

Appendix 4D

for the half-year ended 31 December 2018

REA Group Limited

ABN 54 068 349 066

RESULTS FOR ANNOUNCEMENT TO THE MARKET

For the half-year ended 31 December 2018 (“current period”)

		31 Dec 2018	% Change from 6 months ended 31 Dec 2017	31 Dec 2017
		A\$'000		A\$'000
Revenue¹ from ordinary activities (core operations)	Up	469,234	15%	406,779
Net Profit for the period attributable to members	Down	2,468	(98%)	132,522
Net Profit from core operations	Up	176,583	20%	147,255
Net Profit for the period attributable to members of parent (before non-controlling interest)	Down	2,318	(98%)	132,359
Dividend information				
		Amount per share (cents)	Franked amount per share (cents)	Tax rate for franking credit
2018 interim dividend per share (paid 16 March 2018)		47.0	47.0	30%
2018 final dividend per share (paid 13 September 2018)		62.0	62.0	30%
2019 interim dividend per share (to be paid 19 March 2019)		55.0	55.0	30%
2019 interim dividend dates				
Ex-dividend date				4 March 2019
Record date				5 March 2019
Payment date				19 March 2019
		31 Dec 2018		30 Jun 2018
		Cents		Cents
Net tangible assets per security		74.6		(1.0)

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 2018. Information should be read in conjunction with REA Group Limited's 2018 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 2018 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.

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REA Group Limited

ABN 54 068 349 066

Interim Financial Report for the half-year ended 31 December 2018



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Corporate Information

Directors	Hamish McLennan (Chairman) Tracey Fellows Owen Wilson (Executive Director and Chief Executive Officer appointed 7 January 2019) Roger Amos Kathleen Conlon Richard Freudenstein Michael Miller Ryan O'Hara (resigned 8 February 2019) Nick Dowling
Company Secretary	Sarah Turner
Principal registered office	511 Church Street Richmond, Victoria, 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 3008 Ph: 1300 554 474 (within Australia) +61 1300 554 474 (outside Australia) Fax: 02 9287 0303
Auditor	Ernst & Young 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 2018 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)
- Tracey Fellows
- Owen Wilson (appointed Executive Director and Chief Executive Officer 7 January 2019)
- Roger Amos
- Kathleen Conlon
- Richard Freudenstein
- Michael Miller
- Ryan O'Hara (resigned 8 February 2019)
- Nick Dowling

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 made up of three pillars: property advertising, lifestyle and financial services, and global. 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 2018 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 revaluation, unwind and finance costs of contingent consideration, transaction costs relating to acquisitions by associates and impairment of goodwill. In the prior comparative period this included items such as revaluation, unwind and finance costs of contingent consideration, transaction costs relating to acquisitions and the impact of the change in US tax rates on Move, Inc. results.

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)	2015 HY	2016 HY	2017 HY	2018 HY	2019 HY	Growth
Operating income from core operations	239,255	289,772	337,326	406,779	469,234	15%
EBITDA ¹ from core operations ²	140,721	176,693	200,053	242,787	289,084	19%
<i>EBITDA margin</i>	59%	61%	59%	60%	62%	
Net profit from core operations	84,967	115,309	121,771	147,255	176,583	20%
Dividend (cents per share)	29.5	36.0	40.0	47.0	55.0	17%
Earnings per share from core operations	64.5	87.5	92.5	111.8	134.1	20%

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.

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	2019 HY \$'000	2018 HY \$'000	Growth
Reported operating income	469,234	406,779	15%
EBITDA from core operations (excluding share of losses of associates and joint ventures)*	293,980	246,799	19%
Share of losses of associates and joint ventures	(5,016)	(15,858)	68%
Business combination transactions costs**	120	-	n/a
US tax reform - revaluation of deferred tax balances	-	11,846	n/a
EBITDA from core operations*	289,084	242,787	19%
Revaluation of contingent consideration	(6)	254	>(100%)
Impairment charge	(173,200)	-	n/a
Business combination transactions costs**	(120)	(552)	78%
US tax reform - revaluation of deferred tax balances	-	(11,846)	n/a
Reported EBITDA*	115,758	230,643	(50%)
Net profit from core operations	176,583	147,255	20%
Unwind, revaluation and finance costs of contingent consideration	(795)	(2,335)	66%
Impairment charge	(173,200)	-	n/a
Business combination transaction costs**, net of tax	(120)	(552)	78%
US tax reform - revaluation of deferred tax balances	-	(11,846)	n/a
Reported net profit	2,468	132,522	(98%)

* 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.

** Transaction costs incurred in the current period relate to the Group's share of costs from an associate's acquisition.

Group results from core operations

Group operating income from core operations grew by 15% to \$469.2 million driven by the continued growth in listing depth products, where agents can upgrade listings to feature more prominently and the inclusion of Hometrack Australia Pty Ltd ('Hometrack') (acquired 1 June 2018), which was not included in the prior comparative period.

The Group achieved a 19% increase in EBITDA from core operations to \$289.1 million and a 20% increase in net profit from core operations to \$176.6 million. Operating expenses increased due to the inclusion of Hometrack, continued investment in product innovation and increased costs relating to the success of the Audience Maximiser product in Australia.

Operating income grew across all regions for the half-year and Australia remained the primary revenue driver for the business. Revenue growth in Australia reflects the success of REA's strategy to promote depth products and continued product innovation, all of which have strengthened customer relationships and enhanced the consumer experience.

Strong operating cashflows were offset by the repayment of \$120 million relating to the syndicated loan facility (sub facility B) and shareholder returns in the form of dividends, resulting in a cash balance of \$59.8 million at 31 December 2018. The Group had net current liabilities of \$173.8 million as at 31 December 2018 due to the reclassification of the final tranche of the syndicated loan facility (\$240 million) which is due in December 2019. The Group generated positive operating cashflows and traded profitably for the period. The Directors expect this to continue for the foreseeable future.

During the period the Group recorded a non-cash impairment charge of \$173.2 million (pre and post-tax) reducing the carrying value of goodwill in relation to the Asia segment. There have been changes in the macro economic environment, including additional government cooling measures, which have resulted in more challenging conditions in some markets. This coupled with the decision to increase investment to further strengthen our market position, will result in the deferral of near-term returns.

The impairment has no effect on current trading and will not impact the Group's debt covenant

compliance. The interim dividend for the period has been based on the Group's Net Profit after Tax from core operations.

In Australia, realestate.com.au has maintained its lead with the largest³ and most engaged⁴ audience of property seekers, with more than twice the visits compared to the nearest competitor site across all platforms⁵.

Dividends

Dividends paid or declared by the Company during, and since, the end of the year are set out in Note 15 to the interim financial statements and below:

	Interim 2019	Final 2018
Per share (cents)	55.0	62.0
Total amount (\$'000)	72,443	81,663
Franked*	100%	100%
Payment date	19 March 2019	13 Sept 2018

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

Performance by region

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 income¹						
Total segment operating income ¹	428,810	14,713	26,263	-	-	469,786
Inter-segment operating income ¹	(290)	-	(262)	-	-	(552)
Operating income¹	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 of 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

¹ This represents revenue less commissions for financial services

³ Source: (Nielsen Digital Content Ratings, (Jul 2018 Dec 2018), People 2+, text, computer & mobile, average monthly unique audience on site & app compared to the nearest competitor.

⁴ Source: Nielsen Digital Content Ratings (Jul 2018 – Dec 2018), People 2+, text, computer & mobile, average time spent per person on realestate.com.au compared to the nearest competitor.

⁵ Source: Nielsen Digital Content Ratings, (Jul 2018 to Dec 2018), tagged, People 2+, text, computer & mobile, comparing total monthly sessions of realestate.com.au to the nearest competitor.

Half-year ended 31 December 2017	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	370,832	13,154	22,967	-	-	406,953
Inter-segment operating income ¹	-	-	(174)	-	-	(174)
Operating income ¹	370,832	13,154	22,793	-	-	406,779
Results						
Segment EBITDA from core operations (excluding share of losses of associates and joint ventures)	247,709	5,920	4,493	-	(11,323)	246,799
Share of losses from associates and joint ventures	-	(240)	(3,160)	(612)	(11,846)	(15,858)
US tax reform - revaluation of deferred tax balances	-	-	-	-	11,846	11,846
Segment EBITDA from core operations	247,709	5,680	1,333	(612)	(11,323)	242,787
Revaluation of contingent consideration	-	-	-	-	254	254
US tax reform - revaluation of deferred tax balances	-	-	-	-	(11,846)	(11,846)
Business combination transaction costs	-	-	-	-	(552)	(552)
EBITDA	247,709	5,680	1,333	(612)	(23,467)	230,643

¹ This represents revenue less commissions for financial services

Australia

The Group operates Australia's number one residential, commercial and share property sites, realestate.com.au⁶, realcommercial.com.au⁷ and Flatmates.com.au⁸.

Australian operating income increased by 15% to \$443.2 million during the half-year predominately due to the strong performance of Australia's residential property and online advertising business.

realestate.com.au continues to be the number one place for property with more than two times the visits compared to its nearest competitor.⁹ Consumers were highly engaged across all platforms; realestate.com.au app launches increased 19%¹⁰ and the app has been downloaded over 8.5 million times¹¹. Consumers spend more than 5.0 times¹² longer on the realestate.com.au app than the nearest competitor.

This large audience of people looking to buy, sell, rent or share property provides rich data into how people search, enabling the Group to personalise these experiences.

Recent innovations enable customers and consumers to find more detailed, relevant and up-to-date information on more properties.

Property and Online Advertising

Property and Online Advertising total revenue increased 16% to \$428.5 million.

Australia's listing depth revenue increased 16% to \$343.4 million. This was driven by the continued success of the residential Premiere All offering,

increased yield and contribution from the Audience Maximiser and Front Page products.

The residential result was delivered in unfavourable market conditions with national property listings decreasing 3% including listing declines of 10% in Sydney and 1% in Melbourne, compared to the prior comparative period.

Commercial and Developer listing depth and subscription revenue increased 10%. While there was a significant decline in new dwelling commencements, this growth was achieved due to an increase in project profile duration, acquisition of new customers and an increase in Commercial depth penetration. realcommercial.com.au continues to be the number one commercial property site in Australia, with 2.0 million average monthly visits.¹³

Media, Data and other revenue increased 19% to \$55.4 million due to the inclusion of the Hometrack business coupled with greater display advertising from developers as a result of longer project durations. Media revenue was impacted by reduced advertising spend in key segments and lower inventory as Premiere listings increased.

Flatmates.com.au is the number one site¹⁴ in share accommodation with over 2.8 million average monthly visits.¹⁵ The Group is well placed to strengthen this leadership position through the sharing of technology, expertise and marketing.

1Form online rental applications grew 15% on the previous comparative period¹⁶ with more than 1.3 million submitted through the platform during the

⁶ Source: Nielsen Digital Content Ratings, (Jul 2018 to Dec 2018), comparing average monthly sessions of realestate.com.au to the nearest competitor, tagged, People 2+, text, computer & mobile.

⁷ Source: Nielsen Market Intelligence – Home and Fashion, average total sessions (exclude app). Nielsen Digital Content Ratings; average app launches for the audited site realcommercial.com.au and app, compared to nearest competitor, for the half-year ended 31 December 2018.

⁸ Source: Hitwise market share data; comparing visits to flatmates.com.au to nearest competitors (Jul 2018 – Dec 2018).

⁹ Source: Nielsen Digital Content Ratings, (Jul 2018 to Dec 2018), comparing average monthly sessions of realestate.com.au to the nearest competitor, tagged, People 2+, text, computer & mobile.

¹⁰ Source: Nielsen Digital Content Ratings, tagged, People 2+, text, average monthly app launches (Jul 2018 – Dec 2018) compared to the same period (Jul 2017 – Dec 2017).

¹¹ Google Play & iTunes App Store, total number of downloads of the realestate.com.au app as at 31 Dec 2018.

¹² Source: Nielsen Digital Content Ratings, (Jul 2018 to Dec 2018), tagged, People 2+, text, computer & mobile, average app previous session length compared to the nearest competitor.

¹³ Source: Web visits Nielsen Market Intelligence – Home and Fashion, App launches Nielsen Digital Content Ratings; average monthly visits for the audited site realcommercial.com.au for the half-year ended 31 December 2018.

¹⁴ Source: Hitwise market share data; comparing visits to flatmates.com.au to nearest competitors (Jul 2018-Dec 2018).

¹⁵ Source: Google Analytics average monthly visits for the flatmates.com.au site (excludes app) for the half-year ended 31 December 2018.

¹⁶ Source: REA Internal Data total rental applications for the half-year ended 31 Dec 2018 compared to the half-year ended 31 Dec 2017.

half-year.¹⁷ This technology provides early visibility of consumers who are planning to move; helping advertisers create more personalised experiences.

Improving the rental experience for both consumers and customers continues to be a focus area. In December, 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 its launch in December, over 8,500 verifications¹⁸ have been purchased.

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.

Financial Services operating income increased 11% to \$14.7 million for the half-year. This result was driven by the inclusion of Smartline revenue for the full half-year, which was held for 5 months in the prior comparative period.

Since the launch of realestate.com.au Home Loans, there have been more than \$1 billion loan applications.¹⁹

Asia

The Group's Asian operations comprise a leading property portal in Malaysia²⁰, and prominent portals in Hong Kong, Indonesia, Thailand and Singapore, as well as Chinese site, myfun.com. Additionally, the Group holds a 14.1% stake on a fully diluted basis (16.4% 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 23% investment.

The Asian business recorded revenue growth of 14% to \$26.0 million for the half-year. This strong growth was driven by MyFun and Malaysia. Conditions in the Asian markets remained challenging for the period.

In Malaysia, iproperty.com.my maintained its leadership position compared to its nearest competitor.²⁰ In Hong Kong, there was a 140%²¹ increase in average monthly visits since the launch of the new Squarefoot platform, which allows the Group to take advantage of changing consumer expectations by having one place to support their needs across the whole property journey.

As previously noted a non-cash impairment charge of \$173.2 million was recorded (pre-tax and post-tax) for the half-year ended 31 December 2018 in relation to the carrying value of the goodwill allocated to the Asian reporting segment.

Elara's revenue increased 68% and its audience continues to strengthen. Traffic to all three platforms increased by 41%²² driven by increases in mobile visits. Makaan also achieved over 1 million average monthly total listings during the half-year.²³

The Group's share of Elara for the half-year resulted in a \$2.2 million loss from core operations recognised in the Income Statement.

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%.

¹⁷ Source: REA Internal Data total rental applications for the half-year ended 31 Dec 2018.

¹⁸ Source: REA Internal Data total tenant verifications December 2018 to 5 February 2019.

¹⁹ Source: REA Internal Data: Total value of loan applications created through online and phone channels as at 31 January 2019.

²⁰ Source: SimilarWeb average monthly visits for iproperty.com.my site in Malaysia from Jul 2018 - Dec 2018 compared to the nearest market competitor. Excludes app.

²¹ Source: SimilarWeb increasing average monthly visits for squarefoot.com.hk by 140% from 22 Nov 2018 - 31 Dec 2018. Excludes app.

²² Source: Elara Technologies Pte Ltd internal audience data for makaan.com, housing.com and proptiger.com for the month ending 31 Dec 2018 compared to 31 Dec 2017.

²³ Source: Elara Technologies Pte Ltd internal data average monthly listings (Jul 2018- Dec 2018) for makaan.com.

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.

In October 2018, Move, Inc. acquired Opcity, Inc. ("Opcity"), a market-leading real estate technology platform that matches qualified home buyers and sellers with real estate professionals in real time. The acquisition broadens the lead generation product portfolio, allowing real estate professionals to choose between traditional lead products or a concierge-based model that provides highly vetted, transaction-ready leads.

realtor.com[®] is a leading property portal in the United States²⁴, the world's largest real estate market. Reported revenue growth of 11% to US\$240 million²⁵ was due to the continued growth in its Connections Plus product and the acquisition of Opcity. Average monthly unique users of realtor.com[®]'s web and mobile sites increased 6% on the prior corresponding period to 53 million²⁶ with mobile representing more than half of all unique users.

The Group's share of Move, Inc. for the half-year resulted in a \$2.5 million loss from core operations up \$1.9m on the prior period due to increased operating costs and the acquisition of Opcity.

Business strategies and future developments

REA's growth focuses on the three pillars of its strategy; property advertising, lifestyle and financial services, and global.

Property Advertising

The foundation of the business is 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 Group's business.

The aim of property advertising is to improve the existing products for customers and consumers and provide a more personalised experience to property seekers. The Group remains focussed on enhancing the consumer experience so that it is individual, proactive and lifelong.

To support this strategy, the Group invested in a number of new innovations and services during the half:

- Agent Ratings and Reviews – a free, unbiased platform launching to consumers in early 2019 that aims to provide transparency in the market and connect property sellers with the right agent for them.
- A large technology upgrade to the realestate.com.au platform which has improved the core experience and increased search speed by 5.6 times. This upgrade enables the Group to deliver larger innovations to market with greater speed and scale.
- The ability for property owners to claim and track the value of multiple properties. Currently more than 1 million properties²⁷ have been claimed.
- The introduction of travel time in the realestate.com.au map functionality. This service better assists consumers to choose a home that is nearest to the places that matter most to them.
- Tenant Verifications on 1Form – the first direct to consumer product, allowing potential tenants to have their identity verified in advance of applying for a rental property.

Lifestyle and Financial Services

Connecting with people beyond property listings allows the Group to reach new audiences, no

²⁴ Source: NewsCorp's Earnings Release stated in US Dollars (7 February 2019) for the six month period ended 31 December 2018.

²⁵ Source: NewsCorp's Form 10-Q stated in US Dollars for the six month period ended 31 December 2018.

²⁶ Source: NewsCorp's Earnings Release stated in US Dollars (7 February 2019) for the six month period ended 31 December 2018.

²⁷ Source: REA Internal Data, number of claimed properties on realestate.com.au as at 31 January 2019

matter what stage of the property journey they are in.

Home finance is an integral part of the property-purchasing process. In partnership with NAB, the Group has a digital experience allowing people in Australia to combine searching for a property and getting a home loan in one place. As part of its financial services offering, REA also operates Smartline, one of Australia's premier mortgage broking franchise groups. Together with REA's own realestate.com.au branded brokers, REA has a team of brokers in market helping people finance their next property.

Lifestyle is a video-led content experience that connects the realestate.com.au brand to a wider audience in the property segment such as home owners, decorators and property improvers. The Group has expanded this content offering to include News, Guides and Lifestyle Travel. Increasingly, video-led content attracts new media customers and accesses different market segments.

Global

The Group is part of a global platform as consumers search for property around the world with REA. Leveraging our global scale, knowledge and capability, increases REA's speed to market and competitiveness.

The Group's Asia operations and the strategic investment in Elara Technologies gives significant presence in the Asian market, which represents a long-term opportunity for growth.

The Group's investment in Move Inc., a leading digital real estate advertising business in the United States, gives it access to the largest real estate market in the world.

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

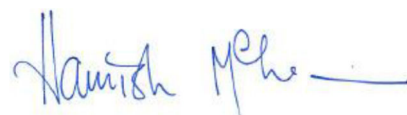
accompanying Condensed Consolidated Interim Financial Statements have been rounded off in accordance with that Instrument to the nearest thousand dollars, except where otherwise indicated.

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

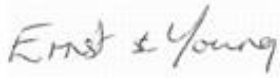
8 February 2019

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 2018, 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 REA Group Limited and the entities it controlled during the financial period.



Ernst & Young



David McGregor
Partner
8 February 2019

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Condensed Consolidated Income Statement

for the half-year ended 31 December 2018

	Notes	2018 \$'000	2017 \$'000
Revenue from property and online advertising	4	454,521	393,625
Revenue from financial services	4	46,071	38,434
Expense from franchisee commissions	4	(31,358)	(25,280)
Revenue from financial services after franchisee commissions		14,713	13,154
Total operating income		469,234	406,779
Employee benefits expenses	5	(91,909)	(85,038)
Consultant and contractor expenses		(4,039)	(3,954)
Marketing related expenses		(35,527)	(34,142)
Technology and other expenses		(15,894)	(10,330)
Operations and administration expense		(27,891)	(26,814)
Impairment expense	5	(173,200)	-
Share of losses of associates and joint ventures		(5,016)	(15,858)
Earnings before interest, tax, depreciation and amortisation		115,758	230,643
Depreciation and amortisation expense	5	(28,993)	(23,146)
Profit before interest and tax (EBIT)		86,765	207,497
Net finance expense	5	(4,221)	(6,532)
Profit before income tax		82,544	200,965
Income tax expense	6	(80,076)	(68,443)
Profit for the half-year		2,468	132,522
Profit for the half-year is attributable to:			
Non-controlling interest		150	163
Owners of the parent		2,318	132,359
		2,468	132,522
Earnings per share attributable to the ordinary equity holders of REA Group Limited			
Basic earnings per share		1.8	100.5
Diluted earnings per share		1.8	100.5

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

Condensed Consolidated Statement of Comprehensive Income

for the half-year ended 31 December 2018

	2018	2017
	\$'000	\$'000
Profit for the half-year	2,468	132,522
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations, net of tax	16,230	(1,913)
Other comprehensive income for the half-year, net of tax	16,230	(1,913)
Total comprehensive income for the half-year	18,698	130,609
Total comprehensive income for the half-year is attributable to:		
Non-controlling interest	150	163
Owners of the parent	18,548	130,446
	18,698	130,609

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 2018

	Notes	31 Dec 2018 \$'000	30 Jun 2018 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	7	59,803	115,841
Trade and other receivables	8	111,670	121,019
Current commissions assets	11	44,202	47,116
Total current assets		215,675	283,976
Non-current assets			
Plant and equipment		19,172	22,100
Intangible assets		775,638	942,177
Deferred tax assets		12,245	9,539
Other non-current assets	8	619	621
Investment in associates and joint ventures		349,864	337,514
Non-current commissions assets	11	130,859	126,545
Total non-current assets		1,288,397	1,438,496
Total assets		1,504,072	1,722,472
LIABILITIES			
Current liabilities			
Trade and other payables		35,466	62,674
Current tax liabilities		30,271	23,551
Provisions		12,713	12,272
Contract liabilities	4	36,303	47,710
Interest bearing loans and borrowings	12	240,265	122,461
Current commissions liabilities	11	34,445	36,770
Total current liabilities		389,463	305,438
Non-current liabilities			
Other non-current payables		17,341	16,553
Deferred tax liabilities		46,092	45,940
Provisions		5,794	5,532
Interest bearing loans and borrowings	12	69,876	309,923
Non-current commissions liabilities	11	101,610	98,317
Total non-current liabilities		240,713	476,265
Total liabilities		630,176	781,703
Net assets		873,896	940,769
EQUITY			
Contributed equity	14	90,042	91,325
Reserves		66,286	52,517
Retained earnings		717,076	796,421
Parent interest		873,404	940,263
Non-controlling interest		492	506
Total equity		873,896	940,769

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 2018

	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	5	-	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	15	-	-	(81,663)	(81,663)	(164)	(81,827)
Balance at 31 December 2018		90,042	66,286	717,076	873,404	492	873,896

	Notes	Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000	Parent interest \$'000	Non- controlling interest \$'000	Total equity \$'000
Balance at 1 July 2017		95,215	36,323	672,712	804,250	480	804,730
Profit for the half-year		-	-	132,359	132,359	163	132,522
Other comprehensive income		-	(1,913)	-	(1,913)	-	(1,913)
Total comprehensive income for the half-year		-	(1,913)	132,359	130,446	163	130,609
Transactions with owners in their capacity as owners							
Share-based payment expense	5	-	2,805	-	2,805	-	2,805
Acquisition of treasury shares		(3,484)	-	-	(3,484)	-	(3,484)
Settlement of vested performance rights		307	(2,354)	-	(2,047)	-	(2,047)
Dividends paid	15	-	-	(67,174)	(67,174)	(132)	(67,306)
Balance at 31 December 2017		92,038	34,861	737,897	864,796	511	865,307

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 2018

	Notes	2018 \$'000	2017 \$ '000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		508,989	438,970
Payments to suppliers and employees (inclusive of GST)		(245,172)	(213,899)
		263,817	225,071
Interest received		940	3,753
Interest paid		(6,210)	(6,443)
Income taxes paid		(75,734)	(72,415)
Share-based payment on settlement of incentive plans		(6,210)	(2,181)
Net cash inflow from operating activities		176,603	147,785
Cash flows from investing activities			
Receipt/(Payment) for acquisition of subsidiary		3,234	(70,659)
Investment in associates		31	(4,378)
Payment for plant and equipment		(1,303)	(3,134)
Payment for intangible assets		(30,563)	(24,889)
Net cash outflow from investing activities		(28,601)	(103,060)
Cash flows from financing activities			
Dividends paid to company's shareholders	15	(81,663)	(67,174)
Dividends paid to non-controlling interests in subsidiaries		(164)	(132)
Acquisition of treasury shares	14	(89)	(3,484)
Repayment of borrowings and leases	12	(122,442)	(134,000)
Net cash outflow from financing activities		(204,358)	(204,790)
Net decrease in cash and cash equivalents			
Cash and cash equivalents at the beginning of the year		115,841	358,500
Effects of exchange rate changes on cash and cash equivalents		318	(168)
Cash and cash equivalents at end of the year	7	59,803	198,267

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

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.

The Condensed Consolidated Interim Financial Statements of the Company as at and for the half-year ended 31 December 2018 comprise the Company and its subsidiaries (together referred to as the 'Group') and the Group's interests in associates and equity-account investments.

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

2. Basis of preparation

The Condensed Consolidated Interim Financial Statements for the half-year ended 31 December 2018 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 2018.

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 2018, except for the adoption of new standards effective 1 July 2018 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 15 and AASB 9, which are described in Note 4, Note 8 and the Asia CGU impairment assessment described in Note 9.

The Group has net current liabilities of \$173.8 million as at 31 December 2018. On 7th December 2018 the Group repaid \$120 million (sub facility B) of the unsecured syndicated revolving loan facility, which reduced the cash balance at 31 December 2018. The outstanding balance of \$240 million (sub facility C) matures in December 2019 and has been classified as a current liability as at 31 December 2018, refer to Note 12 for further details. The Group generated positive operating cash flows and traded profitably for the year. The Directors expect this to continue into the foreseeable future.

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

The Group applies for the first time AASB 15 *Revenue from Contracts with Customers* ('AASB 15') and AASB 9 *Financial Instruments* ('AASB 9'). Changes to significant accounting policies are described below.

AASB 15 Revenue from contracts with customers ('AASB 15')

AASB 15 replaces all existing revenue requirements in Australian Accounting Standards and Interpretations including AASB 118 *Revenue* and AASB 111 *Construction Contracts* and applies to all revenue arising from contracts with customers unless the contracts are in scope of other standards.

The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The standard requires entities to exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the AASB 15 five-step model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group has applied AASB 15 using the modified retrospective method whereby the cumulative effect of applying AASB 15 to contracts that are not completed at 1 July 2018 (being the date of initial application) is recognised as an adjustment to the opening balance of retained earnings as at 1 July 2018. Under this transition approach comparative information has not been restated. Based on the AASB 15 transition assessment, the impact on transition was immaterial and no transition adjustment was required.

The Group has identified the following main revenue categories by segment:

- Revenue from property and online advertising
- Revenue from financial services

Refer to Note 4 for further details.

AASB 9 Financial Instruments ('AASB 9')

AASB 9 replaces AASB 139 *Financial Instruments: Recognition and Measurement* ('AASB 139'), bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting, the impacts of which have been disclosed in Note 8. The Group has applied AASB 9 retrospectively with the initial application date of 1 July 2018.

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

AASB 16 Leases ('AASB 16')

AASB 16 replaces AASB 117 *Leases* for annual periods beginning on or after 1 January 2019 and requires lessees to recognise assets and liabilities for all leases with a term of more than 12 months unless the underlying asset is of low value. Right-of-use assets are required to be measured similarly to other non-financial assets, and lease liabilities are measured similarly to other financial liabilities.

The Group is currently undertaking a detailed assessment of the impact of AASB 16. This includes evaluating current contracts to assess if any contain embedded operating lease terms. Under AASB 16, entities are required to separate lease and non-lease components and account for them individually if certain criteria are met.

Under AASB 16, the present value of these commitments would be shown as a liability on the balance sheet, together with a right-of-use asset. The ongoing Income Statement classification of lease expenses (currently included in operations and administration expenses) will be split between depreciation and interest expense. Adoption of AASB 16 is not expected to materially change the Group's profit after tax, but it will impact segment EBITDA.

Other 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.

3. Segment information

The following tables present operating income and results by operating segments for the half-years ended 31 December 2018 and 2017.

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 income¹						
Total segment operating income ¹	428,810	14,713	26,263	-	-	469,786
Inter-segment operating income ¹	(290)	-	(262)	-	-	(552)
Operating income¹	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 of 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

Half-year ended 31 December 2017	Australia		Asia	North America	Corporate	Total
	Property & Online Advertising	Financial Services				
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Segment operating income ¹						
Total segment operating income ¹	370,832	13,154	22,967	-	-	406,953
Inter-segment operating income ¹	-	-	(174)	-	-	(174)
Operating income ¹	370,832	13,154	22,793	-	-	406,779
Results						
Segment EBITDA from core operations (excluding share of losses of associates and joint ventures)	247,709	5,920	4,493	-	(11,323)	246,799
Share of losses from associates and joint ventures	-	(240)	(3,160)	(612)	(11,846)	(15,858)
US tax reform - revaluation of deferred tax balances	-	-	-	-	11,846	11,846
Segment EBITDA from core operations	247,709	5,680	1,333	(612)	(11,323)	242,787
Revaluation of contingent consideration	-	-	-	-	254	254
US tax reform - revaluation of deferred tax balances	-	-	-	-	(11,846)	(11,846)
Business combination transaction costs	-	-	-	-	(552)	(552)
EBITDA	247,709	5,680	1,333	(612)	(23,467)	230,643
Depreciation and amortisation						(23,146)
EBIT						207,497
Net finance expense from core operations						(3,943)
Profit before income tax from core operations						203,554
Net finance expense						(2,589)
Profit before income tax						200,965

¹ This represents revenue less commissions for financial services

4. Revenue from contracts with customers

(a) Revenue recognition

Accounting policies

Revenue is recognised at an amount that reflects the consideration to which the Group expects to be entitled in exchange for transferring products or services to a customer. The contract transaction price that will be recognised as revenue excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control over a product or service to a customer. Where services have been billed in advance and the performance obligations to transfer the services to the customers have not been satisfied, the consideration received will be recognised as a contract liability until such time when or as those performance obligations are met and revenue is recognised.

The Group's customer contracts may include multiple performance obligations. In these cases, the Group allocates the transaction price to each performance obligation based on the relative stand-alone selling prices of each distinct service. Stand-alone selling prices are determined based on prices charged to customers for individual products and services taking into consideration the size and length of contracts, product rate cards and the Group's overall go to market strategy.

In the comparative period, revenue was measured at the fair value of the consideration received or receivable. Revenue from the sale of goods was recognised when the significant risks and rewards of ownership had been transferred to the customer, recovery of the consideration was probable, the associated costs and possible return of goods could be estimated reliably, there was no continuing management involvement with the goods and the amount of revenue could be measured reliably. Revenue from rendering of services was recognised in proportion to the stage of completion of the work performed at the reporting date.

Property and online advertising

Type of revenue	Recognition criteria
<i>Subscription services</i>	Subscription revenues are derived by providing property advertising services over a contracted period. Consideration is recorded as deferred when it is received which is typically at the time of sale and revenue is recognised over time as the customer receives and consumes the benefits of the access to display listings over the contract period. The measurement of progress in satisfying this performance obligation is based on the passage of time (i.e. on a straight-line basis). The amount of revenue recognised is based on the amount of the transaction price allocated to this performance obligation.
<i>Listing depth products</i>	Listing depth revenues are derived by providing property advertising services over a contracted period. Transaction price is allocated to the performance obligations (i.e. upgrades of listings to feature more prominently) and revenue is recognised over time as obligations are satisfied. Depth products are billed monthly in advance and the timing and duration of the contract may result in contract liabilities.
<i>Banner advertising</i>	Revenues from banner advertising are recognised over the time which the advertisements are placed or as the advertisements are displayed, depending on the structure of the contract. Advertising customers are billed on a monthly basis, and contract liabilities may arise between the date of contract commencement and the date all performance obligations are met.
<i>Performance advertising and contracts</i>	Revenues from performance advertising and performance contracts are recognised at a point in time, being when the performance measure occurs and is generated (e.g. cost per click or cost per impression). Customers are billed monthly in arrears.
<i>Events</i>	Event revenue is recognised over the period of time that the event takes place. Customers are billed monthly in arrears and revenue is recognised over time.
<i>Data revenue</i>	Automated valuation model ('AVM') income is derived from providing customers access to AVM's over a contracted period. Consideration is received monthly in arrears and revenue is recognised over the contract period as the performance obligation is satisfied. AVM consideration is variable based on monthly volumes.

Platform build revenue is recognised based on contract milestones. Where the Group has an enforceable right to payment for performance completed to date and no alternative use for the asset it recognises revenue for the period build, based on time incurred. In the absence of such a right the Group recognises revenue at a point in time, being the contract milestones.

Financial Services

Type of revenue	Recognition criteria
<i>Lender commissions</i>	<p>The Group provides mortgage broking services, where the service provided by the Group is to establish a loan contract between financial institutions and the borrower. No other services are provided by the Group to the borrower on behalf of the financial institution once the loan has been established. In exchange for that mortgage broking service, the Group is entitled to consideration in the form of an upfront commission and a trail commission.</p> <p>The upfront commission is recognised once the loan has been established and is subject to a clawback provision. The trail commission is received over the life of the loan to the extent that the borrower continues to hold the loan with the financial institution. The outcomes of both these uncertainties are outside the control of the Group, however the group has extensive historical data and incorporates current market data to support the assessment of the consideration.</p> <p>Both commissions are accounted for as variable consideration and are estimated on an expected value basis. The estimated amount is included in the transaction price to the extent it is highly probable that a change in the upfront commissions or trail commission estimation would not result in a significant reversal of the cumulative revenue recognised.</p> <p>Revenue is updated each reporting period based on any changes in the estimates of variable consideration.</p>

The Group applies the practical expedients in accordance with AASB 15 paragraphs, 94 and 121, to expense the commissions in relation to obtaining contracts and not to disclose information about remaining performance obligations that have original expected durations of one year or less, respectively.

(b) Revenue from contracts with customers reconciliation

	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

	Consolidated for the half-year ended 31 December 2017			
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	370,832	-	22,793	393,625
Revenue from financial services	-	38,434	-	38,434
Total revenue	370,832	38,434	22,793	432,059

	Consolidated for the half-year ended 31 December 2017			
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	7,931	38,434	-	46,365
Services transferred over time	362,901	-	22,793	385,694
Total revenue	370,832	38,434	22,793	432,059

Reconciliation of operating income:

	2018 \$'000	2017 \$'000
Total revenue	500,592	432,059
Expense from franchisee commissions	(31,358)	(25,280)
Total operating income	469,234	406,779

(c) Contract liabilities

	\$'000
Balance at 1 July 2018	47,710
Revenue recognised during the period that was included in the opening balance	(44,358)
Contract liabilities recognised during the period	32,951
Balance as at 31 December 2018	36,303

Contract liabilities relate to consideration received in advance of the provision of services, and primarily arise from the timing between billing and satisfaction of the performance obligation.

5. Expenses

	31 Dec 2018 \$'000	31 Dec 2017 \$'000
Profit before income tax includes the following specific expenses:		
Employee benefits		
Salary costs	82,835	75,336
Defined contribution superannuation expense	7,534	6,897
Share based payments expense	1,540	2,805
Total employee benefits expenses	91,909	85,038
Finance (income)/expense		
Interest income	(1,015)	(2,722)
Interest expense	6,413	6,665
Foreign exchange gain - financing	(1,966)	-
Unwind of discount on contingent consideration	789	2,589
Total finance expense	4,221	6,532
Depreciation of plant and equipment	4,460	3,403
Amortisation of intangibles	24,533	19,743
Depreciation and amortisation expense	28,993	23,146
Revaluation of contingent consideration	6	(254)
Rental expenses	3,466	3,777
Net foreign exchange loss	(61)	372
Impairment ¹	173,200	-

1 Refer to Note 9 for further details on impairment expense

6. 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 2018 \$'000	31 Dec 2017 \$'000
Current income tax expense	83,342	69,160
Deferred income tax expense related to origination and reversal of deferred	(3,266)	(717)
Income tax expense reported in the Condensed Consolidated Income	80,076	68,443

7. Cash and cash equivalents

Cash and cash equivalents are comprised of the following:

	31 Dec 2018 \$'000	30 Jun 2018 \$'000
Cash at bank and in hand	59,378	115,433
Short term deposits	425	408
Total cash and short-term deposits	59,803	115,841

8. Trade receivables and other assets

Changes to accounting policies

The adoption of AASB 9 amends the Group's method to account for impairment losses on financial assets by replacing AASB 139's incurred loss approach with a forward looking expected credit loss ('ECL') approach. ECLs are based on the difference between the contractual cash flows due and the cash flows the Group expects to receive. Any shortfall is discounted at an approximation to the asset's original effective interest rate. The Group applies AASB 9's simplified approach to measure ECLs which uses a lifetime expected loss allowance for all trade receivables. To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The Group has established a provision policy based on historical credit loss experience, adjusted for forward looking factors specific to the debtors and the overall economic environment.

Based on the updated policy, no material impact on the Condensed Consolidated Statement of Financial Position and the Condensed Consolidated Income Statement for the half-year ending 31 December 2018 and the comparative period was identified.

	31 Dec 2018 \$'000	30 Jun 2018 \$'000
Trade receivables	106,116	110,391
Provisions for doubtful debts	(2,723)	(2,053)
Net trade receivables	103,393	108,338
Current prepayments	5,860	5,332
Accrued income and other receivables	2,417	7,349
Current trade and other receivables	111,670	121,019
Non-current prepayments	619	621
Other non-current assets	619	621
Total trade receivables and other assets	112,289	121,640

9. 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 assets is estimated.

There have been changes in the macro economic environment including additional government cooling measures, which have resulted in more challenging conditions in some markets. This coupled with the decision to increase investment to further strengthen our market position, will result in the deferral of near-term returns.

As a result of the changes noted above, the recoverable amount of the assets relating to this CGU has been assessed using a value-in-use discounted cash flow model. The model uses cash flow projections based on financial forecasts approved by management covering a ten-year period to appropriately reflect the current economic conditions in Asia and the growth profile of the business. Cash flows beyond the ten-year periods are extrapolated using a terminal growth rate. Based on the updated valuation, the carrying value exceeded the recoverable amount and an impairment charge of \$173.2 million was recognised against goodwill and is included as an impairment expense in the Condensed Consolidated Income Statement.

The decrease in the recoverable amount reflects an acceleration of changes to market conditions during the period, with a deferral in expected returns from previous expectations. As a consequence, this has led to a moderated outlook for the CGU over the forecast period and has been reflected in management's expectations of future cash flows.

(a) Key assumptions for value-in-use calculation

The key assumptions used in the value in use model are as follows:

	Discount rates		Terminal growth rates		Goodwill	
	31 Dec 2018	30 Jun 2018	31 Dec 2018	30 Jun 2018	31 Dec 2018	30 Jun 2018
	%	%	%	%	\$'000	\$'000
Asia	9.9 - 17.6	9.9 - 16.6	3.1 - 6.3	3.1 - 6.2	346,504	519,704

1 Goodwill allocated to the Asia CGU

The calculation of value-in-use for the CGU is most sensitive to the following assumptions:

Discount rates represent the current market specific to the CGU, taking into consideration the time value of money and individual risks that have not been incorporated in the cash flow estimates. The discount rate calculation is based on specific circumstances of the Group and the CGU and is derived from its weighted average cost of capital (WACC). CGU specific risk is incorporated by applying additional regional risk factors. During the period market risk premiums increased impacting discount rates for a number of countries.

Growth rate estimates are based on industry research and publicly available market data. The rates used to extrapolate the cash flows beyond the budget period include an adjustment to current market rates were required to approximate a reasonable long-term average growth rate. Over the extended forecast period growth rate assumptions are above the terminal growth rate as the Group operates in a high growth industry.

Real estate industry conditions impact assumptions including volume of real estate transactions, number of real estate agencies and new development project spend. Assumptions are based on research and publicly available market data.

(b) Sensitivity to changes in assumptions

The value in use model is sensitive to changes in discount rates, terminal growth and earnings assumptions. Following the impairment loss recognised in the Group’s Asia CGU, the recoverable amount was equal to the carrying amount. Therefore, any adverse change in a key assumption may result in further impairment.

10. Investment in associates and joint ventures

The Group has a 20% interest in Move Inc (‘Move’). The remaining 80% interest in Move is held by News Corp. During the 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’s share of transaction costs associated with this acquisition was \$0.1 million, recognised within share of losses for the period. In the prior period, the US corporate tax rate decreased to 21% and a one-time deferred tax adjustment was recognised. The Group’s share of the revaluation was \$11.8 million, recognised within share of losses for the prior period.

The Group holds a 14.1% interest in Elara Technologies Pte Ltd, a leading online real estate services company in India, which owns and operates PropTiger. The Group equity-accounts for the investment as it is deemed to have significant influence.

On 28 September 2017, the Group acquired a 70% share in a newly formed company “realestate.com.au Home Loans”, a mortgage broking business owned by Advantedge Financial Services Holdings Pty Ltd, a subsidiary of NAB. The Group has determined that the arrangement is a joint venture and is equity-accounted, as it is structured to provide joint control over the financial and operating policies of the company, despite the Group having a majority shareholding.

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

	Move		PropTiger		Other	
	31 Dec 2018 \$'000	30 Jun 2018 \$'000	31 Dec 2018 \$'000	30 Jun 2018 \$'000	31 Dec 2018 \$'000	30 Jun 2018 \$'000
Carrying amount of the investment	284,555	272,696	61,807	61,112	3,502	3,707

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

	Move		PropTiger		Other	
	31 Dec 2018 \$'000	31 Dec 2017 \$'000	31 Dec 2018 \$'000	31 Dec 2017 \$'000	31 Dec 2018 \$'000	31 Dec 2017 \$'000
Share of losses of associate/joint venture	2,628	12,457	2,214	3,160	173	240

11. 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 2018	30 Jun 2018
Weighted average loan life	4.0 years	3.8 years
Weighted average discount rate	6.5%	6.0%
Percentage of commissions received paid to franchisees (10-year average)	78.9%	78.8%

The carrying amounts of trail commission financial assets and financial liabilities recognised as they relate to trail commissions are detailed below:

	31 Dec 2018 \$'000	30 Jun 2018 \$'000
Future trailing commission assets - current	37,493	40,508
Upfront commission assets - current	6,709	6,608
Total current commissions assets	44,202	47,116
Future trailing commission assets - non-current	130,859	126,545
Future trailing commission liabilities - current	29,144	31,536
Upfront commission liabilities - non-current	5,301	5,234
Total current commissions liabilities	34,445	36,770
Future trailing commission liabilities - non-current	101,610	98,317

12. Interest bearing loans & borrowings

Facility ¹	Interest rate	Maturity	31 Dec 2018 \$'000	30 Jun 2018 \$'000
Unsecured syndicated revolving loan facility²				
Sub facility B ³	BBSY +0.95% - 1.35% ⁴	December 2018	-	120,000
Sub facility C	BBSY +1.05% - 1.45% ⁴	December 2019	240,000	240,000
Unsecured NAB loan facility	BBSY +0.85% - 1.40% ⁴	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 National Australia Bank, Australia and New Zealand Bank, HSBC (portion formerly held by Commonwealth Bank Australia) and Westpac Bank

3 The facility was repaid in December 2018

4 Interest rate margin is dependent on the Group's net leverage ratio. As of 31 December 2018, the Group was paying a margin of between 0.95% and 1.05%, at a weighted average interest rate of 2.98%

Reconciliation of liabilities arising from financing activities:

	Balance at 1 July 2018 \$'000	Cash flows \$'000	Reclassification \$'000	Other \$'000	Balance at 31 December 2018 \$'000	Balance of contractual cash flows at 31 December 2018 \$'000
Current interest bearing loans	122,461	(122,442)	240,154	92	240,265	240,360
Non-current interest bearing loans	309,923	-	(240,154)	107	69,876	70,212
Total interest bearing loans	432,384	(122,442)	-	199	310,141	310,572

13. Contingent consideration

The Group has adopted the fair value method in measuring contingent consideration in recent acquisitions. The determination of these 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. The following were key unobservable inputs and valuation techniques used in determining the fair value of contingent consideration at the reporting date:

	Valuation technique	Discount rate	Hurdle	Period (years)	Carrying value ¹ 31 Dec 2018 \$'000	Carrying value ¹ 30 Jun 2018 \$'000
Smartline	Option pricing theory	11.00%	Enterprise value	2	16,495	15,743
Flatmates.com.au ²	Discounted cash flow	6.00%	EBITDA	2	-	446
Property Platform ²	Discounted cash flow	12.80%	Revenue	5	561	527
Total contingent consideration					17,056	16,716

1 Carrying value approximates fair value

2 An increase/decrease in forecasted cash flows and associated future growth rates would both lead to an increase/decrease in the fair value

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

	31 Dec 2018	30 Jun 2018
	\$'000	\$'000
Opening fair value balance	16,716	116,425
Payments	(455)	(116,444)
Acquisitions	-	14,464
Fair value changes recognised in profit or loss ¹	795	1,971
Impact from applying foreign exchange rates as at period end ²	-	300
Closing fair value balance³	17,056	16,716

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

2 Included within operations and administration expense in the Condensed Consolidated Income Statement

3 Included within trade and other payables and other non-current payables in the Condensed Consolidated Statement of Financial Position

14. Contributed equity

At 31 December 2018 the Group had 131,714,699 ordinary shares on issue. No shares were issued during the half-year ended 31 December 2018.

	Contributed equity	Other contributed equity	Total
	\$'000	\$'000	\$'000
Balance at 1 July 2017	102,616	(7,401)	95,215
Acquisition of treasury shares	-	(4,198)	(4,198)
Settlement of vested performance rights	-	308	308
Balance at 30 June 2018	102,616	(11,291)	91,325
Acquisition of treasury shares	-	(89)	(89)
Settlement of vested performance rights	-	(1,194)	(1,194)
Balance 31 December 2018	102,616	(12,574)	90,042

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.

15. Dividends**(a) Dividends declared or paid**

The following dividends were declared or paid by the Group:

	Per share	Total amount \$'000	Franked at 30%	Payment date
Half-year ended 31 Dec 2018:				
2018 Final dividend (fully franked)	62.0 cents	81,663	100%	13 Sept 2018
Half-year ended 31 Dec 2017:				
2017 Final dividend (fully franked)	51.0 cents	67,174	100%	14 Sept 2017

(b) Dividends not recognised at the end of the half-year

On release of the Condensed Consolidated Interim Financial Statements, the Directors declared an interim ordinary dividend for 2019 of \$72.4 million (55.0 cents per share fully franked) to be paid on 19 March 2019 out of retained earnings as at 31 December 2018. The interim dividend has not been recognised in the Financial Statements for the half-year ended 31 December 2018, but will be in subsequent financial reports.

16. Commitments and contingencies

On 2 August 2018, the Group signed an off-balance sheet guarantee for a revolving credit facility ('RCF') issued by Citibank to Elara Technologies Pte Ltd. The total RCF is USD\$35.0 million and the Group's portion of the guarantee is USD\$13.2 million, which would become payable by the Group in the event of default by Elara Technologies Pte Ltd.

17. Events after the balance sheet date

From the end of the reporting period to the date of this report, no matter or circumstance has arisen which has 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 2018:

In the Directors' opinion:

- (a) the Condensed Consolidated Interim Financial Statements and notes of the consolidated entity set out on pages 14 to 34 are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Group's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and
 - (ii) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
- (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

8 February 2019

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 2018, 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 2018 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.

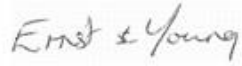
Auditor's Responsibility

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 2018 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
8 February 2019