retaining customers. There is a risk that the brand may be tarnished by incidents such as negative publicity, data security breach or one-off unforeseen events that negatively impact REI's operations. The occurrence of any such incidents may lead to client loss and the failure to attract new customers, which, in turn, may have an adverse impact on REI's financial performance.

5.1.12. REI is subject to foreign currency risk

REI currently sells services and targets subscribers outside of Australia and has growth plans to target expansion into further overseas markets which may result in a proportion of revenues and associated cost of goods sold being denominated in foreign currency. Fluctuations in the exchange rate between the Australian dollar and the relevant international currency may accordingly impact the future profitability of REI. Any adverse exchange rate fluctuations or volatility in these currencies may have an adverse effect on REI's future financial performance and position.

5.1.13. REI may not be able to manage its expected growth successfully

REI aims to deliver growth in the number of members and customers it services and the scope of its services and operating activities, which may include operating in new countries and with new partners. This growth is anticipated to result in an increased level of responsibility for both existing and new management personnel. If REI is unable to manage its expected growth successfully, including through the successful recruitment, training, integration and management of the staff required to support this expected growth, it may not be able to take advantage of market opportunities, satisfy customer requirements, execute its business plan as forecast or respond to competitive pressure.

5.1.14. REI may not be able to adapt to technological change

REI uses technology to market, sell and deliver its services and it is possible that new ways of doing business online or acquiring property may affect the future viability of REI. Future technology development may incur significant costs and may not prove to be commercially successful. Furthermore, future technology developments may adversely affect REI's current service offerings, business systems and how members and customers interact with REI.

If REI is unable to maintain and grow its existing level of services due to being slower to adapt to technological change than alternative providers of similar services, this may have an adverse effect on REI's ability to attract new members and customers, and retain its existing customer base, which in turn could have a materially adverse impact on its financial performance and prospects.

5.1.15. Failure to protect intellectual property rights

REI regards substantial elements of its websites, subscription model, software tools, applications, databases and underlying technology as proprietary. REI relies and expects to continue to rely on a combination of confidentiality, assignment, and licence agreements with its employees, consultants, and third parties with whom it has relationships, as well as trademarks, copyright and patents, to protect its proprietary rights. Third parties may knowingly or unknowingly infringe REI's proprietary rights, and/or may challenge proprietary rights held by REI, and pending and future trademark and patent applications may not be approved.

05. Risk Factors (continued)

In addition, effective intellectual property protection may not be available in every country in which REI operates or intends to operate its business. In any or all of these cases, REI may be required to expend significant time and expense in order to prevent infringement or to enforce its rights. If the protection of its proprietary rights is inadequate to prevent unauthorised use or appropriation by third parties, its competitors may be able to more effectively mimic its products, services, and methods of operation.

Any of these events could have an adverse effect on REI's business, financial condition and financial performance.

5.1.16. Infringement of third party intellectual property rights

REI has made significant investments in developing its own proprietary technology. In doing so, it has used a combination of open source code and internally developed applications. While every reasonable precaution has been taken to ensure that no intellectual property rights have been infringed and that REI owns all the intellectual property rights for its technology, there is the possibility that intellectual property rights of others may have been breached.

REI sources some of the content on its websites by obtaining that data from other websites. There is a risk that an operator of a website alleges that the sourcing of its data is unauthorised and an infringement of its intellectual property rights.

REI may receive notices from third parties claiming infringement of their intellectual property rights and/or breach of its agreements with them. REI cannot assure Applicants that such claims may not arise, including from its competitors in the industries it which it operates, or that such claims may not require protracted negotiation, including litigation, to resolve, or the payment of monetary damages or the satisfaction of indemnification obligations in its agreements with suppliers. In addition, such claims may increase as REI continues to acquire new businesses and enter new markets. In such cases, if a determination was made that REI had infringed such third party rights, REI's business and financial condition may be adversely affected.

5.1.17. It may not be possible to retain key personnel

A key driver of REI's performance is the recruitment and retention of effective and qualified employees. REI faces the following risks in relation to personnel:

- > loss of key management personnel;
- > loss of other key employees;
- > delay in finding suitable replacements for lost personnel; and
- > inability to find suitably qualified personnel to meet REI's business needs as it grows.

If any of these risks were to materialise, they could have a material adverse impact on REI's business, financial performance and financial condition.

05. Risk Factors (continued)

5.2. General risks of an investment in the Company

5.2.1. Price of Shares

The price of Shares quoted on ASX may rise or fall due to a number of factors both within and outside the control of the Company, its Directors and senior management. The Shares may trade below or above the Offer Price due to factors including but not limited to:

- > economic conditions in the geographies in which REI operates, including interest rates, exchange rates, inflation and commodity prices;
- > fluctuations in the local and global market for listed stocks (especially for peers operating in similar markets to REI);
- > changes to government policy, legislation or regulation, especially around the superannuation industry;
- > inclusion in or removal from market indices;
- > the nature of the markets that REI operates in;
- > general and operational business risks;
- > natural disasters; and
- > global hostilities, tensions and acts of terrorism.

5.2.2. Force majeure events may occur

Events may occur within or outside Australia that may have potential impacts on the Australian economy, the operations of REI's business and the price of its Shares. These events include, but are not limited to acts of terrorism, an outbreak of international hostilities, fires, floods, earthquakes, labour strikes, civil wars, natural disasters, outbreaks of disease or other natural or man-made events or occurrences that can have an adverse effect on REI's ability to conduct its business.

5.2.3. Global economic conditions may affect REI

REI is dependent on global economic conditions and the global economic outlook, and on the economic conditions and outlook in its key markets and the residential property investment market generally. Economic conditions may be affected by levels of business spending, inflation, interest rates, consumer confidence, access to debt and capital markets and government fiscal, monetary, tax, and regulatory policies. A prolonged downturn in general economic conditions may have a material adverse impact on REI's trading and financial performance.

5.2.4. Trading in Shares may not be liquid

There can be no guarantee that an active market in the Shares will develop. There may be relatively few potential buyers or sellers of the Shares on the ASX at any time. This may increase the volatility of the market price of the Shares. It may also affect the prevailing market price at which Shareholders are able to sell their Shares. This may result in Shareholders receiving a market price for their Shares that is less or more than the price that Shareholders paid.

5.2.5. Changes in laws, including tax laws and accounting standards may occur

REI is subject to local laws and regulations in each of the jurisdictions in which it operates (including taxation, copyright and privacy legislation). From time to time, changes of the laws and regulations may require REI to obtain additional approvals and/or licences that may significantly increase compliance costs and restrict REI's activities.

Any changes to taxation laws, regulations or policies in jurisdictions in which REI operates may also adversely affect Shareholder returns. Any changes to the Australian Accounting Standards (AAS), as determined by the Australian Accounting Standards Board (AASB), may affect the future measurement and recognition of key income statement and balance sheet items. Such changes could materially and adversely affect the financial performance and position reported in REI's financial statements.

05. Risk Factors (continued)

Future laws or regulations may be introduced concerning various aspects of the internet as it relates to REI's business, including online content, copyright, foreign ownership of internet and media companies, privacy, and liability for third party activities, all of which may adversely impact REI's operations.

Changes in or extensions of laws and regulations affecting either the real estate industries or internet business operations in the countries in which REI operates and the rules of industry organisations could restrict or complicate REI's activities and increase its compliance costs.

5.2.6. Risk of Shareholder dilution

In the future, the Company may elect to issue new Shares, to engage in fundraisings and also to fund, or raise proceeds, for acquisitions REI may decide to make. Shareholders may be diluted as a result of such issues of shares and fundraisings.

5.2.7. Litigation risk

In the ordinary course of its business, REI is subject to the risk of litigation and other disputes with its employees, customers, regulators, partners, competitors and other third parties. Proceedings may result in high legal costs, adverse monetary judgments and/or damage to REI's reputation, which could have an adverse effect on the financial performance of its business.

06.

Key People, Interests and Benefits

For personal use only



06. Key People, Interests and Benefits

6.1. Board of Directors

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

6.1.1. Simon Baker – Non-Executive Chairman



- > Simon Baker was appointed Chairman of REI in November 2010.
 - > Simon is currently also director and chairman of recently ASX listed Mitula Group Limited, a leading vertical search website operator.
 - > Simon was former Chief Executive Officer and Managing Director of the ASX listed REA Group Ltd from 2001 through 2008. During his tenure at the REA Group Ltd, revenue increased from \$3.8 million in FY 2001 to \$155.6 million in FY 2008, EBITDA increased from a loss of \$6.2 million in FY 2001 to an EBITDA profit of \$36.6 million in FY 2008, and the share price increased from \$0.08 to a high of \$7.49.
 - > Simon was director and chairman of ASX listed iProperty Group Limited from 2009 to 2012. During his tenure, he oversaw the growth of the business from a share price of \$0.08 to a high of \$1.32.
 - > Simon is an angel investor in several online classifieds and e-commerce companies around the world including Vivareal, Redbubble, ArtsHub, LaEncontre, Property Portal Watch, ListGlobally, Transmit Data and CarAdvice.
 - > 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.
-

6.1.2. Clint Greaves – Chief Executive Officer and Managing Director



- > Clint Greaves was appointed Chief Executive Officer and Managing Director of REI in December 2014. Prior to this, Clint was Chief Operating Officer and an Executive Director appointed in November 2010.
 - > Clint has 16 years senior management experience in operational and financial roles in Australia, New Zealand and the United Kingdom, plus 14 years experience in the property market including residential investment and involvement in a number of commercial developments.
 - > Prior to this Clint was a Management Consultant for Ernst & Young.
 - > 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.
-

06. Key People, Interests and Benefits (continued)

6.1.3. Antony Catalano – Non-Executive Director



- > Antony Catalano was appointed as a Non-Executive Director of REI in October 2015.
- > Antony has extensive experience in the Australian real estate industry, and is Chief Executive Officer of Domain Group and a Director of Metro Media Publishing, positions he has held since November 2013. After a long career with Fairfax Media, The Herald and The Weekly Times, Antony founded MMP in 2009, where he served as Chief Executive Officer and Publisher.
- > Antony's media career at HWT began as a copy boy in 1985, where he spent 15 years as a journalist, winning two Melbourne Press Club awards. In 2001, he was appointed Director of Real Estate at The Age, General Manager of MPG and a member of The Age senior management team. In 2004, Antony was appointed Classified Director Real Estate, Motoring and General Classifieds, before being appointed Director Newspaper Sales and Marketing and Product Development, Fairfax Victoria, in 2005.

6.1.4. Joe Hanna – Independent Non-Executive Director



- > Joe Hanna was appointed as a Non-Executive Director of REI in October 2015 and serves as Chairman of the Remuneration and Nomination Committee.
- > Joe is currently also a director of recently ASX listed Mitula Group Limited, a leading vertical search website operator.
- > Joe has extensive experience in online classifieds and search and is a founder of behavioural classifieds recommendation engine Predictive Match. Joe is co-founder and current Chief Executive Officer of xLabs Pty Ltd, a Melbourne based technology start up.
- > 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.
- > Joe holds a Bachelor of Business with a major in Computing from the University of Victoria.

6.1.5. Ian Penman – Independent Non-Executive Director



- > Ian Penman was appointed as a Non-Executive Director of REI in December 2014 and serves as Chairman of the Audit Committee. Prior to this, Ian served for 10 months as REI's Chief Executive Officer and Managing Director.
- > 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.

The composition of Board committees and details of key corporate governance policies are set out in section 6.5.

Each Director has confirmed to REI that he anticipates being available to perform his duties as a Director without constraint from other commitments.

06. Key People, Interests and Benefits (continued)

6.2. Senior Management

6.2.1. Clint Greaves – Chief Executive Officer

See Section 6.1.2.

6.2.2. David Hows – Head of Sales and Marketing



- > David Hows is the Head of Sales and Marketing, was the founder of REI in 2006 and Chief Executive Officer until 2013. David is responsible for the leadership of the teams that manage sales, marketing, partnerships and customer retention.
- > Prior to founding REI, David worked in retail roles for 16 years including 6 years in general management roles and more recently in property investment focused companies.

6.2.3. Gaylene Carr – Financial Controller



- > Gaylene Carr is the Financial Controller of REI and has been responsible for overseeing the financial activities of REI since joining in April 2011.
- > Prior to joining REI, Gaylene held senior financial roles focusing on financial and management reporting and accounting system implementations. Gaylene has a broad base of experience having worked in both commercial and government sectors, with international accounting experience through roles held with Stanhope Properties PLC (London), a property developer with \$61 million annual revenue and Kuwait Petroleum International Ltd (London).
- > Gaylene holds a New Zealand National Certificate in Business Studies from Auckland Institute of Technology.

6.2.4. Ben Fry – Development Manager



- > Ben Fry is the Development Manager of REI and has been responsible for overseeing the day-to-day systems and technology activities of REI including all product development since joining in April 2010.
- > Prior to joining REI, Ben worked in the IT industry for 12 years with a focus on technical management in web based technologies. Some notable roles include ERP company ABB (formerly Mincom) in Brisbane, Australia, AMT-Sybex in Dublin, Ireland and Pulse Software a financial services company based south of London in the UK.
- > Ben holds a Bachelor of Information Technology from Griffith University with majors in Artificial Intelligence and Computer Science.

06. Key People, Interests and Benefits (continued)

6.2.5. Justin Davey – Head of Partnerships



- > Justin Davey is the Head of Partnerships of REI and has been responsible for new partner engagement and on boarding since joining in January 2014.
- > Justin has worked in the IT industry for over 15 years, in various technical, presales, marketing and sales roles for local and international businesses from SMB to Enterprise in scale. He joined REI after 7½ years with one of the largest software companies in the world, CA Technologies (most recently as an Account Director), and has also worked for City Software (Marketing Manager) and Support Group Services (Business Development Manager).
- > Justin was a customer prior to joining REI and has been investing in residential houses, units and holiday lets for over 10 years.

6.2.6. James Lawrence – Marketing Manager



- > James Lawrence is the Marketing Manager of REI and is responsible for overseeing the day-to-day marketing activities of REI. James has worked for REI since 2007.
- > Prior to joining REI, James worked in the marketing and communications industries, with some notable roles including lastminute.com, Zurich Financial Services and The London Fire Brigade, all based in the UK.
- > James holds a BA (Hons) Degree In Tourism Studies, from Bournemouth University in the UK.

6.2.7. Logan Horstead – Sales Manager



- > Logan Horstead is the Sales Manager of REI and has been responsible for sales engagement and customer conversion since joining in February 2013.
- > Prior to joining REI, Logan worked as an Account Manager with Allianz Global Assistance with a focus on building business-to-business relationships. He has managed relationships with Land Rover Australia, Ducati, Mazda and Infiniti.

6.2.8. Karen Austin – Customer Success Manager



- > Karen Austin is the Customer Success Manager of REI and is responsible for member and customer support and service. Karen has been with REI since April 2011.
- > Prior to joining REI, Karen worked in Corporate Travel for 3 years and then Real Estate Sales and Administration for 6 years in Dublin, Ireland before emigrating to Australia and working as an Account Manager for a Corporate Merchandising company. Some notable roles include Executive Travel (Carlson Wagonlit Ireland), Sherry Fitzgerald, Ireland's largest property advisory firm with over 100 branches throughout the country, and Execugifts a supplier of conference, corporate and promotional merchandise throughout Australasia.
- > Karen holds a Diploma in Irish Auctioneers and Valuers from Dublin Institute of Technology.

06. Key People, Interests and Benefits (continued)

6.3. Interests and benefits

This Section 6.3 sets out the nature and extent of the interests and fees of certain persons involved in the Offer. Other than as set out below or elsewhere in this Prospectus, no:

- > Director or proposed Director of REI;
- > person named in this Prospectus and who has performed a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- > promoter of REI; or
- > an underwriter to the Offer,

holds at the time of lodgement of this Prospectus with ASIC, or has held in the two years before lodgement of this Prospectus with ASIC, an interest in:

- > the formation or promotion of REI;
- > property acquired or proposed to be acquired by REI in connection with its formation or promotion, or in connection with the Offer; or
- > the Offer,

and no amount (whether in cash, Shares or otherwise) has been paid or agreed to be paid, nor has any benefit been given or agreed to be given to any such persons for services in connection with the formation or promotion of REI or the Offer or to any Director or proposed Director to induce them to become, or qualify as, a Director of REI.

6.3.1. Interests of advisers

The Company has engaged the following professional advisers:

- > Baillieu Holst Ltd has acted as Underwriter and Lead Manager to the Offer. The Company has paid, or agreed to pay, the Underwriter the fees described in Section 9.7.1 for these services;
- > Logie-Smith Lanyon has acted as Australian legal adviser to the Company in relation to the Offer (excluding in relation to taxation and stamp duty matters). The Company has paid, or agreed to pay, approximately \$95,000 (excluding disbursements and GST) for these services. Further amounts may be paid to Logie-Smith Lanyon in accordance with its timed-based charge-out rates;
- > BDO Corporate Finance (QLD) Ltd has acted as the Investigating Accountant (for Forecast Financial Information) and has prepared the Independent Assurance Report for inclusion in the Prospectus. BDO Corporate Finance (QLD) Ltd has performed due diligence enquiries in relation to the Forecast Financial Information. The Company has paid, or agreed to pay, approximately \$35,000 (plus GST) for these services to the date of this Prospectus. Further amounts may be paid to BDO Corporate Finance (QLD) Ltd in accordance with their normal time-based charge-out rates;
- > BDO Audit Pty Ltd has acted as the Investigating Accountant (for Actual Historical Financial Information and Pro Forma Historical Financial Information) and has prepared the Independent Assurance Report for inclusion in the Prospectus. BDO Audit Pty Ltd has performed due diligence enquiries in relation to the Actual Historical Financial Information and the Pro Forma Historical Financial Information. The Company has paid, or agreed to pay, approximately \$9,000 (plus GST) for these services to the date of this Prospectus. Further amounts may be paid to BDO Audit Pty Ltd in accordance with their normal time-based charge-out rates; and
- > Frost & Sullivan Australia Pty Limited has prepared the Independent Market Report on the residential property investment market, which includes a market survey. The Company has paid, or agreed to pay, approximately \$22,000 (plus GST) for this report.

06. Key People, Interests and Benefits (continued)

6.3.2. Director disclosures

No Director has been the subject of any disciplinary action, criminal conviction, personal bankruptcy or disqualification in Australia or elsewhere in the last 10 years which is relevant or material to the performance of their duties as a Director or which is relevant to an investor's decision as to whether to subscribe for Shares.

Except as set out below, no Director has been an officer of a company that has entered into any form of external administration as a result of insolvency during the time that they were an officer or within a 12 month period after they ceased to be an officer.

6.3.3. Directors' interests and remuneration

6.3.3.1. Chief Executive Officer and Managing Director

Clint Greaves is the Chief Executive Officer and Managing Director of REI. He was appointed to both roles on 19 December 2014. Prior to this he was Chief Operating Officer and an Executive Director appointed on 24 November 2010.

REI entered into a new employment contract with Clint Greaves on 21 October 2015. The key terms of Clint's employment contract are as follows:

Total remuneration Package

Clint will receive an annual base salary of \$225,000 for services as Chief Executive Officer and Managing Director plus statutory superannuation contributions.

Term and Termination

Under the terms of the employment agreement either party may terminate the employment agreement by giving 12 weeks' notice. REI may, at its election, make a payment in lieu of that notice based on Clint's base remuneration package. REI can also terminate the employment contract on 12 months' written notice where Clint becomes incapacitated by illness or injury for an accumulated period of more than six months in any 12 month period or where, due to physical or mental ill health, Clint is unable to perform his duties on a permanent basis. REI may also terminate Clint's employment immediately and without further payment where he commits serious misconduct and on other similar grounds.

Restraint

After termination of employment, the employment contract provides that Clint will be subject to non-compete, non-solicitation of customers and non-solicitation of employee restrictions, within Australia and for a maximum period of 12 months.

Other Interests

Clint is also entitled to participate in REI's ESOP. See Section 6.3.4.3 for further details.

Clint will also receive 1,000,000 Options. See Section 6.3.4.2 for further details.

Clint has also received a loan of \$320,000 from the Company to acquire Shares. Details of this loan agreement are set out at Section 6.4.3.

Clint will, via his associated company entity South Mapleton Pty Ltd, continue to be a Shareholder following Listing and these Shares are subject to mandatory ASX escrow. Refer to section 9.6 for more details.

6.3.3.2. Non-Executive Director remuneration

Each of the Non-Executive Directors has entered into an appointment letter agreement with the Company, confirming the terms of their appointment, their roles and responsibilities and the Company's expectations of them as Directors.

Under the Constitution, the Directors decide the total amount paid to all Directors as remuneration for their services as a Director. However, under the Listing Rules, the total amount paid to all Directors for their services must not exceed, in aggregate in any financial year, the amount fixed by REI in general meeting. This amount has been fixed at \$500,000.

For the initial year following Listing, the annual base Non-Executive Director fees are \$55,000 per annum to the Chairman and \$35,000 per annum to each other Non-Executive Director. An additional \$5,000 per

06. Key People, Interests and Benefits (continued)

annum will be paid each to the Chairman of the Audit Committee and the Chairman of the Nomination and Remuneration Committee.

All Directors' fees include superannuation payments to the extent applicable and must not include a commission on, or a percentage of, profits or operating revenue.

Directors may also be reimbursed for all reasonable travelling and other expenses incurred by the Directors in attending to the Company's affairs including attending and returning from Board meetings or any meetings of committees of Directors and in attending and returning from any general meetings of the Company.

Directors may be paid such additional or special remuneration if they, at the request of the Board, and for the purposes of REI, perform any extra services or make special exertions.

There are no retirement benefit schemes for Non-Executive Directors, other than statutory superannuation contributions.

Non-Executive Directors will also each receive 500,000 Options. See Section 6.3.4.2 for further details.

6.3.3.3. Deeds of access, indemnity and insurance for Directors

The Company has entered into a deed of indemnity, insurance and access with each Director, which confirms the Director's right of access to Board papers and requires the Company to indemnify the Director, on a full indemnity basis and to the full extent permitted by law, against all losses or liabilities (including all reasonable legal costs) incurred by the Director as an officer of the Company or of a related body corporate. Under the deeds of indemnity, insurance and access, the Company must maintain a directors' and officers' insurance policy insuring the Directors and officers against liability as a Director and officer of REI and its related bodies corporate until seven years after a Director in office ceases to hold office as a Director or as a director or officer of a related body corporate (or the date any relevant proceedings commenced during the seven year period have been finally resolved).

6.3.3.4. Directors' Equityholdings

Directors are not required under the Constitution to hold any Shares or Options. On the Prospectus Date and on Completion of the Offer (assuming that they do not participate in the Offer), the Directors will hold the following Existing Shares (either directly or through beneficial interests or entities associated with the Director).

The Directors (and their associates) are entitled to apply for additional Shares under the Offer.

Table 6.1 Directors' Shareholdings

Director	Shares held on Prospectus Date	Shares held on Prospectus Date (%)	Shares held on Completion of the Offer	Shares held on Completion of the Offer (%)	Options to be issued on Completion of the Offer
Simon Baker	9,009,937	21.3%	11,441,451	13.5%	500,000
Clint Greaves	4,835,000	11.4%	4,835,000	5.7%	1,000,000
Antony Catalano	0	0.0%	0	0.0%	500,000
Joe Hanna	0	0.0%	0	0.0%	500,000
Ian Penman	292,500	0.7%	292,500	0.3%	500,000

Other than 3,432,435 Shares held indirectly by Simon Baker, all Existing Shares and the Options directly or indirectly held and controlled by Directors on Completion of the Offer will be subject to escrow arrangements as outlined in Section 9.6.

06. Key People, Interests and Benefits (continued)

6.3.4. Other senior management remuneration

6.3.4.1. Senior management remuneration and service arrangements

All other senior members of management are a party to a contract of employment with REI or one of its wholly owned subsidiaries.

The key terms and conditions of their employment include:

- > total remuneration packages (including mandatory superannuation contributions);
- > the potential to receive an annual STI subject to achieving targets as against key performance indicators agreed with the Board for that year;
- > eligibility to participate in REI's employee share option plan (as summarised in Section 6.3.4.3);
- > express provisions protecting REI's confidential information and intellectual property;
- > notice of termination of employment provisions, with the relevant notice periods varying from 1 to 2 months; and
- > post-employment restrictions covering non-competition, non-solicitation of customers and non-poaching of employees, within Australia and for a maximum duration of 12 months.

Base annual salary packages for key management personnel are set having regard to market rates and are reviewed annually.

6.3.4.2. Options

The Company will grant the number of Options to the Directors on Completion of the Offer. These Options will be granted in recognition of services to the Company and will vest over a 2 year period from the date they are granted. All Options will be issued on the terms described below.

Grant of Options	The Options will be issued subject to Completion of the Offer and entitle the holder to acquire 1 newly issued Share for each Option held.
Grant price	The Options will be granted for nil consideration.
Exercise price	\$0.20 per Option.
Exercise Period	The Options are exercisable after 31 December 2017 and lapse on 31 December 2020.
Rights associated with Options	Options do not carry any dividend or voting rights.
Escrow	The Options will be subject to the escrow arrangements described at section 9.6.

6.3.4.3. Other Employee Incentive Arrangements

As part of REI's future remuneration strategy, the Directors have adopted an Employee Share Option Plan (**ESOP**) for its employees (including executive and non-executive Directors), consultants and, in special cases, contractors (**Participants**). Under the ESOP, Participants will be awarded options as determined by the Board. As at the Prospectus Date, no securities have been issued under the ESOP, however the Company intends to grant options, within the next 12 months, to Participants (excluding the Directors) up to 2 million Options.

The details of the ESOP are set out below:

The purpose of the ESOP is to recognise and reward Participants selected by the Board who have contributed to, or are expected to contribute to, the success of REI. The ESOP is designed to provide an incentive for the Participants to achieve the long term objectives of REI and to improve the performance of REI.

Under this ESOP, Participants will be allocated options entitling the holder to subscribe for Shares. The options will generally be subject to vesting and exercise restrictions (to be determined by the Board at the time of issue).

06. Key People, Interests and Benefits (continued)

The options may be issued by the Company directly to Participants or to a Plan trustee who will allocate them to the Participants nominated by the Board. The options will have an exercise price and expiry date determined by the Board at that time. It is expected that the exercise price will be at or in excess of the prevailing price of the Shares (as traded on ASX) at the date of allocation. On exercise, the resulting Shares will rank equally in all respects with existing Shares.

The Board will retain a discretion to waive the vesting conditions under certain limited circumstances and to allow vested Shares and/or options to be retained and/or exercised and Shares acquired or cancelled for monetary consideration equivalent to their value.

The Board, at its absolute discretion, will determine eligibility to participate. Executives and employees (including Directors), consultants and contractors who join REI or one of its subsidiaries after the date of commencement of the ESOP may also be eligible.

The Board at its absolute discretion will determine the applicable performance criteria to be achieved and the time period in which those criteria must be satisfied. While not limiting the Board's discretion, the performance criteria would generally be focused on the key financial and other performance measures set by REI.

It is also expected that options allocated to an executive under this ESOP will not be vested in the executive until the applicable performance criteria have been satisfactorily achieved (subject to the overriding discretion of the Board to waive or modify vesting conditions).

Under the ESOP Rules, the Board has a broad discretion in relation to the treatment of options on cessation of employment. If the participant's employment ceases due to resignation, fraudulent or dishonest conduct or termination for cause (including gross misconduct) unless the Board determines otherwise, any unvested Awards will automatically lapse or be forfeited (as applicable).

Where a participant ceases employment for any other reason, unless the Board determines otherwise, the participant's unvested Awards will remain "on foot" until the end of the applicable vesting or performance period and vest to the extent any performance condition has been satisfied.

Offer documents may provide more specific information on how the entitlements will be treated if the participating employees cease employment.

The maximum number of options that may be offered under the ESOP will be capped in accordance with the limitations set out from time to time in the ASIC Class Order relief provided in respect of employee incentive plans. In addition, the maximum number of Shares and/or options to be offered annually to a Participant under the ESOP must be reasonable in terms of that Participant's total remuneration and the performance of REI.

6.4. Related party arrangements

6.4.1. Services provided by Transmit Data Pty Ltd

Transmit Data Pty Ltd is a company majority owned and controlled by Simon Baker, which provides listing feed management and mapping services. REI purchases listing management services from Transmit Data Pty Ltd on an arm's length basis. In FY 2016, it is expected that REI will spend approximately \$120,000 on these services.

6.4.2. APM Distribution Agreement

REI is a party to the APM Distribution Agreement with APM (see Section 9.8.1 for details). Following Completion of the Offer, Fairfax Media will be a substantial shareholder in the Company. APM is also a wholly owned subsidiary of Fairfax Media. Mr Antony Catalano is the Chief Executive Officer of Domain, which is part of the Fairfax Media group of companies. Mr Catalano also holds shares in Fairfax Media.

06. Key People, Interests and Benefits (continued)

6.4.3. Loan Agreement with South Mapleton Pty Ltd

On 30 September 2011 REI entered into a subscription agreement with South Mapleton Pty Ltd, a company owned and controlled by Mr Clint Greaves. The subscription agreement required South Mapleton Pty Ltd to subscribe for 4,000,000 Shares at a price of \$0.08 each on 30 September 2016. Following REI's 2:1 share consolidation in October 2015 the subscription agreement was varied to provide for a subscription for 2,000,000 Shares at a price of \$0.16 each (so as to reflect the share consolidation).

The subscription agreement was again varied so as to accelerate the subscription obligation and on 21 October 2015 REI issued 2,000,000 Shares to South Mapleton Pty Ltd for an aggregate subscription price of \$320,000 (\$0.16 per Share). The total subscription price was funded by way of a loan provided by REI to South Mapleton Pty Ltd. The loan to South Mapleton Pty Ltd carries a commercial interest rate equal to the FBT Benchmark Interest Rate accruing and payable quarterly in arrears and otherwise on usual and customary commercial terms. The loan is repayable in full on or before 31 March 2018.

In addition, the Shares will form part of the Escrow Shares and will not be released from escrow until the loan is repaid in full or the date that is 24 months after REI is admitted to the official list of ASX (whichever is the later to occur).

6.5. Corporate governance

This Section 6.5 explains how the Board will manage REI's business. The Board is responsible for the overall corporate governance of REI. Details of REI's key policies and practices and the charters for the Board and each of its committees will be available from the Prospectus Date at www.rei-group.com.au.

The Board monitors the operational and financial position and performance of REI and oversees its business strategy including approving the strategic goals of REI. The Board is committed to maximising performance, generating appropriate levels of Shareholder value and financial return, and sustaining the growth and success of REI.

In conducting business with these objectives, the Board is concerned to ensure that REI is properly managed to protect and enhance Shareholder interests, and that REI, its Directors, officers and employees operate in an appropriate environment of corporate governance. Accordingly, the Board has created a framework for managing REI, including adopting relevant internal controls, risk management processes and corporate governance policies and practices, which it believes are appropriate for REI's business and which are designed to promote the responsible management and conduct of REI.

The main policies and practices adopted by REI, which will only take effect from Listing, are summarised below. In addition, many governance elements are contained in the Constitution.

6.5.1. ASX Corporate Governance Council's Corporate Governance Principles and Recommendations

The Company is seeking a listing on the ASX. The ASX Corporate Governance Council has developed and released its ASX Corporate Governance Principles and Recommendations 3rd edition (**ASX Recommendations**) for entities listed on the ASX in order to promote investor confidence and to assist companies to meet stakeholder expectations. The ASX Recommendations are not prescriptions, but guidelines. However, under the ASX Listing Rules, the Company will be required to provide a statement in its annual report or on its website disclosing the extent to which it has followed the ASX Recommendations during each reporting period. Where the Company does not follow an ASX Recommendation, it must identify the recommendation that has not been followed and give reasons for not following it.

6.5.2. Board appointment and composition

The Board of Directors is comprised of one Executive Director and four Non-Executive Directors (including the Chairman). Biographies of the Directors are provided in Section 6.1.

Each Director has confirmed to REI that he anticipates being available to perform his duties as a Non-Executive or Executive Director, as the case may be, without constraint from other commitments.

06. Key People, Interests and Benefits (continued)

The Board is responsible for the overall governance of the Company. Issues of substance affecting the Company are considered by the Board, with advice from external advisers as required. Each Director must bring an independent view and judgement to the Board and must declare all actual or potential conflicts of interest on an ongoing basis. Any issue concerning a Director's ability to properly act as a Director must be discussed at a Board meeting as soon as practicable, and a Director may not participate in discussions or resolutions pertaining to any matter in which the Director has a material personal interest.

The Board considers an independent Director to be a Non-Executive Director who is not a member of REI's management and who is free of any business or other relationship that could materially interfere with, or could reasonably be perceived to interfere with, the exercise of their unfettered and independent judgement. The Board will consider the materiality of any given relationship on a case-by-case basis and has adopted guidelines to assist in this regard. The Board reviews the independence of each Director in light of interests disclosed to the Board from time to time.

The Board charter sets out guidelines of materiality for the purpose of determining independence of Directors in accordance with the ASX Recommendations and has adopted a definition of independence that is based on that set out in the ASX Recommendations.

The Board considers quantitative and qualitative principles of materiality for the purpose of determining independence on a case-by-case basis. The Board will consider whether there are any factors or considerations that may mean that the Director's interest, business or relationship could, or could be reasonably perceived to, materially interfere with the Director's ability to act in the best interests of REI.

The Board considers that Ian Penman and Joe Hanna are free from any business or any other relationship that could materially interfere with, or reasonably be perceived to interfere with, the exercise of the Director's unfettered and independent judgement and is able to fulfil the role of independent Director for the purpose of the ASX Recommendations.

Clint Greaves is currently considered by the Board not to be independent as he is currently the Chief Executive Officer of the Company.

Simon Baker is currently considered by the Board not to be independent as, following the Offer, he will be a substantial Shareholder. Antony Catalano is currently considered by the Board not to be independent as he is the Chief Executive Officer of Domain Group which, together with APM, are divisions of the Fairfax Media business. Fairfax Media will also be the Company's largest shareholder and also has a material contractual relationship with REI by virtue of the APM Distribution Agreement.

Accordingly as at the time of REI's listing, the Board does not consist of a majority of independent Directors consistent with Recommendation 2.4 of the ASX Corporate Governance Principles and Recommendations. Furthermore, the Chair is not an independent Chair. However the Board believes that each of the non-independent directors brings objective and independent judgement to the Board's deliberations and are able to act impartially and make invaluable contributions to REI.

The Directors believe that they are able to objectively analyse the issues before them in the best interests of all Shareholders and in accordance with their duties as Directors.

6.5.3. Board Charter

The Board has adopted a written Charter to provide a framework for the effective operation of the Board, which sets out:

- > the Board's composition;
- > the Board's role and responsibilities;
- > the relationship and interaction between the Board and management; and
- > the authority delegated by the Board to management and Board committees.

06. Key People, Interests and Benefits (continued)

The Board's role is to:

- > represent and serve the interests of Shareholders by overseeing and appraising REI's strategies, policies and performance. This includes overseeing the financial and human resources the Company has in place to meet its objectives and reviewing management performance;
- > protect and optimise REI's performance and build sustainable value for Shareholders in accordance with any duties and obligations imposed on the Board by law and the Company's Constitution and within a framework of prudent and effective controls that enable risk to be assessed and managed;
- > set, review and ensure compliance with REI's values and governance framework (including establishing and observing high ethical standards); and
- > ensure Shareholders are kept informed of REI's performance and major developments affecting its state of affairs.

The management function is conducted by, or under the supervision of the Chief Executive Officer as directed by the Board (and by officers to whom the management function is properly delegated by the Chief Executive Officer). Management must supply the Board with information in a form, timeframe and quality that will enable the Board to discharge its duties effectively. Directors are entitled to request additional information at any time they consider it appropriate.

The Board collectively, and individual Directors, may seek independent professional advice at REI's expense, subject to the approval of the Chairman or the Board as a whole.

6.5.4. Board committees

The Board may from time to time establish appropriate committees to assist in the discharge of its responsibilities. The Board has established the Audit Committee and the Nomination and Remuneration Committee. Other committees may be established by the Board as and when required.

6.5.5. Audit Committee

Under its charter, this committee should consist of at least three members of the Board, only Non-Executive Directors, a majority of independent Directors and an independent chair who is not Chairman of the Board. Initially members of this Committee will comprise Ian Penman (chairman), Simon Baker and Joe Hanna. The Board acknowledges the ASX Recommendations that the Audit Committee should consist only of non-executive Directors, have a majority of independent Directors and be chaired by an independent chair. Due to the initial structure of the Board of the Company, REI will not have a majority of independent Directors. However, the Board believes that the experience and industry knowledge of the non-executive Directors will be invaluable and that they will be able to exercise objective and independent judgement in carrying out their responsibilities on this committee. The Board will review the composition of the Audit Committee at an appropriate time in the future.

The Audit Committee will be responsible for monitoring and advising the Board on REI's risk management, audit and regulatory compliance policies and procedures. Key roles of this committee include:

- > overseeing REI's relationship with the external auditor and the external audit function generally;
- > overseeing the preparation of the financial statements and reports;
- > overseeing REI's financial controls and systems; and
- > managing the process of identification and management of financial risk.

Non-committee members, including members of management and the external auditor, may attend meetings of the committee by invitation of the committee chair.

06. Key People, Interests and Benefits (continued)

6.5.6. Nomination and Remuneration Committee

Under its charter, this committee should ideally consist of at least three members, only Non-Executive Directors, a majority of independent Directors and an independent Director as chair. The Nomination and Remuneration Committee will initially comprise Joe Hanna (chairman), Simon Baker and Antony Catalano. The Board acknowledges the ASX Recommendations that the Nomination and Remuneration Committee should consist of a majority of independent Directors and be chaired by an independent chair. Due to the structure of the Board of the Company, the Nomination and Remuneration Committee does not consist of a majority of independent Directors. However, the Board believes that the experience and industry knowledge of the members will be invaluable and will be able to exercise objective and independent judgement in carrying out their responsibilities on the committee. The Board will review the composition of the Nomination and Remuneration Committee at an appropriate time in the future.

The responsibilities of the Nomination and Remuneration Committee include:

- > assist the Board to develop a Board skills matrix setting out the mix of skills and diversity that the Board currently has or is looking to achieve in its membership;
- > review and recommend to the Board the size and composition of the Board, including review of Board succession plans and the succession of the Chairman and Chief Executive Officer, having regard to the objective that the Board comprise Directors with a broad range of skills, expertise and experience from a broad range of backgrounds, including gender;
- > review and recommend to the Board the criteria for Board membership, including the necessary and desirable competencies of Board members and the time expected to be devoted by Non-Executive Directors to the Company's affairs;
- > review and recommend to the Board membership of the Board, including making recommendations for the re-election of Directors, subject to the principle that a Committee member must not be involved in making recommendations to the Board in respect of themselves and assisting the Board as required to identify individuals who are qualified to become Board members (including in respect of Executive Directors);
- > assist the Board as required in relation to the performance evaluation of the Board, its committees and individual Directors, and in developing and implementing plans for identifying, assessing and enhancing Director competencies;
- > review and make recommendations in relation to any corporate governance issues as requested by the Board from time to time;
- > review the Board Charter on a periodic basis, and recommend any amendments for Board consideration;
- > ensure that an effective induction process is in place and regularly review its effectiveness and provide appropriate professional development opportunities for Directors;
- > on an annual basis, review the effectiveness of the Board's Diversity Policy by assessing the Company's progress towards the achievement of the measurable objectives and any strategies aimed at achieving the objectives and reporting to the Board recommending any changes to the measurable objectives, strategies or the way in which they are implemented; and
- > in accordance with the Board's Diversity Policy, on an annual basis, review the relative proportion of women and men on the Board, in senior management positions and in the workforce at all levels of REI, and submit a report to the Board, which outlines the Committee's findings or, if applicable, provide the Board with the Company's most recent indicators as required by the Workplace Gender Equality Act 2012 (Cth).

06. Key People, Interests and Benefits (continued)

6.5.7. Corporate governance policies

6.5.7.1. Continuous disclosure policy

Once listed, REI will be required to comply with the continuous disclosure requirements of the ASX Listing Rules and the Corporations Act. REI is aware of its obligation to keep the market fully informed of any information it becomes aware of concerning REI which may have a material effect on the price or value of the Shares, subject to certain exceptions.

REI has adopted a Continuous Disclosure Policy, which establishes procedures that are aimed at ensuring that REI fulfils its obligations in relation to the timely disclosure of material price-sensitive information.

6.5.7.2. Securities trading policy

REI has adopted a Policy for Trading in Securities, which is intended to explain the types of conduct in dealings in securities that are prohibited under the Corporations Act and establish a best practice procedure for the buying and selling of securities that protects the Company and Directors and employees against the misuse of unpublished information that could materially affect the value of securities. The Policy applies to all Directors, officers, senior executives and employees who have been advised by the Company Secretary that they have information that is or may become inside information and their connected persons.

The policy provides that relevant persons must not deal in REI's securities:

- > when they are in possession of material price-sensitive information;
- > on a short-term trading basis; and
- > during trading blackout periods (except in exceptional circumstances).

Outside of these periods, Directors and certain designated employees must receive prior approval for any proposed dealing in REI's securities (including any proposed dealing by one of their connected persons), and in all instances, buying or selling Shares is not permitted at any time by any person who possesses material price-sensitive or 'inside' information.

6.5.7.3. Code of conduct

The Board is committed to a high level of integrity and ethical standards in all business practices. Accordingly, the Board has adopted a formal Code of Conduct that outlines how REI expects its representatives to behave and conduct business in the workplace and includes legal compliance and guidelines on appropriate ethical standards. All employees of REI (including temporary employees, contractors and Company Directors) must comply with the Code of Conduct.

The Code is designed to:

- > provide a benchmark for professional behaviour throughout REI;
- > support REI's business reputation and corporate image within the community; and
- > make Directors and employees aware of the consequences if they breach the policy.

6.5.7.4. Communication with Shareholders

REI aims to communicate all important information relating to REI to its Shareholders. Additionally, the Company recognises that potential investors and other interested stakeholders may wish to obtain information about the Company from time to time. To achieve this, the Company communicates information regularly to Shareholders and other stakeholders through a range of forums and publications, including REI's website, at the annual general meeting, through the Annual Report and ASX announcements.

6.5.7.5. Diversity policy

The Board has formally approved a Diversity Policy in order to, among other matters, address the representation of women in senior management positions and on the Board, and to actively facilitate a more diverse and representative management and leadership structure. The Board will include in the Annual Report each year a summary of REI's progress towards achieving the measurable objectives set under the Diversity Policy for the year to which the Annual Report relates and details of the measurable objectives set under the Diversity Policy for the subsequent financial year.

06. Key People, Interests and Benefits (continued)

6.5.8. ASX Corporate Governance Principles and Recommendations

The Board has evaluated the Company's current corporate governance policies and practices in light of the ASX Corporate Governance Principles and Recommendations. A brief summary of the approach currently adopted by the Company is set out below.

6.5.8.1. Principle 1 – Lay solid foundations for management and oversight

The respective roles and responsibilities of the Board and executives are defined in the Board Charter, a copy of which is available on the Company's website at www.rei-group.com.au. There is a clear delineation between the Board's responsibility for the Company's strategy and activities, and the day-to-day management of operations conferred upon the Company's officers.

The Company Secretary reports directly to the Chairman of the Board in his role as Company Secretary. The role of the Company Secretary is outlined in the Board Charter.

The process for selection, appointment and re-appointment of Directors is detailed in the Nomination and Remuneration Committee Charter, a copy of which is available on the Company's website at www.rei-group.com.au. Under the Nomination and Remuneration Committee Charter, Shareholders are required to be provided with all material information relevant to making an informed decision on whether or not to elect or re-elect a Director. The Nomination and Remuneration Committee is also responsible for evaluating the performance of the Board and the performance of individual directors and executives of the Company.

The Company has adopted a Diversity Policy, a copy of which is available on the Company's website at www.rei-group.com.au. The Company's Diversity Policy requires the Board to establish measurable objectives to assist the Company in achieving gender diversity, and provides for delegation to the Nomination and Remuneration Committee to review the Company's progress in meeting these objectives.

6.5.8.2. Principle 2 – Structure the Board to add value

The Board is comprised of one Executive and four Non-Executive Directors and the roles of Chairman and Managing Director are exercised by two separate individuals.

The majority of Directors are not considered independent based on the independence requirements in the ASX Corporate Governance Principles and Recommendations and the Company's Chairman is also not considered to be an independent Director based on the independence requirements in the ASX Corporate Governance Principles and Recommendations. Nevertheless, the Board believes that the size, composition and skills of the Board are appropriate for the Company's business and circumstances, and are in the best interests of Shareholders as a whole.

The Board is responsible for regularly reviewing its size, composition and skills to ensure that it is able to discharge its duties and responsibilities effectively, and to identify any gaps in the skills or experience of the Board.

6.5.8.3. Principle 3 – Act ethically and responsibly

The Company has adopted a Code of Conduct which applies to all directors, officers, employees, contractors or consultants of the Company as well as a Securities Trading Policy. Each of these has been prepared having regard to the ASX Corporate Governance Principles and Recommendations and is available on the Company's website at www.rei-group.com.au.

6.5.8.4. Principle 4 – Safeguard integrity in financial reporting

The Company has established an Audit Committee which complies with the ASX Corporate Governance Principles and Recommendations, to oversee the management of financial and internal risks. The Audit Committee is governed by the Audit Committee Charter, a copy of which is available on the Company's website at www.rei-group.com.au.

6.5.8.5. Principle 5 – Make timely and balanced disclosure

The Company is committed to providing timely and balanced disclosure to the market in accordance with its Continuous Disclosure Policy, a copy of which is available on the Company's website at www.rei-group.com.au.

06. Key People, Interests and Benefits (continued)

6.5.8.6. Principle 6 – Respect the rights of security holders

The Company has adopted a Shareholder Communications Policy which promotes two way communication between the Company and its Shareholders. The Company seeks to recognise numerous modes of communication, including electronic communication, to ensure that its communication with Shareholders is frequent, clear and accessible.

The Company will provide investors with comprehensive and timely access to information about itself and its governance on its website at www.rei-group.com.au.

All Shareholders will be invited to attend the Company's annual meeting, either in person or by representative. The Board regards the annual meeting as an excellent forum in which to discuss issues relevant to the Company and accordingly encourages full participation by Shareholders. Shareholders have an opportunity to submit questions to the Board and to the Company's independent auditor.

6.5.8.7. Principle 7 – Recognise and manage risk

The Audit Committee is responsible for reviewing whether the Company has any material exposure to any economic, environmental and social sustainability risks, and if so, to develop strategies to manage such risks, and present such strategies to the Board.

Regular internal communication between the Company's management and Board supplements the Company's quality control system, complaint handling processes, employee policies and standard operating procedures which are all designed to address various forms of risks.

The Company regularly evaluates the effectiveness of its risk management framework to ensure that its internal control systems and processes are monitored and updated on an ongoing basis. Under the Audit Committee Charter, the Audit Committee is responsible for providing an independent and objective assessment to the Board regarding the adequacy, effectiveness and efficiency of the Company's risk management and internal control process.

6.5.8.8. Principle 8 – Remunerate fairly and responsibly

The Company has the Nomination and Remuneration Committee to oversee the level and composition of remuneration of the Directors and REI's executives. The Company's Nomination and Remuneration Committee is governed by a charter, a copy of which is available on the Company's website at www.rei-group.com.au.

The Company will provide disclosure of its Directors' and executives' remuneration in its annual report.

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07.

Details of the Offer



07. Details of the Offer

7.1. Introduction

7.1.1. The Offer

This Prospectus relates to an initial public offering of 25.0 million Shares for issue by the Company at an Offer Price of \$0.20 per Share. Based on the Offer Price, the Company will issue 25.0 million new Shares raising proceeds of \$5.0 million.

The Shares offered under this Prospectus will represent approximately 29.6% of all the Shares on issue on Completion of the Offer, being 84.5 million Shares. All Shares will rank equally with each other.

The Offer is made on the terms, and is subject to the conditions, set out in this Prospectus.

7.1.2. Structure of the Offer

The Offer comprises:

- > the **Retail Offer**, which consists of the:
 - **Broker Firm Offer**: which is open to Australian resident retail clients of Brokers who have received a firm allocation of Shares from their Broker;
 - **General Offer**: which is open to investors in Australia; and
- > the **Institutional Offer**, which consists of an offer to Institutional Investors in Australia and certain other jurisdictions around the world, made under this Prospectus.

The allocation of Shares between the Retail Offer and the Institutional Offer will be determined by the Company in consultation with the Lead Manager.

The Offer is fully underwritten by the Lead Manager. A summary of the Underwriting Agreement, including the events which would entitle the Lead Manager to terminate the Underwriting Agreement, is set out in Section 9.7.

07. Details of the Offer (continued)

7.1.3. Purpose of the Offer

The Offer is being conducted to:

- > raise funds to allow REI to pursue future sales and marketing growth opportunities in Australia and New Zealand and other potential international expansion opportunities;
- > fund further product development and enhancements;
- > establish an internal property transaction focused team;
- > achieve Listing on the ASX to broaden the Company's Shareholder base and provide a more liquid market for its Shares;
- > provide REI with access to the capital markets, which it expects will give it added financial flexibility and capacity to pursue its growth strategy;
- > provide the business with the benefits of an increased profile, transparency and credibility from being a listed entity;
- > pay for the transaction costs associated with a listing on ASX; and
- > assist REI in attracting and retaining quality staff.

7.1.4. Sources and uses of funds

Offer proceeds from the issue of New Shares will be utilised as follows:

Use of funds	\$ million	%
AU/NZ sales and marketing growth	1.0	20.0%
Further product development and enhancements	1.0	20.0%
Property transaction focused team	0.5	10.0%
Explore potential international expansion	0.5	10.0%
Provide working capital	1.4	28.0%
IPO and capital raising costs	0.6	12.0%
Total	5.0	100.0%

07. Details of the Offer (continued)

7.1.5. Expenditure Program

Key items of expenditure planned and expected timeframes are as follows:

Expenditure Item	FY16 \$ million	FY17 \$ million
AU/NZ sales and marketing growth:	0.3	0.7
> brand awareness and direct member acquisition campaigns;		
> increasing the size of the partner management team (partner onboarding and partner campaign execution);		
> improving integration with Domain including expanded partnerships on content and promotion of REI to the Domain audience as well as the broader Fairfax Media network;		
> building a stronger team to improve conversion rates from member to paid customer;		
> building a stronger customer engagement team to improve retention of paid subscription customers; and		
> improved sale systems and marketing automation tools to increase knowledge and enable better segmentation of members and customers.		
Further product development and enhancements:	0.2	0.8
> improved integration of the REI platform with marketing partners;		
> further simplification of the user experience that also allows industry and advisor access to drive better adoption with these partners; and		
> additional language/local versions of the site for key international markets.		
Development of an internal sales transaction team to focus on selection of new property opportunities, marketing to the member base, and negotiation with developers and project sales agencies.	0.0	0.5
Exploring potential international expansion:	0.0	0.5
> engagement of industry experts to assist management to explore the potential to launch new services in international markets; and		
> piloting of licensing arrangements with international property portals.		
IPO and capital raising costs	0.6	0.0
Total	1.1	2.5
Working capital		1.4
Total		5.0

7.1.6. Pro Forma Historical Statement of Financial Position

The Company's Pro Forma Historical Statement of Financial Position following Completion, including details of the pro forma adjustments is set out in Section 4.4.

7.1.7. Capital structure

The Company's capital structure before and following Completion is set out in Section 7.3.

07. Details of the Offer (continued)

7.2. Terms and conditions of the Offer

Topic	Summary
What is the type of security being offered?	Shares (being fully paid ordinary shares in the Company).
What are the rights and liabilities attached to the Shares?	A description of the Shares, including the rights and liabilities attaching to them, is set out in Section 7.12.
What is the consideration payable for each Share?	The Offer Price is \$0.20 per Share.
What is the Offer Period?	<p>The key dates, including details of the Offer Period, relating to each component of the Offer are set out in the Key Dates on page 03 of this Prospectus.</p> <p>The timetable is indicative only and may change. Unless otherwise indicated, all times are stated in AEDT.</p> <p>The Company, in consultation with the Lead Manager, reserve the right to amend any and all of these dates without notice (including, subject to the ASX Listing Rules and the Corporations Act, to close the Offer early, to extend the Closing Date, to accept late Applications (either generally or in particular cases) or to cancel the Offer before Shares are issued by the Company.</p> <p>If the Offer is cancelled before the issue of Shares, then all Application Monies will be refunded in full (without interest) as soon as practicable in accordance with the requirements of the Corporations Act.</p> <p>No Shares will be issued on the basis of this Prospectus later than the Expiry Date.</p>
What are the cash proceeds to be raised under the Offer?	\$5.0 million will be raised from investors under the Offer.
How is the Offer structured?	<p>The Offer comprises:</p> <ul style="list-style-type: none">> the Retail Offer, which consists of the:<ul style="list-style-type: none">– Broker Firm Offer: which is open to Australian resident retail clients of Brokers who have received a firm allocation of Shares from their Broker;– General Offer: which is open to investors in Australia; and> the Institutional Offer, which consists of an offer to Institutional Investors in Australia and certain other jurisdictions around the world, made under this Prospectus or the Institutional Offering Memorandum (as applicable).

07. Details of the Offer (continued)

Topic	Summary
What is the allocation policy?	<p>The allocation of Shares between the Retail Offer and the Institutional Offer will be determined by the Company in consultation with the Lead Manager, having regard to the allocation policies outlined in Sections 7.4.2, 7.5.5 and 7.6.5.</p> <p>For Broker Firm Offer participants, the relevant Broker will decide how it allocates Shares among its retail clients, and it (and not the Company or the Lead Manager) will be responsible for ensuring that retail clients who have received an allocation from it receive the relevant Shares.</p> <p>Save as set out below, the allocation of Shares under the Institutional Offer will be determined by the Company in consultation with the Lead Manager.</p> <p>The allocation of Shares under the General Offer will be determined by the Company in consultation with the Lead Manager.</p> <p>The Company and the Lead Manager have absolute discretion regarding the allocation of Shares to Applicants under the Offer and may reject an Application or bid, or allocate fewer Shares than the number, or the equivalent dollar amount than applied or bid for.</p>
Will the Shares be quoted?	<p>The Company will apply within seven days of the Prospectus Date to ASX for admission to the Official List and quotation of Shares on ASX (which is expected to be under the code REV).</p> <p>Completion is conditional on ASX approving this Application. If approval is not given within three months after such Application is made (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded without interest, as soon as practicable in accordance with the requirements of the Corporations Act.</p> <p>The Company will be required to comply with the ASX Listing Rules, subject to any waivers obtained by the Company from time to time.</p> <p>ASX takes no responsibility for this Prospectus or the investment to which it relates. The fact that ASX may admit the Company to the Official List is not to be taken as an indication of the merits of REI or the Shares offered for subscription.</p>
Is the Offer underwritten?	<p>Yes, the Offer is fully underwritten by the Lead Manager. Details are provided in Sections 7.7 and 9.7.</p>
Are there any escrow arrangements?	<p>Yes. Details are provided in Section 9.6.</p>
Has any ASIC relief or ASX waiver been obtained or relied on?	<p>No.</p>
How can I apply?	<p>Applications for Shares may only be made on an Application Form attached to or accompanying this Prospectus or online at www.rei-group.com.au/offer with payment via BPAY®.</p> <p>To apply for Shares, Applicants must complete and return the Application Form together with the Application Monies in full prior to 5.00pm on the Closing Date.</p> <p>To the extent permitted by law, an Application by an Applicant under the Offer is irrevocable.</p>

07. Details of the Offer (continued)

Topic	Summary
What is the minimum and maximum Application size under the Offer	<p>The minimum Application under the Broker Firm Offer is as directed by the Applicant's Broker and there is no maximum value of Shares that may be applied for under the Broker Firm Offer or the General Offer.</p> <p>Applications under the General Offer must be for a minimum of \$2,000 worth of Shares and in multiples of \$500 worth of Shares thereafter.</p>
Is there any brokerage, commission or stamp duty payable by Applicants?	<p>No brokerage, commission or stamp duty is payable by Applicants on acquisition of Shares under the Offer.</p>
What are the tax implications of investing in the Shares?	<p>Given that the taxation consequences of an investment will depend upon the investor's particular circumstances, it is the obligation of each investor to make their own enquiries concerning the taxation consequences of an investment in REI.</p> <p>If you are in doubt as to the course you should follow, you should consult your stockbroker, solicitor, accountant, tax adviser or other independent and qualified professional adviser.</p> <p>An overview of the tax treatment for Australian resident investors is included in Section 7.9.</p>
When will I receive confirmation that my Application has been successful?	<p>It is expected that initial holding statements will be despatched by standard post on or about 17 December 2015.</p>
Can the Offer be withdrawn?	<p>The Company reserves the right not to proceed with the Offer at any time before the issue of Shares to successful Applicants.</p> <p>If the Offer does not proceed, Application Monies will be refunded.</p> <p>No interest will be paid on any Application Monies refunded as a result of the withdrawal of the Offer.</p>
Where can I find more information about this Prospectus or the Offer?	<p>If you have any questions about this Prospectus or how to apply for Shares, please call REI IPO Information Line on 1300 737 760 (within Australia) or +61 2 9290 9600 (outside Australia) from 8.15am to 5.30pm (AEDT), Monday to Friday (excluding public holidays).</p> <p>If you are unclear or uncertain as to whether REI is a suitable investment for you, you should seek professional guidance from your lawyer, stockbroker, accountant or other independent and qualified professional adviser before deciding whether to invest in Shares.</p>

07. Details of the Offer (continued)

7.3. Shareholding structure

The Company expects its Existing Shareholders will have the Shareholdings set out in the table below on the Prospectus Date and on Completion of the Offer.

Shareholder ¹	Shares on Prospectus Date	Share-holding on Prospectus Date (%)	Shares on Completion of the Offer	Share-holding on Completion of the Offer (%)
Simon Baker ²	9,009,937	21.3%	11,441,451	13.5%
Campbell Venning	8,034,281	19.0%	8,034,281	9.5%
David Hows	8,024,705	19.0%	8,024,705	9.5%
Clint Greaves	4,835,000	11.4%	4,835,000	5.7%
Ian Penman	292,500	0.7%	292,500	0.4%
Other Existing Shareholders	12,108,076	28.6%	12,108,076	14.3%
Fairfax Media ³	0	0.0%	10,576,125	12.5%
Convertible Note holders ²	0	0.0%	4,182,466	5.0%
New Shareholders under the Offer	0	0.0%	25,000,000	29.6%
Total⁴	42,304,499	100.0%	84,494,604	100.0%

Notes

1. Some of the shareholders hold Shares directly and/or through beneficial interests or entities associated with them.
2. \$950,000 was raised under the pre-IPO seed capital raising through the issue of 19 convertible notes with a face value of \$50,000 each to sophisticated and professional investors, including to the Company's chairman Mr Simon Baker. The convertible notes automatically convert to Shares on Completion of the Offer. The terms of these convertible notes are summarised in Section 9.4.
3. Shares held by Fairfax Media will also be subject to voluntary escrow arrangements. See Section 9.6 for further details. Fairfax Media will also hold 234,955 Convertible Notes on Completion of the Offer. See Section 9.5 for further details.
4. The Shares held by the Escrowed Shareholders on Completion of the Offer will be subject to escrow arrangements. See Section 9.6 for further details.

7.3.1. Control implications of the Offer

The Directors do not expect any Shareholder will control (as defined by section 50AA of the Corporations Act) the Company on Completion. On Completion, it is expected that approximately 55.8% of Shares will be subject to the escrow arrangements described in Section 9.6.

7.3.2. Potential effect of the fundraising on the future of REI

The Directors believe that on Completion, the Company will have sufficient funds available from the proceeds of the Offer and its business operations to fulfil the purposes of the Offer and meet the Company's stated business objectives.

7.4. Institutional Offer

7.4.1. Invitations to bid

The Institutional Offer consisted of an invitation to certain Institutional Investors in Australia and a number of other eligible jurisdictions to apply for Shares. The Lead Manager separately advised Institutional Investors of the Application procedures for the Institutional Offer.

07. Details of the Offer (continued)

7.4.2. Allocation policy under the Institutional Offer

The allocation of Shares between the Institutional Offer and the Retail Offer was determined by the Lead Manager in consultation with REI. The Lead Manager in consultation with REI, had absolute discretion regarding the basis of allocation of Shares among Institutional Investors.

Participants in the Institutional Offer have been advised of their allocation of Shares, if any, by the Lead Manager. The allocation policy was influenced by the following factors:

- > Number of Shares bid for by particular Applicants;
- > The timeliness of the bid by particular Applicants;
- > REI's desire for an informed and active trading market following Listing;
- > REI's desire to establish a wide spread of institutional Shareholders;
- > Overall level of demand under the Broker Firm Offer, Institutional Offer, and General Offer;
- > The size and type of funds under management of particular Applicants;
- > The likelihood that particular Applicants will be long term Shareholders; and
- > Any other factors that REI and the Lead Manager considered appropriate.

7.5. Broker Firm Offer

7.5.1. Who can apply in the Broker Firm Offer

The Broker Firm Offer is open to persons who have received a firm allocation from their Broker and who have a registered address in Australia. Investors who have been offered a firm allocation by a Broker will be treated as an Applicant under the Broker Firm Offer in respect of that allocation.

Investors should contact their Broker to determine whether they may be allocated Shares under the Broker Firm Offer. The Broker Firm Offer is not open to persons in the United States.

7.5.2. How to apply for Shares under the Broker Firm Offer

Applications for Shares may only be made on an Application Form attached to or accompanying this Prospectus or any replacement Prospectus. If you are an investor applying under the Broker Firm Offer, you should complete and lodge your Application Form with the Broker from whom you received your firm allocation. Application Forms must be completed in accordance with the instructions given to you by your Broker and the instructions set out on the reverse of the Application Form.

By making an Application, you declare that you were given access to this Prospectus or any replacement Prospectus, together with an Application Form. The Corporations Act prohibits any person from passing an application form to another person unless it is attached to, or accompanied by, a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

Applicants under the Broker Firm Offer should contact their Broker about the minimum and maximum Application Amount. REI and the Lead Manager reserves the right to aggregate any Applications which they believe may be multiple Applications from the same person. REI may determine a person to be eligible to participate in the Broker Firm Offer, and may amend or waive the Broker Firm Offer application procedures or requirements, in its discretion in compliance with applicable laws.

Applicants under the Broker Firm Offer must lodge their Application Form and Application Monies with the relevant Broker in accordance with the relevant Broker's directions in order to receive their firm allocation.

Applicants under the Broker Firm Offer must not send their Application Forms to the Share Registry.

The Broker Firm Offer opens at 9.00 am (Melbourne time) on 24 November 2015 and is expected to close at 5.00 pm (Melbourne time) on 7 December 2015. REI and the Lead Manager may elect to extend the Offer or any part of it, or accept late Applications either generally or in particular cases. Your Broker may impose an earlier closing date. Applicants are therefore encouraged to submit their Applications as early as possible. Please contact your Broker for instructions.

07. Details of the Offer (continued)

7.5.3. Payment methods

Applicants under the Broker Firm Offer must pay their Application Monies in accordance with instructions from their Broker.

7.5.4. Application Monies

REI reserves the right to decline any Application and all Applications in whole or in part, without giving any reason. Applicants under the Broker Firm Offer whose Applications are not accepted, or who are allocated a lesser number of Shares than the amount applied for, will receive a refund of all or part of their Application Monies, as applicable. Interest will not be paid on any monies refunded.

7.5.5. Allocations under the Broker Firm Offer

The allocation of firm stock to Brokers has been determined by the Lead Manager in consultation with REI.

Shares which have been allocated to Brokers for allocation to their Australian resident retail clients will be issued to the Applicants who have received a valid allocation of Shares from those Brokers. It will be a matter for the brokers how they allocate Shares among their retail clients, and they (and not REI or the Lead Manager) will be responsible for ensuring that retail clients who have received an allocation from them, receive the relevant Shares.

7.6. General Offer

7.6.1. Who can apply in the Offer

The General Offer is open to the general public and institutional investors who are resident in Australia and who have received a copy of the Prospectus.

7.6.2. How to apply for Shares

Applications for Shares may only be made on an Application Form attached to or accompanying this Prospectus or alternatively complete your Application online, by making a **BPAY® payment as described online at www.rei-group.com.au/offer** in each case in accordance with the instructions below.

Apply online and pay by BPAY®

If you are eligible to apply for New Shares under the General Offer, and you are applying online, you must complete your online Application by following the instructions on that website and by making a BPAY® payment.

If you apply using a paper copy of the General Offer Application Form, you cannot pay for Shares using BPAY®. Instead you must pay by cheque, bank draft or money order.

Applicants wishing to pay by BPAY® should complete the online Application Form accompanying the electronic version of this Prospectus which is available at www.rei-group.com.au/offer and follow the instructions on the online Application Form (which includes the Biller Code and your unique Customer Reference Number (CRN)).

You do not need to complete and return a paper Application Form if you pay by BPAY®.

You should be aware that you will only be able to make a payment via BPAY® if you are the holder of an account with an Australian financial institution which supports BPAY® transactions.

When completing your BPAY® payment, please make sure you use the specific Biller Code and your unique CRN provided on the online Application Form. If you do not use the correct CRN your Application will not be recognised as valid.

It is your responsibility to ensure that payments are received by 5.00pm (AEDT) on the Closing Date. Your bank, credit union or building society may impose a limit on the amount which you can transact on BPAY®, and policies with respect to processing BPAY® transactions may vary between banks, credit unions or building societies.

The Company accepts no responsibility for any failure to receive Application Monies or payments by BPAY® before the Closing Date arising as a result of, among other things, processing of payments by financial institutions.

07. Details of the Offer (continued)

BPAY® payments must be made from an Australian dollar account of an Australian financial institution. You will need to check with your financial institution in relation to their BPAY® closing times to ensure that your Application Monies will be received by 5.00pm (AEDT) on the Closing Date. If you do not pay the Application Monies, your Application will be incomplete and will not be accepted.

If you complete your Application by making a BPAY® payment, you do not need to complete or return the paper General Offer Application Form. By completing a BPAY® payment, you acknowledge you are applying pursuant to the General Offer Application Form

Apply by Post and pay by Cheque, Bank Draft or Money Order

If you do not wish to pay by BPAY® a paper General Offer Application Form must be completed in accordance with its accompanying instructions. Once completed, please lodge your General Offer Application Form and Application Monies so that they are received by Boardroom Pty Limited no later than 5.00pm (AEDT) on the Closing Date via post or delivery at:

– Post to:

Real Estate Investar Group Limited
C/- Boardroom Pty Limited
GPO Box 3993
Sydney NSW 2001

– Deliver to:

Real Estate Investar Group Limited
C/- Boardroom Pty Limited
Level 12
225 George Street
Sydney NSW 2000.

Please refer to the instruction on the back of the Application Form when completing your Application. Applications must be for a minimum of 10,000 Shares (\$2,000) and thereafter in increments of 2,500 Shares (\$500).

By making an Application, you declare that you were given access to the Prospectus, together with an Application Form. The Corporations Act prohibits any person from passing an Application Form to another person unless it is attached to, or accompanied by, a hard copy of this Prospectus.

7.6.3. Payment methods

Applicants must pay their Application Monies in accordance with the instructions in this Prospectus.

7.6.4. Application Monies

Applicants whose Applications are not accepted, or who are allocated a lesser dollar amount of Shares than the amount applied for, will receive a refund of all or part of their Application Monies, as applicable. Interest will not be paid on any monies refunded.

Applicants whose Applications are accepted in full will receive the whole number of Shares calculated by dividing the Application Monies by the Offer Price.

Cheque(s) or bank draft(s) must be in Australian dollars and drawn on an Australian branch of an Australian financial institution, must be crossed "Not Negotiable" and must be made payable to Real Estate Investar Group Limited – Share Offer.

You should ensure that sufficient funds are held in the relevant account(s) to cover the amount of the cheque(s) or bank draft(s). If the amount of your cheque(s) or bank draft(s) for Application Monies (or the amount for which those cheque(s) or bank draft(s) clear in time for allocation) is less than the amount specified on the Application Form, you may be taken to have applied for such lower dollar amount of Shares as for which your cleared Application Monies will pay (and to have specified that amount on your Application Form) or your Application may be rejected.

07. Details of the Offer (continued)

7.6.5. Acceptance of Applicants

An Application is an offer by the Applicant to REI to subscribe for Shares for all or any of the Application Monies specified in and accompanying the Application Form at the Offer Price on the terms and conditions set out in this Prospectus including any supplementary or replacement Prospectus and the Application Form (including the conditions regarding quotation on ASX in Section 7.11). To the extent permitted by law, an Application by an Applicant under the Offer is irrevocable.

An Application may be accepted by REI and the Lead Manager in respect of the full number of Shares specified in the Application Form or any of them, without further notice to the Applicant. Acceptance of an Application will give rise to a binding contract.

The Company reserves the right to decline any Application and all Applications in whole or in part, without giving any reason. Applicants whose Applications are not accepted, or who are allocated a lesser number of Shares than the amount applied for, will receive a refund of all or part of their Application Monies, as applicable. Interest will not be paid on any Application Monies refunded.

7.7. Underwriting arrangements

The Offer is fully underwritten by the Lead Manager. The Lead Manager and the Company have entered into an Underwriting Agreement under which the Underwriter has been appointed as arranger, manager and underwriter of the Offer. The Lead Manager agrees, subject to certain conditions and termination events, to underwrite Applications for all Shares under the Offer.

The Underwriting Agreement sets out a number of circumstances under which the Lead Manager may terminate the agreement and the underwriting obligations. A summary of certain terms of the agreement and underwriting arrangements, including the termination provisions, is provided in Section 9.7.

7.8. Ownership restrictions

The sale and purchase of Shares in the Company is regulated by Australian laws that restrict the level of ownership or control by any one person (either alone or in combination with others). This Section 7.8 contains a general description of these laws.

7.8.1. Corporations Act

The takeover provisions in Chapter 6 of the Corporations Act restrict acquisitions of shares in listed companies, and unlisted companies with more than 50 members, if the acquirer's (or another party's) voting power would increase to above 20%, or would increase from a starting point that is above 20% and below 90%, unless certain exceptions apply.

The Corporations Act also imposes notification requirements on persons having voting power of 5% or more in the Company.

7.8.2. Foreign Acquisitions and Takeovers Act

Generally, the Foreign Acquisitions and Takeovers Act applies to acquisitions of shares and voting power in a company of 15% or more by a single foreign person and its associates (substantial interest), or 40% or more by two or more unassociated foreign persons and their associates (aggregate substantial interest). Where an acquisition of a substantial interest meets certain criteria, the acquisition may not occur unless notice of it has been given to the Federal Treasurer and the Federal Treasurer has either stated that there is no objection to the proposed acquisition in terms of the Australian Federal Government's Foreign Investment Policy or a statutory period has expired without the Federal Treasurer objecting. An acquisition of a substantial interest or an aggregate substantial interest meeting certain criteria may also lead to divestment orders unless a process of notification, and either a statement of non-objection or expiry of a statutory period without objection, has occurred.

07. Details of the Offer (continued)

7.8.3. Selling restrictions

No action has been taken to register or qualify this Prospectus, the Shares or the Offer or otherwise to permit a public offering of the Shares in any jurisdiction outside Australia. The Shares have not been, and will not be, registered under the US Securities Act of 1933, as amended (US Securities Act) or the securities laws of any state or other jurisdiction in the United States and may not be offered, sold, pledged or transferred in the United States except in accordance with an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act laws and any other applicable laws.

This Prospectus may only be distributed in Australia and, outside Australia, to persons to whom the Offer may be lawfully made in accordance with the laws of the applicable jurisdiction, provided that this Prospectus may not be distributed in the United States.

The Offer is not an offer or invitation in any jurisdiction where, or to any person to whom, such an offer or invitation would be unlawful.

Each Applicant will be taken to have represented, warranted and agreed as follows:

- > it understands that the Shares have not been, and will not be, registered under the US Securities Act and may not be offered, sold or resold in the United States, except in a transaction exempt from, or not subject to, registration under the US Securities Act and any other applicable securities laws;
- > it is not in the United States;
- > it has not and will not send this Prospectus or any other material relating to the Offer to any person in the United States; and
- > it will not offer or sell the Shares in the United States or in any other jurisdiction outside Australia except in transactions exempt from, or not subject to, registration under the US Securities Act and in compliance with all applicable laws in the jurisdiction in which the Shares are offered and sold.

Each Applicant under the Institutional Offer will be required to make certain representations, warranties and covenants set out in the confirmation of allocation letter distributed to it.

7.9. What are the taxation considerations?

The comments below provide a general summary of Australian tax issues for Australian tax resident Shareholders who acquire Shares under this Prospectus. The categories of Shareholders considered in this summary are limited to individuals, companies (other than life insurance companies), trusts, partnerships and complying superannuation funds that hold their Shares on capital account.

These comments do not apply to Shareholders that hold their Shares on revenue account or as trading stock, or to non-Australian tax resident Shareholders. They also do not apply to Shareholders that are banks, insurance companies or taxpayers that carry on a business of trading in Shares, or Shareholders who are exempt from Australian tax. This summary also does not cover the consequences for Shareholders who are subject to Taxation of Financial Arrangements rules contained in Division 230 of the *Income Tax Assessment Act 1997*. These Shareholders should seek their own professional advice based on their particular facts.

Tax laws are complex and subject to ongoing change. The comments below are based on the *Income Tax Assessment Act 1936*, the *Income Tax Assessment Act 1997*, the *A New Tax System (Goods and Services Tax) Act 1999*, relevant stamp duty legislation, applicable case law and published Australian Taxation Office and State/Territory Revenue Authority rulings, determinations and statements of administrative practice at the date of this Prospectus. The tax consequences discussed below may alter if there is a change to the tax law after the date of this Prospectus. If there is a change, including a change having retrospective effect, the income tax, stamp duty and GST consequences should be reconsidered by Shareholders in light of the changes. The tax consequences discussed below do not take into account the tax law of countries other than Australia.

07. Details of the Offer (continued)

This summary is general in nature and is not intended to be an authoritative or complete statement of the applicable law. This summary does not constitute financial product advice as defined in the Corporations Act. The Company and its advisors disclaim all liability to any Shareholder or other party for all costs, loss, damage and liability that the Shareholder or other party may suffer or incur arising from, relating to or in any way connected with the contents of this summary or the provision of this summary to the Shareholder or other party or the reliance on this summary by the Shareholder or other party.

Shareholders should seek professional advice on the taxation implications of acquiring, owning and disposing of Shares, taking into account their specific circumstances.

7.9.1. Dividends on a Share for Australian tax resident Shareholders

Dividends distributed by the Company on a Share will constitute assessable income of an Australian tax resident Shareholder. Australian tax resident Shareholders should include in their assessable income the dividend actually received, together with any franking credit attached to that dividend.

Where the franking credit is included in the Shareholder's assessable income, the Shareholder will generally be entitled to a corresponding tax offset against tax payable by the Shareholder. To be eligible for the franking credit tax offset, a Shareholder must satisfy the "holding period" rule and "related payments" rule. These rules require that a Shareholder hold the Shares 'at risk' for a continuous period of not less than 45 days (excluding the days of acquisition and disposal) and that the benefit of the dividend is not passed on within 45 days. Any day on which a Shareholder has a materially diminished risk or loss of opportunity for gain (through transactions such as granting options or warrants over Shares or entering into a contract to sell the Shares) will not be counted as a day on which the Shareholder held the Shares "at risk". A Shareholder must not be obliged to make a "related payment" in respect of any dividend, unless they hold the Shares "at risk" for the required holding period around the dividend dates. Special rules apply to trusts and beneficiaries. Shareholders should seek professional advice to determine if these requirements, as they apply to them, have been satisfied. The holding period rules will not apply to a Shareholder who is an individual whose tax offset entitlement (for all franked distributions received in the income year) does not exceed \$5,000.

Legislation has recently been enacted to deny franking tax offsets to certain "distribution washing" arrangements. Shareholders should consider the impact of these as well as other integrity measures which may apply to the claiming of tax offsets, having regard to their own facts and circumstances.

Where a Shareholder is an individual or a complying superannuation entity, the Shareholder will generally be entitled to a refund of tax to the extent that the franking credit tax offset exceeds the Shareholder's income tax liability for the income year.

Where a Shareholder is a company, the Shareholder will generally be entitled to a carry forward loss calculated by reference to any excess of the franking credit attached to the Shareholder's dividends over the Shareholder's tax liability for the income year. Shareholders that are companies should seek specific advice regarding the tax consequences of dividends received in respect of the Shares they hold and the calculation and availability of carry forward tax losses arising from excess tax offsets.

Franked dividends received by a corporate Shareholder will generally give rise to a franking credit in the Shareholder's franking account (subject to the Shareholder satisfying the rules outlined above for claiming a tax offset). Special rules apply to Shareholders that are trustees (other than trustees of complying superannuation entities) or partnerships. These Shareholders should seek specific advice regarding the tax consequences of dividends received in respect of Shares held.

To the extent a dividend distributed by the Company is unfranked, the Shareholders should generally be taxed at their respective rate of income tax with no franking tax offset.

07. Details of the Offer (continued)

7.9.2. Disposal of Shares by Australian tax resident Shareholders

The disposal of a Share by a Shareholder will be a capital gains tax (CGT) event where the Shareholder holds their Share on capital account. The Shareholder will make a capital gain where the capital proceeds received on the disposal of the Share exceeds the cost base of the Share, and will make a capital loss where the reduced cost base of the Share exceeds the capital proceeds from the disposal of that Share. Capital losses may only be offset against capital gains made by the Shareholder in the same income year or future income years. Capital losses cannot be offset against other forms of assessable income. Broadly, the cost base and reduced cost base of a Share will be equal to the amount paid to acquire the Share (including certain other costs, such as incidental costs of acquisition and disposal).

Generally, all capital gains and losses made by a Shareholder for an income year, plus any net capital losses carried forward from an earlier income year, will need to be aggregated to determine whether the Shareholder has made a net capital gain or net capital loss for the year. A net capital gain is included in a Shareholder's assessable income whereas a net capital loss is carried forward and may be available to be offset against capital gains of later years (subject to the satisfaction of the loss recoupment rules for companies).

If a Shareholder is an individual, complying superannuation entity or trust, and has held the Share for at least 12 months or more before disposal of the Share, the Shareholder may be entitled to a "CGT discount" for any capital gain made on the disposal of the Share. Where the CGT discount applies, any capital gain arising may be reduced by 50% in the case of individuals and trusts, and by one-third in the case of complying superannuation entities. Shareholders that are companies are not entitled to a CGT discount.

Where the Shareholder is a trustee of a trust that has held the Share for at least 12 months or more before disposal, the CGT discount may flow through to the beneficiaries of that trust if those beneficiaries are not companies. Shareholders that are trustees should seek specific advice regarding the tax consequences of distributions to beneficiaries who may qualify for discounted capital gains after offsetting current year or prior year capital losses.

7.9.3. Tax File Numbers

Shareholders are not required to quote their Tax File Number (TFN) or, where relevant, Australian Business Number (ABN) to the Company. However, if a valid TFN, a valid ABN or exemption details are not provided, Australian tax may be required to be deducted by the Company from distributions and/or unfranked dividends at the maximum marginal tax rate plus any relevant levy (e.g. Medicare levy). Australian tax should not be required to be deducted by the Company in respect of fully franked dividends.

A Shareholder that holds Shares as part of an enterprise may quote their ABN instead of their TFN.

7.9.4. GST implications

No GST should be payable by Shareholders in respect of the acquisition or disposal of their Shares in REI, regardless of whether or not the Shareholder is registered for GST.

Shareholders may not be entitled to claim full input tax credits in respect of any GST included in the costs they have incurred in connection with their acquisition of the Shares. Separate GST advice should be sought by Shareholders in this respect, relevant to their particular circumstances.

No GST should be payable by Shareholders on receiving dividends distributed by the Company.

7.9.5. Stamp duty

Shareholders should not be liable for stamp duty in respect of the acquisition of their Shares, unless they acquire, either a loan or with an associated/related person, an interest of 90% or more in the Company. Under current stamp duty legislation, no stamp duty would ordinarily be payable by Shareholders on any subsequent transfer of their Shares while the Company remains listed.

07. Details of the Offer (continued)

7.10. Discretion regarding the Offer

The Company reserves the right not to proceed with the Offer at any time before the issue of Shares to successful Applicants. If the Offer does not proceed, Application Monies will be refunded. No interest will be paid on any Application Monies refunded as a result of the withdrawal of the Offer.

The Company and the Lead Manager also reserve the right to close the Offer or any part of it early, extend the Offer or any part of it, accept late Applications or bids either generally or in particular cases, reject any Application or bid, or allocate to any Applicant or bidder fewer Shares than applied or bid for.

7.11. ASX listing, registers and holding statements, deferred settlement trading

7.11.1. Application to the ASX for listing of REI and quotation of Shares

The Company will apply for admission to the official list of the ASX and quotation of the Shares on the ASX within seven days of the Prospectus Date. The Company's ASX code is expected to be REV.

ASX takes no responsibility for this Prospectus or the investment to which it relates. The fact that the ASX may admit the Company to the official list is not to be taken as an indication of the merits of REI or the Shares offered for issue and sale.

If the Company does not make such an application within seven days after the date of this Prospectus, or permission is not granted for the official quotation of the Shares on the ASX within three months after the Prospectus Date (or any later date permitted by law), all Application Monies received by the Company will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act.

The Company will be required to comply with the ASX Listing Rules, subject to any waivers obtained by the Company from time to time.

7.11.2. CHESS and Issuer sponsored holdings

The Company will apply to participate in the ASX's Clearing House Electronic Subregister System (**CHESS**) and will comply with the ASX Listing Rules and the ASX Settlement Operating Rules. CHESS is an electronic transfer and settlement system for transactions in securities quoted on the ASX under which transfers are effected in an electronic form.

When the Shares become approved financial products (as defined in the ASX Settlement Operating Rules), holdings will be registered in one of two subregisters, being an electronic CHESS subregister or an issuer sponsored subregister.

For all successful Applicants, the Shares of a Shareholder who is a participant in CHESS or a Shareholder sponsored by a participant in CHESS will be registered on the CHESS subregister. All other Shares will be registered on the issuer sponsored subregister.

Following Completion of the Offer, Shareholders will be sent a holding statement that sets out the number of Shares that have been allocated to them. This statement will also provide details of a Shareholder's Holder Identification Number (**HIN**) for CHESS holders or, where applicable, the Securityholder Reference Number (**SRN**) of issuer sponsored holders. Shareholders will subsequently receive statements showing any changes to their Shareholding. Certificates will not be issued.

Shareholders will receive subsequent statements during the first week of the following month if there has been a change to their holding on the register and as otherwise required under the ASX Listing Rules and the Corporations Act. Additional statements may be requested at any other time either directly through the Shareholder's sponsoring broker in the case of a holding on the CHESS subregister or through the Share Registry in the case of a holding on the issuer sponsored subregister. REI and the Share Registry may charge a fee for these additional issuer sponsored statements.

07. Details of the Offer (continued)

7.11.3. Deferred settlement trading and selling shares on market

It is expected that trading of the Shares on the ASX (on a deferred basis) will commence on or about 16 December 2015. Trading will be on a deferred settlement basis until the Company has advised ASX that holding statements have been despatched to Shareholders, which is expected to occur on 17 December 2015.

It is the responsibility of each person who trades in Shares to confirm their holding before trading in Shares. If you sell Shares before receiving a holding statement, you do so at your own risk. The Company, the Share Registry and the Lead Manager disclaim all liability, whether in negligence or otherwise, if you sell Shares before receiving your holding statement even if you obtained details of your holding from your firm allocation through a Broker.

Shares are expected to commence trading on the ASX on a normal settlement basis on or about 18 December 2015.

7.12. Constitution and rights attaching to the shares

7.12.1. Introduction

The rights and liabilities attaching to ownership of Shares arise from a combination of the Constitution, statute, the ASX Listing Rules and general law.

A summary of the significant rights, liabilities and obligations attaching to the Shares and a description of other material provisions of the Constitution are set out below. This summary is not exhaustive nor does it constitute a definitive statement of the rights and liabilities of Shareholders. The summary assumes that the Company is admitted to the official list of the ASX.

7.12.2. Voting at a general meeting

At a general meeting of REI, 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.

7.12.3. Meetings of members

Each Shareholder is entitled to receive notice of, attend and vote at general meetings of REI 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.

7.12.4. Dividends

The Board may pay any interim and final dividends that, in its judgement, the financial position of the Company justifies. The Board may also pay any dividend required to be paid under the terms of issue of a Share, and fix a record date for a dividend and the timing and method of payment.

7.12.5. Transfer of Shares

Subject to the Constitution and to any restrictions attached to a Shareholder's Share, Shares may be transferred in accordance with the ASX Settlement Operating Rules, Corporations Regulations and ASX Listing Rules or by a written transfer in any usual form or in any other form approved by the Board and permitted by the relevant laws and ASX requirements. The Board may decline to register a transfer of Shares or apply a holding lock to prevent a transfer in accordance with the Corporations Act or the ASX Listing Rules.

7.12.6. Issue of further Shares

The Board may, subject to the Constitution, Corporations Act and the ASX Listing Rules issue, allot or grant options for, or otherwise dispose of, Shares in the Company on such terms as the Board decides.

07. Details of the Offer (continued)

7.12.7. Winding up

If the Company is wound up, then subject to the Constitution, the Corporations Act and any rights or restrictions attached to any Shares or classes of shares, Shareholders will be entitled to a share in any surplus property of the Company in proportion to the number of Shares held by them.

If the Company is wound up, the liquidator may, with the sanction of a special resolution, divide among the Shareholders the whole or part of the Company's property and decide how the division is to be carried out as between Shareholders or different classes of shareholders.

7.12.8. Non-marketable parcels

In accordance with the ASX Listing Rules, the Board may sell Shares that constitute less than a marketable parcel by following the procedures set out in the Constitution. An unmarketable parcel of shares is defined in the ASX Listing Rules and is generally, a holding of shares with a market value of less than \$500.

7.12.9. Proportional takeover provisions

The Constitution contains provisions requiring Shareholder approval in relation to any proportional takeover bid. These provisions will cease to apply unless renewed by Shareholders passing a special resolution by the third anniversary of either the date those rules were adopted or the date those rules were last renewed.

7.12.10. Variation of class rights

The procedure set out in the Constitution must be followed for any variation of rights attached to the Shares. Under that section, and subject to the Corporations Act and the terms of issue of a class of shares, the rights attached to any class of Shares may be varied:

- > with the consent in writing of the holders of 75% of the issued shares included in that class; or
- > by a special resolution passed at a separate meeting of the holders of those shares.

7.12.11. Directors – appointment and removal

Under the Constitution, the Board is comprised of a minimum of three Directors and a maximum of ten Directors, unless the Shareholders pass a resolution varying that number at a general meeting. Directors are elected or re-elected at annual general meetings of the Company.

No Director (excluding the Chief Executive Officer) may hold office without re-election beyond the third annual general meeting following the meeting at which the Director was last elected or re-elected. The Board may also appoint any eligible person to be a Director either to fill a casual vacancy on the Board or as an addition to the existing Directors, who will then hold office until the conclusion of the next annual general meeting of the Company following their appointment.

7.12.12. Directors – voting

Questions arising at a meeting of the Board must be decided by a majority of votes of the Directors present at the meeting and entitled to vote on the matter. In the case of an equality of votes on a resolution, the chairperson of the meeting has a casting vote in addition to his or her deliberative vote, unless there are only two Directors present or entitled to vote in which case the chairperson of the meeting does not have a second or casting vote and the proposed resolution is taken as lost.

7.12.13. Directors – remuneration

Under the Constitution, the Board may decide the remuneration from the Company to which each Director is entitled for his or her services as a Director. However, the total aggregate amount provided to all Directors for their services as Directors must not exceed in any financial year the amount fixed by the Company in general meeting. The remuneration of a Director must not include a commission on, or a percentage of, profits or operating revenue. The current maximum aggregate sum of Non-Executive Director remuneration is set out in Section 6.3.3. Any change to that maximum aggregate amount needs to be approved by Shareholders.

07. Details of the Offer (continued)

Directors may be paid for all travelling and other expenses the Directors incur in attending to the Company's affairs, including attending and returning from general meetings of the Company or meetings of the Board or of committees of the Board. Any Director who performs extra services which, in the opinion of the Board, are outside the scope of ordinary duties of a Director, may be remunerated for the services (as determined by the Board) out of the funds of the Company.

Directors' remuneration is discussed in Section 6.3.3.

7.12.14. Powers and duties of Directors

The business and affairs of the Company are to be managed by or under the direction of the Board, which (in addition to the powers and authorities conferred on it by the Constitution) may exercise all powers and do all things that are within the Company's power and the powers that are not required by law or by the Constitution to be exercised by the Company in general meeting.

7.12.15. Preference shares

The Company may issue preference Shares including preference Shares which are, or at the option of the Company or holder are, liable to be redeemed or convertible to ordinary shares. The rights attaching to preference Shares are those set out in the Constitution unless other rights have been approved by special resolution of the Company.

7.12.16. Indemnities

The Company, to the extent permitted by law, indemnifies each Director and executive officer of REI on a full indemnity basis against all losses, liability, costs, charges and expenses incurred by that person as an officer of the Company or of a related body corporate.

The Company may, to the extent permitted by law, purchase and maintain insurance or pay, or agree to pay, a premium for a contract insuring each Director and executive officer of the Company against any liability incurred by that person as an officer of the Company or of a related body corporate, including for negligence or for reasonable costs and expenses incurred by that person in defending or responding to proceedings (whether civil or criminal and whatever the outcome).

7.12.17. Access to records

The Company may enter into contracts with a Director or former Directors agreeing to provide continuing access for a specified period after the Director ceases to be a Director to Board papers, books, records and documents of the Company which relate to the period during which the Director or former Director was a Director. The Company may procure that its subsidiaries provide similar access to board papers, books, records or documents.

7.12.18. Amendment

The Constitution can only be amended by special resolution passed by at least three-quarters of Shareholders present (in person or by proxy) and entitled to vote on the resolution at a general meeting of the Company.

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08.

**Independent
Assurance
Report**



08. Independent Assurance Report



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Brisbane QLD 4000
GPO Box 457 Brisbane QLD 4001
Australia

The Due Diligence Committee, each of its members and their representatives
Board of Directors
Real Estate Investar Group Limited
40 Commercial Drive
ASHMORE QLD 4214

13 November 2015

Dear Directors

INDEPENDENT ASSURANCE REPORT ON REAL ESTATE INVESTAR GROUP LIMITED FORECAST

INTRODUCTION

BDO Corporate Finance (QLD) Ltd ('BDO CFQ') has been engaged by Real Estate Investar Group Limited ('REI' or 'the Company') to prepare this Independent Assurance Report ('this Report') in relation to certain financial information of REI, for the Initial Public Offering of shares in REI, for inclusion in a prospectus proposed to be issued on or about 16 November 2015 ('the Prospectus').

Unless stated otherwise in this Report, expressions defined in the Prospectus have the same meaning in this Report.

This Report has been prepared for inclusion in the Prospectus. We disclaim any assumption of responsibility for any reliance on this Report or on the financial information to which it relates for any purpose other than that for which it was prepared.

FORECAST FINANCIAL INFORMATION

This Report relates to the following financial information as set out in section 4 of the Prospectus:

- The Forecast Consolidated Statement of Financial Performance for the financial year ending 30 June 2016 of REI; and
- The Forecast Consolidated Cash Flow Statement for the financial year ending 30 June 2016 of REI, (together, the Forecast Financial Information').

The Forecast Financial Information is presented in an abbreviated form in the Prospectus insofar as it does not include all of the disclosures required by the Australian Accounting Standards (including the Australian Accounting Interpretations) applicable to annual financial reports prepared in accordance with the Corporations Act 2001 (*Cth*).

Scope of Review of the Forecast Financial Information

You have requested BDO CFQ to review the Forecast Financial Information, as described in section 4 of the Prospectus. The directors' best-estimate assumptions underlying the Forecast Financial Information are described in section 4.7 of the Prospectus. The stated basis of preparation used in the preparation of the Forecast Financial Information is consistent with the recognition and measurement principles contained in Australian Accounting Standards and the entity's adopted accounting policies.

BDO Corporate Finance (QLD) Ltd ABN 54 010 185 725 AFS Licence No. 245513 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Corporate Finance (QLD) Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation, other than for the acts or omissions of financial services licensees.

08. Independent Assurance Report (continued)



Directors' Responsibility

The directors of REI are responsible for the preparation of the Forecast Financial Information, including the best-estimate assumptions underlying the Forecast Financial Information. This includes responsibility for such internal controls as the directors determine are necessary to enable the preparation of the Forecast Financial Information that is free from material misstatement, whether due to fraud or error.

Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Forecast Financial Information, based on the procedures performed and the evidence we have obtained. We have conducted our engagement in accordance with the Standard on Assurance Engagements ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

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

Our engagement did not involve updating or re-issuing any previously issued audit or review report on any financial information used as a source of the financial information.

Review Statement

Based on our limited assurance engagement, which is not a reasonable assurance engagement, nothing has come to our attention which causes us to believe that:

- the directors' best-estimate assumptions used in the preparation of the Forecast Financial Information do not provide reasonable grounds for the Forecast Financial Information; and
- in all material respects, the Forecast Financial Information:
 - is not prepared on the basis of the directors' best-estimate assumptions as described in section 4.7 of the Prospectus; and
 - is not presented fairly in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and the entity's adopted accounting policies; and
- the Forecast Financial Information itself is unreasonable.

The Forecast Financial Information has been prepared by management and adopted by the directors in order to provide prospective investors with a guide to the potential financial performance of REI for the year ending 30 June 2016. There is a considerable degree of subjective judgement involved in preparing forecasts since they relate to events and transactions that have not yet occurred and may not occur. Actual results are likely to be different from the Forecast Financial Information since anticipated events or transactions frequently do not occur as expected and the variation may be material. The directors' best-estimate assumptions on which the Forecast Financial Information is based relate to future events and/or transactions that management expect to occur and actions that management expect to take and are also subject to uncertainties and contingencies, which are often

08. Independent Assurance Report (continued)



outside the control of REI. Evidence may be available to support the directors' best-estimate assumptions on which the Forecast Financial Information is based however such evidence is generally future-oriented and therefore speculative in nature. We are therefore not in a position to express a reasonable assurance conclusion on those best-estimate assumptions, and accordingly, provide a lesser level of assurance on the reasonableness of the directors' best-estimate assumptions. The limited assurance conclusion expressed in this Report has been formed on the above basis.

Prospective investors should be aware of the material risks and uncertainties in relation to an investment in REI, which are detailed in the Prospectus, and the inherent uncertainty relating to the Forecast Financial Information. Accordingly, prospective investors should have regard to the investment risks and sensitivities as described in section 5 and section 4.8 of the Prospectus. The sensitivity analysis described in section 4.8 of the Prospectus demonstrates the impact on the Forecast Financial Information of changes in key best-estimate assumptions. We express no opinion as to whether the Forecast Financial Information will be achieved.

The Forecast Financial Information has been prepared by the directors for the purpose of inclusion in the Prospectus. We disclaim any assumption of responsibility for any reliance on this Report, or on the Forecast Financial Information to which it relates, for any purpose other than that for which it was prepared. We have assumed, and relied on representations from certain members of management of REI, that all material information concerning the prospects and proposed operations of REI has been disclosed to us and that the information provided to us for the purpose of our work is true, complete and accurate in all respects. We have no reason to believe that those representations are false.

SUBSEQUENT EVENTS

Apart from the matters dealt with in this Report, and having regard to the scope of this Report and the information provided by the Directors, to the best of our knowledge and belief no material transaction or event outside of the ordinary business of REI not described in the Prospectus, has come to our attention that would require comment on, or adjustment to, the information referred to in our Report or that would cause such information to be misleading or deceptive.

INDEPENDENCE

BDO CFQ is a member of BDO International Ltd. BDO CFQ does not have any interest in the outcome of the Prospectus other than in connection with the preparation of this Report and participation in due diligence procedures, for which professional fees will be received.

GENERAL ADVICE WARNING

This Report has been prepared, and included in the Prospectus, to provide investors with general information only and does not take into account the objectives, financial situation or needs of any specific investor. It is not intended to be a substitute for professional advice and potential investors should not make specific investment decisions in reliance on the information contained in this Report. Before acting or relying on any information, potential investors should consider whether it is appropriate for their objectives, financial situation or needs.

Without modifying our conclusions, we draw attention to section 4.2.3 of the Prospectus, which describes the purpose of the financial information, being for inclusion in the Prospectus. As a result, the financial information may not be suitable for use for another purpose.

08. Independent Assurance Report (continued)



BDO CFQ has consented to the inclusion of this Report in the Prospectus in the form and context in which it is included. At the date of this Report this consent has not been withdrawn. However, BDO CFQ has not authorised the issue of the Prospectus. Accordingly, BDO CFQ makes no representation regarding, and takes no responsibility for, any other statements or material in or omissions from the Prospectus.

FINANCIAL SERVICES GUIDE

Our Financial Services Guide follows this Report. This guide is designed to assist retail clients in their use of any general financial product advice in our Report.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Mark Whittaker', written over a light grey grid background.

Mark Whittaker
Director

A handwritten signature in black ink, appearing to read 'Steven Sorbello', written over a light grey grid background.

Steven Sorbello
Director

08. Independent Assurance Report (continued)



Financial Services Guide

The Financial Services Guide ('FSG') is provided to comply with the legal requirements imposed by the Corporations Act and includes important information regarding the general financial product advice contained in this Report ('this Report'). The FSG also includes general information about BDO Corporate Finance (QLD) Ltd ('BDO CFQ' or 'we', 'us' or 'our'), including the financial services we are authorised to provide, our remuneration and our dispute resolution.

BDO CFQ holds an Australian Financial Services Licence to provide the following services:

- a) financial product advice in relation to deposit and payment products (limited to basic deposit products and deposit products other than basic deposit products), securities, derivatives, managed investments schemes, superannuation, and government debentures, stocks and bonds; and
- b) arranging to deal in financial products mentioned in a) above, with the exception of derivatives.

General Financial Product Advice

The following report sets out what is described as general financial product advice. This Report does not consider personal objectives, individual financial position or needs and therefore does not represent personal financial product advice. Consequently any person using this Report must consider their own objectives, financial situation and needs. They may wish to obtain professional advice to assist in this assessment.

The Assignment

BDO Corporate Finance (QLD) Ltd ABN 54 010 185 725, Australian Financial Services Licence No. 245513 have been engaged by Real Estate Investar Group Limited ('REI' or 'the Company') to provide general financial product advice in the form of a report in relation to a financial product. Specifically, BDO CFQ has been engaged to prepare an Independent Assurance Report ('IAR') in relation to certain financial information of REI, for the Initial Public Offering of shares in REI, for inclusion in a prospectus proposed to be issued on or about 16 November 2015 ('Prospectus').

This Report cannot be relied upon for any purpose other than the purpose mentioned above and cannot be relied upon by any person or entity other than those mentioned above, unless we have provided our express consent in writing to do so.

Fees, commissions and other benefits we may receive

We charge a fee for providing reports. The fees are negotiated with the party who engages us to provide a report. Fees are usually charged as a fixed amount or on an hourly basis depending on the terms of the agreement with the engaging party.

Except for the fees referred to above, neither BDO CFQ, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of this Report. Directors of BDO CFQ may receive a share in the profits of BDO Group Holdings (QLD) Pty Ltd, a parent entity of BDO CFQ. All directors and employees of BDO Group Holdings (QLD) Pty Ltd and its subsidiaries (including BDO CFQ) are entitled to receive a salary. Where a director of BDO CFQ is a shareholder of BDO Group Holdings (QLD) Pty Ltd, the person is entitled to share in the profits of BDO Group Holdings (QLD) Pty Ltd.

08. Independent Assurance Report (continued)

Associations and Relationships

From time to time BDO CFQ or its related entities may provide professional services to issuers of financial products in the ordinary course of its business. These services may include audit, tax and business advisory services. BDO Audit Pty Ltd have previously provided assurance services to REI and are currently the engaged auditor.

BDO CFQ have not previously provided any services to REI. The signatory to this Report does not hold an interest in REI and no such shares have ever been held by the signatory.

To prepare our reports, including this Report, we may use researched information provided by research facilities to which we subscribe or which is publicly available. Reference has been made to the sources of information in this Report, where applicable. Research fees are not included in the fee details provided in this Report.

Complaints

We are members of the Financial Ombudsman Service. Any complaint about our service should be in writing and sent to BDO Corporate Finance (QLD) Ltd, GPO Box 457, Brisbane QLD 4001.

We will endeavour to resolve the complaint quickly and fairly. If the complaint cannot be satisfied within 45 days of written notification, there is a right to lodge a complaint with the Financial Ombudsman Service. They can be contacted on 1300 780 808. This service is provided free of charge.

If the complaint involves ethical conduct a complaint may be lodged in writing with Chartered Accountants Australia and New Zealand, Queensland Branch, GPO Box 2054, Brisbane QLD 4001. The Australian Securities and Investment Commission (ASIC) also has an Infoline on 1300 300 630 which can be used to make a complaint and obtain information about investor rights.

Contact Details

BDO Corporate Finance (QLD) Ltd

Location Address:	Postal Address:
Level 10, 12 Creek Street BRISBANE QLD 4000	GPO Box 457 BRISBANE QLD 4001
Phone: (07) 3237 5999	Email: cf.brisbane@bdo.com.au
Fax: (07) 3221 9227	

08. Independent Assurance Report (continued)



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Australia

The Due Diligence Committee, each of its members and their representatives
Board of Directors
Real Estate Investor Group Limited
40 Commercial Drive
ASHMORE QLD 4214

13 November 2015

Dear Directors

INDEPENDENT ASSURANCE REPORT

BDO Audit Pty Ltd ('BDO') has been engaged by Real Estate Investor Group Limited ('REI' or 'the Company') to prepare this Investigating Accountant's Report (Report) in relation to certain financial information of REI, for the Initial Public Offering of shares in REI, for inclusion in a prospectus proposed to be issued on or about 16 November 2015 ('Prospectus').

Unless stated otherwise in this Report, expressions defined in the Prospectus have the same meaning in this Report.

This Report has been prepared for inclusion in the Prospectus. We disclaim any assumption of responsibility for any reliance on this Report or on the Financial Information to which it relates for any purpose other than that for which it was prepared.

Scope

Historical Financial Information

You have requested BDO to review the following Historical Financial Information of REI included in the Prospectus.

- The Consolidated Statement of Financial Position as at 30 June 2015;
- The Consolidated Statements of Financial Performance for the years ended 30 June 2013, 30 June 2014 and 30 June 2015; and
- The Consolidated Statements of Cash Flows for the years ended 30 June 2013, 30 June 2014 and 30 June 2015.

The Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and the company's adopted accounting policies. The Historical Financial Information has been extracted from the financial report of REI for the years ended 30 June 2013, 30 June 2014 and 30 June 2015, which was audited by BDO in accordance with the Australian Auditing Standards. BDO issued an unmodified audit opinion on the financial reports with an emphasis of matter regarding going concern. The Historical Financial Information is presented in the Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting

BDO Audit Pty Ltd ABN 33 134 022 870 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation, other than for the acts or omissions of financial services licensees.

08. Independent Assurance Report (continued)



Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act 2001.

Pro Forma historical financial information

You have requested BDO to review the pro forma historical Consolidated Statement of Financial Position as at 30 June 2015 referred to as “the pro forma historical financial information”.

The pro forma historical financial information has been derived from the historical financial information of REI, after adjusting for the effects of pro forma adjustments described in section 4.4.1 of the Prospectus. The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards applied to the historical financial information and the events or transactions to which the pro forma adjustments relate, as described in section 4.4.1 of the Prospectus, as if those events or transactions had occurred as at the date of the historical financial information. Due to its nature, the pro forma historical financial information does not represent the company’s actual or prospective financial position.

Directors’ Responsibility

The directors of REI are responsible for the preparation of the historical financial information and pro forma historical financial information, including the selection and determination of pro forma adjustments made to the historical financial information and included in the pro forma historical financial information. This includes responsibility for such internal controls as the directors determine are necessary to enable the preparation of historical financial information and pro forma historical financial information that are free from material misstatement, whether due to fraud or error.

Our Responsibility

Our responsibility is to express a limited assurance conclusion on the financial information based on the procedures performed and the evidence we have obtained. We have conducted our engagement in accordance with the Standard on Assurance Engagement ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

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

Our engagement did not involve updating or re-issuing any previously issued audit or review report on any financial information used as a source of the financial information.

08. Independent Assurance Report (continued)



Conclusions

Historical financial information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the historical financial information, as described in section 4 of the Prospectus, and comprising:

- the Consolidated Statement of Financial Performance of REI for the years ended 30 June 2013, 30 June 2014 and 30 June 2015;
- the Consolidated Statement of Financial Position as at 30 June 2015; and
- the Consolidated Statement of Cash Flows for the years ended 30 June 2013, 30 June 2014 and 30 June 2015;

are not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in section 4.2 of the document.

Pro Forma historical financial information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the pro forma historical financial information being the Pro Forma Statement of Financial Position as at 30 June 2015 is not presented fairly in all material respects, in accordance with the stated basis of preparation as described in section 4.2 of the document.

Subsequent Events

Apart from the matters dealt with in this Report, and having regard to the scope of this Report and the information provided by the Directors, to the best of our knowledge and belief no material transaction or event outside of the ordinary business of REI not described in the Prospectus, has come to our attention that would require comment on, or adjustment to, the information referred to in our Report or that would cause such information to be misleading or deceptive.

Independence

BDO is a member of BDO International Ltd. BDO does not have any interest in the outcome of the Prospectus other than in connection with the preparation of this Report and participation in due diligence procedures, for which professional fees will be received. From time to time, BDO provides REI with certain other professional services for which normal professional fees are received.

General Advice Warning

This Report has been prepared, and included in the Prospectus, to provide investors with general information only and does not take into account the objectives, financial situation or needs of any specific investor. It is not intended to be a substitute for professional advice and potential investors should not make specific investment decisions in reliance on the information contained in this Report. Before acting or relying on any information, potential investors should consider whether it is appropriate for their objectives, financial situation or needs.

Without modifying our conclusions, we draw attention to section 4.2 of the Prospectus, which describes the purpose of the financial information, being for inclusion in the Prospectus. As a result, the financial information may not be suitable for use for another purpose.

08. Independent Assurance Report (continued)



BDO has consented to the inclusion of this Report in the Prospectus in the form and context in which it is included. At the date of this Report this consent has not been withdrawn. However, BDO has not authorised the issue of the Prospectus. Accordingly, BDO makes no representation regarding, and takes no responsibility for, any other statements or material in or omissions from the Prospectus.

BDO Audit Pty Ltd

BDO


A J Whyte
Director

Brisbane, 13 November 2015

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09.

Additional Information

09. Additional Information

9.1. Registration

The Company was incorporated as an Australian proprietary company on 24 December 2009 and became an Australian public company limited by shares on 2 August 2013. The Company is registered in the State of Queensland with a registered office located in Victoria.

9.2. Company tax status

The Company will be taxed in Australia as a public company.

9.3. Corporate structure

9.3.1. Corporate structure

The following diagram represents the corporate structure of REI at the Prospectus Date. Each entity in REI is 100% owned, directly or indirectly, by the Company, and is engaged in the business of the Company.



9.4. Convertible Notes

On 20 January 2015, the Company entered into a convertible note deed poll under which it issued 4 convertible notes to sophisticated and professional investors raising proceeds of \$200,000. On 4 May 2015, the Company entered into a further convertible note deed poll under which it issued 15 further convertible notes, also to sophisticated and professional investors raising proceeds of \$500,000 in the period prior to 30 June 2015 and \$250,000 after this date to total (\$750,000 in total) (collectively, **Convertible Notes**). The purpose of issuing the Convertible Notes was to raise funds for REI's Australian and New Zealand sales and marketing growth, product development and enhancements, as well as for working capital.

On Completion of the Offer, all of the Convertible Notes plus any accrued and unpaid interest will automatically convert into 6,613,980 Shares at an effective conversion price of \$0.151 each, equivalent to a 24% discount to the Offer Price and will be issued under the terms of this Prospectus. These Shares are shown in the table at Section 7.3.

09. Additional Information (continued)

9.5. APM Equity Participation Agreement

On 31 March 2015, the Company entered into an equity participation agreement with Australian Property Monitors Pty Limited (**APM**) (a wholly-owned subsidiary of Fairfax Media Limited) under which the parties agreed that APM (or its nominee) would be issued with both Shares and convertible notes in REI in full and final satisfaction of the amount of \$1,484,955 due to APM in connection with services provided by APM to REI under the Distribution Agreement (summarised in Section 9.8.1). The Shares and convertible notes are to be issued to Fairfax Media immediately prior to Completion of the Offer and are as follows:

- > 10,576,125 Shares (representing 12.5% of the total Shares following Completion of the Offer); and
- > 234,995 Convertible Notes with a face value of \$1.00 each. The Convertible Notes are issued on the terms summarised in the table below:

Number of Convertible Notes issued	234,995
Face Value	\$1.00 each
Security	None
Transferability	Transferable
Coupon	5% per annum (payable in arrears on 30 June each year and on the date that the Convertible Notes are converted or redeemed)
Conversion period	At any time during the 12 month period following Completion of the Offer
Conversion Price	\$0.151 or, if the Company issues further Shares following the Offer, the issue price of those Shares.
Number of Shares into which Convertible Notes will convert	The Face Value of the Convertible Notes divided by the Conversion Price.
Redemption	Company may redeem at any time by making repayment of principal and accrued interest (subject to Fairfax Media's right of conversion).
Repayment Date	12 months after the IPO, if not previously converted or redeemed.

In addition, the Equity Participation Agreement states that APM (or its nominee) has the ability to nominate a director to the Board for as long as it holds 10% of the issued capital of the Company. This right is subject to the Corporations Act and the Listing Rules.

09. Additional Information (continued)

9.6. Escrow arrangements

9.6.1. Restricted Securities

ASX, as a condition of granting the Company's application for admission to the Official List (and official quotation of its Shares), has advised REI of its intention to treat certain of the Existing Shares as restricted securities (**Restricted Securities**). The Restricted Securities will not be quoted by ASX and will be issued on the issuer sponsored sub-register and a holding lock will be placed over the Restricted Securities to prevent those securities being traded on the ASX or off-market for the specified period.

Each of these Escrowed Shareholders will be required to enter into restriction agreements in respect of some or all of their shareholding on Completion (other than any Shares acquired under the Offer), which prevents them from dealing with their respective Restricted Securities for the applicable escrow period without the holders of those Escrowed Shares first obtaining the written consent of ASX to the dealing.

The restriction on dealing is broadly defined and includes, among other things, selling, transferring or otherwise disposing of any interest in the Shares, encumbering or granting a security interest over the Shares, doing, or omitting to do, any act where the act or omission would have the effect of transferring effective ownership or control of any the Shares or agreeing to do any of those things.

With the prior approval of ASX, any of the Restricted Securities may be released early from these escrow obligations to enable:

- > the holder to accept an offer under a takeover bid in relation to its Restricted Securities if holders of at least half of the Shares the subject of the bid that are not escrowed have accepted the takeover bid; and
- > the Restricted Securities held by the holder to be transferred or cancelled as part of a merger by a scheme of arrangement under Part 5.1 of the Corporations Act.

The Company believes that 30,244,952 of the Existing Shares will be treated by ASX as Restricted Securities however this remains subject to final confirmation by ASX. The Company will announce to the ASX full details (quantity and duration) of the Shares that are Restricted Securities and subject to mandatory escrow prior to the Shares commencing trading on ASX.

9.6.2. Voluntary Escrow

In addition to the Restricted Securities above, each of Simon Baker, Campbell Venning and Clint Greaves (via their associated entities) have agreed to voluntary escrow arrangements under which they have undertaken to REI not to dispose of any interest in or to grant any security over Shares held by them collectively. The purpose of these voluntary escrow arrangements is to better align the interests of these individuals with those of New Shareholders and to promote an orderly market for Shares by preventing any sell-down of these Shares for 2 years after the Shares are listed. These restrictions will terminate on the second anniversary of Completion of the Offer.

Fairfax Media has also agreed to voluntary escrow arrangements, under which Fairfax Media has undertaken not to dispose of any interest or grant any security over its Shares for a period of 12 months following Completion of the Offer.

Escrowed Shareholders may be released early from these voluntary escrow obligations to enable (in summary):

- > the Escrowed Shareholder to accept an offer under a takeover bid in relation to its Escrowed Shares if holders of at least half of the Shares the subject of the bid that are not held by the Escrowed Shareholders have accepted the takeover bid; or
- > the Escrowed Shares to be transferred or cancelled as part of a merger by scheme of arrangement under Part 5.1 of the Corporations Act.

09. Additional Information (continued)

9.6.3. Summary details of Shareholders subject to escrow restrictions

Summary details of the mandatory and voluntary escrow restrictions applicable to Existing Shareholders are set out in the following table:

	Restricted Securities	Shares subject to Voluntary Escrow	Total shares subject to escrow	% of Shareholding subject to escrow (mandatory and voluntary)	Escrow Period
Simon Baker	2,650,629	5,358,387	8,009,016	70%	2 years from date of Completion of the Offer
Campbell Venning	7,230,853	803,428	8,034,281	100%	2 years from date of Completion of the Offer
David Hows	8,024,705	–	8,024,705	100%	2 years from date of Completion of the Offer
Clint Greaves	4,685,000	150,000	4,835,000	100%	2 years from date of Completion of the Offer
Ian Penman	292,500	–	292,500	100%	2 years from date of Completion of the Offer
Fairfax Media	–	10,576,125	10,576,125	100%	12 months from date of Completion of the Offer
Other Existing Shareholders	6,342,505	–	6,342,505	52%	Between 12 months and 2 years from date of Completion of the Offer
Convertible Note holders ¹	1,018,760	–	1,018,760	24%	2 years from date of Completion of the Offer
Total	30,244,952	16,887,940	47,132,892	55.8% of Shares on Completion of the Offer	

Notes:

1. Convertible Note holders excluding Simon Baker / associated entities.

9.7. Underwriting Agreement

The Company and the Lead Manager have entered into an underwriting agreement dated 13 November 2015 (**Underwriting Agreement**) pursuant to which the Lead Manager agrees to underwrite subscriptions for the Shares offered under the Offer on an exclusive basis.

9.7.1. Commission, fees and expenses

On the Completion of the Offer, the Company must pay the Lead Manager a management fee equal to 1.00% of the proceeds of the Offer and an underwriting fee equal to 4.00% of the proceeds of the Offer.

The Company has also agreed to reimburse the Lead Manager for reasonable costs and expenses of and incidental to the Offer.

The Lead Manager must pay any fees due to any co-managers, co-lead managers and brokers appointed by the Lead Manager under the Underwriting Agreement.

09. Additional Information (continued)

9.7.2. Termination events

The Lead Manager may, at any time on or after lodgement of the Prospectus with ASIC and on or before settlement of the Offer or at any other time as specified below, terminate the Underwriting Agreement (without any cost or liability to the Lead Manager by notice to the Company), if any of the following events occur:

- > **(disclosures in Offer documents)** a statement in the Offer documents, including the Prospectus and Application Form, is misleading or deceptive or likely to mislead or deceive, or there is an omission from the offer documents of material required by sections 710, 711, 715A or 716 of the Corporations Act;
- > **(new circumstances)** there occurs a new circumstance that arises after the Prospectus is lodged, that would have been required to be included in the Prospectus if it had arisen before lodgement that is materially adverse from the point of view of an investor;
- > **(supplementary prospectus)** the Company:
 - issues or, in the reasonable opinion of the Lead Manager is required to issue, a supplementary prospectus because of the operation of section 719(1); or
 - lodge a supplementary prospectus with ASIC in a form and substance that has not been approved by the Lead Manager;
- > **(market fall)** at any time the S&P/ASX All Ordinaries Index falls to a level that is 90% or less of the level as at the close of trading on the date of the Underwriting Agreement and closes at or below that 90% level on 3 consecutive business days prior to settlement of the Offer, or on the Business Day prior to settlement of the Offer;
- > **(escrow deeds)** any of the escrow deeds referred to in Section 9.6 are withdrawn, varied, terminated, rescinded, altered or amended, breached or failed to be complied with;
- > **(listing and quotation)** approval is refused or not granted, or approval is granted subject to conditions other than customary conditions, to:
 - the Company's admission to the official list of ASX on or before the shortfall notification date under the Underwriting Agreement; or
 - the quotation of the Shares on ASX or for the Shares to be traded through CHESS on or before Listing,or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld;
- > **(notifications)** any of the following notifications are made in respect of the Offer:
 - ASIC issues an order (including an interim order) under section 739 of the Corporations Act and any such inquiry or hearing is not withdrawn within three business days or if it is made within three business days of settlement of the Offer it has not been withdrawn by the day before settlement of the Offer;
 - ASIC holds a hearing under section 739(2) of the Corporations Act;
 - an application is made by ASIC for an order under Part 9.5 of the Corporations Act in relation to the Offer or an Offer document or ASIC commences any investigation or hearing under Part 3 of the ASIC Act in relation to the Offer or an Offer document, and any such application inquiry or hearing is not withdrawn within three business days, or if it is made within three business days of settlement of the Offer, it has not been withdrawn before settlement of the Offer;
 - any person who has previously consented to the inclusion of its name in the Prospectus (other than the Lead Manager) withdraws that consent; or
 - any person gives a notice under section 730 in relation to the Prospectus (other than the Lead Manager, co-lead manager or co-manager);

09. Additional Information (continued)

- > **(withdrawal)** the Company withdraws the Prospectus or the Offer;
- > **(Offer timetable)** an event specified in the timetable for the Offer up to and including the settlement of the Offer is delayed by more than two business days (other than any delay caused solely by the Lead Manager or any delay agreed between the Company and the Lead Manager or a delay as a result of an extension of the exposure period by ASIC);
- > **(unable to issue Shares)** the Company is prevented from allotting and issuing the new Shares, by applicable laws, an order of a court of competent jurisdiction or a governmental authority, within the time required by the Listing Rules;
- > **(regulatory approvals)** if a regulatory body withdraws, revokes or amends any regulatory approvals required for the Company to perform its obligations under the Underwriting Agreement, such that the Company is rendered unable to perform its obligations under the Underwriting Agreement; or
- > **(change in management)** a change in the Chief Executive Officer or Chief Financial Officer of the Company occurs, or there is a change in the board of directors of the Company.

The Lead Manager may, at any time on or after the date of the Underwriting Agreement and on or before settlement of the Offer, terminate the Underwriting Agreement (without any cost or liability to the Lead Manager by written notice to the Company), if any of the following events occur and the Lead Manager has reasonable grounds to believe that the event:

- > has, or is likely to have, a materially adverse effect on the success or outcome of the Offer, or the ability of the Lead Manager to settle the Offer; or
- > will, or is likely to, give rise to a liability of the Lead Manager under, or a contravention by the Lead Manager of, any applicable law.

The events are:

- > **(compliance with law)** any of the Offer documents, including the Prospectus and the Application Form, or any aspect of the Offer does not comply with the Corporations Act, the Listing Rules, or any other applicable law or regulation;
- > **(disclosures in public information)** a statement in any public information, including any public or other media statements made by or on behalf of the Company in relation to the business affairs of REI on or after the date of the Underwriting Agreement or the Offer, is or becomes misleading or deceptive or is likely to mislead or deceive;
- > **(disclosures in the due diligence report)** the due diligence report prepared in connection with the Offer is, or becomes, false, misleading or deceptive, including by way of omission;
- > **(adverse change)** an event occurs which is, or is likely to give rise to:
 - an adverse change in the assets, liabilities, financial position or performance, profits, losses or prospects of REI from those disclosed in the Prospectus lodged with ASIC; or
 - an adverse change in the nature of the business conducted by REI as disclosed in the Prospectus lodged with ASIC;
- > **(forecasts)** there are not, or there ceases to be, reasonable grounds in the reasonable opinion of the Lead Manager for any statement or estimate in the Offer documents, including the Prospectus, which relate to a future matter or any statement or estimate in the offer documents, which relate to a future matter is, in the reasonable opinion of the Lead Manager, unlikely to be met in the projected timeframe (including in each case financial forecasts);
- > **(certificate)** the Company does not provide a closing certificate as and when required by the Underwriting Agreement or a statement in any closing certificate is, in any material respect, false, misleading, inaccurate or untrue or incorrect;
- > **(insolvency events)** any member of REI becomes insolvent, or there is an act or omission which is likely to result in a member of REI becoming insolvent;

09. Additional Information (continued)

- > **(hostilities)** in respect of any one or more of Australia, New Zealand, the United States, the United Kingdom, Hong Kong, the Peoples' Republic of China, Singapore or any member state of the European Union:
 - hostilities not presently existing commence;
 - a major escalation in existing hostilities occurs (whether war is declared or not);
 - a declaration is made of a national emergency or war; or
 - a major terrorist act is perpetrated;
- > **(material contracts)** if any of the obligations of the relevant parties under any of the escrow deeds (as described in Section 9.6) or certain other material contracts are not capable of being performed in accordance with their terms (in the reasonable opinion of the Lead Manager) or if all or any part of any of those deeds or agreements:
 - is terminated, withdrawn, rescinded, avoided or repudiated;
 - is altered, amended or varied without the consent of the Lead Manager (acting reasonably);
 - is breached, or there is a failure by a party to comply;
 - ceases to have effect, otherwise than in accordance with its terms; or
 - is or becomes void, voidable, illegal, invalid or unenforceable (other than by reason only of a party waiving any of its rights) or capable of being terminated, withdrawn, rescinded, avoided or withdrawn or of limited force and affect, or its performance is or becomes illegal;
- > **(change of law)** there is introduced, or there is a public announcement of a proposal to introduce, a new law or regulation or government policy in Australia (excluding a policy of the Reserve Bank of Australia), New Zealand, the United States, the United Kingdom, Hong Kong, the Peoples' Republic of China, Singapore or any member state of the European Union (other than a law or policy which has been announced before the date of the Underwriting Agreement);
- > **(breach of laws)** there is a contravention by the Company or any entity within the REI Group of the Corporations Act, the Competition and Consumer Act 2010 (Cth), the Australian Securities and Investments Commission Act 2001 (Cth), the Constitution, or the Listing Rules;
- > **(representations and warranties)** a representation or warranty contained in the Underwriting Agreement on the part of the Company is breached, becomes not true or correct or is not performed;
- > **(breach)** the Company defaults on one or more of its undertakings or obligations under the Underwriting Agreement;
- > **(legal proceedings)** any of the following occurs:
 - a director of the Company is charged with an indictable offence;
 - any director of the Company is disqualified from managing a corporation under Part 2D.6 of the Corporations Act;
 - the commencement of legal proceedings against the Company or any of their directors in their capacity as a director; or
 - any regulatory body commences any inquiry against any member of the REI Group or the Company;
- > **(disruption in financial markets)** any of the following occurs:
 - a general moratorium on commercial banking activities in Australia, the United Kingdom, the United States or Hong Kong or any member state of the European Union is declared by the relevant central banking authority in those countries, or there is a disruption in commercial banking or security settlement or clearance services in any of those countries; or
 - trading in all securities quoted or listed on ASX, the London Stock Exchange or the New York Stock Exchange is suspended for at least one day on which that exchange is open for trading; and
- > **(fraud)** the Company or any of its directors or officers engage, or have been alleged by a governmental authority to have engaged since the date of the Underwriting Agreement, in any fraudulent conduct or activity whether or not in connection with the Offer.

09. Additional Information (continued)

9.7.3. Representations, warranties and undertakings

The Underwriting Agreement contains representations, warranties and undertakings provided by the Company to the Lead Manager.

The representations and warranties relate to matters such as its powers and capacities, its conduct (including in respect of its compliance with applicable laws and the ASX Listing Rules, business and status, due diligence and disclosure), certain documents issued by the Company in connection with the Offer (which includes the Prospectus, an Application Form, any supplementary prospectus, marketing presentations and public announcements in connection with the Offer), the information provided (including the financial information), insolvency, the conduct of the Offer, litigation and insurance. The Company's undertakings include that it will not, from the date of the Underwriting Agreement up until 90 days after Completion of the Offer, without the prior written consent of the Lead Manager or as disclosed in the Prospectus, issue or agree to issue any Shares (or other securities that are convertible or exchangeable into equity, or that represent the right to receive equity) other than pursuant to the Offer, the Underwriting Agreement, an employee share plan, a non-underwritten dividend reinvestment plan or a bonus share plan.

9.7.4. Indemnity

The Company agrees to keep the Lead Manager and certain of the Lead Manager's affiliated parties indemnified from losses suffered in connection with the Offer, subject to customary exclusions (including fraud, wilful misconduct, recklessness or gross negligence).

9.8. Material contracts

The Directors consider that the material contracts described below are those which an investor would reasonably regard as material and which investors and their professional advisers would reasonably expect to find described in this Prospectus for the purpose of making an informed assessment of an investment in REI under the Offer.

9.8.1. Overview of the APM Distribution Agreement

REI entered into a Distribution Agreement with APM, dated 6 October 2011 (**APM Distribution Agreement**). The APM Distribution Agreement was amended by four letters dated 6 June 2012, 1 February 2013, 22 May 2013 and 3 September 2015. The key features of the APM Distribution Agreement (as amended) are set out below.

APM granted to REI the right to distribute a customised version of APM Property Data and APM Automated Valuation through REI's paid subscription products branded as My Research and My Valuer, based on paid subscription customers entering into and complying with an end user contract on terms acceptable to APM.

REI is responsible for promoting and supporting users of the APM products, and managing all customer interactions including the on-boarding, ongoing customer service and billing arrangements.

The initial term of the APM Distribution Agreement was 3 years, but the 22 May 2013 amendment and the 3 September 2015 had the cumulative effect of extending the term of the agreement to 6 April 2016. There can be no assurance that the APM Distribution Agreement will be renewed or a new contract entered into on terms acceptable to the Company following expiry. Each party has the ability to terminate on no less than 6 months' written notice, but holding over provisions exist to ensure continuity of service during any notice periods. The APM Distribution Agreement also provides for termination by APM in certain circumstances, including if there is a material or persistent breach by the Company, or if APM loses the right to supply data.

The APM Distribution Agreement includes fees payable by REI to APM on a per user per month basis, with minimum volume guarantees for each year of the agreement, but allows any shortfall payment made by REI where minimum volumes are not met in a period to be offset against amounts in excess of the minimum in any subsequent period or periods.

09. Additional Information (continued)

The amendments to the APM Distribution Agreement provided for the following:

- > APM Property Data and APM Automated Valuation products to be provided to REI's Connective Group end users and other multi licence affiliate partners;
- > the development and refining of a mobile and iPad application for REI end users to be developed and funded by APM; and
- > to record minimum promotional activity being provided to REI by Domain as part of the agreement.

APM has excluded liability to the Company under the APM Distribution Agreement other than under a warranty given by APM that the data does not infringe any third party's intellectual property rights. The Company has provided an indemnity in favour of APM in relation to a material breach or unauthorised conduct by the Company.

9.8.2. Overview of the CoreLogic NZ contract

REI entered into a Master Data License agreement with CoreLogic NZ Limited (**CoreLogic**) (formerly PropertyIQ NZ Limited), dated 1 July 2011 (**Master Data Licence Agreement**). This was updated with a Deed of Amendment and Restatement of the Master Data Licence Agreement dated 1 June 2015.

CoreLogic holds certain New Zealand based property information and data included in its "RPNZ" products which it makes available to REI paid subscription customers under the Master Data Licence Agreement, based on REI managing the customer on-boarding, ongoing customer service and billing arrangements.

REI is responsible for promoting and supporting users of the RPNZ products as part of the REI paid subscription products branded as My Research and My Valuer, based on paid subscription customers entering into and abiding by an end user contract on terms acceptable to CoreLogic.

The initial term of the Master Data Licence Agreement continues to 30 September 2017, and the Master Data Licence Agreement automatically renews for a subsequent 12 months unless either party provides notice not to review at least 3 months prior to the end of the initial term. The Master Data Licence Agreement allows CoreLogic to terminate in certain circumstances, including if there is a material or persistent breach by the Company, or if CoreLogic loses the right to supply data.

CoreLogic has excluded liability to the Company under the Master Data Licence Agreement other than under a warranty given by CoreLogic that the data does not infringe any third party's intellectual property rights. The Company has provided an indemnity in favour of CoreLogic in relation to a material breach or unauthorised conduct by the Company.

9.8.3. Overview of the Xero Partner Agreement

REI is a member of the Xero Partner Program. To become a recognised Xero Partner and receive benefits under the Xero Partner Program, REI has agreed to both the terms of the Partner Agreement as well as Xero's subscription and payment terms (as set out in Xero's standard Terms of Use).

As a Xero Partner, REI gets access to benefits including access to Xero Partner Edition which includes a subscription to manage clients centrally, one subscription to Xero for internet use at no cost and access to Partner-only information and support. The agreement can be suspended or terminated by either REI or Xero for any reason by providing one month's notice, or otherwise with immediate effect for breach of any of its terms. There can be no assurance that Xero will not terminate the Partner Program for convenience as permitted under the Partner Agreement. While access to the Xero Partner Program is free, REI has obligations to actively promote Xero to clients, ensure one of its staff members is Xero certified, provide an active hyperlink to the Xero website, offer clients value-added services featuring and including Xero and act in good faith in the offering and use of Xero.

Xero's standard Terms of Use stipulate the rights and obligations of both subscribers (REI) and end users, including payment of access fees. Again, both Xero, REI and end users have the right to terminate by giving notice to the other party at least 30 days before the end of the relevant payment period (being one month). Access may also be terminated by Xero if REI commits a breach or suffers and insolvency event. End users grant to Xero a licence to use, copy, transmit, store and back-up their information and data for the purposes of allowing access and use of the services. Notwithstanding, all intellectual property rights in the data remain the property of the user subject to full payment of the access fees.

09. Additional Information (continued)

9.8.4. Overview of OnTheNet Hosting Agreement

REI has a domain and website hosting service contract with OnTheNet. The services provided by OnTheNet include domain name registration/renewal and re-delegation and hosting services. Technical support is also included. If REI elects to change its plan, a new contract term of 12 months will be triggered. REI can cancel the agreement by 5 business days' notice to OnTheNet, but a cancellation fee applies if the service is cancelled prior to the end of the contract. The cancellation fee is equal to the total of the remaining monthly fees for the contract term.

OnTheNet may suspend or cancel the provision of the Services to REI without notice in a number of circumstances. These include if REI breaches and fails to remedy a term of the contract or breaches OnTheNet's Acceptable Use Policy, OnTheNet is required to perform maintenance in connection with its facilities, network or system; where there is a planned outage period; if it is required to suspend services as required by any governmental agency or emergency service organisation; where a third party disconnects or disconnects a service to OnTheNet; where a service access line has been disconnected; where REI's service is impacting the OnTheNet network in a detrimental way (such as malware infection) or otherwise as a result of emergency or force majeure event.

REI is responsible for maintaining data backup and storing an off-site copy of the website and/or database content, structure and information. REI is also responsible for uploading its website/s onto OnTheNet's servers. REI has provided warranties in relation to compliance with relevant laws and standards where REI's use of the service involves the storage, processing or transmission of or access to credit card data.

REI has also provided an indemnity in favour of OnTheNet as regards to any personal injury or damage to property caused by any services sold or distributed by OnTheNet, any allegations that the content of a website for which OnTheNet is providing hosting services is defamatory, misleading or deceptive or infringes any intellectual property or privacy rights of any person, or if the website is defective.

9.8.5. Overview of REI's standard terms and conditions with paying subscribers

REI enters into contracts on standard terms and conditions with its paying subscription customers. Each paying subscriber must agree to these standard terms and conditions, which govern the use of REI services and websites, subscription types and access, contract terms and monthly or annual payments due for each term (along with APM and CoreLogic end user agreement terms). REI's standard terms and conditions provide for cancellation fees for 12 or 24 month subscribers. The terms and conditions also contain standard exclusions in relation to implied warranties and liability. REI's full paid subscription customer terms and conditions can be viewed at www.realestateinvestar.com.au/terms and www.realestateinvestar.co.nz/terms.

9.9. Consents and disclaimers of responsibility

Written consents to the issue of this Prospectus have been given and, at the time of lodgement of this Prospectus with ASIC, had not been withdrawn by the following parties:

- > Baillieu Holst Ltd has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as Lead Manager and Underwriter to the Offer in the form and context in which it is named. Baillieu Holst Ltd takes no responsibility for any part of this Prospectus other than any reference to its name.
- > Logie-Smith Lanyon has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as Australian legal advisor to the Company (except in relation to taxation and stamp duty) in the form and context in which it is named. Logie-Smith Lanyon takes no responsibility for any part of this Prospectus other than any reference to its name.
- > BDO Audit Pty Ltd has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as auditor to the Company and Investigating Accountant to REI in the form and context in which it is named and has given and not withdrawn its consent to the inclusion in this Prospectus of its Independent Assurance Report in the form and context in which it is included. BDO Audit Pty Ltd takes no responsibility for any part of this Prospectus other than any reference to its name and the Independent Assurance Report.

09. Additional Information (continued)

- > BDO Corporate Finance (QLD) Ltd has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as Investigating Accountant to REI in the form and context in which it is named and has given and not withdrawn its consent to the inclusion in this Prospectus of its Independent Assurance Report in the form and context in which it is included. BDO Corporate Finance (QLD) Ltd takes no responsibility for any part of this Prospectus other than any reference to its name and the Independent Assurance Report.
- > Frost & Sullivan Australia Pty Limited has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as Independent Market Expert to REI in the form and context in which it is named and has given and not withdrawn its consent to the inclusion in this Prospectus of its Independent Market Report in the form and context in which it is included. Frost & Sullivan Australia Pty Limited takes no responsibility for any part of this Prospectus other than any reference to its name and the Independent Market Report.
- > Boardroom Pty Limited has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as the Share Registry in the form and context in which it is named. Boardroom Pty Limited has not authorised or caused the issue of and expressly disclaims and takes no responsibility for any part of this Prospectus.

9.10. Control implications of the Offer

The Directors do not expect any Shareholder to control the Company on Completion of the Offer (as defined in Section 50AA of the Corporations Act). On Completion, it is expected that approximately 55.8% of Shares will be restricted securities or subject to voluntary escrow arrangements described in Section 9.6.

9.11. Expenses of the Offer

If the Offer proceeds, the total estimated costs in connection with the Offer payable by the Company (including advisory, legal, accounting, tax, listing and administrative fees, the Underwriter's management fees, Prospectus design and printing, advertising, marketing, Share Registry and other expenses) are currently estimated to be \$0.58 million.

9.12. Litigation and claims

So far as the Directors are aware, as at the Prospectus Date, there are no legal proceedings to which the Company is a party and the Directors are not aware of any such legal proceedings that are pending or threatened.

9.13. Governing law

This Prospectus and the contracts that arise from the acceptance of the Applications and bids under this Prospectus are governed by the law applicable in Victoria, Australia and each Applicant and bidder submits to the exclusive jurisdiction of the courts of Victoria, Australia.

9.14. Statement of Directors

The issue of this Prospectus has been authorised by each Director. Each Director has consented to lodgement of the Prospectus and issue of the Prospectus and has not withdrawn that consent.



Simon Baker
Chairman

16 November 2015

10.

Significant Accounting Policies

For personal use only



10. Significant Accounting Policies

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

General Information

The financial information covers Real Estate Investar Group Limited as a consolidated entity consisting of Real Estate Investar Group Limited and the entities it controlled. The financial information is presented in Australian dollars, which is Real Estate Investar Group Limited's functional and presentation currency.

Basis of Preparation

The financial information has been prepared in accordance with recognition and measurement requirements of the Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') as appropriate for for-profit oriented entities.

Basis of consolidation

This financial information presents the results of the consolidated entity only.

The consolidated financial information incorporates the assets and liabilities of all subsidiaries of Real Estate Investar Group Limited ('company' or 'parent entity') as at balance date and the results of all subsidiaries for the period then ended. Real Estate Investar Group Limited and its subsidiaries together are referred to in this financial information as the 'consolidated entity'.

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.

Revenue

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

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

Grants from the government are recognised at their fair value where there is reasonable assurance that the grant will be received and the Group will comply with all the attached conditions. Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to the purchase of property, plant and equipment and intangible assets offset against the cost of the asset. Refundable research and development incentives are accounted for as government grants.

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 information, and to unused tax losses.

Deferred tax assets are not recognised as an asset on the basis that it is not expected that sufficient taxable income will be generated within the following twelve months to utilise the losses or to offset the temporary differences. At the point where there is certainty that sufficient taxable income will be generated to utilise the losses and to offset the temporary differences, the deferred tax asset will be re-recognised as an asset.

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.

10. Significant Accounting Policies (continued)

Impairment

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs 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.

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.

Trade and other receivables

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

Property, 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 years
- > Computer equipment 3-6 years
- > Leasehold Improvements 3 years

Intangible Assets

Website

Costs incurred in acquiring and developing the website that will contribute to future financial period benefits through revenue recognition and/or cost reduction are capitalised to intangible assets. These intangible assets have finite lives and are subject to amortisation on a straight line basis over 5 years.

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 are 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.

Trade and Other Payables

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

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 and loss at the end of each reporting period.

10. Significant Accounting Policies (continued)

Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement, so as to reflect the risks and benefits incidental to ownership.

Finance Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the Group are classified as finance leases. Finance leases are capitalised, recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values. The interest expense is calculated using the interest rate implicit in the lease and is included in finance costs in the statement of profit or loss. Leased assets are depreciated on a straight line basis over their estimated useful lives where it is likely that the Group will obtain ownership of the asset, or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Operating Leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as an expense on a straight line basis over the term of the lease.

Employee Benefits

Wages and Salaries, Annual Leave and Sick Leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be 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. Liabilities for non-accumulating sick leave are recognised when leave is taken and measured at the actual rates paid or payable.

Long Service Leave

Liabilities for long service leave are recognised as part of the provision for employee benefits and measured as 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 national government 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 statement of financial position if the entity does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period.

Issued Capital

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.

IPO costs are capitalised against the equity raised. IPO costs are capitalised based on the proportion of the new shares issued and the proportion of existing shares. The proportion of costs related to existing shares are expensed.

10. Significant Accounting Policies (continued)

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 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.

Foreign currency translation

The financial report is presented in Australian dollars, which is Real Estate Investar Group Limited'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.

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.

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. The weighted average number of issued shares outstanding during the financial year does not include shares issued as part of the Employee Share Loan Plan that are treated as in-substance options.

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.



11.

Glossary

11. Glossary

Term	Meaning
AAS	Australian Accounting Standards.
AASB	Australian Accounting Standards Board.
APM	Australian Property Monitors Pty Ltd, a wholly owned subsidiary of Fairfax Media.
Applicant	A person who submits an Application.
Application	An application for Shares under the Offer described in this Prospectus.
Application Form	Each of the paper and electronic application forms attached to, or accompanying this Prospectus upon which an Application may be made.
Application Monies	The amount accompanying an Application Form submitted by an Applicant.
ASIC	Australian Securities & Investments Commission.
ASX	ASX Limited (ACN 008 624 691), or where the context requires, the Australian Securities Exchange, which it operates.
ASX Recommendations	The ASX Corporate Governance Principles and Recommendations (third edition).
Board	The board of Directors.
Broker	Any ASX participating organisation selected by the Lead Manager and the Company to act as a broker to the Offer.
Broker Firm Applicant	A person who submits an Application under the Broker Firm Offer.
Broker Firm Offer	The invitation to Australian resident retail clients of Brokers to acquire Shares offered under this Prospectus provided that such clients are not in the United States.
CAGR	Compound annual growth rate.
Chairman	The chairman of the Company.
CHESS	Clearing House Electronic Subregister System, operated in accordance with the Corporations Act.
Closing Date	The date on which the Offer is expected to close, being 7 December 2015 in respect of the Retail Offer and 13 November 2015 in respect of the Institutional Offer (these dates may be varied without notice).
Company	Real Estate Investar Group Limited (ACN 141 276 959).
Completion	Completion of the Offer, being the date on which Shares are issued to successful Applicants in accordance with the terms of the Offer.
Constitution	The constitution of the Company.
Convertible Notes	The convertible notes issued under the Convertible Note Agreements.
Convertible Note Agreements	The convertible note agreements described in Section 9.4.

11. Glossary (continued)

Corporations Act	<i>Corporations Act 2001 (Cth).</i>
Directors	The directors of the Company.
Dollars or \$ or A\$ or AUD	The lawful currency of the Commonwealth of Australia.
Domain	Domain Group, a business division of Fairfax Media.
EBIT	Earnings before net interest and taxation.
EBITDA	Earnings before net interest, depreciation, amortisation and taxation.
Escrow Period	the periods for which Shares are subject to escrow arrangements as set out in Section 9.6
Escrowed Shareholders	those holders of Escrowed Shares as set out in Section 9.6.
Escrowed Shares	The number of Shares held by Escrowed Shareholders that are subject to escrow restrictions as set out in Section 9.6.
ESOP	As defined in 6.3.4.3.
Existing Shareholder	A person holding Existing Shares as at the Prospectus Date.
Existing Shares	The Shares held by the Existing Shareholders as at the Prospectus Date.
Expiry Date	The date that is 13 months after the Prospectus Date.
Exposure Period	The period commencing on the date of lodgement of this Prospectus with ASIC and ending seven days after lodgement, subject to any extension of the period by ASIC during which an Application must not be accepted.
Fairfax Media	Fairfax Media Limited, and where the context requires, its wholly owned subsidiaries.
Financial Information	As defined in Section 4.1.
Forecast Financial Information	As defined in Section 4.1.
General Offer	The general invitation to Australian resident retail investors to acquire Shares offered under this Prospectus.
Historical Financial Information	As defined in Section 4.1.
Independent Market Report	The report prepared by Frost & Sullivan Pty Limited, as set out in Section 2.

11. Glossary (continued)

Institutional Investor	investors who are (a) persons in Australia who are wholesale clients under section 761G of the Corporations Act and either “professional investors” or “sophisticated investors” under sections 708(11) and 708(8) of the Corporations Act; or (b) institutional investors in certain other jurisdictions, as agreed by the Company and the Lead Manager, to whom offers of Shares may lawfully be made without the need for a lodged or registered prospectus or other form of disclosure document or filing with, or approval by, any government agency (except one with which the Company is willing in its discretion to comply), in either case provided that if such investors are in the United States, they are either a QIB or an Eligible US Fund Manager.
Investigating Accountant	BDO Corporate Finance (QLD) Ltd and BDO Audit Pty Ltd.
Institutional Offer	The invitation under this Prospectus to certain Institutional Investors to apply for Shares.
IPO	Initial public offering.
IFRS	International Financial Reporting Standards.
Lead Manager	Baillieu Holst Ltd (ACN 006 519 393).
Listing	Admission of the Company to the official list of ASX.
Listing Rules	The official listing rules of the ASX.
Offer	The offer under this Prospectus of Shares for issue by the Company.
Offer Period	The period commencing on the Opening Date and ending on the Closing Date.
Offer Price	\$0.20 per Share.
Official List	The official list of entities that ASX has admitted to and not removed from listing.
Opening Date	The date the Retail Offer opens being 24 November 2015, or such other date determined by the Board.
Option	An option to acquire a Share in consideration for payment of the applicable exercise price, as described in Section 6.3.4.2.
Prospectus	This prospectus issued by the Company for the purposes of Chapter 6D of the Corporations Act, under which Shares are offered for subscription.
Prospectus Date	The date of this Prospectus, being 16 November 2015.
REI	The Company and, where the context requires, its subsidiaries.
REI Group	REI and its subsidiaries.
Retail Offer	The Broker Firm Offer and the General Offer.
Share	A fully paid ordinary share in the capital of the Company.
Shareholder	A holder of Shares from time to time.
Share Registry	Boardroom Pty Limited (ACN 003 209 836).

11. Glossary (continued)

Underwriter	Baillieu Holst Ltd (ACN 006 519 393).
Underwriting Agreement	The underwriting agreement dated 13 November 2015 between the Company and the Lead Manager.
United States or US	United States of America.
US Persons	A person resident in the United States.
US Securities Act	US Securities Act of 1933, as amended.

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Corporate Directory

Company's registered address

Real Estate Investar Group Limited
Level 6, 330 Collins Street
Melbourne VIC 3000

Directors

Simon Baker

(Non-Executive Chairman)

Clint Greaves

(Managing Director, Chief Executive Officer)

Antony Catalano

(Non-Executive Director)

Joe Hanna

(Independent Non-Executive Director)

Ian Penman

(Independent Non-Executive Director)

Lead Manager and Underwriter

Baillieu Holst Ltd
Level 26, 360 Collins Street
Melbourne VIC 3000

Australian Legal Advisor

Logie-Smith Lanyon
Level 12, 575 Bourke Street
Melbourne VIC 3000

Investigating Accountants

BDO Corporate Finance (QLD) Ltd
Level 10, 12 Creek Street
Brisbane QLD 4000
(Forecast)

BDO Audit Pty Ltd
Level 10, 12 Creek Street
Brisbane QLD 4000
(Historical and Pro Forma)

Share Registry

Boardroom Pty Limited
Level 12, Grosvenor Place
225 George Street
Sydney NSW 2000

REI IPO Information Line

1300 737 760 (within Australia)
+61 2 9290 9600 (outside Australia)
between 8.15am and 5.30pm (AEDT),
Monday to Friday (excluding public holidays)

Offer website

www.rei-group.com.au/offer

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