

Appendix 4D

for the half-year ended 31 December 2019

REA Group Limited

ABN 54 068 349 066

RESULTS FOR ANNOUNCEMENT TO THE MARKET

For the half-year ended 31 December 2019 (“current period”)

		31 Dec 2019	% Change from 6 months ended	31 Dec 2018
		A\$'000	31 Dec 2018	A\$'000
Revenue ¹	Down	440,337	(6%)	469,234
Net Profit for the period attributable to members	Up	147,711	>100%	2,468
Net Profit from core operations	Down	152,883	(13%)	176,583
Net Profit for the period attributable to members of parent (before non-controlling interest)	Up	147,597	>100%	2,318

Dividend information

	Amount per share (cents)	Franked amount per share (cents)	Tax rate for franking credit
2019 interim dividend per share (paid 19 March 2019)	55.0	55.0	30%
2019 final dividend per share (paid 19 September 2019)	63.0	63.0	30%
2020 interim dividend per share (to be paid 24 March 2020)	55.0	55.0	30%

2020 interim dividend dates

Ex-dividend date	9 March 2020
Record date	10 March 2020
Payment date	24 March 2020

	31 Dec 2019	30 Jun 2019
	Cents	Cents
Net tangible assets per security ²	78.2	92.9

Additional Appendix 4D disclosure requirements can be found in the notes to the Interim Financial Report and the Directors' Report for the half-year ended 31 December 2019. Information should be read in conjunction with REA Group Limited's 2019 Annual Report and the attached Interim Financial Report.

This report is based on the Consolidated Interim Financial Report for the half-year ended 31 December 2019 which has been reviewed by Ernst & Young with the Independent Auditor's Review Report included in the Interim Financial Report.

¹ Revenue is defined as revenue from property and online advertising and revenue from financial services less expenses from franchisee commissions, as disclosed in the Condensed Consolidated Interim Financial Statements as operating income.

² Net tangible assets is calculated based on net assets excluding intangible and right-of-use assets. The comparative has not been restated following the adoption of AASB 16 from 1 July 2019.

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REA Group Limited

ABN 54 068 349 066

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Corporate Information

Directors	Hamish McLennan (Chairman) Owen Wilson (Chief Executive Officer) Roger Amos Kathleen Conlon Nick Dowling Tracey Fellows Richard Freudenstein Michael Miller
Chief Financial Officer	Janelle Hopkins
Company Secretary	Sarah Turner
Principal registered office	511 Church Street Richmond, VIC 3121 Australia Ph: +61 3 9897 1121 Fax: +61 3 9897 1114
Share register	Link Market Services Limited Tower 4, 727 Collins Street Melbourne, VIC 3000 Australia Ph: 1300 554 474 (within Australia) +61 1300 554 474 (outside Australia) Fax: 02 9287 0303
Auditor	EY 8 Exhibition Street Melbourne, VIC 3000 Australia
Bankers	National Australia Bank Limited
Securities Exchange Listing	REA Group shares are listed on the Australian Securities Exchange (ASX: REA)
Website	www.rea-group.com

Directors' Report

The Directors present their report together with the Interim Financial Statements of the consolidated entity ('the Group' or 'REA'), being REA Group Limited (the 'Company') and its controlled entities, for the half-year ended 31 December 2019 and the Independent Auditor's Report thereon.

Directors

The names of Directors of the Group in office during the half-year and up to the date of the report, unless stated otherwise, are as follows:

- Hamish McLennan (Chairman)
- Owen Wilson (Chief Executive Officer)
- Roger Amos
- Kathleen Conlon
- Nick Dowling
- Tracey Fellows
- Richard Freudenstein
- Michael Miller

Principal activities

REA provides property and property-related services on websites and mobile apps across Australia and Asia.

The purpose of the Group is to 'change the way the world experiences property'. It fulfils this purpose by:

- Providing digital tools, information and data for people interested in property. REA calls those who use these services 'consumers'.
- Helping real estate agents, developers, property-related businesses and advertisers

promote their services. REA calls those who use these services 'customers'.

REA's strategy is to create the best property related marketplaces across property, finance and related services. Further details are set out in the business strategies and future developments section of this Directors' Report.

Operating and financial review

Reconciliation of results from core operations

A summary of financial results from core operations for the half-year ended 31 December 2019 is set out below.

For the purposes of this report, core operations are defined as the reported results as set out in the interim financial statements adjusted for significant non-recurring items such as restructure costs, gain/loss on acquisitions and disposals and transaction costs. In the prior comparative period this included items such as revaluation, unwind and finance costs of contingent consideration, transaction costs relating to acquisitions by associates and impairment charges.

A reconciliation of results from core operations and non-IFRS (International Financial Reporting Standards) measures compared with the reported results in the interim financial statements on page 14 is set out below. The following non-IFRS measures have not been audited but have been extracted from the financial statements.

A\$'000 (unless stated)	2016 HY	2017 HY	2018 HY	2019 HY	2020 HY	Growth
Operating income from core operations	289,772	337,326	406,779	469,234	440,337	(6%)
EBITDA ¹ from core operations ²	176,693	200,053	242,787	289,084	267,198	(8%)
<i>EBITDA margin</i>	61%	59%	60%	62%	61%	
Net profit from core operations ²	115,309	121,771	147,255	176,583	152,883	(13%)
Dividend (cents per share)	36.0	40.0	47.0	55.0	55.0	-
Earnings per share from core operations ² (cents)	87.5	92.5	111.8	134.1	116.1	(13%)

1 The Directors believe the EBITDA measures to be relevant and useful in measuring the financial performance of the Group. EBITDA is defined as Earnings Before Interest, Tax, Depreciation and Amortisation. Comparatives have not been restated following the adoption of AASB 16 from 1 July 2019.

2 The Directors believe the additional information to IFRS measures included in the report is relevant and useful in measuring the financial performance of the Group.

Reconciliation of results from core operations continued

Core and reported results	2020 HY \$'000	2019 HY \$'000	Growth
Reported operating income	440,337	469,234	(6%)
EBITDA from core operations (excluding share of losses of associates and joint ventures)*	272,095	293,980	(7%)
Share of losses of associates and joint ventures	(3,838)	(5,016)	23%
(Gain)/loss on acquisitions and disposals and business combination transaction costs	(1,059)	120	>100%
EBITDA from core operations*	267,198	289,084	(8%)
Restructure costs	(4,082)	-	n/a
Gain/(loss) on acquisitions and disposals and business combination transaction costs	(1,315)	(120)	>100%
Impairment charge	-	(173,200)	n/a
Revaluation of contingent consideration	-	(6)	n/a
Reported EBITDA*	261,801	115,758	>100%
Net profit from core operations	152,883	176,583	(13%)
Restructure costs, net of tax	(2,857)	-	n/a
Gain/(loss) on acquisitions and disposals and business combination transaction costs	(2,315)	(120)	>100%
Impairment charge	-	(173,200)	n/a
Unwind, revaluation and finance costs from contingent consideration	-	(795)	n/a
Reported net profit	147,711	2,468	>100%

* The Directors believe the additional information to IFRS measures included in the report is relevant and useful in measuring the financial performance of the Group. Comparatives have not been restated following the adoption of AASB 16 from 1 July 2019.

Group results from core operations

Group operating income from core operations declined by 6% to \$440.3 million. The Group's result was delivered in a challenging market with declines in new residential listing volumes of 14% and new project commencements of 30% over the half-year period.

The Group's EBITDA from core operations declined 8% to \$267.2 million and net profit from core operations declined 13% to \$152.9 million. Strong cost management and efficiencies gained from an organisational realignment resulted in a 4% reduction in total core operating expenses. Excluding the impact of AASB 16 *Leases*, core operating expenses reduced by 2%.

Australia remained the primary revenue driver for the business. The Group's result delivered in continued challenging market conditions in Australia reflects the focus on continued product innovation, while maintaining the most engaged audience, which has strengthened customer relationships and enhanced the consumer experience.

Strong operating cashflows were offset by the net repayment of \$70 million relating to the syndicated loan facility (sub facility C, offset by a new syndicated loan facility of \$170 million), the acquisition of the remaining 19.7% in Smartline and shareholder returns in the form of dividends, resulting in a cash balance of \$91.0 million at 31 December 2019. The Group generated positive operating cashflows and traded profitably for the period. The Directors expect this to continue for the foreseeable future.

In Australia, realestate.com.au has maintained its lead with the largest and most engaged audience of

property seekers¹, with 2.95 times more visits on all platforms compared to the nearest competitor².

Dividends

Dividends paid or declared by the Company during, and since, the end of the year are set out in Note 13 to the interim financial statements and below:

	Interim 2020	Final 2019
Per share (cents)	55.0	63.0
Total amount (\$'000)	72,443	82,980
Franked*	100%	100%
Payment date	24 Mar 2020	19 Sep 2019

*All dividends are fully franked based on tax paid at 30%.

Performance by region

Half-year ended 31 December 2019	Australia		Asia	North America	Corporate	Total
	Property & Online Advertising \$'000	Financial Services \$'000	\$'000	\$'000	\$'000	\$'000
Segment operating income*						
Total segment operating income*	400,874	12,647	27,691	-	-	441,212
Inter-segment operating income*	(394)	-	(481)	-	-	(875)
Operating income*	400,480	12,647	27,210	-	-	440,337
Results						
Segment EBITDA from core operations (excluding share of losses of associates and joint ventures)	271,451	4,347	6,285	-	(9,988)	272,095
Share of losses of associates and joint ventures	(64)	(181)	(3,182)	(1,470)	1,059	(3,838)
(Gain)/loss on acquisitions and disposals and business combination transaction costs	-	-	-	-	(1,059)	(1,059)
Segment EBITDA from core operations	271,387	4,166	3,103	(1,470)	(9,988)	267,198
Restructure costs	-	-	-	-	(4,082)	(4,082)
Gain/(loss) on acquisitions and disposals and business combination transaction costs	-	-	-	-	(1,315)	(1,315)
EBITDA	271,387	4,166	3,103	(1,470)	(15,385)	261,801

* This represents revenue less commissions for financial services

¹ Source: "Largest" - Nielsen Digital Content Ratings (Monthly Tagged), text, Jul 19 – Dec 19, P2+, Computer, Smartphone and Tablet, average daily unique audience, realestate.com.au vs. Domain. "most engaged" - Nielsen Digital Content Ratings (Monthly Tagged), text, Jul 19 – Dec 19, P2+, average time spent on realestate.com.au vs. Domain.

² Source: Nielsen Digital Content Ratings (Monthly Tagged), text, Jul 19 – Dec 19, P2+, Computer, Smartphone and Tablet, realestate.com.au and vs Domain, average monthly sessions.

Half-year ended 31 December 2018	Australia		Asia	North America	Corporate	Total
	Property & Online Advertising	Financial Services				
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Segment operating income*						
Total segment operating income*	428,810	14,713	26,263	-	-	469,786
Inter-segment operating income*	(290)	-	(262)	-	-	(552)
Operating income*	428,520	14,713	26,001	-	-	469,234
Results						
Segment EBITDA from core operations (excluding share of losses of associates and joint ventures)	293,200	5,760	5,666	-	(10,646)	293,980
Share of losses from associates and joint ventures	-	(173)	(2,214)	(2,629)	-	(5,016)
Business combination transaction costs - acquisition by associate	-	-	-	120	-	120
Segment EBITDA from core operations	293,200	5,587	3,452	(2,509)	(10,646)	289,084
Impairment charge	-	-	-	-	(173,200)	(173,200)
Revaluation of contingent consideration	-	-	-	-	(6)	(6)
Business combination transaction costs - acquisition by associate	-	-	-	(120)	-	(120)
EBITDA	293,200	5,587	3,452	(2,629)	(183,852)	115,758

* This represents revenue less commissions for financial services

Australia

The Group operates Australia's leading residential, commercial and share property sites, realestate.com.au³, realcommercial.com.au⁴ and Flatmates.com.au⁵.

Australian operating income declined 7% to \$413.1 million during the half-year due to a challenging market with declines in new residential listing volumes of 14% and new project commencements of 30%.

realestate.com.au continues to be the leading property portal in Australia, attracting more than 84 million visits each month on all platforms.³ The number of searches performed across all realestate.com.au platforms during the half-year increased by 14% to 103 million each month.⁶ This large audience of people looking to buy, sell, rent or share property provides valuable insights to the Group on how people search and view property.

More consumers are now using the realestate.com.au app than ever before. Average monthly launches of the realestate.com.au app increased 28% to 34.9 million⁷, and consumers are spending 4 times longer on the realestate.com.au app than the nearest competitor⁸. This demonstrates a highly engaged audience who remain passionate and invested in the property market.

Property and Online Advertising

Property and Online Advertising total revenue decreased 7% to \$400.5 million.

Australia's listing depth revenue decreased 6% to \$322.5 million. This was driven by the continued listing declines including higher yielding cities Sydney and Melbourne, down 17% and 16%, respectively, compared to the prior comparative period.

Commercial and Developer revenue declined 4% reflecting the continued reduction in new project commencements, down by 30% over the half-year period. realcommercial.com.au continues to be the number one commercial property app in Australia, with 8.4 times more launches than the nearest competitor.⁹

Media, Data and other revenue declined 12% to \$48.8 million primarily due to a reduction in Developer display advertising due to lower new project commencements which was partially offset by continued growth from the data business.

Flatmates.com.au is the number one site⁵ in share accommodation with over 2.5 million average monthly visits.¹⁰ The Group is well placed to strengthen this leadership position through the sharing of technology, expertise and marketing.

1Form online rental applications grew 13% on the previous comparative period with 1.6 million submitted through the platform during the half-year.¹¹ This technology provides early visibility of consumers who are planning to move; helping advertisers create more personalised experiences.

³ Source: Nielsen Digital Content Ratings (Monthly Tagged), text, Jul 19 – Dec 19, P2+, Computer, Smartphone and Tablet, realestate.com.au and vs Domain, average monthly sessions.

⁴ Source: Nielsen Digital Content Ratings (Monthly Tagged), text, Jul 19 – Dec 19, P2+, Computer, Smartphone and Tablet, realcommercial.com.au vs commercialrealestate.com.au, average monthly sessions.

⁵ Source: Hitwise market share data, comparing visits to Flatmates.com.au to its nearest competitor (Jul 19 - Dec 19).

⁶ Source: Adobe Analytics, average monthly visits to realestate.com.au/searches (Jul 19 – Dec 19) and compared to the same period (Jul 18 – Dec 18).

⁷ Source: Nielsen Digital Content Ratings (Monthly Tagged), text, Jul 19 – Dec 19, P2+, average monthly realestate.com.au app launches and compared to the same period (Jul 18 – Dec 18).

⁸ Source: Nielsen Digital Content Ratings (Monthly Tagged), text, Jul 19 – Dec 19, P2+, total time spent (Jul 19 - Dec 19 avg), realestate.com.au app vs Domain app.

⁹ Source: Nielsen Digital Content Ratings (Monthly tagged), text, Jul 19 – Dec 19, P2+, realcommercial.com.au vs commercialrealestate.com.au app launches.

¹⁰ Source: Google Analytics average monthly visits for the flatmates.com.au site (excludes app) for the half-year ended 31 December 2019.

¹¹ Source: REA Internal Data (Jul 2019 – Dec 2019) and compared to the same period (Jul 2018 – Dec 2018).

Improving the rental experience for both consumers and customers continues to be a focus area. In December 18, 1Form released Tenant Verifications, the Group's first direct to consumer product that provides an identity check on potential tenants. The feature helps property managers save time when reviewing applications. Since launch, the product has been averaging ~1,000 verifications per week.¹²

Financial Services

Financial services operating income is generated from the activities of Smartline and the National Australia Bank ("NAB") Partnership, including realestate.com.au Home Loans. Effective 1 November 2019, the Group acquired the remaining 30% minority share in realestate.com.au Home Loans, a mortgage broking business previously jointly owned with Advantedge Financial Services Holdings Pty Ltd, a subsidiary of NAB. realestate.com.au Home Loans is therefore now a fully consolidated subsidiary of the Group.

Financial Services operating income declined 14% to \$12.6 million for the half-year due to a decline in partnership payments and reduced mortgage settlements which was influenced by lower listing volumes.

On 1 July 2019, the Group acquired the remaining 19.7% stake in Smartline for \$16.0 million, increasing the Group's ownership to 100%. This investment supports the Group's Finance strategy by providing consumers with greater choice when in the market for a home loan.

Asia

The Group's Asian operations comprise leading property portals in Malaysia¹³, Hong Kong¹⁴ and Indonesia¹⁵, and prominent portals in Thailand and Singapore, as well as Chinese site, myfun.com. Additionally, the Group holds a 13.5% stake on a fully diluted basis (16.1% on a non-diluted basis) in Elara Technologies Pte Ltd. ("Elara") which operates PropTiger.com, makaan.com and Housing.com in India. News Corp, the parent of REA Group's majority shareholder News Corp Australia, is currently the largest shareholder of Elara Technologies, holding a 22% investment.

The Asian business recorded revenue growth of 5% to \$27.2 million for the half-year. This growth was driven by strong revenue growth in Malaysia with customer acquisition growth and consumer audience increasing its leadership position to 1.7x the nearest competitor.¹³ Audience lead was also maintained in Indonesia¹⁵ and Hong Kong¹⁴, however the ongoing disruption in Hong Kong impacted the overall segment result.

Elara's revenue increased 25%¹⁶ and its audience continues to strengthen. Combined traffic increased by 34%¹⁷ driven by increases in mobile visits.

The Group's share of Elara for the half-year resulted in a \$3.2 million loss from core operations recognised in the Income Statement.

¹² Source: REA Internal Data (Dec 2018 – Dec 2019).

¹³ Source: SimilarWeb, monthly visits for iproperty.com.my site compared to the nearest competitor (Jul 2019 – Dec 2019). Excludes app.

¹⁴ Source: SimilarWeb, monthly visits for squarefoot.com.hk site compared to the nearest competitor (at Dec 2019). Excludes app.

¹⁵ Source: SimilarWeb, monthly visits for rumah123.com site compared to the nearest competitor (Jul 2019 – Dec 2019). Excludes app.

¹⁶ Source: Elara Technologies Pte. Ltd. Internal Data: revenue, for the period (Jun 2019 – Nov 2019) compared to the same period (Jun 2018 – Nov 2018).

¹⁷ Source: Elara Technologies Pte Ltd Internal Data: average monthly visits to proptiger.com and housing.com (Jun 2019 – Nov 2019) compared to the same period (Jun 2018 – Nov 2018).

North America

The Group holds a 20% investment in Move, Inc., a leading provider of online real estate services in the United States. News Corp, the parent of REA Group majority shareholder News Corp Australia, holds the remaining 80%.

Move, Inc. primarily operates realtor.com®, a premier real estate information services marketplace, under a perpetual agreement and trademark license with the National Association of Realtors®, the largest trade organisation in the USA.

realtor.com® is a leading property portal in the United States¹⁸, the world's largest real estate market. Reported revenue growth of 2% to US\$244 million¹⁸ was primarily due to higher real estate revenues, partially offset by lower revenue from software and services. Average monthly unique users of realtor.com®'s web and mobile sites for the fiscal second quarter increased 9% on the prior corresponding period to approximately 59 million¹⁹ with mobile representing more than half of all unique users.

The Group's share of Move, Inc. for the half-year resulted in a \$1.5 million loss from core operations favourable \$1.0 million on the prior period due to higher real estate revenues and lower operating costs despite continued investment in Opcity.

Business strategies and future developments

The way people search and find property continues to evolve, and consumer expectations are shaped by their digital experience. REA's goal is to provide an easy, stress-free and highly relevant experience for both its customers and consumers across Australia and Asia.

REA Group has access to the largest network of property seekers across Australia and increasing audience numbers in key markets across Asia. This provides the Group with rich data and insights about what people are searching for and their individual property needs, enabling the delivery of highly relevant and personalised experiences.

Property

The foundation of the business is the online advertising of property listings, supported by data on residential and commercial property. Agents continue to play a critical role in the success of the business.

The Group focuses on improving the way properties are displayed on its sites and apps, to ensure people are provided with the best and most up-to-date content. It does this by using rich data to support the development of innovative products and experiences. This creates more opportunities for customers to continue growing their business, while creating personalised experiences for consumers.

Finance

Home finance is an integral part of the property purchase journey. As part of the Group's Finance strategy, the Group offers the realestate.com.au Home Loans experience in partnership with NAB. It combines searching for property and obtaining a home loan in a single experience, and allows consumers to access a realestate.com.au white label mortgage product.

¹⁸ Source: NewsCorp's Form 10-Q stated in US Dollars for the six-month period ended 31 December 2019.

¹⁹ Source: NewsCorp's Earnings Release stated in US Dollars (6 February 2020) for the six-month period ended 31 December 2019: average monthly unique users for Q2 FY2020 and compared to the same period Q2 FY2019.

The Group also recognises the value mortgage brokers bring to people looking to finance their next property. Through its ownership of Smartline and partnership with NAB, the Group now has more than 400 brokers in market. REA's audience, brand strength and digital expertise provides a unique position for long-term growth within the financial services industry.

Property-related services

REA Group's strength lies in the ability to understand its audience and it is continually looking for new ways to create value for our customers and consumers and remove any barriers for them to be able to realise, and achieve, their property dreams.

The Group does this by providing rich data and market insights to help customers and consumers make the most informed property-related decisions.

For consumers, this means we provide a personalised experience, inspiring content and a range of tools, calculators and other information so that people are equipped to make the right decision depending on where they are in their journey.

And for customers, it's about giving them the insights into market and consumer data, so we can deliver quality leads and unparalleled value.

Rounding of amounts

The Company is a company of the kind referred to in Australian Securities and Investments Commission Instrument 2016/191 pursuant to sections 341(1) and 992(B) of the *Corporations Act 2001*. Amounts in the Directors' Report and the accompanying Condensed Consolidated Interim Financial Statements have been rounded off in accordance with that Instrument to the nearest thousand dollars, except where otherwise indicated.

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 12.

Declaration

This Report is made in accordance with a resolution of Directors.



Hamish McLennan

Chairman



Owen Wilson

Chief Executive Officer

Melbourne

7 February 2020



**Building a better
working world**

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Auditor's Independence Declaration to the Directors of REA Group Limited

As lead auditor for the review of REA Group Limited for the half-year ended 31 December 2019, I declare to the best of my knowledge and belief, there have been:

- a) No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- b) No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of 31 December 2019 and the entities it controlled during the financial period.

Ernst & Young

David McGregor
Partner
7 February 2020

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Condensed Consolidated Income Statement

for the half-year ended 31 December 2019

	Notes	2019 \$'000	2018 \$'000
Revenue from property and online advertising	3	427,690	454,521
Revenue from financial services	3	42,996	46,071
Expense from franchisee commissions	3	(30,349)	(31,358)
Revenue from financial services after franchisee commissions		12,647	14,713
Total operating income		440,337	469,234
Employee benefits expenses	4	(94,528)	(91,909)
Consultant and contractor expenses		(5,136)	(4,039)
Marketing related expenses		(35,901)	(35,527)
Technology and other expenses		(19,049)	(15,894)
Operations and administration expense		(20,084)	(27,891)
Impairment expense	4	-	(173,200)
Share of losses of associates and joint ventures	8	(3,838)	(5,016)
Earnings before interest, tax, depreciation and amortisation (EBITDA)		261,801	115,758
Depreciation and amortisation expense	4	(36,726)	(28,993)
Profit before interest and tax (EBIT)		225,075	86,765
Net finance expense	4	(3,579)	(4,221)
Profit before income tax		221,496	82,544
Income tax expense	5	(73,785)	(80,076)
Profit for the half-year		147,711	2,468
Profit for the half-year is attributable to:			
Non-controlling interest		114	150
Owners of the parent		147,597	2,318
		147,711	2,468
Earnings per share attributable to the ordinary equity holders of REA Group Limited			
Basic earnings per share		112.1	1.8
Diluted earnings per share		112.1	1.8

The above Condensed Consolidated Income Statement should be read in conjunction with the accompanying notes. Comparatives have not been restated following the adoption of AASB 16 from 1 July 2019.

Condensed Consolidated Statement of Comprehensive Income

for the half-year ended 31 December 2019

	2019 \$'000	2018 \$'000
Profit for the half-year	147,711	2,468
Other comprehensive income		
Items that may be reclassified subsequently to the Condensed Consolidated Income Statement		
Exchange differences on translation of foreign operations, net of tax	10,489	16,230
Other comprehensive income for the half-year, net of tax	10,489	16,230
Total comprehensive income for the half-year	158,200	18,698
Total comprehensive income for the half-year is attributable to:		
Non-controlling interest	114	150
Owners of the parent	158,086	18,548
	158,200	18,698

The above Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Condensed Consolidated Statement of Financial Position

as at 31 December 2019

	Notes	31 Dec 2019 \$'000	30 Jun 2019 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	6	90,955	137,897
Trade and other receivables		97,007	118,111
Contract assets		2,030	2,848
Commission contract assets	9	47,962	48,105
Total current assets		237,954	306,961
Non-current assets			
Property, plant and equipment ¹		103,591	17,148
Intangible assets		787,257	783,087
Deferred tax assets		10,399	13,495
Other non-current assets		3,054	811
Investment in associates and joint ventures	8	332,101	326,132
Commission contract assets	9	148,218	134,097
Total non-current assets		1,384,620	1,274,770
Total assets		1,622,574	1,581,731
LIABILITIES			
Current liabilities			
Trade and other payables		36,406	74,479
Current tax liabilities		11,119	28,039
Provisions		11,670	13,665
Contract liabilities		44,165	51,129
Interest bearing loans and borrowings	10	7,632	240,083
Commission liabilities	9	37,598	37,535
Total current liabilities		148,590	444,930
Non-current liabilities			
Contract liabilities		2,548	2,846
Deferred tax liabilities		46,855	47,305
Provisions		4,553	6,770
Interest bearing loans and borrowings	10	324,542	70,023
Commission liabilities	9	116,412	104,422
Total non-current liabilities		494,910	231,366
Total liabilities		643,500	676,296
Net assets		979,074	905,435
EQUITY			
Contributed equity	12	91,869	89,544
Reserves		74,878	68,120
Retained earnings		811,929	747,312
Parent interest		978,676	904,976
Non-controlling interest		398	459
Total equity		979,074	905,435

The above Condensed Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Condensed Consolidated Statement of Changes in Equity

for the half-year ended 31 December 2019

	Notes	Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000	Parent interest \$'000	Non- controlling interest \$'000	Total equity \$'000
Balance at 1 July 2019		89,544	68,120	747,312	904,976	459	905,435
Profit for the half-year		-	-	147,597	147,597	114	147,711
Other comprehensive income		-	10,489	-	10,489	-	10,489
Total comprehensive income for the half-year		-	10,489	147,597	158,086	114	158,200
Transactions with owners in their capacity as owners							
Share-based payment expense	4	-	53	-	53	-	53
Acquisition of treasury shares		(344)	-	-	(344)	-	(344)
Settlement of vested performance rights		2,669	(3,784)	-	(1,115)	-	(1,115)
Dividends paid	13	-	-	(82,980)	(82,980)	(175)	(83,155)
Balance at 31 December 2019		91,869	74,878	811,929	978,676	398	979,074

	Notes	Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000	Parent interest \$'000	Non- controlling interest \$'000	Total equity \$'000
Balance at 1 July 2018		91,325	52,517	796,421	940,263	506	940,769
Profit for the half-year		-	-	2,318	2,318	150	2,468
Other comprehensive income		-	16,230	-	16,230	-	16,230
Total comprehensive income for the half-year		-	16,230	2,318	18,548	150	18,698
Transactions with owners in their capacity as owners							
Share-based payment expense	4	-	1,540	-	1,540	-	1,540
Acquisition of treasury shares		(89)	-	-	(89)	-	(89)
Settlement of vested performance rights		(1,194)	(4,001)	-	(5,195)	-	(5,195)
Dividends paid	13	-	-	(81,663)	(81,663)	(164)	(81,827)
Balance at 31 December 2018		90,042	66,286	717,076	873,404	492	873,896

The above Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Condensed Consolidated Statement of Cash Flows

for the half-year ended 31 December 2019

	Notes	2019 \$'000	2018 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		494,556	508,989
Payments to suppliers and employees (inclusive of GST)		(239,199)	(245,172)
		255,357	263,817
Interest received		1,496	940
Interest paid		(4,096)	(6,210)
Income taxes paid		(88,806)	(75,734)
Share-based payment on settlement of incentive plans		(1,406)	(6,210)
Net cash inflow from operating activities		162,545	176,603
Cash flows from investing activities			
(Payment)/Receipt for acquisition of subsidiary		(15,867)	3,234
(Payment)/Receipt for investment in associates and joint ventures		(2,000)	31
Payment for plant and equipment		(1,882)	(1,303)
Payment for intangible assets		(32,595)	(30,563)
Net cash outflow from investing activities		(52,344)	(28,601)
Cash flows from financing activities			
Dividends paid to company's shareholders	13	(82,980)	(81,663)
Dividends paid to non-controlling interests in subsidiaries		(661)	(164)
Payment for acquisition of treasury shares	12	(344)	(89)
Proceeds from borrowings		169,525	-
Repayment of borrowings and leases		(243,194)	(122,442)
Net cash outflow from financing activities		(157,654)	(204,358)
Net decrease in cash and cash equivalents			
		(47,453)	(56,356)
Cash and cash equivalents at the beginning of the year		137,897	115,841
Effects of exchange rate changes on cash and cash equivalents		511	318
Cash and cash equivalents at end of the half-year	6	90,955	59,803

The above Condensed Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Condensed Consolidated Interim Financial Statements

Basis of preparation

The Condensed Consolidated Interim Financial Statements for the half-year ended 31 December 2019 have been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The Condensed Consolidated Interim Financial Statements do not include all the information and disclosures required in annual Financial Statements, and should be read in conjunction with the Group's annual Consolidated Financial Statements as at 30 June 2019.

The accounting policies adopted in the preparation of the half-year financial report are consistent with those followed in the preparation of the Group's annual report for the year ended 30 June 2019, except for the adoption of new standards effective 1 July 2019 as outlined below. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

In preparing these interim financial statements, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements, except for new significant judgements and key sources of estimation uncertainty related to the application of AASB 16 *Leases*, which are described below.

(a) New standards, interpretations and amendments adopted by the Group

A number of new or amended accounting standards and interpretations are effective for the Group from 1 July 2019. However, aside from the impact of AASB 16 *Leases* and Interpretation 23 *Uncertainty over Income Tax Treatments* described below, these are not considered relevant to the activities of the Group nor are they expected to have a material impact on the financial statements of the Group.

AASB 16 *Leases* ('AASB 16')

The Group applied for the first time AASB 16 from 1 July 2019. AASB 16 introduced a single, on-balance sheet accounting model for lessees. As a result, in relation to various leases, the Group has recognised right-of-use assets representing its right to use the underlying assets, and lease liabilities, representing its obligation to make lease payments.

The Group has applied AASB 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 July 2019. Accordingly, prior comparative information has not been restated and all leases are presented as previously reported under AASB 117 *Leases* ('AASB 117') and related interpretations.

(i) Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was, or contained, a lease under Interpretation 4 *Determining Whether an Arrangement contains a Lease* ('Interpretation 4'). The Group now assesses whether a contract is, or contains, a lease based on the new definition of a lease. Under AASB 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. A portion of an asset is an identified asset if it is physically distinct. If it is not physically distinct, the portion of an asset is not an identified asset, unless the lessee has the right to use substantially all the capacity of the asset during the lease term.

On transition to AASB 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied AASB 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under AASB 117 and Interpretation 4 were not reassessed. Therefore, the definition of a lease under AASB 16 has been applied only to contracts entered or changed on or after 1 July 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component based on their relative stand-alone prices. However, for leases of properties in which it is a lessee, the Group has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

(ii) As a lessee

The Group leases a number of assets relating to real estate and IT equipment. As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all the risks and rewards of ownership. Under AASB 16, the Group recognises right-of-use assets and lease liabilities for most leases in the Consolidated Statement of Financial Position.

However, the Group has elected not to recognise right-of-use assets and lease liabilities for leases with terms not exceeding twelve months, and for leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Right-of-use assets are included in the balance of property, plant and equipment in the Statement of Financial Position, the same line item that the Group presents underlying assets of the same nature which it owns, or if they were owned. The carrying amounts of right-of-use assets are as below.

	\$'000
Balance at 1 July 2019	71,403
Balance at 31 December 2019*	89,034

* includes additions of \$22.1 million for new property leases commenced during the period, offset by \$4.3 million in depreciation recognised over the period.

Lease liabilities are included in the balance of interest bearing loans and borrowings in the Consolidated Statement of Financial Position.

a. Significant accounting policies

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurements of the lease liability. Right-of-use assets are depreciated on a straight-line basis over the shorter of the asset's useful life and the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

b. Transition

Previously, the Group classified office leases as operating leases under AASB 117. The leases typically run for a period of two to seven years and may include extension options which provide operational flexibility. Some leases provide for additional rent payments that are based on changes in local price indices. At transition, for leases classified as operating leases under AASB 117, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 July 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Group used the following practical expedients when applying AASB 16 to leases previously classified as operating leases under AASB 117:

- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of remaining lease term;
- Applied the practical expedient to apply a single discount rate to a portfolio of leases with similar characteristics;
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application;
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease; and
- Adjusted the right-of-use assets by the amount of AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* onerous contract provision immediately before the date of initial application, as an alternative to an impairment review.

The Group leases several items of IT equipment. These leases were classified as finance leases under AASB 117. For these finance leases, the carrying amount of the right-of-use asset and the lease liability at 1 July 2019 were determined at the carrying amount of the lease asset and lease liability under AASB 117 immediately before that date.

(iii) Impacts on Financial Statements

a. Impact on transition

On transition to AASB 16, the Group recognised additional right-of-use assets and additional lease liabilities. The impact on transition is summarised below.

	\$'000
Right-of-use assets presented in property, plant and equipment	71,045
Deferred tax asset	634
Lease incentives presented in provisions	1,232
Deferred rent presented in trade and other payables	883
Lease liabilities presented in interest bearing loans and borrowings	(73,158)

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 July 2019. The weighted average rate applied is 2.87%.

	\$'000
Operating lease commitment at 30 June 2019 as disclosed in the Group's Consolidated Financial Statements	56,969
Discounted using the incremental borrowing rate at 1 July 2019	51,988
Finance lease liabilities recognised as at 30 June 2019	358
Recognition exemption for leases with less than 12 months of lease term at transition	(164)
Extension options reasonably certain to be exercised not included in operating lease commitments at 30 June 2019	43,653
Operating leases not yet commenced at 1 July 2019	(22,319)
Lease liabilities recognised at 1 July 2019	73,516

b. Impact for the period

On initial application, in relation to the leases that were previously classified as operating leases, the Group recognised \$71.0 million of right-of-use assets and \$73.2 million of lease liabilities as at 1 July 2019. In relation to those leases, under AASB 16, the Group has recognised depreciation and interest costs, instead of operating lease expense. During the six months ended 31 December 2019, the Group recognised \$4.2 million of depreciation charges, \$1.1 million of interest costs, and \$4.1 million of cash paid in relation to those leases previously classified as operating leases and new leases added during the period.

Interpretation 23 Uncertainty over Income Tax Treatments ('Interpretation 23')

The Group applied for the first time Interpretation 23 from 1 July 2019. Interpretation 23 outlines how the recognition and measurement requirements of AASB 112 *Income Taxes* are applied where there is uncertainty over income tax treatments. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the relevant tax authority. Based on an assessment of the Group's current and historical transactions through to 31 December 2019, there are no material uncertain tax treatments which require additional disclosures under Interpretation 23.

(b) New standards, interpretations and amendments not yet adopted by the Group

New accounting standards, interpretations and amendments have been issued but are not yet effective, however these are not considered relevant to the activities of the Group nor are they expected to have a material impact on the financial statements of the Group.

1. Corporate information

REA Group Limited (the 'Company') is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange ('ASX').

The Condensed Consolidated Interim Financial Statements of the Company as at and for the half-year ended 31 December 2019 comprise the Company and its subsidiaries (together referred to as the 'Group') and the Group's interests in associates and equity-accounted investments.

The nature of the operations and principal activities of the Group are described in the Directors' Report.

2. Segment information

The following tables present operating income and results by operating segments for the half-years ended 31 December 2019 and 2018.

Half-year ended 31 December 2019	Australia		Asia	North America	Corporate	Total
	Property & Online Advertising	Financial Services				
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Segment operating income¹						
Total segment operating income ¹	400,874	12,647	27,691	-	-	441,212
Inter-segment operating income ¹	(394)	-	(481)	-	-	(875)
Operating income¹	400,480	12,647	27,210	-	-	440,337
Results						
Segment EBITDA from core operations (excluding share of losses of associates and joint ventures)	271,451	4,347	6,285	-	(9,988)	272,095
Share of losses of associates and joint ventures	(64)	(181)	(3,182)	(1,470)	1,059	(3,838)
(Gain)/loss on acquisitions and disposals and business combination transaction costs	-	-	-	-	(1,059)	(1,059)
Segment EBITDA from core operations	271,387	4,166	3,103	(1,470)	(9,988)	267,198
Restructure costs	-	-	-	-	(4,082)	(4,082)
Gain/(loss) on acquisitions and disposals and business combination transaction costs	-	-	-	-	(1,315)	(1,315)
EBITDA	271,387	4,166	3,103	(1,470)	(15,385)	261,801
Depreciation and amortisation						(36,726)
EBIT						225,075
Net finance expense						(3,579)
Profit before income tax						221,496

¹ This represents revenue less commissions for financial services

Half-year ended 31 December 2018	Australia		Asia	North America	Corporate	Total
	Property & Online Advertising \$'000	Financial Services \$'000	\$'000	\$'000	\$'000	\$'000
Segment operating income ¹						
Total segment operating income ¹	428,810	14,713	26,263	-	-	469,786
Inter-segment operating income ¹	(290)	-	(262)	-	-	(552)
Operating income ¹	428,520	14,713	26,001	-	-	469,234
Results						
Segment EBITDA from core operations (excluding share of losses of associates and joint ventures)	293,200	5,760	5,666	-	(10,646)	293,980
Share of losses from associates and joint ventures	-	(173)	(2,214)	(2,629)	-	(5,016)
Business combination transaction costs - acquisition by associate	-	-	-	120	-	120
Segment EBITDA from core operations	293,200	5,587	3,452	(2,509)	(10,646)	289,084
Impairment charge	-	-	-	-	(173,200)	(173,200)
Revaluation of contingent consideration	-	-	-	-	(6)	(6)
Business combination transaction costs - acquisition by associate	-	-	-	(120)	-	(120)
EBITDA	293,200	5,587	3,452	(2,629)	(183,852)	115,758
Depreciation and amortisation						(28,993)
EBIT						86,765
Net finance expense from core operations						(3,432)
Profit before income tax from core operations						83,333
Net finance expense						(789)
Profit before income tax						82,544

¹ This represents revenue less commissions for financial services

3. Revenue from contracts with customers

(a) Revenue from contracts with customers reconciliation

	Consolidated for the half-year ended 31 December 2019			
Total revenue for the Group: <i>Type of services</i>	Property & Online Advertising \$'000	Financial Services \$'000	Asia \$'000	Total \$'000
Revenue from property & online advertising	400,480	-	27,210	427,690
Revenue from financial services	-	42,996	-	42,996
Total revenue	400,480	42,996	27,210	470,686

	Consolidated for the half-year ended 31 December 2019			
Total revenue for the Group: <i>Timing of revenue</i>	Property & Online Advertising \$'000	Financial Services \$'000	Asia \$'000	Total \$'000
Services transferred at a point in time	6,777	42,996	33	49,806
Services transferred over time	393,703	-	27,177	420,880
Total revenue	400,480	42,996	27,210	470,686

	Consolidated for the half-year ended 31 December 2018			
Total revenue for the Group: <i>Type of services</i>	Property & Online Advertising \$'000	Financial Services \$'000	Asia \$'000	Total \$'000
Revenue from property & online advertising	428,520	-	26,001	454,521
Revenue from financial services	-	46,071	-	46,071
Total revenue	428,520	46,071	26,001	500,592

	Consolidated for the half-year ended 31 December 2018			
Total revenue for the Group: <i>Timing of revenue</i>	Property & Online Advertising \$'000	Financial Services \$'000	Asia \$'000	Total \$'000
Services transferred at a point in time	7,405	46,071	83	53,559
Services transferred over time	421,115	-	25,918	447,033
Total revenue	428,520	46,071	26,001	500,592

Reconciliation of operating income:

	31 Dec 2019 \$'000	31 Dec 2018 \$'000
Total revenue	470,686	500,592
Expense from franchisee commissions	(30,349)	(31,358)
Total operating income	440,337	469,234

(b) Contract liabilities

As of 1 July 2019, contract liabilities amounted to \$54.0 million, of which \$48.8 million was recognised during the six months ending 31 December 2019.

4. Expenses

	31 Dec 2019 \$'000	31 Dec 2018 \$'000
Profit before income tax includes the following specific expenses:		
Employee benefits		
Salary costs	86,448	82,835
Defined contribution superannuation expense	8,027	7,534
Share based payments expense	53	1,540
Total employee benefits expenses	94,528	91,909
Finance (income)/expense		
Interest income	(1,437)	(1,015)
Interest expense	4,312	6,413
Foreign exchange loss/(gain) - financing	704	(1,966)
Discount unwind and finance costs of contingent consideration	-	789
Total finance expense	3,579	4,221
Depreciation of property, plant and equipment	8,535	4,460
Amortisation of intangibles	28,191	24,533
Total depreciation and amortisation expense	36,726	28,993
Advertising placement costs	5,081	4,337
Rental expenses	288	3,466
Net foreign exchange gain	(852)	(61)
Impairment of goodwill	-	173,200

5. Income tax expense

The Group calculates the half-year income tax expense using the tax rate that would be applicable to expected total annual earnings. The major components of income tax expense in the Condensed Consolidated Income Statement are:

	31 Dec 2019 \$'000	31 Dec 2018 \$'000
Current income tax expense	72,295	83,342
Deferred income tax expense related to origination and reversal of deferred taxes	1,490	(3,266)
Total income tax expense reported in the Condensed Consolidated Income Statement	73,785	80,076

6. Cash and cash equivalents

Cash and cash equivalents are comprised of the following:

	31 Dec 2019 \$'000	30 Jun 2019 \$'000
Cash at bank and in hand	90,518	62,461
Short-term deposits	437	75,436
Total cash and short-term deposits	90,955	137,897

7. Intangible assets and impairment

AASB 136 *Impairment of Assets* requires assets to be assessed for impairment indicators at the end of each reporting period. If any such indicators exist, the recoverable amount of the asset is estimated. No such indicators were identified for the Group's CGUs or segments for the half-year ended 31 December 2019. However, while the estimated recoverable amount of the Asian CGU was greater than its carrying value at 31 December 2019, any adverse change in certain key assumptions, including the discount rate and the terminal growth rate, could, in isolation, result in the carrying value of the segment approximating its recoverable amount.

8. Investment in associates and joint ventures

The Group holds a 20% interest in Move Inc ('Move'), which is equity-accounted for. The remaining 80% interest in Move is held by News Corp. In the prior period, Move completed the acquisition of Opcity, the market-leading real estate technology platform based in Texas that matches qualified home buyers and sellers with real estate professionals in real time.

The Group holds a 13.5% interest in Elara Technologies Pte Ltd ('Elara'), a leading online real estate services company in India, which owns and operates PropTiger.com and other sites in the region. The investment is equity-accounted for as the Group is deemed to have significant influence. Following the impairment charge recognised in June 2019, the recoverable amount of the investment was equal to its carrying amount. Therefore, any adverse change in Elara's performance or a reasonable possible change in the assumptions of the valuation model could result in further impairment.

Effective 1 November 2019, the Group acquired the remaining 30% minority share in realestate.com.au Home Loans, a mortgage broking business previously jointly owned with Advantedge Financial Services Holdings Pty Ltd, a subsidiary of NAB. On completion, realestate.com.au Home Loans moved from joint control to a fully consolidated subsidiary of the Group. As part of the step acquisition, the Group recognised a \$2.1 million net loss, representing the revaluation of the original investment and the measurement of the consideration transferred at fair value.

On 4 October 2019, REA acquired a 27.8% share in Managed Platforms, a cloud-based property management and investment platform business, for agency customers to manage residential rent rolls more efficiently, and at lower cost. The Group equity-accounts for the investment as it is deemed to have significant influence.

A reconciliation of the carrying amounts of investments in associates and joint ventures is provided below:

	Move		Elara		Other	
	31 Dec 2019 \$'000	30 Jun 2019 \$'000	31 Dec 2019 \$'000	30 Jun 2019 \$'000	31 Dec 2019 \$'000	30 Jun 2019 \$'000
Carrying amount of the investment	289,227	279,004	40,938	43,573	1,936	3,555

A reconciliation of the share of losses in associates and joint ventures is provided below:

	Move		Elara		Other	
	31 Dec 2019 \$'000	31 Dec 2018 \$'000	31 Dec 2019 \$'000	31 Dec 2018 \$'000	31 Dec 2019 \$'000	31 Dec 2018 \$'000
Share of losses of associate/joint venture	411	2,628	3,182	2,214	245	174

9. Commissions

The key assumptions underlying the carrying value of trailing commissions assets and the corresponding liabilities to franchisees at balance date are detailed in the table below:

	31 Dec 2019	30 Jun 2019
Weighted average loan life	4.0 years	4.0 years
Weighted average discount rate	6.5%	6.5%
Percentage of commissions received paid to franchisees (10-year average)	79.0%	79.0%

The carrying amounts of upfront trail commission contract assets and commission liabilities carried at 31 December 2019 are detailed below:

	31 Dec 2019 \$'000	30 Jun 2019 \$'000
Future trailing commission contract assets – current	41,598	41,402
Upfront commission contract assets - current	6,364	6,703
Total current commission contract assets	47,962	48,105
Future trailing commission contract assets – non-current	148,218	134,097
Future trailing commission liabilities - current	32,630	32,234
Upfront commission liabilities – current	4,968	5,301
Total current commission liabilities	37,598	37,535
Future trailing commission liabilities – non-current	116,412	104,422

10. Interest bearing loans and borrowings

On 3 December 2019, the Group entered a syndicated revolving loan facility for \$170.0 million for a period of two years, maturing in December 2021. The proceeds were used to repay \$240.0 million of Sub Facility C in addition to existing cash reserves.

Facility ¹	Interest rate	Maturity	31 Dec 2019 \$'000	30 Jun 2019 \$'000
New unsecured syndicated revolving loan facility²	BBSY +0.85%- 1.30% ⁵	December 2021	170,000	-
Original unsecured syndicated revolving loan facility³				
Sub facility C ⁴	BBSY +1.05%- 1.45% ⁵	December 2019	-	240,000
Unsecured NAB revolving loan facility	BBSY +0.85%- 1.40% ⁵	April 2021	70,000	70,000

1 The carrying value of the debt approximates fair value

2 The loan facility is provided by a syndicate comprising Australia and New Zealand Bank, National Australia Bank and HSBC

3 The loan facility is provided by a syndicate comprising National Australia Bank, Australia and New Zealand Bank, HSBC (portion formerly held by Commonwealth Bank Australia) and Westpac Bank

4 The facility was repaid on 3 December 2019

5 Interest rate margin is dependent on the Group's net leverage ratio. As of 31 December 2019, the interest rate margin was between 0.85% and 1.40%, at a weighted average interest rate of 2.14%

Reconciliation of liabilities arising from financing activities:

	Balance at 1 July 2019 \$'000	Additions \$'000	Principal Payments \$'000	Other \$'000	Balance at 31 December 2019 \$'000
Loans – current	239,809	-	(240,000)	191	-
Lease liabilities – current ¹	6,405	1,259	(3,128)	3,096	7,632
Total interest bearing loans and borrowings - current	246,214	1,259	(243,128)	3,287	7,632
Loans – non-current	69,940	170,000	-	(176)	239,764
Lease liabilities – non-current ²	67,111	20,796	-	(3,129)	84,778
Total interest bearing loans and borrowings - non-current	137,051	190,796	-	(3,305)	324,542

1 Includes \$6.1 million of lease liabilities recognised on 1 July 2019 on adoption of AASB 16

2 Includes \$67.0 million of lease liabilities recognised on 1 July 2019 on adoption of AASB 16

11. Contingent consideration

As part of the Group's acquisition of Smartline, the Group had an obligation to acquire the remaining 19.7% minority shareholding before the end of the fourth year following completion. The Group acquired the minority shareholding of \$16.0 million at an earlier exit date, on 1 July 2019.

The remaining balance of contingent consideration relates to the Group's acquisition of Property Platform. The Group has adopted the fair value method in measuring this contingent consideration. The determination of fair values involves judgement in relation to the ability of the acquired entity achieving certain financial results. Contingent consideration is categorised as Level 3 in the fair value hierarchy. At 31 December 2019, contingent consideration on the Property Platform acquisition of \$0.7 million is classified as current, and has been valued using the discounted cash flow technique, at a discount rate of 12.8%. Hurdle requirements are calculated on revenue over a period of five years, with final payment due in May 2020.

A reconciliation of the fair value of contingent consideration liability is provided below:

	31 Dec 2019 \$'000	30 Jun 2019 \$'000
Opening fair value balance	16,657	16,716
Payments	(16,004)	(457)
Fair value changes recognised in profit or loss ¹	-	5,457
Revaluation ¹	-	(5,059)
Closing fair value balance²	653	16,657

1 Included within net finance expense in the Condensed Consolidated Income Statement

2 Included within trade and other payables balance in the Condensed Consolidated Statement of Financial Position

12. Contributed equity

At 31 December 2019 the Group had 131,714,699 ordinary shares on issue. No shares were issued during the half-year ended 31 December 2019.

	Contributed equity	Other contributed equity	Total
	\$'000	\$'000	\$'000
Balance at 1 July 2018	102,616	(11,291)	91,325
Acquisition of treasury shares	-	(587)	(587)
Settlement of vested performance rights	-	(1,194)	(1,194)
Balance at 30 June 2019	102,616	(13,072)	89,544
Acquisition of treasury shares	-	(344)	(344)
Settlement of vested performance rights	-	2,669	2,669
Balance 31 December 2019	102,616	(10,747)	91,869

The Group's own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in share-based payments reserve.

13. Dividends

The following dividends were declared or paid by the Group:

	31 Dec 2019 \$'000	31 Dec 2018 \$'000
Declared and paid during the period (fully-franked @ 30%)		
Final dividend for 2019: 63.0 cents (2018: 62.0 cents)	82,980	81,663
Proposed and unrecognised as a liability (fully-franked at 30%)		
Interim dividend for 2020: 55.0 cents (2019: 55.0 cents). Proposed dividend is expected to be paid on 24 March 2020 out of retained earnings at 31 December 2019 but is not recognised as a liability at half-year end	72,443	72,443

14. Commitments and contingencies

(a) Claims

Various claims arise in the ordinary course of business against the Group and its subsidiaries. The amount of the liability (if any) at 31 December 2019 cannot be ascertained, and any resulting liability would not materially affect the financial position of the Group.

(b) Guarantees

On 22 November 2019 the Group signed an amendment to the guarantee originally signed in the prior year for the revolving credit facility ('RCF') issued by Citibank to Elara Technologies Pte Ltd, with the RCF increased from USD\$35.0 million to USD\$69.0 million. The Group's portion of the guarantee is USD\$26.1 million, which would become payable by the Group in the event of default by Elara Technologies Pte Ltd. At 31 December 2019, USD\$44.5 million of the facility had been drawn down. Under the arrangement, the Group earns income in the form of a guarantee fee. The RCF expires in August 2021.

15. Events after the balance sheet date

In January 2020, the Group completed due diligence and formalised the agreement to establish a joint venture with 99.co, the Singapore-headquartered digital property marketplace. REA Group will be the largest shareholder with a 27% shareholding. The joint venture company will be established through the transfer of the existing businesses of 99.co and iProperty.com.sg and Rumah123.com located in Singapore and Indonesia. The transfer of assets is anticipated to be completed in Q3 FY20.

Excluding the above, from the end of the reporting period to the date of this report, no other matters or circumstances have arisen which have significantly affected the operations of the Group, the results of the operations or the state of affairs of the Group.

Directors' Declaration

For the half-year ended 31 December 2019:

In the Directors' opinion:

- (a) the Condensed Consolidated Interim Financial Statements and notes of the consolidated entity set out on pages 14 to 32 are in accordance with the *Corporations Act 2001*, including:

giving a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and

complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors.



Hamish McLennan

Chairman



Owen Wilson

Chief Executive Officer

Melbourne

7 February 2020



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working world**

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Independent Auditor's Review Report to the Members of REA Group Limited

Report on the Interim Financial Report

Conclusion

We have reviewed the accompanying interim financial report of REA Group Limited and its subsidiaries (collectively the Group), which comprises the condensed consolidated statement of financial position as at 31 December 2019, the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2019 and of its consolidated financial performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the interim financial report that is free from material misstatement, whether due to fraud or error.

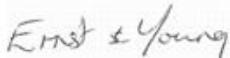
Auditor's Responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2019 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the REA Group Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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



Ernst & Young



David McGregor
Partner
Melbourne
7 February 2020