

**REA Group Limited**  
**ABN 54 068 349 066**

**Audited Financial Statements**  
**for the year ended 30 June 2019**



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## Corporate Information

<b>Directors</b>	<p>Hamish McLennan (Chairman)</p> <p>Owen Wilson (Chief Executive Officer, appointed 7 January 2019)</p> <p>Tracey Fellows (Chief Executive Officer, resigned 25 January 2019, and appointed as Non-executive Director effective 26 January 2019)</p> <p>Roger Amos</p> <p>Kathleen Conlon</p> <p>Richard J Freudenstein</p> <p>Michael Miller</p> <p>Nick Dowling</p> <p>Ryan O'Hara (resigned 8 February 2019)</p>
<b>Chief Financial Officer</b>	Janelle Hopkins (appointed 3 June 2019)
<b>Company Secretary</b>	Sarah Turner
<b>Principal Registered Office in Australia</b>	<p>511 Church Street</p> <p>Richmond, Victoria, 3121</p> <p>Australia</p> <p>Ph: +61 3 9897 1121</p> <p>Fax: +61 3 9897 1114</p>
<b>Share register</b>	<p>Link Market Services Limited</p> <p>Tower 4, 727 Collins Street</p> <p>Melbourne, Victoria, 3008</p> <p>Ph: 1300 554 474 (within Australia)</p> <p>+61 1300 554 474 (outside Australia)</p> <p>Fax: 02 9287 0303</p>
<b>Auditor</b>	<p>EY</p> <p>8 Exhibition Street</p> <p>Melbourne, Victoria, 3000</p> <p>Australia</p>
<b>Bankers</b>	National Australia Bank Limited
<b>Securities Exchange Listing</b>	REA Group shares are listed on the Australian Securities Exchange (ASX: REA)
<b>Website</b>	<a href="http://www.rea-group.com">www.rea-group.com</a>

## Directors' Report

The Directors present their report together with the Financial Statements of the consolidated entity ('the Group' or 'REA'), being REA Group Limited (the 'Company') and its controlled entities, for the year ended 30 June 2019 and the Independent Auditor's Report thereon.

## Directors' Information

### Hamish McLennan

Non-executive Director appointed 21 February 2012 and Chairman since 10 April 2012. Age 53.

*Independent:* No – Nominee Director of News Corp Australia.

*Skills and experience:* Mr McLennan is an experienced media and marketing industry executive. He was Executive Chairman and Chief Executive Officer of Ten Network Holdings until July 2015 and, before that, Executive Vice President, Office of the Chairman, at News Corp. Previously, Mr McLennan was Global Chairman and CEO of Young & Rubicam, part of WPP, one of the world's largest communications services group.

*Other current directorships and offices:*

- Vice Chairman of Magellan Financial Group
- Director of the Garvin Institute of Medical Research (Fundraising Board)
- Chairman of HT&E Limited.

*Recent directorships and offices:*

- Former Executive Chairman and Chief Executive Officer of Ten Network Holdings Limited (from March 2013, Chairman from March 2014 to July 2015)
- Former Executive Vice President, Office of the Chairman of News Corp Australia (March 2011 to March 2013).

*Board Committee membership:*

- Chairman of the Board
- Member of the Human Resources Committee.

### Owen Wilson BCom, BCompSc, ACA, GAICD

*Executive Director and Chief Executive Officer appointed 7 January 2019.*

*Chief Financial Officer from 3 September 2014 until 6 January 2019. Age 55.*

*Skills and experience:* As CEO of REA Group, Mr Wilson is responsible for driving the Company's growth, operations and global investments. Prior to being

appointed CEO, Mr Wilson was REA Group's Chief Financial Officer for four years and looked after all aspects of the Group's finance portfolio including strategy, M&A and operations, as well as REA Group's Financial Services businesses.

Previously, Mr Wilson was Chief Financial Officer and Company Secretary of Chandler MacLeod Group. He has previously held positions with ANZ and KPMG across Australia, Asia and the UK. During his 15 years at ANZ, his roles included Chief Operating Officer of ANZ's Institutional and Investment Bank and Managing Director Retail Banking and International Partnerships Asia.

*Other current directorships and offices:* N/A

*Board Committee membership:*

- Mr Wilson attends all Audit, Risk and Compliance Committee and Human Resources Committee meetings at the invitation of the Board/Committees.

### Roger Amos FCA, FAICD

*Independent non-executive Director appointed 4 July 2006. Age 71.*

*Skills and experience:* Mr Amos is an experienced non-executive Director with extensive finance and management expertise gained during a long and distinguished career in accounting. He was a Partner in the international accounting firm KPMG for 25 years before retiring in 2006.

*Other current directorships and offices:*

- Chairman of Contango Asset Management Limited (since November 2007)
- Director of 3P Learning Limited (since June 2014), Chairman of Audit and Risk Committee and member of the Human Resources Committee
- Director of HT&E Limited (since November 2018), Chairman of the Audit and Risk Committee and a member of its Nominations and Remuneration Committee
- Governor of the Cerebral Palsy Alliance Research Foundation.

*Recent directorships and offices:*

- Former Director, Chairman of the Audit and Risk Committee and member of the Remuneration and Nomination Committee of Eneo Group Limited (November 2009 to October 2018)
- Former Director of Austar United Communications Ltd (May 2008 to April 2013)

- Former Chairman of the Opera Foundation of Australia (2009 to 2013).

*Board Committee membership:*

- Chair of the Audit, Risk and Compliance Committee and member of the Human Resources Committee.

**Kathleen Conlon BA (ECON)(DIST), MBA, FAICD**

*Independent non-executive Director appointed 27 June 2007. Age 55.*

*Skills and experience:* Ms Conlon brings over 20 years of professional management consulting experience. She is a recognised thought leader in the fields of strategy and business improvement and was a Partner and Director of the Boston Consulting Group for seven years.

*Other current directorships and offices:*

- Director of Lynas Corporation Limited (since November 2011), Chair of the Remuneration Committee and member of Health, Safety and Environment Committee
- Director of Aristocrat Leisure Limited (since January 2014), Chair of the Remuneration Committee and member of the Strategic Risk Committee
- Director of Benevolent Society (since February 2013)
- Member of Chief Executive Women
- Corporate Governance Committee Member for the Australian Institute of Company Directors.

*Board Committee membership:*

- Chair of the Human Resources Committee and member of the Audit, Risk and Compliance Committee.

**Nick Dowling BAcc, GradDipAppFin**

*Independent non-executive Director appointed 9 May 2018. Age 42.*

*Skills and experience:* Mr Dowling is Chief Executive Officer of the Jellis Craig Group, a leading real estate business based in Melbourne, Australia. He assumed the role in June 2011 and is responsible for overseeing the growth, risk management, and long-term strategic direction of the group. Prior to this, Mr Dowling held various positions in the banking industry.

*Other current directorships and offices:*

- Chief Executive Officer and Director of the Jellis Craig Group
- Chairman of the Jellis Craig Foundation
- Director of Avenue Financial Services Pty Ltd.

*Board Committee membership:*

- Member of the Human Resources Committee.

**Tracey Fellows BEC**

*Executive Director and Chief Executive Officer appointed 20 August 2014 until 25 January 2019. Non-executive Director from 26 January 2019. Age 54.*

*Independent:* No – Former Chief Executive Officer and current Nominee Director of News Corp Australia.

*Skills and experience:* Ms Fellows is President of Global Digital Real Estate for News Corporation, responsible for driving the strategy and growth of News Corp's digital real estate interests. Ms Fellows was previously the Chief Executive Officer of REA Group, the Executive General Manager of Communication Management Services at Australia Post, President, Asia-Pacific Microsoft and Chief Executive Officer of Microsoft Australia.

*Other current directorships and offices:*

- Member of Chief Executive Women.

*Recent directorships and offices:*

- Former Director of the Royal Children's Hospital Foundation (resigned 2018).

*Board Committee membership:*

- As Non-Executive Director – N/A
- As Chief Executive Offer, Ms Fellows attended all Audit, Risk and Compliance Committee and Human Resources Committee meetings at the invitation of the Board/Committees.

**Richard J Freudenstein BEc, LLB (Hons)**

*Non-executive Director appointed 21 November 2006. Age 54.*

*Independent:* No – Nominee Director of News Corp Australia.

*Skills and experience:* Mr Freudenstein was Chief Executive Officer of Foxtel from 2011 to 2016, and previously CEO of News Digital Media (the digital division of News Limited) and The Australian newspaper. Mr Freudenstein was previously the Chief Operating Officer of British Sky Broadcasting.

*Other current directorships and offices:*

- Director of Astro Malaysia Holdings Berhad, member of the Audit Committee and Remuneration Committee (since September 2016)
- Deputy Chancellor and Fellow of the Senate, University of Sydney (since December 2017)

- Director of Wenona School Limited (since September 2012)
- Director of Coles Group Limited (since November 2018), Chair of the Remuneration Committee and a member of the Nomination Committee
- Director of Cricket Australia (since June 2019).

*Recent directorships and offices:*

- Former CEO of Foxtel Management Pty Limited (December 2011 to March 2016)
- Former Director of Ten Network Holdings Ltd (from November 2015 to March 2016)
- Former Chairman of REA Group Limited (from April 2007 to April 2012).

*Board Committee membership:*

- Member of the Audit Risk and Compliance Committee and the Human Resources Committee.

**Michael Miller B.A.Sc, Communication and Media**

*Non-executive Director appointed 12 November 2015. Age 50.*

*Independent:* No – Nominee Director of News Corp Australia.

*Skills and experience:* Mr Miller was appointed Executive Chairman of News Corp Australasia in November 2015. He has over 25 years' experience working in senior executive roles in the media industry, most recently as the CEO of APN News and Media (now HT&E). Mr Miller was previously the Regional Director for News Limited in New South Wales, the Managing Director of Advertiser News Media in South Australia, and News Limited's Group Marketing Director.

*Other current directorships and offices:*

- Executive Chairman of News Corp Australasia
- Chairman of NewsMediaWorks
- Director of Foxtel
- Director of Unruly Group Limited.

*Board Committee membership:* N/A

**Meetings of Directors**

The number of Board and Committee meetings held during the year and the number of meetings attended by each Director are disclosed in the following table:

Director	Board meetings		Audit, Risk & Compliance Committee		Human Resources Committee	
	A	B	A	B	A	B
Hamish McLennan	12	12	-	7*	6	6
Owen Wilson (appointed 7 Jan 2019)	6	6	-	3**	-	3**
Roger Amos	12	12	7	7	6	6
Kathleen Conlon	12	12	7	6	6	6
Tracey Fellows	12	11	-	4**	-	2**
Richard J Freudenstein	12	12	7	7	6	6
Ryan O'Hara (resigned 8 February 2019)	6	6	-	-	-	-
Michael Miller	12	12	-	-	-	-
Nick Dowling	12	12	-	-	6	6

A – Indicates the number of meetings held during the period the Director was a member of the Board and/or Committee.

B – Indicates the number of meetings attended during the period the Director was a member of the Board and/or Committee. With respect to Committee meetings, the table above records attendance of Committee members. Any Director is entitled to attend these meetings and from time to time the Directors attend meetings of Committees of which they are not a member. The CEO attends Committee meetings at the invitation of the Board/Committee.

\* Attended at the invitation of the Board/Committee.

\*\* CEO attended at the invitation of the Board/Committee.

## Principal activities

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

Its purpose 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 year ended 30 June 2019 is set out below.

For the purposes of this report, core operations are defined as the reported results set out in the 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 charges. In the prior comparative period, this included items such as revaluation, unwind and finance costs of contingent consideration, transaction costs relating to acquisitions, brand write-off and the impact of the change in US tax rates on the results of Move, Inc.

A reconciliation of results from core operations and non-IFRS (International Financial Reporting Standards) measures compared with the reported results in the financial statements on page 34 is set out below. The following non-IFRS measures have not been audited but have been extracted from the audited financial statements.

Core and reported results	2019 \$'000	2018 \$'000	Growth
<b>Reported operating income</b>	<b>874,949</b>	807,678	8%
EBITDA from core operations (excluding share of losses of associates and joint ventures)*	<b>515,327</b>	471,468	9%
Share of losses of associates and joint ventures	<b>(14,231)</b>	(19,282)	26%
Business combination transaction costs – acquisitions by associates	<b>108</b>	-	n/a
US tax reform - revaluation of deferred tax balances	-	11,520	n/a
EBITDA from core operations*	<b>501,204</b>	463,706	8%
Revaluation of contingent consideration	<b>(9)</b>	2,195	>(100%)
Impairment charges/brand write-off	<b>(188,943)</b>	(12,800)	>(100%)
Business combination transaction costs	<b>(108)</b>	(2,405)	96%
US tax reform - revaluation of deferred tax balances	-	(11,520)	n/a
Reported EBITDA*	<b>312,144</b>	439,176	(24%)
<b>Net profit from core operations</b>	<b>295,495</b>	279,946	6%
Revaluation, unwind and finance costs of contingent consideration	<b>(1,166)</b>	(2,498)	53%
Impairment charges/brand write-off, net of tax	<b>(188,943)</b>	(10,688)	>(100%)
Business combination transaction costs, net of tax	<b>(108)</b>	(2,140)	95%
US tax reform - revaluation of deferred tax balances	-	(11,520)	n/a
<b>Reported net profit</b>	<b>105,278</b>	253,100	(58%)

\* 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.

*Group results from core operations*

Group operating income from core operations grew by 8% to \$874.9 million, driven by the continued growth in listing depth products and the inclusion of a full year of operating income for Hometrack Australia Pty Ltd ('Hometrack') which was not included in the prior comparative period.

The Group achieved an 8% increase in EBITDA from core operations to \$501.2 million and a 6% increase in net profit from core operations to \$295.5 million. Operating expenses increased due to the inclusion of Hometrack, continued investment in product innovation and variable costs associated with higher volumes of the Audience Maximiser product.

Operating income grew across all regions for the year and Australia remained the primary revenue driver for the business. Revenue growth in Australia reflects the success of REA's commitment to delivering value to customers and offering the best consumer experience through product innovation.

In Australia, realestate.com.au is the number one place for property. It has maintained its lead with the largest and most engaged audience of property seekers, with more than twice the visits compared to the nearest competitor site across all platforms.<sup>1</sup>

Strong operating cashflows were offset by the repayment of \$120.0 million relating to the syndicated loan facility (sub facility B) and shareholder returns in the form of dividends, resulting in a cash balance of \$137.9 million at 30 June 2019. The Group had net current liabilities of \$138.0 million as at 30 June 2019 due to the reclassification of the final tranche of the syndicated loan facility (\$240.0 million) which is due in December 2019. The Group expects to repay the loan facility through a combination of debt refinancing and cash reserves. The Group generated positive operating cashflows and traded profitably for the period. The Directors expect this to continue for the foreseeable future.

**Dividends**

Dividends paid or declared by the Company during, and since, the end of the financial year are set out in Note 11 to the Financial Statements and below:

	<b>Final 2019</b>	<b>Interim 2019</b>	<b>Final 2018</b>
Per share (cents)	<b>63.0</b>	55.0	62.0
Total amount (\$'000)	<b>82,980</b>	72,443	81,663
Franked*	<b>100%</b>	100%	100%
Payment date	<b>19 Sept 2019</b>	19 Mar 2019	13 Sept 2018

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

<sup>1</sup> Nielsen Digital Content Ratings, tagged, people 2+, text average monthly sessions and total time spent per session, computer and mobile compared to nearest competitor (Jul 18-Jun 19)



**Performance by region**

2019	Australia		Asia	North America	Corporate	Total
	Property & Online Advertising \$'000	Financial Services \$'000				
<b>Segment operating income*</b>						
Total segment operating income*	799,943	27,023	49,423	-	-	876,389
Inter-segment operating income*	(636)	-	(804)	-	-	(1,440)
<b>Operating income *</b>	<b>799,307</b>	<b>27,023</b>	<b>48,619</b>	<b>-</b>	<b>-</b>	<b>874,949</b>
<b>Results</b>						
Segment EBITDA from core operations (excluding share of losses of associates and joint ventures)	518,177	9,633	7,418	-	(19,901)	515,327
Share of losses of associates and joint ventures	-	(121)	(5,577)	(8,533)	-	(14,231)
Business combination transaction costs – acquisitions by associates	-	-	17	91	-	108
Segment EBITDA from core operations	518,177	9,512	1,858	(8,442)	(19,901)	501,204
Impairment charges	-	-	-	-	(188,943)	(188,943)
Revaluation of contingent consideration	-	-	-	-	(9)	(9)
Business combination transaction costs – acquisitions by associates	-	-	(17)	(91)	-	(108)
EBITDA	518,177	9,512	1,841	(8,533)	(208,853)	312,144

\* This represents revenue less commissions for financial services

2018	Australia		Asia	North America	Corporate	Total
	Property & Online Advertising \$'000	Financial Services \$'000				
<b>Segment operating income*</b>						
Total segment operating income*	734,067	29,321	45,018	-	-	808,406
Inter-segment operating income*	-	-	(728)	-	-	(728)
<b>Operating income*</b>	<b>734,067</b>	<b>29,321</b>	<b>44,290</b>	<b>-</b>	<b>-</b>	<b>807,678</b>
<b>Results</b>						
Segment EBITDA from core operations (excluding share of losses of associates and joint ventures)	473,066	11,472	8,326	-	(21,396)	471,468
Share of losses of associates and joint ventures	-	(671)	(5,573)	(1,518)	(11,520)	(19,282)
US tax reform - revaluation of deferred tax balances	-	-	-	-	11,520	11,520
Segment EBITDA from core operations	473,066	10,801	2,753	(1,518)	(21,396)	463,706
Revaluation of contingent consideration	-	-	-	-	2,195	2,195
Business combination and other transaction costs	-	-	-	-	(2,405)	(2,405)
US tax reform - revaluation of deferred tax balances	-	-	-	-	(11,520)	(11,520)
Brand write-off	-	-	-	-	(12,800)	(12,800)
EBITDA	473,066	10,801	2,753	(1,518)	(45,926)	439,176

\* This represents revenue less commissions for financial services

## Australia

The Group operates Australia's number one residential, commercial, share and co-working property sites, realestate.com.au<sup>2</sup>, realcommercial.com.au<sup>3</sup>, Flatmates.com.au<sup>4</sup> and spacely.com.au<sup>5</sup>.

Australian operating income increased by 8% to \$826.3 million during the year predominantly due to the resilient performance of Australia's residential property and online advertising business.

realestate.com.au continues to be the leading property portal in Australia, attracting more than 76.8 million visits each month.<sup>6</sup> The number of searches performed on realestate.com.au during the year increased by 19% to 94 million each month.<sup>7</sup> 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 21% to 29.4 million<sup>8</sup>, and consumers are spending 4.7 times longer on the realestate.com.au app<sup>9</sup> than the nearest competitor. This demonstrates a highly engaged audience who remain passionate and invested in the property market.

This large audience of people looking to buy, sell, rent or share property provides valuable data and insights on how people search and look at property.

### Property and online advertising

Property and online advertising total revenue increased 9% to \$799.3 million.

Australia's listing depth revenue increased 8% to \$630.0 million. This was driven by the ongoing success of the residential Premiere All offering, increased yield, improved product mix and a stronger contribution from the Audience Maximiser product.

The Residential result was delivered in unfavourable market conditions with national property listings

decreasing 8%, including significant listing declines of 18% in Sydney and 11% in Melbourne compared to the prior year.

Commercial and Developer listing depth and subscription revenue increased 6%. Whilst there was a significant decline in new dwelling commencements, this growth was achieved due to increased project profile duration, acquisition of new customers and an increase in Commercial depth penetration.

realcommercial.com.au remains Australia's number one commercial property site, with the biggest audience of commercial property seekers across website and app.<sup>3</sup> In 2019, the realcommercial.com.au app was launched 8.8 times more<sup>10</sup> than the nearest competitor's, and consumers spent more than 7.0 times longer<sup>11</sup> on the realcommercial.com.au app.

Media, Data and other revenue increased 16% to \$110.2 million due to the full-year contribution from Hometrack, compared to one month in the prior year, and greater display advertising from developers arising from longer project durations. Media revenue was lower because of reduced advertising spend in key segments and lower available inventory as Premiere listings increased.

The Group's news, lifestyle and guides experience hosts a range of videos and editorial content to help Australians make their house a home. This includes the latest property news, how-to guides, and design, renovation and decorating tips. Visits to content sites grew 10% year-on-year, receiving more than 52 million visits.<sup>12</sup>

Flatmates.com.au is the biggest site for share accommodation in Australia<sup>4</sup>, with visits increasing 6% to more than 3.0 million each month.<sup>13</sup> This year, more than 450,000 new members were welcomed to the Flatmates.com.au community, a 16% increase on the year prior.<sup>14</sup> To make viewing a property easier, Flatmates.com.au added the ability for consumers to book an inspection in advance.

Spacely.com.au has maintained its position as the number one advertising portal for short term

<sup>2</sup>Nielsen Digital Content Ratings, tagged, people 2+, text computer and mobile average monthly sessions and total time spent per session, compared to the nearest competitor (Jul 18 - Jun 19).

<sup>3</sup>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, in each case compared to nearest competitor (Jul 18 - Jun 19).

<sup>4</sup>Hitwise market share data; comparing visits to Flatmates.com.au to its nearest competitor (Jul 18 - Jun 19).

<sup>5</sup>REA Internal Data, number of listings on spacely.com.au compared to its nearest competitor (Jul 18 - Jun 19).

<sup>6</sup>Nielsen Digital Content Ratings, tagged, people 2+, text average monthly sessions (Jul 18-Jun 19).

<sup>7</sup>Adobe Analytics, average monthly visits to realestate.com.au/searches (Jul 18 - Jun 19) compared to the same period (Jul 17 - Jun 18).

<sup>8</sup>REA Internal Data, tagged, people 2+, text average monthly app launches (Jul 18 - Jun 19) compared to the same period (Jul 17 - Jun 18).

<sup>9</sup>Nielsen Digital Content Ratings, tagged, people 2+, text, computer & mobile average app previous session length compared to the nearest competitor (Jul 18- Jun 19).

<sup>10</sup>Nielsen Digital Content Ratings, People 2+, Text, App Launches. compared to nearest competitor (Jul 18 - Jun 19).

<sup>11</sup>Nielsen Digital Content Ratings, People 2+, Text, total time spent in App compared to nearest competitor (Jul 18 - Jun 19).

<sup>12</sup>Adobe Analytics, average monthly visits to realestate.com.au/lifestyle, realestate.com.au/news and realestate.com.au/guides (Jul 18 - Jun 19) compared to the same period (Jul 17 - Jun 18). Exclude apps.

<sup>13</sup>Google Analytics average monthly visits for the flatmates.com.au site (excludes app) (Jul 18 - Jun 19) compared to the same period (Jul 17 - Jun 18).

<sup>14</sup>REA Internal Data, (Jul 18- Jun 19) compared to the same period (Jul 17 - Jun 18).

commercial and co-working spaces in Australia.<sup>5</sup> The portal has more than 4,000 property listings nationwide.<sup>15</sup> In April 2019, Spacely.com.au collaborated with WeWork, a global shared workspace company, to help bring more flexible and collaborative workspaces to Australians.

Rental applications received by 1form, the Group's online application tool for renters, grew 13% to more than 3.0 million applications.<sup>16</sup> In December 2018, 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 and allows tenants to put their best foot forward when applying for a new home. Since its launch in December, more than 29,000 verifications have been purchased.<sup>17</sup>

The Group is well placed to strengthen these leadership positions through investing in new technology, leveraging global expertise and targeted marketing.

### 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.

The Financial services business delivered operating income of \$27.0 million, an 8% reduction on the prior year due to tighter lending conditions and the uncertainty in the property market reducing mortgage settlements across the industry.

Since launching realestate.com.au Home Loans in 2017, more than \$1.8 billion of applications have been received.<sup>18</sup> This year, the Group expanded its offering to include the ability for home owners to refinance their mortgage through realestate.com.au Home Loans. The Group had 400 Smartline and realestate.com.au branded brokers in market.

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 include market leading property sites in Malaysia<sup>19</sup> Indonesia,<sup>20</sup> Hong Kong<sup>21</sup> and Thailand<sup>22</sup>, with prominent portals in Singapore and China. Additionally, the Group holds a 13.5% stake on a fully diluted basis (16.1% on a non-diluted basis) in Elara Technologies, which operates PropTiger.com, makaan.com and Housing.com in India.

The Asian business recorded revenue growth of 10% to \$48.6 million for the year and EBITDA of \$1.9 million. This growth was predominately driven by MyFun and Malaysia.

The Asian financial results continued to be affected during the year by declines in local property markets because of changes to government and banking regulations. This coupled with the decision to increase investment to strengthen market position, resulted in a \$173.2 million (pre and post-tax) reduction in the carrying value of goodwill in relation to the Asia segment.

The impairment has no effect on current trading and will not impact the Group's debt covenant compliance. The final dividend for the year has been based on the Group's net profit after tax from core operations.

The Group launched several new features and products to improve the capability and efficiency of its websites and apps. Across the Asia region, the release of a new single sign on feature has helped provide a more secure and consistent experience for customers and consumers.

The Group integrated WhatsApp functionality into its experiences in Malaysia, Hong Kong and Indonesia. This helps consumers receive a quicker response from agents and developers, while providing a more seamless experience and way for customers to capture leads.

In Malaysia, iproperty.com.my maintained its leadership position.<sup>23</sup> This year, iproperty.com.my also became the first major property portal to offer a search experience in Bahasa, enabling the business the ability to reach more than 69% of the local population. The business also launched LoanCare, a new digital finance tool to help consumers secure home loans.

<sup>15</sup> REA Internal Data at 30 June 2019.

<sup>16</sup> REA Internal Data, Jul 18-Jun 19.

<sup>17</sup> REA Internal Data, Dec 18 - Jun 19.

<sup>18</sup> REA Internal Data, total value of digital loan applications at 30 June 2019.

<sup>19</sup> SimilarWeb, monthly visits for iproperty.com.my site in Malaysia compared to the nearest market competitor for 30 Jun 2019. Excludes app.

<sup>20</sup> SimilarWeb, monthly visits for rumah123.com site in Indonesia compared to the nearest market competitor for 30 Jun 2019. Excludes app.

<sup>21</sup> SimilarWeb, monthly visits for squarefoot.com.hk site in Hong Kong compared to the nearest market competitor for 30 Jun 2019. Excludes app.

<sup>22</sup> SimilarWeb, monthly visits for thinkofliving.com site in Thailand compared to the nearest market competitor for 30 Jun 2019. Excludes app.

<sup>23</sup> SimilarWeb, average monthly visits from Apr 19 - Jun 19 compared to the nearest market competitor. Excludes app.

Since launching, LoanCare has received more than 320,000 visits<sup>24</sup>.

This year, the Group consolidated its two brands in Hong Kong and launched a new squarefoot.com.hk platform. squarefoot.com.hk increased its average monthly visits to 6.6 million<sup>25</sup> and saw 20% more leads generated<sup>26</sup>. In June 2019, squarefoot.com.hk launched a new content experience to engage consumers with up-to-date property and lifestyle news.

Indonesia's Rumah123 maintained its market leadership position with property seekers spending more than 1.2 times total time on site<sup>27</sup> compared to the nearest competitor and visits to the site increased 10% to 1.7 million.<sup>28</sup>

Elara is the only business in India to offer the full range of online to offline property services, such as personalised search, virtual viewing, site visits, legal and financial diligence, negotiations, property registration, home loans and post-sales services. In April 2019, Elara acquired Fastfox.com, a tech-enabled rental brokerage, providing Elara with the ability to deliver end-to-end on-ground assistance to both landlords and tenants in collaboration with other brokers.

Combined visits to PropTiger.com, Housing.com and makaan.com increased by 33%<sup>29</sup> which was driven by strong increases in average app sessions. Makaan.com and housing.com increased total active listings by 33% and 81.5% respectively<sup>30</sup>, with makaan.com reaching an all-time high in May<sup>31</sup>.

Elara continues to invest in their business, most recently with the FastFox acquisition, while delivering 54% growth in revenue and continuing to grow their audience. At 30 June 2019, the Group recorded a \$15.7 million reduction in the carrying value of its investment due to the deferral of near-term returns despite the strong revenue growth. This will have no effect on current trading, the Group's debt covenant compliance and the final dividend for the year.

## North America

The Group owns a 20% investment in Move, Inc. which operates realtor.com, the number two property portal in North America. The Group's investment in Move, Inc. continues to provide exposure and insights from

the largest residential real estate market in the world. Move, Inc. had another strong year, increasing its revenue to US\$484.1m, a 7% growth against the prior year.<sup>32</sup>

realtor.com continues to grow its audience position. Average monthly unique users increased 14% to 72 million, with mobile representing more than half of all unique users.<sup>32</sup> This is driven by a commitment to creating unique and innovative experiences for property seekers and products to help customers grow their business.

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 realtor.com's 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 continues to launch new products to drive value for customers and consumers, including:

- a mobile text feature that connects agents and property seekers;
- local expert – helping agents best position themselves in their neighbourhood; and
- 'The Essential First Time Home Buyers Book' to help simplify the home buying journey.

## State of affairs

In the Directors' opinion, other than the investments referenced in the operating and financial review of this report, there have been no significant changes in the state of affairs of the Group during the year.

## Events since the end of the financial year

On 1 July 2019, the Group acquired the remaining minority shares in Smartline for \$16.0 million, increasing the Group's ownership to 100%.

Other than the above, as at the date of this report, the Directors are not aware of any matter or circumstance that has arisen since 30 June 2019 that has significantly affected the operations of the Group, the results of the operations or the state of affairs of the Group, as outlined in Note 25.

<sup>24</sup>Google Analytics, total number of visits to LoanCare tool onsite (29 Mar 19 – 30 Jun 19)

<sup>25</sup>SimilarWeb, average monthly visits for the period (Jan 19 – Jun 19). Excludes app.

<sup>26</sup>REA Internal Data, for the period (Jan 19 – Jun 19) compared to the period (Jul 18 – Dec 18). Excludes app.

<sup>27</sup>SimilarWeb, time on site from Apr 19 – Jun 19 compared to the nearest market competitor.

Excludes app.

<sup>28</sup>SimilarWeb, average monthly visits for the period (Jan 19 – Jun 19) compared to the period (Jul 18 – Dec 18). Excludes app.

<sup>29</sup>Elara Internal Data, average monthly visits to proptiger.com, housing.com and makaan.com (Jun 18 – May 19) compared to the same period (Jun 17 – May 18).

<sup>30</sup>Elara Internal Data for the period (Jun 18- May 19) compared to the period (Jun 17 – May 18).

<sup>31</sup>Elara Internal Data, total active listings for makaan.com. May 2019.

<sup>32</sup>NewsCorp's Earning Release in US Dollars (8 August 2019) for the year ended 30 June 2019.

## 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.

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.

## Corporate Sustainability Statement

REA takes corporate social responsibilities seriously. The Group's policies reflect the standards REA expects of its people and ensures that REA monitors and adheres to those standards. The Group recognises that social, environmental and ethical conduct has an impact on REA's reputation and the broader community.

The Board is responsible for corporate governance and is committed to developing and implementing appropriate policies while adhering to a fundamental commitment to create and sustain long-term value for its shareholders and stakeholders. This is achieved through:

- Implementing sound corporate governance practices;
- Operating in a responsible manner towards employees through fair and equitable practices;
- Transparent reporting on operations and activities;
- Monitoring potential risks and applying mitigating policies; and
- Making a positive impact on the community.

## Corporate governance

REA Group is committed to being ethical, transparent and accountable. It believes this is essential for the long-term performance and sustainability of the Company and supports the interests of shareholders.

The REA Group Board of Directors is responsible for ensuring that the Company has an appropriate corporate governance framework to protect and enhance company performance and build sustainable value for shareholders. This corporate governance framework acknowledges the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (ASX Principles and Recommendations) and is designed to support

business operations, deliver on strategy, monitor performance and manage risk.

The Corporate Governance Statement addresses the recommendations contained in the third edition of the ASX Principles and Recommendations and is available on the website at [www.rea-group.com/corporate-governance](http://www.rea-group.com/corporate-governance). This statement should be read in conjunction with REA's website and the Directors' Report, including the Remuneration Report.

### Environmental regulation

Good environmental practices and the impact that operations have on the environment are of great importance to REA. The Group is committed to complying with all applicable environmental legislation in all jurisdictions in which the Group operates, and to adopt responsible environmental practices.

The Directors are not aware of any material breaches of any particular or significant environmental regulation affecting the Group's operations. The Group has complied with all required reporting.

### Opportunities and risks

REA is driven by its purpose to 'change the way the world experiences property' through product innovation and investment. Having a clearly defined purpose provides the Group with opportunities to drive further value. These include:

- Broadening the suite of products and services to maximise value for customers;
- Expanding its' international presence, either through acquisition or investment;
- Utilising content, data and insights to provide a new or enhanced experience for consumers and/or further support customers in achieving their strategic aims; and
- Exploring new adjacencies including building a market-leading home loan offering, helping people finance their next property through its' mortgage broking business and utilising REA's leading digital capability.

REA has continued its growth trajectory in 2019 and remains committed to delivering the best experience and value for customers and consumers. This includes engaging with people at every step of their property journey and making the experience easy and stress-free. Effective risk management is about taking the right risks, at the right time, for the right return. To achieve this, REA follows accepted standards and guidelines for managing risk. The Group is committed to ensuring that a consistent and integrated approach

is established at all levels and is embedded in the Company's processes and culture.

The REA Risk Management Framework comprises several important elements:

- identifying and analysing the main risks facing the Group;
- evaluating those risks – making judgements about whether they are acceptable;
- implementing and documenting appropriately designed controls to manage these risks;
- testing of controls to ensure they are appropriately designed and operating effectively;
- planning for business interruptions and crises; and
- ongoing monitoring, consultation, communication and review.

The Group has identified five material risk categories to which the Company has its most significant risk exposures, being:

- strategic risk;
- operational risk;
- compliance risk;
- regulatory risk; and
- credit risk.

Each of these material risk categories has either a framework, procedure or policy that sets out how the risks that fall within these categories are to be identified and managed. Clear accountabilities, roles and responsibilities are also articulated from the Board all the way through to a risk and/or control owner.

The Executive Risk Committee oversees the implementation of the REA Risk Management Framework, ensuring management fulfils its risk management responsibilities and that risks are operating within the Risk Appetite Statement and Limits approved by the Board.

Key REA business risks include:

- The development of new technologies and increased competition from existing or new sites and apps, which could affect the existing business model. REA operates in a highly competitive market and constantly monitors and assesses the competitive environment and any potential risks to the Australian and international operations. REA must continue to earn the support of consumers and customers, by delivering a market-leading consumer experience and outstanding value for agents and their vendors.

- Security incidents caused by adversarial, accidental or environmental threat that may result in the theft or destruction of confidential consumer/customer data and/or loss of REA system integrity. As a technology-focused business, managing security, and taking care of consumer and customer data is of crucial importance. REA is vigilant in managing the risk of damaging security incidents, and has appropriate data management, security and compliance policies, procedures and practices in place.
- Lack of availability or downtime of websites and apps may result in a poor experience for consumers and customers. To manage the risk of any of the Group's sites or apps going down, REA has developed and implemented disaster recovery strategies, high-availability architecture, and processes for monitoring the health of systems on an ongoing basis.
- Key group business activities (specifically, real estate listings and financial services) are highly dependent on the exposure to macroeconomic, regulatory, legal and geopolitical conditions across the Australian and Asian markets in which REA operates. These conditions impact economic growth rates, the property market (house prices and availability of stock), interest rates and consumer confidence which, in turn can adversely impact the volume of real estate listings and consumers' willingness and ability to acquire credit. REA mitigates these risks by proactively managing stakeholder relationships, monitoring key risk indicators and market conditions.
- A breach of REA's privacy obligations could occur. REA recognises that privacy compliance is critical to maintaining consumer and customer trust. REA maintains a comprehensive privacy compliance program and updates the program to align with changes in the law. REA is committed to the 'privacy by design' method of embedding privacy considerations into the company's products, processes and systems.

### Community and sustainability

REA's community partnerships and programs (internally 'Because We Care') are centred around the belief that everyone deserves a safe place to sleep every night, and REA's charity partnerships are focused on addressing the issue of homelessness. Internally, REA's people are empowered to give back to causes important to them through the Because We Care Program. The partnerships and programs are

supported throughout the business by a network of Community Champions.

REA has given back to the community this year through various initiatives including:

- Continuation and expansion of the 'Because We Care' program which includes: Matched Payroll giving, employee community grants, volunteering, fundraising and the award-winning Community Café in the Melbourne office.
- Launch of the 'Because We Care Asia' program in Malaysia, Hong Kong, Indonesia, Singapore and Thailand, providing employees the opportunity to volunteer, donate to charity and have their donations matched.
- REA continues to support Launch Housing's National Rapid Rehousing Fund, which assists women and children at risk of homelessness from family violence, through furniture builds held at each induction.
- REA continues to support Orange Sky Australia which has allowed them to expand their fleet, which includes Orange Sky Laundry and Orange Sky Shower vans, as well as the Orange Sky Digital car. REA Group also formed an internal team in support of Orange Sky's very first national fundraising campaign 'The Sudsy Challenge'.
- Through REA Group's support of The Big Issue Women's Subscription Enterprise, women from marginalised, vulnerable and disadvantaged backgrounds are employed to package The Big Issue magazine and send to subscribers like REA.
- The Group continues its multi-year partnership with the International Committee of the Red Cross (ICRC) to address humanitarian issues throughout Asia.
- REA continues not to charge Australian not-for-profit real estate agencies for subscriptions.
- During the year, the Group provided more than 100 individual community grants to its Australian residential customers helping them improve their local communities. In addition, the Group supports customers impacted by natural disasters by providing free listings for displaced families through Flatmates.com.au.
- REA is proudly a White Ribbon accredited workplace, which means the Group is recognised for taking active steps to prevent and respond to

violence against women. In alignment with the Group's focus on gender equity and the accreditation, the Group offers Domestic Violence Sensitivity Training for people managers as well as 20 days paid leave for employees who disclose that they are experiencing domestic violence.

### **Directors' qualifications, experience and special responsibilities**

At the date of this report, the Board comprises seven non-executive Directors and one executive Director, the Chief Executive Officer, who collectively have a diverse range of skills and experience. The names of Director's and details of their skills, qualifications, experience and when they were appointed to the Board can be found on pages 4 to 6 of this report.

Details of the number of Board and Board Committee meetings held during the year, Directors' attendance at those meetings and details of Directors special responsibilities are shown on page 6 of this report.

Details of directorships of other listed companies held by each current Director in the three years before the end of the 2019 financial year are listed on pages 4 to 6 of this report.

### **Company Secretary's qualifications and experience**

Sarah Turner was appointed REA Group's General Counsel and Company Secretary in September 2015. She has extensive experience in corporate and commercial law, mergers and acquisitions and technology. Ms Turner holds a Bachelor of Laws (with Honours), a Bachelor of Arts and a Graduate Diploma in Applied Corporate Governance. She is a member of the General Counsel 100, a division of the Association of Corporate Counsel, a Fellow of the Governance Institute of Australia and a Graduate of the Australian Institute of Company Directors.

### **Chief Executive Officer/Chief Financial Officer declaration**

The Chief Executive Officer and the Chief Financial Officer have given the declarations to the Board concerning the Group's Financial Statements and other matters as required under section 295A(2) of the *Corporations Act 2001*.

### **Indemnification and insurance of directors and officers**

The Company has entered a standard form deed of indemnity, insurance and access with the non-executive Directors against liabilities they may incur in the performance of their duties as Directors of REA Group Limited, except liabilities to REA Group Limited or a related body corporate, liability for a pecuniary penalty or compensation order under the *Corporations Act 2001*, and liabilities arising from conduct involving a lack of good faith. REA Group Limited is obliged to maintain an insurance policy in favour of non-executive Directors for liabilities they incur as Directors of REA Group Limited and to grant them a right of access to certain company records. In addition, each Director is indemnified, as authorised by the Constitution, on a full indemnity basis and to the full extent permitted by law, for all losses or liabilities incurred by the Director as a Director of a member of the Group. The indemnity operates only to the extent that the loss or liability is not covered by insurance.

During or since the end of the financial year, the Company has paid premiums under contracts insuring the Directors and Officers of the Company, and its controlled entities, against liability incurred in that capacity to the extent allowed by the *Corporations Act 2001*. The terms of the policies prohibit disclosure of the details of the liability and the premium paid.

During the year the Group has been covered under the Directors & Officers ('D&O') insurance policy for the News Corp Group of companies. In addition, REA Group Limited took out a further D&O policy to cover certain exclusions in the News Corp Group D&O policy and to provide a dedicated program providing cover independently of the News Corp program.

### **Indemnification of auditors**

The Group has agreed to indemnify its auditors, Ernst & Young Australia, to the extent permitted by law, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.



**Non-audit services**

The Company may decide to employ the external auditor on assignments additional to its statutory audit duties where the auditor's expertise and experience with the Company and/or the Group are important.

The Board of Directors has considered the position and, in accordance with advice received from the Audit, Risk and Compliance Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that these services did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- All non-audit services have been reviewed by the Audit, Risk and Compliance Committee, in line with the Committee Charter, to ensure they do not impact the impartiality and objectivity of the auditor; and
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

During the year, the following fees were paid or payable for non-audit services provided by the external auditor (Ernst & Young) of the parent entity and its related practices:

<b>Consolidated REA Group</b>	<b>2019 \$</b>	2018 \$
Tax compliance services	<b>211,991</b>	250,700
International tax consulting	<b>159,605</b>	100,000
Other assurance services	<b>22,297</b>	-
<b>Total remuneration for non-audit services</b>	<b>393,893</b>	350,700

Further details on the compensation paid to Ernst & Young are provided in Note 23 to the Financial Statements.

**Auditor**

Ernst & Young continues in office in accordance with section 327 of the *Corporations Act 2001*.

**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 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 18.



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

As lead auditor for the audit of REA Group Limited for the financial year ended 30 June 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 audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of REA Group Limited and the entities it controlled during the financial year.

Ernst & Young

David McGregor  
Partner  
8 August 2019

Dear Shareholder,

On behalf of the Board, I am pleased to present our Remuneration Report for the financial year ended 30 June 2019.

### **Changes to KMP during the financial year**

As announced during the financial year, Ms Tracey Fellows resigned from her position of Chief Executive Officer to take up the position of President of Global Digital Real Estate with News Corp. Tracey has subsequently joined the REA Group Board.

We were delighted to promote Mr Owen Wilson as Ms Fellow's successor. For the four years preceding his appointment to Chief Executive Officer Mr Wilson has served as the Group's Chief Financial Officer, responsible for all aspects of the Group's finance portfolio and investments, including strategy, mergers and acquisitions and operations, as well as REA Financial Services businesses.

Ms Janelle Hopkins has recently joined the Group as Chief Financial Officer, having previously held the position of Chief Financial Officer at Australia Post. Prior to that, Ms Hopkins held senior roles in National Australia Bank and MLC. Due to her appointment date, Ms Hopkins was not eligible to participate in any incentive plans during the 2019 financial year.

Throughout this Report where we refer to target remuneration package and remuneration mix, we are referring to that of the incumbents who held the relevant position at 30 June 2019.

### **FY19 performance and remuneration outcomes**

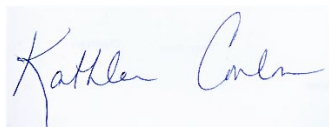
Our financial performance for the year was solid despite challenging market conditions in the form of significantly lower residential listings and new development project commencements. As detailed in the Report, actual financial performance was between threshold and target resulting in the company component of the short-term incentive plan paying out at 93.0% of target.

Market conditions during the year impacted the achievement of our long-term financial performance targets, with three-year revenue and earnings per share ('EPS') compound annual growth rates ('CAGR') falling below target. Reported EPS CAGR was further impacted by the impairment charge recognised in relation to Asia. Ordinarily, Long Term Incentive Plan ('LTIP') performance outcomes are determined on financial results from core operations, however the Board have applied their discretion this year with the full impact of the impairment charge applied to Key Management Personnel ('KMP') incentive outcomes. As a result, Mr Wilson received 40.0% of his target FY19 LTIP; had the impairment charge not been applied, he would have received 86.3% of target.

Mr Wilson's target remuneration package will remain unchanged for the 2020 financial year review. The next review of KMP remuneration is scheduled for July 2020.

### **Response to shareholder feedback**

We received valuable feedback from shareholders and their representatives that the Group should be more transparent on performance targets as they relate to remuneration outcomes. We hope that this Remuneration Report meets your requirements and continue to welcome your feedback.



**Mrs Kathleen Conlon**  
*Chair Human Resources Committee*

## Remuneration Report

*This report details REA Group's remuneration framework and outcomes for KMP for the financial year ended 30 June 2019. This report forms part of the Directors' Report for this period.*

### 1. Introduction and scope of report

The information provided in the Remuneration Report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

This Remuneration Report for the year ended 30 June 2019 outlines the remuneration arrangements in place for the KMP of REA Group Limited and its controlled entities ('the Group'), which comprises all Directors (executive and non-executive) and those executives who have authority and responsibility for planning, directing and controlling the activities of the Group.

The following executives of the Group were classified as KMP during the 2019 financial year and unless otherwise indicated were classified as KMP for the entire year.

#### Executive Directors

Tracey Fellows	Chief Executive Officer (resigned 25 January 2019)
Owen Wilson	Chief Executive Officer (commenced in position on 7 January 2019)

#### Senior Executives

Owen Wilson	Chief Financial Officer (resigned 6 January 2019 – promoted to Chief Executive Officer)
Janelle Hopkins	Chief Financial Officer (appointed 3 June 2019)

#### Non-Executive Directors

Hamish McLennan	Chairman
Roger Amos	Independent Director
Kathleen Conlon	Independent Director
Nick Dowling	Independent Director
Tracey Fellows	Director (effective 26 January 2019)
Richard J Freudenstein	Director
Michael Miller	Director
Ryan O'Hara	Director (resigned 8 February 2019)

### 2. Role of the Human Resources Committee

The Human Resources Committee ('HR Committee') is responsible for reviewing and making recommendations to the Board on the remuneration arrangements for the non-executive Directors, the Chief Executive Officer ('CEO'), the Chief Financial Officer ('CFO') and other executives. Further information on the HR Committee's role and responsibilities is contained in its Charter, which is available on the Group's website at [www.rea-group.com](http://www.rea-group.com).

To assist in performing its duties, and making recommendations to the Board, the HR Committee may seek independent advice and data from external consultants on various remuneration related matters. The HR Committee follows protocols around the engagement and use of external remuneration consultants to ensure compliance with the relevant executive remuneration legislation. Any remuneration recommendations and data are provided by the external consultant directly to the Chair of the Committee.

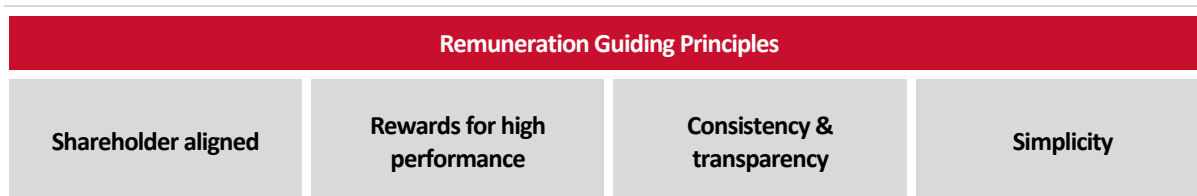
During the 2019 financial year, the HR Committee engaged Aon Hewitt to provide benchmarking data as an input into our annual remuneration process. No actual remuneration recommendations were provided by Aon Hewitt.

### 3. Executive remuneration philosophy and framework

The Group’s executive remuneration philosophy is founded on the objectives of:

- driving desired leadership behaviours;
- recognising both individual and organisational performance, that are focused on achieving the Group’s longer term corporate plans;
- generating acceptable returns for shareholders; and
- rewarding executive performance for generating high growth returns above expected threshold levels.

The four core ‘guiding principles’ of our executive remuneration framework approved by the Board are shown in the diagram below:



#### 3.1 Remuneration structure

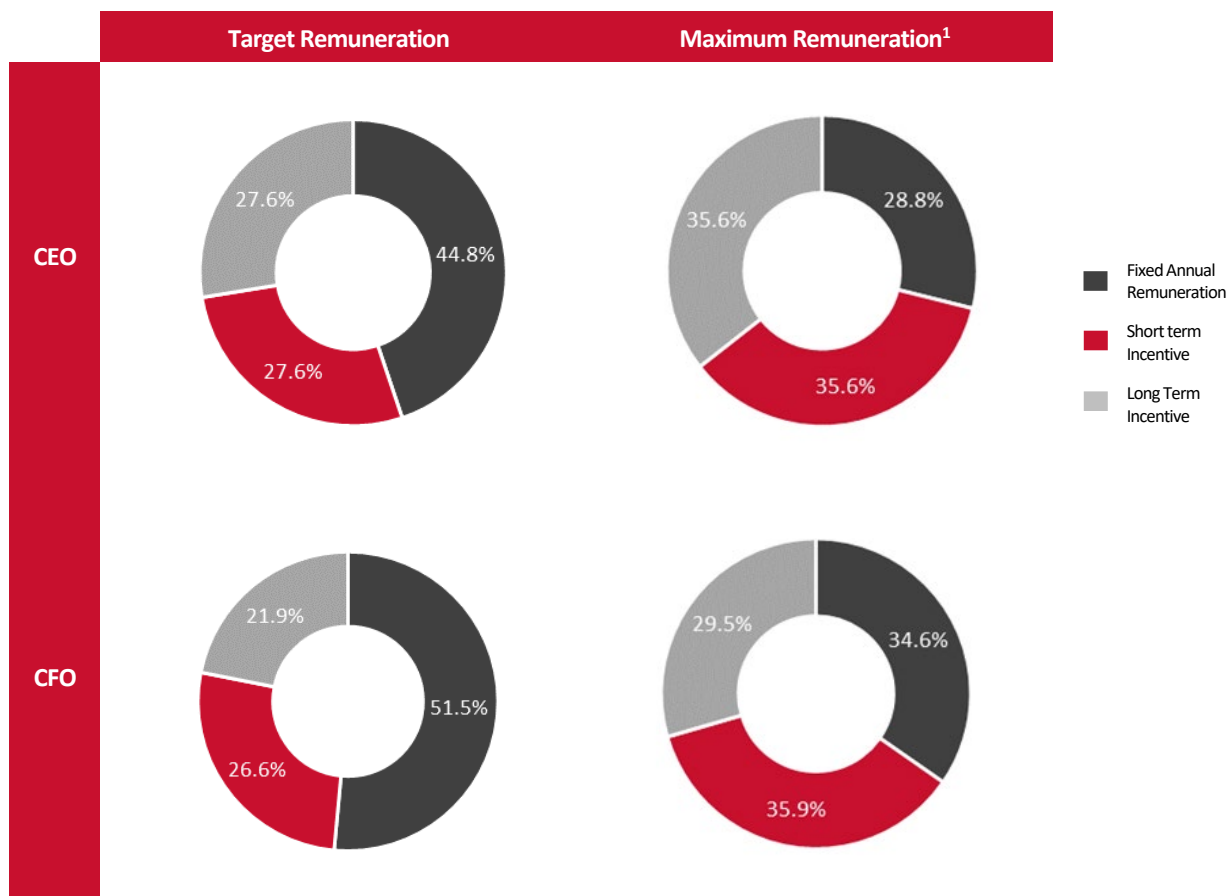
Executive total remuneration is made up of the following three components:

Component	What is it?	How does it link to strategy & performance?
<b>Fixed Annual Remuneration ('FAR')</b>	Fixed remuneration consists of base compensation and statutory superannuation contributions. KMP may also elect to have other benefits provided out of their FAR, including additional superannuation and the provision of a motor vehicle.	<ul style="list-style-type: none"> <li>• Provides competitive ongoing remuneration in recognition of day-to-day accountabilities.</li> </ul>
<b>Short Term Incentive ('STI')</b>	The STI program is a cash based plan that involves linking specific financial and non-financial targets with the opportunity to earn incentives based on a percentage of fixed salary.	<ul style="list-style-type: none"> <li>• Rewards delivery of key strategic and financial objectives in line with the annual business plan.</li> <li>• Enables differentiation of reward on the basis of individual performance.</li> <li>• Ensures annual remuneration is competitive.</li> </ul>
<b>Long Term Incentive ('LTI')</b>	The LTI plan is designed to link long term executive reward with ongoing creation of shareholder value, with the allocation of equity awards which are subject to satisfaction of long term performance conditions.	<ul style="list-style-type: none"> <li>• Rewards delivery against longer-term strategy and sustained shareholder value creation.</li> <li>• Provides greater alignment between shareholder and executive outcomes.</li> </ul>

Details on each of the individual components are set out in section 5 of this report.

### 3.2 Remuneration mix

Remuneration mix refers to the proportion of Total Remuneration that is made up of each remuneration component. The following diagrams set out the remuneration mix for each KMP at both target (the amount that would be paid for delivering target performance) and maximum (the amount that would be paid for delivering stretch performance) remuneration levels. Remuneration mix is presented based on contractual remuneration packages rather than actual remuneration received during the year, noting that Ms Hopkins did not participate in any incentive plans during the 2019 financial year.



1 Pay mix for maximum based on value of performance rights at grant date.

### 4. Link between group performance, shareholder wealth and executive remuneration

A key underlying principle of the Group’s executive remuneration framework is that executive remuneration outcomes should be linked to performance. Understanding REA Group’s performance over both the financial year ended 30 June 2019 and the longer-term will provide shareholders and other interested stakeholders with important context when reviewing our remuneration framework and outcomes in more detail over the following pages of this report.

### 4.1 REA Group performance

It has been another year of growth for the Group, with revenue and EBITDA from core operations increasing by 8% on prior year.

#### Summary of Group performance

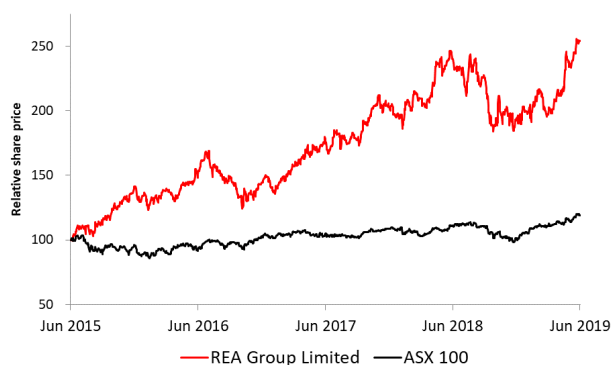
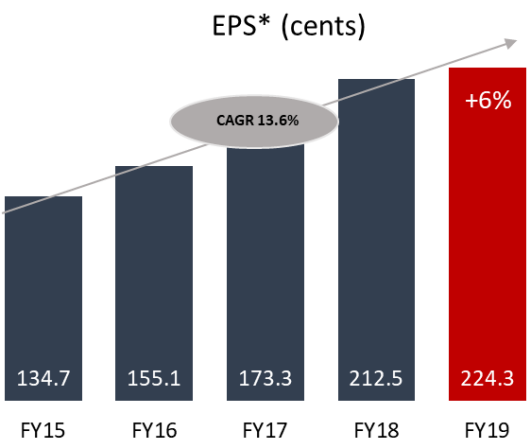
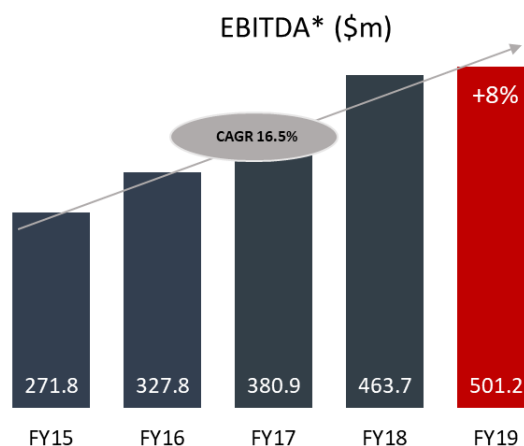
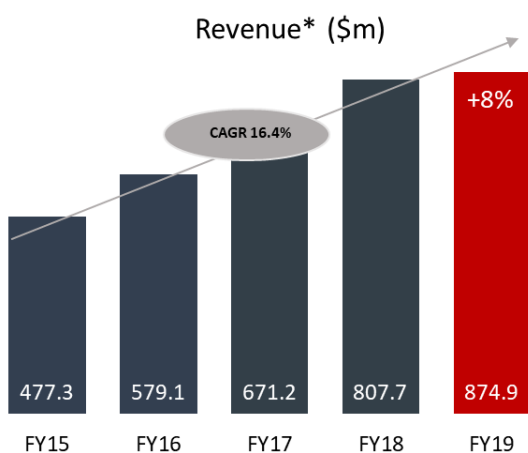
The table below summarises key indicators of the Group’s performance and the effect on shareholder value over the past five years.

Key Indicators	2015	2016	2017	2018	2019
Revenue*	477,292	579,059	671,206	807,678	<b>874,949</b>
EBITDA*	271,785	327,828	380,906	463,706	<b>501,204</b>
Net profit after tax*	177,435	204,251	228,298	279,946	<b>295,495</b>
Earnings per share*	134.7c	155.1c	173.3c	212.5c	<b>224.3c</b>
Dividends per share	70.0c	81.5c	91.0c	109.0c	<b>118.0c</b>
Share Price 30 June	\$39.21	\$59.49	\$66.40	\$90.87	<b>\$96.04</b>

\* From core operations \$'000. Information for FY 2015 and FY 2016 is restated to exclude discontinued operations.

#### Compound Annual Growth & Share price performance

The Group’s growth over the last five years has been exceptional, and as detailed in the following graphs, has delivered strong revenue and EPS compound annual growth rates. The Group’s relative share price in comparison to the ASX 100 is also outlined below. REA’s share price has significantly outperformed the ASX 100 in the last 3 years.



## 4.2 KMP performance outcomes

The following table provides a summary of KMP financial and non-financial objectives and outcomes for the 2019 financial year:

Category	Objective	Outcome
Financial	Group revenue targets	96.3% of target
	Group EBITDA targets	96.7% of target
Consumer and customer satisfaction	Increase consumer satisfaction across all platforms	Met
	Increase customer satisfaction across all lines of business	
Growth	Data Services	Met
	Financial Services	Below target
	Asia	Below target
People	Employee engagement	Met

The following table sets out LTI Plan performance outcomes for the three-year performance period ended 30 June 2019:

Performance measure	Outcome	% of target achieved
Revenue growth	\$832.7m	91.8%
EPS growth	\$2.35	96.2%

## 4.3 KMP remuneration outcomes

The following table sets out the STI outcomes for the 2019 financial year based on achievement of financial and non-financial objectives:

Executives	Actual STI payment	% of Target STI payable
CEO	\$658,782	103.2%
CFO <sup>1</sup>	-	-

1 Ms Hopkins was not entitled to participate in the 2019 STI Plan.



The following table sets out details of performance rights held by and granted to Mr Wilson and Ms Fellows during the 2019 financial year under the LTI Plans, along with the number of performance rights forfeited. Due to the timing of her commencement, Ms Hopkins did not receive any performance rights during the 2019 financial year. She will receive her first grant of performance rights in the 2020 financial year.

Name	Balance at 1 July 2018	Granted during year	Vested during year <sup>1</sup>	Forfeited during year <sup>2</sup>	Balance at 30 June 2019 <sup>3</sup>	\$ value of rights at grant date
<b>O Wilson</b>						
LTI Plan 2018 (Plan 9) <sup>4</sup>	8,108	2,521	(10,629)	-	-	300,000
LTI Plan 2019 (Plan 10)	5,133	-	-	-	5,133	299,974
LTI Plan 2020 (Plan 11) <sup>5</sup>	6,063	-	-	-	6,063	412,904
LTI Plan 2021 (Plan 12) <sup>6</sup>	-	7,335	-	-	7,335	638,240
<b>Total</b>	<b>19,304</b>	<b>9,856</b>	<b>(10,629)</b>	<b>-</b>	<b>18,531</b>	<b>1,651,118</b>
<b>T Fellows</b>						
LTI Plan 2018 (Plan 9) <sup>4</sup>	12,567	3,907	(16,474)	-	-	465,000
LTI Plan 2019 (Plan 10)	11,122	-	-	(11,122)	-	649,973
LTI Plan 2020 (Plan 11)	11,990	-	-	(11,990)	-	800,000
LTI Plan 2021 (Plan 12)	-	11,965	-	(11,965)	-	1,100,000
<b>Total</b>	<b>35,679</b>	<b>15,872</b>	<b>(16,474)</b>	<b>(35,077)</b>	<b>-</b>	<b>3,014,973</b>

1 The number of performance rights vested during the year is equal to the number of performance rights settled during the year.

2 Forfeited during the year as a result of resignation effective 25 January 2019.

3 The balance of performance rights at 30 June 2019 are unvested.

4 Additional rights granted during the year under this plan relate to achievement above target on the related performance hurdles.

5 These rights granted to O Wilson comprise two separate awards: 5,275 awards were granted on 1 July 2017 with a total value at grant date of \$352,000; and 788 awards were granted on 1 January 2018 with a total value at grant date of \$60,904.

6 These rights granted to O Wilson comprise two separate awards: 5,321 awards were granted on 1 July 2018 with a total value at grant date of \$489,250; and 2,014 awards granted on 7 January 2019 with a total value at grant date of \$148,990.

The table below set out the details of the percentage performance achieved and percentage vested against the applicable LTI Plan. Refer to section 5.5 for the percentage of total remuneration that consists of performance rights.

Plan	Grant date	Vesting date <sup>1</sup>	Value per performance right at grant date <sup>2</sup>	Revenue target % achieved	EPS target % achieved	% vested
LTI Plan 2018 (Plan 9)	1 July 2015	1 July 2018	\$37.00	105.3%	104.2%	131.1%
LTI Plan 2019 (Plan 10)	1 July 2016	1 July 2019	\$55.82	91.8%	96.2%	86.3% <sup>3</sup>
LTI Plan 2020 (Plan 11)	1 July 2017	1 July 2020	\$62.57	to be determined	-	-
LTI Plan 2020 (Plan 11)	1 January 2018	1 July 2020	\$76.31	to be determined	-	-
LTI Plan 2021 (Plan 12)	1 July 2018	1 July 2021	\$85.44	To be determined	-	-
LTI Plan 2021 (Plan 12)	7 January 2019	1 July 2021	\$73.95	To be determined	-	-

1 Subject to Board approval of the performance hurdles being met.

2 Value per grant date was calculated using the Black Scholes model.

3 Mr Owen Wilson's shares vested at 40% as explained in the opening letter to shareholders

## 5. Executive remuneration components

### 5.1 How REA Group determines appropriate remuneration levels

As the Group continues to grow and diversify into different markets and business lines, it is important to check in to ensure that the remuneration levels support the Group in attracting and retaining high-calibre talent within what is a competitive market. Executive remuneration is therefore reviewed on an annual basis.

#### *Market positioning*

How much is paid to each Executive depends on a number of factors including the scope of their role and their overall contribution to the Group, but as a starting position, REA compares current fixed remuneration to the 50<sup>th</sup> percentile and target total remuneration to a position between the 50<sup>th</sup> and 75<sup>th</sup> percentiles in the market. This aligns with the Group principle of rewarding for above threshold performance.

#### *Benchmarking methodology*

The HR Committee utilises market data provided by external consultants as part of the review process. Remuneration levels are compared to the following two comparator groups:

1. Size-based comparator group taking cognisance of both revenue and 12-month average market capitalisation (excluding companies from outside our market for talent, e.g. resources sector)
2. All companies within the ASX 35– 85.

This methodology provides the Group with a balanced approach factoring in both company size and general ASX market practice into remuneration decision making. Full details of remuneration received during the 2019 financial year are detailed in section 5.5.

#### *Setting remuneration for new KMP (or on promotion)*

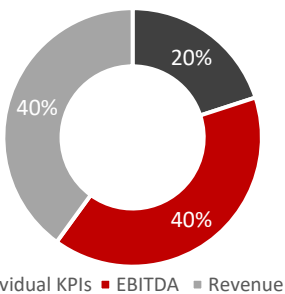
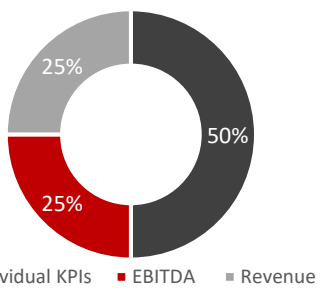
In addition to utilising benchmark information from our two comparator groups, when setting remuneration levels for new KMP (or on promotion), the Board consider the skills and experience of the new KMP (relative to the outgoing KMP where applicable) along with their current remuneration package (where applicable).

On promotion, Mr Wilson's total target remuneration package was set at \$2,900,000. This is less than that of the former Chief Executive Officer, Ms Tracey Fellows, who had a total target package of \$3,800,000 at the time of her departure.

For the 2020 financial year, Ms Hopkins' remuneration package will comprise Fixed Remuneration of \$870,000, STI Plan (target) of \$450,000, and LTI Plan (target) of \$370,000. The Total Target Remuneration will be \$1,690,000. In future remuneration reviews, the Board will focus on increasing the proportion of target package paid in equity to Ms Hopkins.

## 5.2 Short term incentive arrangements

The following table summarises the key components, operation and outcomes of the Group’s 2019 short term incentive plan, and as provided in the remuneration mix section, this table demonstrates annualised on-target performance for the CEO and CFO in their current roles:

Short term Incentive Summary		
<b>KMP participants</b>	CEO and CFO	
<b>Award type</b>	Cash	
<b>Performance period</b>	One year performance period beginning 1 July 2018 and ended on 30 June 2019	
<b>When are performance conditions tested?</b>	<ul style="list-style-type: none"> <li>Performance against financial measures are determined in line with approval of the Financial Statements at the end of the financial year.</li> <li>Performance against non-financial measures within individual KPIs are determined after a review of executive performance by the CEO, in consultation with the HR Committee and in the case of the CEO, by the Board.</li> </ul>	
<b>Performance metrics and weightings</b>	<b>CEO</b> 	<b>CFO</b> 
	<ul style="list-style-type: none"> <li>Individual KPIs</li> <li>EBITDA</li> <li>Revenue</li> </ul>	<ul style="list-style-type: none"> <li>Individual KPIs</li> <li>EBITDA</li> <li>Revenue</li> </ul>
<b>Target<sup>1</sup></b>	\$800,000	\$450,000
<b>Maximum<sup>2</sup></b>	\$1,600,000	\$900,000
<b>Relationship between performance and payment</b>	<b>Financial measures – level of performance</b>	<b>% of Target incentive awarded*</b>
	Below Threshold (i.e. ≤ 85% of Target)	0%
	85-89%	50%
	95%	90%
	Target	100%
Above Target (i.e. ≥ 120% of Target)	200%	
* Incremental payment is made between Threshold and Target, as well as Target and Above Target points. Individual performance is determined based on performance against KPIs with the individual component paying out between 0% and 200% of target.		
<b>Calculation of outcome</b>	<div style="display: flex; justify-content: center; align-items: center; gap: 10px;"> <div style="border: 1px solid #ccc; padding: 5px; background-color: #f0f0f0;">Revenue outcome</div> <span>+</span> <div style="border: 1px solid #ccc; padding: 5px; background-color: #f0f0f0;">EBITDA outcome</div> <span>+</span> <div style="border: 1px solid #ccc; padding: 5px; background-color: #f0f0f0;">Individual outcome</div> <span>=</span> <div style="border: 1px solid #ccc; padding: 5px; background-color: #f0f0f0;">STIP outcome</div> </div>	

1 Amount that would be paid for delivering on-target performance on an annualised basis in the role as at 30 June 2019. The actual target for Mr Wilson based on his year split between CEO and CFO is \$638,240. As previously noted, Ms Hopkins is not eligible for an STI in FY19 due to her short service in the financial year.

2 Amount that would be paid for delivering stretch performance on an annualised basis in the role as at 30 June 2019. The actual maximum for Mr Wilson based on his year split between CEO and CFO is \$1,276,480. As previously noted, Ms Hopkins is not eligible for an STI in FY19 due to her short service in the financial year.

*Why were these performance measures chosen?*

The Board considers the financial measures to be appropriate as they are aligned with the Group’s objective of delivering profitable growth and, ultimately, improved shareholder returns. The non-financial performance measures for the CEO have been set by the Board to drive strategic initiatives, leadership performance and behaviours consistent with the Group’s corporate philosophy and its overall business strategy. The CEO sets individual and business key performance indicators for the executive team in consultation with the Board.

**5.3 Long term incentive**

The following table summarises the key components and operation of the Group’s long term incentive plan. This table reflects the target value of the grant made to Mr Wilson during FY19 across both roles. Ms Hopkins is excluded as she did not receive an equity grant in FY19. Subject to Board approval, she will be eligible to participate from FY20, with a target LTI value of \$370,000.

Long term Incentive Summary											
<b>KMP participants</b>	CEO and CFO										
<b>Award type</b>	Performance rights										
<b>Performance period</b>	The performance rights allocated during the year are subject to a three year performance period beginning 1 July 2018 and ending on 30 June 2021. The Group refers to this grant as the “LTI Plan 2021” as the performance period ends in FY21.										
<b>Performance metrics</b>	<table border="0"> <thead> <tr> <th style="text-align: left;">Metric</th> <th style="text-align: left;">Weighting</th> </tr> </thead> <tbody> <tr> <td>CAGR - Revenue</td> <td>50%</td> </tr> <tr> <td>CAGR – EPS</td> <td>50%</td> </tr> </tbody> </table>	Metric	Weighting	CAGR - Revenue	50%	CAGR – EPS	50%				
Metric	Weighting										
CAGR - Revenue	50%										
CAGR – EPS	50%										
<b>When are performance conditions tested?</b>	Incentive payments are determined in line with the approval of the Financial Statements at the end of the performance period.										
<b>How is the LTI grant determined?</b>	The number of performance rights issued to each executive is calculated by dividing their ‘target LTI’ value by the value per right. The value per right is determined on a face value basis using a 5-day VWAP prior to the issuance of performance rights. Each performance right is a right to acquire one share in REA upon vesting.										
<b>Target LTI value</b>	<table border="0" style="width: 100%;"> <thead> <tr> <th style="width: 50%; text-align: center;">CEO</th> <th style="width: 50%; text-align: center;">CFO</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">\$638,240 delivered in performance rights</td> <td style="text-align: center;">Nil in FY19 delivered in performance rights (\$370,000 in FY20)</td> </tr> </tbody> </table>	CEO	CFO	\$638,240 delivered in performance rights	Nil in FY19 delivered in performance rights (\$370,000 in FY20)						
CEO	CFO										
\$638,240 delivered in performance rights	Nil in FY19 delivered in performance rights (\$370,000 in FY20)										
<b>Relationship between performance and vesting</b>	<p>The following vesting schedule applies to the performance hurdles for the LTI Plan 2021 granted this year. The LTI Plan 2019 that vested during this financial year had vesting of 80% at threshold performance.</p> <table border="0"> <thead> <tr> <th style="text-align: left;">Performance level</th> <th style="text-align: left;">% of awards vesting*</th> </tr> </thead> <tbody> <tr> <td>Below Threshold</td> <td>0% vesting</td> </tr> <tr> <td>Threshold</td> <td>60% vesting</td> </tr> <tr> <td>Target</td> <td>100% vesting</td> </tr> <tr> <td>Stretch**</td> <td>200% vesting</td> </tr> </tbody> </table> <p>*Incremental vesting is made between Threshold and Target, as well as Target and Stretch points.                      ** Vesting of over-performance (between Target and Stretch) provides acceleration to provide greater differentiation for out-performance.</p>	Performance level	% of awards vesting*	Below Threshold	0% vesting	Threshold	60% vesting	Target	100% vesting	Stretch**	200% vesting
Performance level	% of awards vesting*										
Below Threshold	0% vesting										
Threshold	60% vesting										
Target	100% vesting										
Stretch**	200% vesting										
<b>Calculation of outcome</b>	<table border="0"> <tr> <td style="border: 1px solid gray; padding: 5px;">Revenue CAGR outcome</td> <td style="font-size: 2em; vertical-align: middle;">+</td> <td style="border: 1px solid gray; padding: 5px;">EPS CAGR outcome</td> <td style="font-size: 2em; vertical-align: middle;">=</td> <td style="border: 1px solid gray; padding: 5px;">LTI outcome</td> </tr> </table>	Revenue CAGR outcome	+	EPS CAGR outcome	=	LTI outcome					
Revenue CAGR outcome	+	EPS CAGR outcome	=	LTI outcome							

*Why were these performance conditions chosen?*

The Board considers the combination of the Revenue and EPS hurdles to be an appropriate counterbalance to ensure that any ‘top line’ growth is long term focused and balanced with an improvement in earnings.

In particular, revenue is considered to be an appropriate hurdle given that the Group continues to be in a phase of growth.

Additionally, the Board selected EPS as a performance measure on the basis that it:

- is a relevant indicator of increase in shareholder value; and
- is a target that provides a suitable line of sight to encourage and motivate executive performance.

*Are there any restrictions placed on the rights?*

Group policy prohibits executives from entering into transactions or arrangements which operate to transfer or limit the economic risk of any securities held under the LTI plan while those holdings are subject to performance hurdles or are otherwise unvested.

*What happens in the event of a change of control?*

In accordance with the LTI plan rules, the Board has discretion to waive any vesting conditions attached to the performance rights in the event of a change of control.

*What happens if the executive ceases employment?*

Where REA terminates an executive’s employment with notice (a ‘good leaver’), any unvested performance rights are pro-rated for time served, with the unvested rights continuing until the usual performance testing date. There is no acceleration of the vesting date, and all vesting conditions continue to apply.

Where an executive ceases employment for any other reason, any unvested performance rights will lapse. As a result, Ms Fellows forfeited her unvested performance rights upon her departure.

**5.4 Service agreements**

The table below sets out the main terms and conditions of the employment contracts of the CEO and CFO. All contracts are for unlimited duration.

Title	Notice Period / Termination Payment
CEO / CFO	<ul style="list-style-type: none"> <li>• 9 months for the CEO and 6 months for the CFO (or payment in lieu)</li> <li>• Immediate termination for misconduct, breach of contract or bankruptcy</li> <li>• Statutory entitlements only for termination with cause</li> <li>• Where employment terminates prior to LTI vesting, pro rata holding determined based on time served of performance period, which continues until the usual vesting date and remains subject to all performance requirements</li> <li>• Eligible to participate in STI for period served prior to termination</li> </ul>

## 5.5 Executive remuneration table

Details of the remuneration paid to KMP for the 2019 and 2018 financial years are set out as follows:

KMP	Short term employee benefits			Post-employment benefits	Long term employee benefits	LTI Plan <sup>3</sup>	Total	Performance related %	LTIP %
	Salary	STI Plan <sup>1</sup>	Other <sup>2</sup>						
<b>O Wilson<sup>4</sup></b>									
2019	1,008,073	658,782	-	20,531	27,513	259,290	1,974,189	47%	13%
2018	729,951	616,911	-	20,049	12,336	413,245	1,792,492	57%	23%
<b>J Hopkins<sup>5</sup></b>									
2019	70,769	-	-	5,133	147	-	76,049	0%	0%
<b>T Fellows<sup>6</sup></b>									
2019	898,464	-	34,698	15,399	(43,459)	(658,889)	246,213	0%	0%
2018	1,379,951	1,112,000	-	20,049	23,554	749,198	3,284,752	57%	23%
<b>Total</b>									
2019	1,977,306	658,782	34,698	41,063	(15,799)	(399,599)	2,296,451	47% <sup>7</sup>	13% <sup>7</sup>
2018	2,109,902	1,728,911	-	40,098	35,890	1,162,443	5,077,244	57%	23%

1 STI Plan represents accrued payment for current year net of under/over accrual from prior year.

2 Other represents accrued annual leave paid out on resignation.

3 LTI Plan represents accrued expenses amortised over vesting period of grant. Refer to Note 17 of the Financial Statements.

4 O Wilson was employed as the CFO from the period 1 July 2018 through to 6 January 2019, and then as CEO from 7 January 2019. Therefore, he is considered to be a KMP for the 2019 financial year.

5 J Hopkins was appointed CFO effective 3 June 2019.

6 T Fellows resigned from the position of CEO effective 25 January 2019.

7 Total performance related percentage and LTIP percentage relates to the amounts for O Wilson only, as T fellows resigned during the year, forfeiting her participation in the STI and LTI plans, and J Hopkins was not entitled to any at-risk remuneration components.

## 6. Non-executive director remuneration

### 6.1 Policy

#### *Overview of policy*

The Board seeks to set the fees for the non-executive Directors at a level which provides the Company with the ability to attract and retain Directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

During 2019 the Board's policy was that the Chairman and independent non-executive Directors receive remuneration for their services as Directors.

#### *Promote independence and objectivity*

The Chairman and non-executive Director remuneration consists only of fixed fees (inclusive of superannuation).

To preserve independence and impartiality, non-executive Directors do not receive any performance related compensation.

#### *Aggregate fees approved by shareholders*

The current aggregate fee pool for the non-executive Directors of \$1,500,000 was approved by shareholders at the 2016 AGM commencing from 1 October 2015.

Board and Committee fees, as well as statutory superannuation contributions made on behalf of the non-executive Directors, are included in the aggregate fee pool.

*Regular reviews of remuneration*

The Chairman and non-executive Director fees are reviewed regularly and set and approved by the Board based on an assessment of fees paid within other ASX companies of a comparable size (through the HR Committee). Given the last review of fees took place effective 1 October 2015, Chairman and non-executive Director fees were increased from 1 July 2018. Total non-executive Director fees remain within the shareholder approved aggregate fee pool.

**6.2 Non-executive director fees**

The table below shows the structure and level of annualised non-executive Director fees.

Fee applicable	Year	Chair \$	Member \$
Board	2019	495,000	180,000
	2018	375,000	150,000
Audit, Risk & Compliance Committee	2019	40,000	21,000
	2018	32,000	16,000
Human Resources Committee	2019	37,000	20,000
	2018	27,000	15,000

**6.3 Non-executive director remuneration**

Details of remuneration for the Chairman and independent non-executive Directors are set out in the table below. As outlined above, the majority of non-independent Directors do not receive any directors' fees.

Remuneration applicable	Year	Fees and allowances \$	Post-employment benefits \$	Total \$
H McLennan (Chairman) <sup>1</sup>	2019	474,469	20,531	495,000
	2018	355,384	20,049	375,433
R Amos	2019	219,469	20,531	240,000
	2018	179,909	17,091	197,000
K Conlon	2019	217,469	20,531	238,000
	2018	176,256	16,744	193,000
R Freudenstein	2019	201,827	19,173	221,000
	2018	164,775	15,654	180,429
N Dowling (appointed 9 May 2018)	2019	182,648	17,352	200,000
	2018	21,838	2,075	23,913
J McGrath (resigned 16 January 2018)	2019	-	-	-
	2018	87,900	8,350	96,250
<b>Total</b>	2019	<b>1,295,882</b>	<b>98,118</b>	<b>1,394,000</b>
	2018	986,062	79,963	1,066,025

<sup>1</sup> In the prior year, additional payment above contracted fees was to correct superannuation up to the maximum allowable amount in prior year.

**7. Shareholdings of key management personnel and Board of Directors**

The numbers of ordinary shares in the Company held during the financial year (directly and indirectly) by each Director and other key management personnel of the Group, including their related parties are set out below<sup>1</sup>:

	Balance at 1 July 2018	Received on settlement of performance rights	Sale of shares	Balance at 30 June 2019 <sup>2</sup>
<b>Executives</b>				
O Wilson	4,724	10,629	(2,724)	12,629
<b>Non-executive directors</b>				
H McLennan	1,095	-	-	1,095
R Amos	2,481	-	-	2,481
K Conlon	2,248	-	-	2,248
R Freudenstein	1,470	-	-	1,470
T Fellows	10,218	16,474	(10,206)	16,486

1 If KMP or non-executive director is not listed, there are no shares held.

2 Includes shares held directly, indirectly or beneficially by KMP.

**Declaration**

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

**Mr Hamish McLennan**  
*Chairman*

**Mr Owen Wilson**  
*Chief Executive Officer*

Sydney  
8 August 2019



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**Consolidated Income Statement**  
for the year ended 30 June 2019

	Notes	2019 \$'000	2018 \$'000
Revenue from property and online advertising	3	847,926	778,357
Revenue from financial services	3	93,465	89,019
Expense from franchisee commissions	3	(66,442)	(59,698)
Revenue from financial services after franchisee commissions		27,023	29,321
Total operating income	3	874,949	807,678
Employee benefits expenses	16	(185,778)	(177,669)
Consultant and contractor expenses		(9,768)	(9,205)
Marketing related expenses		(75,048)	(74,483)
Technology and other expenses		(33,179)	(23,035)
Operations and administration expense		(55,858)	(52,028)
Impairment expense/brand write-off		(188,943)	(12,800)
Share of losses of associates and joint ventures		(14,231)	(19,282)
Earnings before interest, tax, depreciation and amortisation (EBITDA)		312,144	439,176
Depreciation and amortisation expense	4	(59,573)	(48,702)
<b>Profit before interest and tax (EBIT)</b>		<b>252,571</b>	<b>390,474</b>
Net finance expense	4	(7,617)	(12,777)
<b>Profit before income tax</b>		<b>244,954</b>	<b>377,697</b>
Income tax expense	7	(139,676)	(124,597)
<b>Profit for the year</b>		<b>105,278</b>	<b>253,100</b>
<b>Profit for the year is attributable to:</b>			
Non-controlling interest		281	321
Owners of the parent		104,997	252,779
		<b>105,278</b>	<b>253,100</b>
<b>Earnings per share attributable to the ordinary equity holders of REA Group Limited</b>			
Basic earnings per share	5	79.7	191.9
Diluted earnings per share	5	79.7	191.9

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

## Consolidated Statement of Comprehensive Income

for the year ended 30 June 2019

	2019 \$'000	2018 \$'000
<b>Profit for the year</b>	<b>105,278</b>	253,100
<b>Other comprehensive income</b>		
<b>Items that may be reclassified subsequently to the Consolidated Income Statement</b>		
Exchange differences on translation of foreign operations, net of tax	17,391	12,452
<b>Other comprehensive income for the year, net of tax</b>	<b>17,391</b>	12,452
<b>Total comprehensive income for the year</b>	<b>122,669</b>	265,552
<b>Total comprehensive income for the year is attributable to:</b>		
Non-controlling interest	281	321
Owners of the parent	122,388	265,231
	<b>122,669</b>	265,552

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

**Consolidated Statement of Financial Position**

as at 30 June 2019

	Notes	2019 \$'000	2018 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	8	137,897	115,841
Trade and other receivables	13	118,111	121,019
Contract assets	13	2,848	5,625
Commission contract assets	10	48,105	47,116
<b>Total current assets</b>		<b>306,961</b>	289,601
<b>Non-current assets</b>			
Plant and equipment	21	17,148	22,100
Intangible assets	6	783,087	942,177
Deferred tax assets	7	13,495	9,539
Other non-current assets	13	811	621
Investment in associates and joint ventures	19	326,132	337,514
Commission contract assets	10	134,097	126,545
<b>Total non-current assets</b>		<b>1,274,770</b>	1,438,496
<b>Total assets</b>		<b>1,581,731</b>	1,728,097
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	14	74,479	62,674
Current tax liabilities		28,039	23,551
Provisions		13,665	12,272
Contract liabilities		51,129	53,335
Interest bearing loans and borrowings	9	240,083	122,461
Commission liabilities	10	37,535	36,770
<b>Total current liabilities</b>		<b>444,930</b>	311,063
<b>Non-current liabilities</b>			
Other non-current payables		-	16,553
Contract liabilities		2,846	-
Deferred tax liabilities	7	47,305	45,940
Provisions		6,770	5,532
Interest bearing loans and borrowings	9	70,023	309,923
Commission liabilities	10	104,422	98,317
<b>Total non-current liabilities</b>		<b>231,366</b>	476,265
<b>Total liabilities</b>		<b>676,296</b>	787,328
<b>Net assets</b>		<b>905,435</b>	940,769
<b>EQUITY</b>			
Contributed equity	12	89,544	91,325
Reserves	12	68,120	52,517
Retained earnings		747,312	796,421
Parent interest		904,976	940,263
Non-controlling interest		459	506
<b>Total equity</b>		<b>905,435</b>	940,769

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

**Consolidated Statement of Changes in Equity**  
for the year ended 30 June 2019

	Notes	Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000	Parent interest \$'000	Non- controlling interest \$'000	Total equity \$'000
<b>Balance at 1 July 2018</b>		<b>91,325</b>	<b>52,517</b>	<b>796,421</b>	<b>940,263</b>	<b>506</b>	<b>940,769</b>
Profit for the year		-	-	<b>104,997</b>	<b>104,997</b>	<b>281</b>	<b>105,278</b>
Other comprehensive income	12	-	<b>17,391</b>	-	<b>17,391</b>	-	<b>17,391</b>
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>17,391</b>	<b>104,997</b>	<b>122,388</b>	<b>281</b>	<b>122,669</b>
<b>Transactions with owners in their capacity as owners</b>							
Share-based payment expense	16	-	<b>2,213</b>	-	<b>2,213</b>	-	<b>2,213</b>
Acquisition of treasury shares	12	<b>(587)</b>	-	-	<b>(587)</b>	-	<b>(587)</b>
Settlement of vested performance rights	12	<b>(1,194)</b>	<b>(4,001)</b>	-	<b>(5,195)</b>	-	<b>(5,195)</b>
Dividends paid		-	-	<b>(154,106)</b>	<b>(154,106)</b>	<b>(328)</b>	<b>(154,434)</b>
<b>Balance at 30 June 2019</b>		<b>89,544</b>	<b>68,120</b>	<b>747,312</b>	<b>904,976</b>	<b>459</b>	<b>905,435</b>

	Notes	Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000	Parent interest \$'000	Non- controlling interest \$'000	Total equity \$'000
<b>Balance at 1 July 2017</b>		<b>95,215</b>	<b>36,323</b>	<b>672,712</b>	<b>804,250</b>	<b>480</b>	<b>804,730</b>
Profit for the year		-	-	<b>252,779</b>	<b>252,779</b>	<b>321</b>	<b>253,100</b>
Other comprehensive income	12	-	<b>12,452</b>	-	<b>12,452</b>	-	<b>12,452</b>
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>12,452</b>	<b>252,779</b>	<b>265,231</b>	<b>321</b>	<b>265,552</b>
<b>Transactions with owners in their capacity as owners</b>							
Share-based payment expense	16	-	<b>6,096</b>	-	<b>6,096</b>	-	<b>6,096</b>
Acquisition of treasury shares	12	<b>(4,198)</b>	-	-	<b>(4,198)</b>	-	<b>(4,198)</b>
Settlement of vested performance rights	12	<b>308</b>	<b>(2,354)</b>	-	<b>(2,046)</b>	-	<b>(2,046)</b>
Dividends paid		-	-	<b>(129,070)</b>	<b>(129,070)</b>	<b>(295)</b>	<b>(129,365)</b>
<b>Balance at 30 June 2018</b>		<b>91,325</b>	<b>52,517</b>	<b>796,421</b>	<b>940,263</b>	<b>506</b>	<b>940,769</b>

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

## Consolidated Statement of Cash Flows

for the year ended 30 June 2019

	Notes	2019 \$'000	2018 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		956,717	871,225
Payments to suppliers and employees (inclusive of GST)		(440,421)	(411,992)
		516,296	459,233
Interest received		1,782	5,365
Interest paid		(10,907)	(11,927)
Income taxes paid		(136,907)	(124,144)
Share-based payment on settlement of incentive plans		(6,210)	(2,182)
<b>Net cash inflow from operating activities</b>	8	<b>364,054</b>	326,345
<b>Cash flows from investing activities</b>			
Receipt/(Payment) for acquisition of subsidiary		3,234	(307,804)
Payment for investment in associates and joint ventures		(9)	(5,035)
Payment for plant and equipment	21	(4,014)	(8,417)
Payment for intangible assets	6	(63,947)	(50,847)
<b>Net cash outflow from investing activities</b>		<b>(64,736)</b>	(372,103)
<b>Cash flows from financing activities</b>			
Dividends paid to company's shareholders	11	(154,106)	(129,070)
Dividends paid to non-controlling interests in subsidiaries		(328)	(295)
Payment for acquisition of treasury shares	12	(587)	(4,198)
Proceeds from borrowings		-	70,000
Repayment of borrowings and leases		(122,676)	(134,000)
<b>Net cash outflow from financing activities</b>		<b>(277,697)</b>	(197,563)
<b>Net increase/(decrease) in cash and cash equivalents</b>			
Cash and cash equivalents at the beginning of the year		115,841	358,500
Effects of exchange rate changes on cash and cash equivalents		435	662
<b>Cash and cash equivalents at end of the year</b>	8	<b>137,897</b>	115,841

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

## Notes to the Consolidated Financial Statements

### Basis of preparation

- REA Group Limited and its controlled entities (together referred to as the 'Group') is a for-profit entity for the purposes of preparing the Financial Statements.
- These general purpose Financial Statements have been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB').
- The Financial Statements of the Group also comply with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB').
- These Financial Statements have been prepared on a going concern basis under the historical cost convention except for financial liabilities relating to contingent consideration and trailing commission contract assets and liabilities.

The Group has net current liabilities of \$138.0 million as at 30 June 2019. During the year, the Group repaid \$120.0 million (sub facility B) of the unsecured syndicated revolving loan facility. The outstanding balance of \$240.0 million (sub facility C) matures in December 2019 and has been classified as a current liability at 30 June 2019 (refer to Note 9 for further details). The Group expects to repay the loan facility through a combination of debt refinancing and cash reserves. The Group generated positive operating cash flows and traded profitably for the year. The Directors expect this to continue into the foreseeable future.

- The preparation of the Financial Statements requires the use of certain critical accounting estimates. It also requires the exercise of judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Financial Statements, are disclosed separately in each relevant note.
- The Company is of a kind referred to in Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the Financial Statements. Amounts in the Financial Statements have been rounded off in accordance with that Instrument to the nearest thousand dollars unless otherwise stated.

#### (a) New accounting standards 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 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 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 3 for further details.

## AASB 9 Financial instruments

AASB 9 replaces AASB 139 *Financial Instruments: Recognition and Measurement* ('AASB 139'), for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting. The impacts of this have been disclosed in the respective notes to the Financial Statements. The Group has applied AASB 9 using the modified retrospective approach with the initial application date of 1 July 2018.

The adoption of AASB 9 has included a review of the Group's accounting for impairment losses for 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 in accordance with the contract and all the cash flows that the Group expects to receive. For trade and other receivables, the Group has applied the AASB 9's simplified approach, and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to debtor profiles and the economic environment. For contract assets the Group has also applied the simplified approach. Given the contract assets are due from highly rated major lenders, and there has been no historical instances where a loss has been incurred, the ECL is not considered material. Based on the review undertaken, there has been no material impact on the Consolidated Statement of Financial Position and the Consolidated Income Statement on transition and for the year ended 30 June 2019.

## 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 consolidated Financial Statements of the Company as at and for the year ended 30 June 2019 comprise the Financial Statements of the Company and its subsidiaries, together referred to in these Financial Statements as the 'Group' and individually as the 'Group entities'.

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

## OUR PERFORMANCE

*This section highlights the performance of the Group for the year, including results by operating segment, revenue, expenses, earnings per share, income tax expense, intangibles and the annual impairment assessment.*

## 2. Segment information

### Accounting policies

**Operating segments** are reported in a manner consistent with internal reporting provided to the chief operating decision makers, being the CEO, who provides the strategic direction and management oversight of the company through the monitoring of results and approval of strategic plans for the business.

The Group's operating segments are determined firstly based on location, and secondly by function, of the Group's operations.

The Group has two revenue streams, the first of which is the provision of advertising services to the real estate industry. While the Group offers different brands to the market from this stream, it is considered that this offering is a single type of product/service, from which the Property & Online Advertising operating segments in each of Australia, Asia and North America derive their revenues. The second revenue stream comes from the Financial Services operating segment in Australia, which derives its revenue through commissions earned from mortgage broking and home financing solutions offered to consumers.

Corporate overhead includes the costs of certain head office functions that are not considered appropriate to be allocated to the Group's operating businesses. Intersegment transactions are reported separately, with intersegment revenue eliminated from total reported revenue of the Group.



The following tables present revenue and results by operating segments for the years ended 30 June 2019 and 30 June 2018.

2019	Australia		Asia	North America	Corporate	Total
	Property & Online Advertising \$'000	Financial Services \$'000	\$'000	\$'000	\$'000	\$'000
<b>Segment operating income<sup>1</sup></b>						
Total segment operating income <sup>1</sup>	799,943	27,023	49,423	-	-	876,389
Inter-segment operating income <sup>1</sup>	(636)	-	(804)	-	-	(1,440)
<b>Operating income<sup>1</sup></b>	<b>799,307</b>	<b>27,023</b>	<b>48,619</b>	<b>-</b>	<b>-</b>	<b>874,949</b>
<b>Results</b>						
Segment EBITDA from core operations (excluding share of losses of associates and joint ventures)	518,177	9,633	7,418	-	(19,901)	515,327
Share of losses of associates and joint ventures	-	(121)	(5,577)	(8,533)	-	(14,231)
Business combination transaction costs - acquisitions by associates	-	-	17	91	-	108
Segment EBITDA from core	518,177	9,512	1,858	(8,442)	(19,901)	501,204
Impairment charges	-	-	-	-	(188,943)	(188,943)
Revaluation of contingent consideration	-	-	-	-	(9)	(9)
Business combination transaction costs - acquisitions by associates	-	-	(17)	(91)	-	(108)
EBITDA	518,177	9,512	1,841	(8,533)	(208,853)	312,144
Depreciation and amortisation						(59,573)
<b>EBIT</b>						<b>252,571</b>
Net finance expense from core operations						(6,460)
Profit before income tax from core operations						246,111
Net finance expense						(1,157)
<b>Profit before income tax</b>						<b>244,954</b>

<sup>1</sup> This represents revenue less commissions for financial services

2018	Australia		Asia	North America	Corporate	Total
	Property & Online Advertising \$'000	Financial Services \$'000	\$'000	\$'000	\$'000	\$'000
Segment operating income <sup>1</sup>						
Total segment operating income <sup>1</sup>	734,067	29,321	45,018	-	-	808,406
Inter-segment operating income <sup>1</sup>	-	-	(728)	-	-	(728)
Operating income <sup>1</sup>	734,067	29,321	44,290	-	-	807,678
Results						
Segment EBITDA from core operations (excluding share of losses of associates and joint ventures)	473,066	11,472	8,326	-	(21,396)	471,468
Share of losses from associates and joint ventures	-	(671)	(5,573)	(1,518)	(11,520)	(19,282)
US tax reform - revaluation of deferred tax balances	-	-	-	-	11,520	11,520
Segment EBITDA from core operations	473,066	10,801	2,753	(1,518)	(21,396)	463,706
Revaluation of contingent consideration	-	-	-	-	2,195	2,195
Business combination transaction costs	-	-	-	-	(2,405)	(2,405)
US tax reform - revaluation of deferred tax balances	-	-	-	-	(11,520)	(11,520)
Brand write-off	-	-	-	-	(12,800)	(12,800)
EBITDA	473,066	10,801	2,753	(1,518)	(45,926)	439,176
Depreciation and amortisation						(48,702)
EBIT						390,474
Net finance expense from core operations						(8,085)
Profit before income tax from core operations						382,389
Net finance expense						(4,692)
Profit before income tax						377,697

<sup>1</sup> This represents revenue less commissions for financial services

### 3. 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 to 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 customer 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 standalone selling prices of each distinct service. Standalone 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 consideration was probable, the associated costs and possible return of goods could be reliably estimated, there was no continuing 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.

**Contract liabilities** relate to consideration received in advance of the provision of goods or services to a customer and primarily arise from the difference in timing between billing and satisfaction of the performance obligation.

Type of revenue	Recognition criteria
<b>Property &amp; online advertising</b>	
<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.
<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, with customers charged either a flat monthly fee or based on volume. Revenue is recognised over time where a flat fee is charged as the performance obligation is to stand ready to provide services, whereas volume driven fees are recognised at a point in time when the valuation is performed.  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.  Platform licence fees are recognised over time as the customer receives and consumes the benefits of the access to the platform evenly over time.

Financial services	
<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. Revenue is updated each reporting period based on any changes in the estimates of variable consideration.</p>
<p>The Group applies the practical expedients in accordance with AASB 15 paragraphs 94, to expense the commissions in relation to obtaining contracts, and AASB 15 paragraph 121, to be exempt from disclosure of information about remaining performance obligations where the performance obligations are part of contracts that have original expected durations of one year or less, or remaining performance obligations where we have a right to consideration from a customer in an amount that corresponds directly with the value provided to the customer for the entity's performance obligations completed to date.</p>	

(b) Revenue from contracts with customers reconciliation

	Consolidated for the year ended 30 June 2019			
<b>Total revenue for the Group:</b> <i>Type of services</i>	<b>Property &amp; Online Advertising</b> \$'000	<b>Financial Services</b> \$'000	<b>Asia</b> \$'000	<b>Total</b> \$'000
Revenue from property & online advertising	799,307	-	48,619	847,926
Revenue from financial services	-	93,465	-	93,465
<b>Total revenue</b>	<b>799,307</b>	<b>93,465</b>	<b>48,619</b>	<b>941,391</b>

	Consolidated for the year ended 30 June 2019			
<b>Total revenue for the Group:</b> <i>Timing of revenue</i>	<b>Property &amp; Online Advertising</b> \$'000	<b>Financial Services</b> \$'000	<b>Asia</b> \$'000	<b>Total</b> \$'000
Services transferred at a point in time	14,639	93,465	142	108,246
Services transferred over time	784,668	-	48,477	833,145
<b>Total revenue</b>	<b>799,307</b>	<b>93,465</b>	<b>48,619</b>	<b>941,391</b>

Consolidated for the year ended 30 June 2018				
<b>Total revenue for the Group:</b> <i>Type of services</i>	<b>Property &amp; Online Advertising \$'000</b>	<b>Financial Services \$'000</b>	<b>Asia \$'000</b>	<b>Total \$'000</b>
Revenue from property & online advertising	734,067	-	44,290	778,357
Revenue from financial services	-	89,019	-	89,019
<b>Total revenue</b>	<b>734,067</b>	<b>89,019</b>	<b>44,290</b>	<b>867,376</b>

Consolidated for the year ended 30 June 2018				
<b>Total revenue for the Group:</b> <i>Timing of revenue</i>	<b>Property &amp; Online Advertising \$'000</b>	<b>Financial Services \$'000</b>	<b>Asia \$'000</b>	<b>Total \$'000</b>
Services transferred at a point in time	15,727	89,019	9	104,755
Services transferred over time	718,340	-	44,281	762,621
<b>Total revenue</b>	<b>734,067</b>	<b>89,019</b>	<b>44,290</b>	<b>867,376</b>

**Reconciliation of operating income:**

	<b>2019 \$'000</b>	<b>2018 \$'000</b>
Total revenue	<b>941,391</b>	867,376
Expense from franchisee commissions	<b>(66,442)</b>	(59,698)
<b>Total operating income</b>	<b>874,949</b>	807,678

**(c) Contract liabilities**

As of 1 July 2018, contract liabilities amounted to \$53.3m, of which \$50.5m was recognised during the year ended 30 June 2019.

#### 4. Expenses

	2019 \$'000	2018 \$'000
<b>Profit before income tax includes the following specific expenses:</b>		
<b>Finance (income)/expense</b>		
Interest income	(2,153)	(4,590)
Interest expense	10,866	12,675
Foreign exchange gain - financing	(2,253)	-
Discount unwind and finance costs of contingent consideration	1,157	4,692
<b>Total finance expense</b>	<b>7,617</b>	<b>12,777</b>
Depreciation of plant and equipment	8,760	7,476
Amortisation of intangibles	50,813	41,226
<b>Depreciation and amortisation expense</b>	<b>59,573</b>	<b>48,702</b>
Revaluation of contingent consideration	9	(2,195)
Advertising placement costs	8,940	3,022
Rental expenses	7,015	7,747
Net foreign exchange loss	222	662
Impairment of goodwill <sup>1</sup>	173,200	-
Brand write-off <sup>1</sup>	-	12,800
Impairment of investment in associate <sup>2</sup>	15,743	-

1 Refer to Note 6 for further details on impairment of goodwill and brand write-off

2 Refer to Note 19 for further details on impairment of investment in associate

#### (a) Goods and services tax (GST)

##### Accounting policies

**Revenues, expenses and assets** are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

**Receivables and payables** are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the Consolidated Statement of Financial Position. Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

## 5. Earnings per share (EPS)

### Accounting policies

The Group presents basic and diluted EPS in the Consolidated Income Statement.

**Basic earnings per share** is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares by the weighted average number of ordinary shares outstanding during the financial year.

**Diluted earnings per share** adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

<b>(a) Earnings per share</b>	<b>2019</b>	<b>2018</b>
	<b>Cents</b>	<b>Cents</b>
Basic and diluted earnings per share attributable to the ordinary equity holders of the company	<b>79.7</b>	191.9

<b>(b) Reconciliation of earnings used in calculating earnings per share</b>	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
Profit attributable to the ordinary equity holders of the company used in calculating basic and diluted earnings per share	<b>104,997</b>	252,779

<b>(c) Weighted average number of shares</b>	<b>2019</b>	<b>2018</b>
	<b>Shares</b>	<b>Shares</b>
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share <sup>1</sup>	<b>131,714,699</b>	131,714,699

<sup>1</sup> The Group does not have any dilutive potential ordinary shares. There is no effect of the share rights granted under the share-based payment plans on the weighted average number of ordinary shares, as shares are purchased on-market

## 6. Intangible assets and impairment

### Accounting policies

**Goodwill** represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is not amortised, instead goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. For impairment testing purposes the Group identifies its cash generating units ('CGUs'), which are the smallest identifiable groups of assets that generate cash inflows largely independent of cash inflows of other assets or other groups of assets. The Group monitors goodwill at segment level and the carrying amount of goodwill acquired through business combinations has been assessed for impairment testing on that basis.

**IT development and software** costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised include external direct costs of materials and service and direct payroll and payroll related costs of employees' time spent on the project. Amortisation is calculated on a straight-line basis generally over three years. IT development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility and where the Group has an intention and ability to use the asset.

**Other intangible assets** such as customer contracts and brands acquired by the Group are stated at cost less accumulated amortisation and impairment losses. Amortisation is charged to the Consolidated Income Statement on a straight-line basis over the estimated useful lives of the intangible assets, ranging from three to 15 years for customers contracts, and 15 years for those brands that do not have an indefinite useful life (for which no amortisation charge is recognised).

### Key estimate and judgement

The assets' residual values, useful lives and amortisation methods are reviewed and adjusted if appropriate, at each financial year end. The estimation of useful lives of assets has been based on historic experience and turnover policies. Any changes to useful lives may affect prospective amortisation rates and asset carrying values. Assets other than goodwill and intangible assets that have an indefinite useful life are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

The Group assesses impairment of all assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment.

Judgment is applied to identify the Group's CGUs. The recoverable amount of an asset or CGU is the higher of its fair value less costs of disposal and its value in use. The determination of recoverable amount requires the estimation and discounting of future cash flows. These estimates include establishing forecasts of future financial performance, discount rates and terminal growth rates. Each of these is based on a 'best estimate' at the time of performing the valuation, and by definition, the estimate will seldom equal the related actual results.



	Goodwill \$'000	Software <sup>1</sup> \$'000	Customer contracts \$'000	Brands \$'000	Total \$'000
<b>Year ended 30 June 2019</b>					
Opening net book amount	718,634	104,293	34,776	84,474	942,177
Additions - internally generated	-	63,947	-	-	63,947
Other business combinations	272	-	-	-	272
Disposals (net of amortisation)	-	(8)	-	-	(8)
Amortisation charge	-	(47,047)	(3,585)	(181)	(50,813)
Impairment charge	(173,200)	-	-	-	(173,200)
Exchange differences	-	712	-	-	712
<b>Closing net book amount</b>	<b>545,706</b>	<b>121,897</b>	<b>31,191</b>	<b>84,293</b>	<b>783,087</b>
<b>As at 30 June 2019</b>					
Cost	901,743	326,306	45,258	97,274	1,370,581
Accumulated amortisation and impairment	(356,037)	(204,409)	(14,067)	(12,981)	(587,494)
<b>Closing net book amount</b>	<b>545,706</b>	<b>121,897</b>	<b>31,191</b>	<b>84,293</b>	<b>783,087</b>
<b>Year ended 30 June 2018</b>					
Opening net book amount	583,863	67,047	9,628	92,625	753,163
Additions - acquired <sup>2</sup>	134,771	24,523	28,200	4,404	191,898
Additions - internally generated	-	50,847	-	-	50,847
Disposals (net of amortisation)	-	(178)	-	-	(178)
Amortisation charge	-	(38,174)	(3,052)	-	(41,226)
Brand write-off	-	-	-	(12,800)	(12,800)
Exchange differences	-	228	-	245	473
<b>Closing net book amount</b>	<b>718,634</b>	<b>104,293</b>	<b>34,776</b>	<b>84,474</b>	<b>942,177</b>
<b>As at 30 June 2018</b>					
Cost	901,471	262,396	45,258	97,274	1,306,399
Accumulated amortisation and impairment	(182,837)	(158,103)	(10,482)	(12,800)	(364,222)
<b>Closing net book amount</b>	<b>718,634</b>	<b>104,293</b>	<b>34,776</b>	<b>84,474</b>	<b>942,177</b>

1 Software includes capitalised development costs, being an internally generated intangible asset

2 Acquisitions of Smartline and Hometrack

**(a) Impairment tests for goodwill**

The Group monitors goodwill at segment level and the carrying amount of goodwill acquired through business combinations has been assessed for impairment testing as follows:

	Discount rates		Terminal growth rates		Goodwill \$'000	
	2019	2018	2019	2018	2019	2018
Asia	9.7% - 18.1%	9.9% - 16.6%	3.1% - 6.9%	3.1% - 6.2%	346,504	519,704
Australia – Financial Services	14.6%	12.4%	2.6%	2.3%	36,460	36,460
Australia – Property & Online Advertising	12.7%	12.2%	2.6%	2.3%	162,742	162,470
<b>Total</b>					<b>545,706</b>	<b>718,634</b>

*(i) Asia*

The recoverable amount of this unit has been determined based on a value-in-use calculation using cash flow projections based on financial forecasts approved by senior management covering a ten-year period. Cash flows are projected over 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 period are extrapolated using a terminal growth rate.

*(ii) Australia – Financial Services*

The recoverable amount of this segment has been determined based on a fair value less costs of disposal ('FVLCD') calculation using a number of inputs including cash flow projections based on financial forecasts approved by senior management covering a seven-year period. The valuation is measured using inputs that are not based on observable market data. Therefore, they are considered to be level 3 within the fair value hierarchy as per AASB 13 *Fair Value Measurement*. Cash flows are projected over a seven-year period to appropriately reflect the current economic conditions and the growth profile of the business. Cash flows beyond the seven-year period are extrapolated using a terminal growth rate.

*(iii) Australia – Property & Online Advertising*

The recoverable amount of this segment has been determined based on a value-in-use calculation using cash flow projections based on financial forecasts approved by senior management covering a five-year period. Cash flows beyond the five-year period are extrapolated using a terminal growth rate.

**(b) Result of impairment testing**

*(i) Impairment expense recognised in the half-year ended 31 December 2018*

At 31 December 2018, the Group recorded an impairment charge of \$173.2 million, recognised against goodwill in relation to the Asian CGU. This impairment charge was recorded in the Consolidated Income Statement. The impairment charge was recognised due to changes in the macroeconomic 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 charge is recognised in the Corporate segment for segment reporting purposes.

*(ii) Impairment assessment as at 30 June 2019*

As a result of the recoverable amount analysis performed at 30 June 2019, the carrying value of all segments are deemed recoverable.

**(c) Key assumptions used for value-in-use and FVLCOB calculations**

The calculation of value-in-use or FVLCOB for each segment is most sensitive to the following assumptions:

*Discount rates* (pre-tax) represent the current market specific to each segment, 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 segment and is derived from its weighted average cost of capital ('WACC'). Segment-specific risk is incorporated by applying additional regional risk factors. The WACC is evaluated annually based on publicly available market data.

*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 includes an adjustment to current market rates where 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 and lending industry conditions* impact assumptions including volume of real estate and borrowing transactions, number of real estate agencies, broker productivity and new development project spend. Assumptions are based on research and publicly available market data.

**(d) Sensitivity to changes in assumptions***(i) Asia*

While the estimated recoverable amount of the Asian CGU was greater than its carrying value at 30 June 2019, any adverse change in certain key assumptions could, in isolation, result in a recoverable amount deficiency. An increase in the discount rate of 1% would result in an impairment loss of \$40.2 million and a decrease in the terminal growth rate of 1% would result in an impairment loss of \$13.3 million.

*(ii) Australia – Financial Services*

While the estimated recoverable amount of the Financial Services segment was greater than its carrying value at 30 June 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.

*(iii) Australia – Property & Online Advertising*

There is no reasonable possible change in a key assumption used to determine the recoverable amount that would result in impairment.

**(e) Brand write-off**

In the prior year, the Group recognised a write-off against the brands held in the Hong Kong business of \$12.8 million (after tax impact of \$10.7 million). The charge was recognised following a strategic decision to consolidate our brands under one masthead. The write-off is recognised in the Corporate segment for segment reporting purposes.

**7. Income tax**

**Accounting policies**

**Income tax expense or revenue** for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. The current income tax charge is calculated on the basis of the tax law in the countries where the subsidiaries, associates, and joint ventures operate and generate taxable income. The Group establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

**Deferred income tax** is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated Financial Statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

**Deferred tax assets** are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Utilisation of tax losses also depends on the ability of the entity to satisfy certain tests at the time the losses are recouped. Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future. Where there are current and deferred tax balances attributable to amounts recognised directly in equity, these are also recognised directly in equity.

**Tax consolidation legislation**

The head entity, REA Group Limited and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a standalone taxpayer in its own right. Details about the tax funding agreement in place between REA Group Ltd and wholly-owned entities are disclosed in Note 20.

**Key estimate and judgement**

The Group is subject to income taxes in Australia and jurisdictions where it has foreign operations. Significant judgment is required in determining the worldwide provision for income taxes. There are transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group estimates its tax liabilities based on the Group's understanding of the tax law. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made. In addition, the Group has recognised deferred tax assets relating to carried forward tax losses to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority and the same subsidiary against which the unused tax losses can be utilised. However, utilisation of the tax losses also depends on the ability of the entity to satisfy certain tests at the time the losses are recouped.

<b>(a) Income tax expense</b>	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
Current tax	<b>145,705</b>	127,968
Adjustments for current tax of prior periods	<b>(1,940)</b>	(1,912)
Deferred tax	<b>(5,176)</b>	(2,785)
Adjustments for deferred tax of prior periods	<b>1,087</b>	1,326
<b>Total income tax expense reported in the Consolidated Income Statement</b>	<b>139,676</b>	124,597

<b>(b) Numerical reconciliation of income tax expense to prima facie tax payable</b>	<b>2019</b>	2018
	<b>\$'000</b>	<b>\$'000</b>
Accounting profit before income tax	244,954	377,697
Tax at the Australian tax rate of 30% (2018: 30%)	73,486	113,309
<i>Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:</i>		
Research and development deduction	(1,796)	(2,331)
Share of losses of associates and joint ventures	4,269	5,785
Prior period adjustments including research and development claim	(854)	(586)
Effect of foreign tax rate	23	1,814
Tax losses not recognised	6,604	5,360
Impairment of goodwill in subsidiaries	51,960	-
Impairment of investment in associate	4,723	-
Revaluation of contingent consideration	120	398
Tax losses utilised (no deferred tax asset previously booked)	(1,603)	(1,640)
Other	2,744	2,488
<b>Total income tax expense reported in the Consolidated Income Statement</b>	<b>139,676</b>	<b>124,597</b>

<b>(c) Amounts recognised directly into equity</b>	<b>2019</b>	2018
	<b>\$'000</b>	<b>\$'000</b>
<i>Aggregate current and deferred tax arising in the reporting period and not recognised in the Consolidated Income Statement or other comprehensive income but directly debited/(credited) to equity:</i>		
Current tax – credited directly to equity	(1,048)	(135)
Net deferred tax – debited/(credited) directly to equity	280	(119)
<b>Total amount recognised directly into equity</b>	<b>(768)</b>	<b>(254)</b>

<b>(d) Summary of deferred tax</b>	<b>2019</b>	2018
	<b>\$'000</b>	\$'000
<i>The balances comprise temporary differences attributable to:</i>		
Employee benefits	4,746	3,850
Doubtful debts	559	304
Accruals and other	8,190	5,385
Intangible assets	(45,505)	(44,421)
Foreign currency revaluation of associate	(1,800)	(1,519)
<b>Total temporary differences</b>	<b>(33,810)</b>	(36,401)
Deferred tax assets	13,495	9,539
Deferred tax liabilities	(47,305)	(45,940)
<b>Net deferred tax liabilities</b>	<b>(33,810)</b>	(36,401)
<i>Movements:</i>		
Opening balance	(36,401)	(19,973)
Credited to the Consolidated Income Statement	4,200	2,785
(Debited)/Credited to equity	(280)	119
Deferred taxes on acquisition of subsidiary	(1,329)	(19,332)
<b>Closing balance</b>	<b>(33,810)</b>	(36,401)
Deferred tax assets expected to be recovered within 12 months	11,238	7,032
Deferred tax assets expected to be recovered after more than 12 months	2,257	2,507
Deferred tax liabilities expected to be payable within 12 months	-	-
Deferred tax liabilities expected to be payable after more than 12 months	(47,305)	(45,940)
<b>Net deferred tax liabilities</b>	<b>(33,810)</b>	(36,401)

**(e) Unrecognised temporary differences**

The Group has unused tax losses for which no deferred tax asset has been recognised of \$64.8 million (2018: \$54.9 million) on the basis that it is not probable that the Group will derive future assessable income of a nature and amount sufficient to enable the temporary difference to be realised.

## RETURNS, RISK AND CAPITAL MANAGEMENT

This section sets out the policies and procedures applied to manage capital structure and the related risks and rewards. Capital structure is managed in such a way so as to maximise shareholder return, maintain optimal cost of capital and provide flexibility for strategic investment.

### 8. Cash and cash equivalents

#### Accounting policies

**Cash and cash equivalents** comprise cash at bank and in hand and short-term deposits with an original maturity of less than 12 months and are subject to an insignificant risk of change in value. For cash flow statement presentation purposes, cash and cash equivalents are as defined above, net of outstanding bank overdrafts.

**Bank overdrafts** are shown within borrowings in current liabilities in the Consolidated Statement of Financial Position.

	2019 \$'000	2018 \$'000
Cash at bank and in hand	62,461	115,433
Short-term deposits	75,436	408
<b>Total cash and short-term deposits</b>	<b>137,897</b>	<b>115,841</b>

(a) Cash flow reconciliation	2019 \$'000	2018 \$'000
Profit for the year	105,278	253,100
Depreciation and amortisation	59,573	48,702
Impairment charges/brand write-off	188,943	12,800
Share-based payment expense	2,213	6,096
Net exchange differences	(2,051)	(1,437)
Acquisition of subsidiary	(3,961)	1,064
Share of losses of associates and joint ventures	14,231	19,282
Loss on disposal of fixed and capitalised assets	117	582
Share-based payment on settlement of LTI Plans	(6,210)	(2,182)
Contingent consideration revaluation and unwind	398	1,965
Deferred consideration adjustment	-	14,464
Other non-cash items	1,279	451
<i>Change in operating assets and liabilities</i>		
Decrease/(Increase) in trade receivables	2,273	(18,974)
Decrease/(Increase) in other current assets	2,423	(49,477)
Increase in deferred tax assets	(3,956)	(1,175)
Increase in other non-current assets	(7,742)	(126,753)
Increase in trade and other payables	2,122	142,037
Increase in contract liabilities	640	895
Increase in provisions	2,631	3,753
Increase in deferred tax liabilities	1,365	17,603
Increase in current tax liabilities	4,488	3,549
<b>Net cash inflow from operating activities</b>	<b>364,054</b>	<b>326,345</b>

## 9. Financial risk management

The financial risks arising from the Group's operations comprise market, credit and liquidity risk. The Group seeks to manage risks in ways that will generate and protect shareholder value. Management of risk is a continual process and an integral part of business management and corporate governance. The Group's risk management strategy is aligned with the corporate strategy and company vision to ensure that the risk management strategy contributes to corporate goals and objectives.

The Board determines the Group's tolerance for risk, after taking into account the strategic objectives, shareholder expectations, financial and reporting requirements and the financial position, organisational culture and the experience or demonstrated capacity in managing risks. Management is required to analyse its business risk in the context of Board expectations, specific business objectives and the organisation's risk tolerance.

One of the key areas of the Group's risk management focus is on financial risk management of financial instruments, used to raise and distribute funds for the Group's operations and opportunities. Borrowings are issued at variable interest rates. Cash and cash equivalents draw interest at variable interest rates. All other financial assets and liabilities are non-interest-bearing. The Group holds the following financial instruments:

	Notes	2019 \$'000	2018 \$'000
<b>Current financial assets/(liabilities) not measured at fair value</b>			
Cash and cash equivalents	8	137,897	115,841
Trade and other receivables and contract assets		120,958	126,644
Investment in associates and joint ventures	19	326,132	337,514
Current commission contract assets	10	48,105	47,116
Trade and other payables		(57,823)	(62,222)
Current commission liabilities	10	(37,535)	(36,770)
Interest bearing loans and borrowings		(240,083)	(122,461)
<b>Current financial liabilities at fair value through profit or loss</b>			
Contingent consideration	18	(16,657)	(452)
<b>Total current net financial assets</b>		<b>280,994</b>	<b>405,210</b>
<b>Non-current financial assets/(liabilities) not measured at fair value</b>			
Other non-current assets	13	811	621
Non-current commission contract assets	10	134,097	126,545
Non-current commission liabilities	10	(104,422)	(98,317)
Interest bearing loans and borrowings		(70,023)	(309,923)
<b>Non-current financial liabilities at fair value through profit or loss</b>			
Contingent consideration	18	-	(16,264)
<b>Total non-current net financial liabilities</b>		<b>(39,537)</b>	<b>(297,338)</b>

The Group assessed that the fair values of cash and cash equivalents, trade receivables and other assets, and trade and other payables approximate their carrying amounts largely due to the short-term maturities of these instruments. Refer to section (c) for measurement details on borrowings, and refer to Note 10 and Note 18 respectively for details on the methods and assumptions used to estimate the carrying and fair value of commission contract assets and liabilities, and contingent consideration.



**(a) Financial assets****Accounting policies****Recognition and measurement**

Financial assets are classified at initial recognition as subsequently measured at amortised cost, fair value through other comprehensive income ('OCI'), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. Except for trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. For a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are solely payments of principal and interest ('SPPI') on the principal amount outstanding on specified dates. This assessment is referred to as the SPPI test and is performed at an instrument level. The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets at amortised cost is the category most relevant to the Group.

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate ('EIR') method, and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The Group's financial assets at amortised cost include commission contract assets (Note 10) and trade receivables (Note 13).

**Financial assets designated at fair value through OCI (equity instruments)**

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under AASB 132 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis. Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment. The Group does not currently hold investments under this category.

**Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model.

Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value, with net changes in fair value recognised in the statement of profit or loss.

**Impairment of financial assets**

The Group recognises an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. Further information about the Group's ECLs on commission contract assets is disclosed in Note 10 and on trade receivables and other assets in Note 13.

**(b) Financial liabilities****Accounting policies****Recognition and measurement**

Financial liabilities are classified at initial recognition as financial liabilities at fair value through profit or loss, loans and borrowings, or payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value, and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables, loans and borrowings, contingent consideration and commissions payable.

**Loans and borrowings**

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, as well as through the EIR amortisation process. Amortised cost is calculated by considering any discount or premium on acquisition, and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss. Fees paid on the establishment of loan facilities, which are not an incremental cost relating to the actual drawdown of the facility, are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is amortised on a straight-line basis over the term of the facility. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period. This category generally applies to interest-bearing loans and borrowings (refer to section (c) below).

**Financial liabilities at fair value through profit or loss**

Financial liabilities at fair value through profit or loss include financial liabilities held for trading, and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by AASB 9. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in AASB 9 are satisfied. Further information about contingent consideration is disclosed in Note 18.

**(c) Borrowings**

Facility <sup>1</sup>	Interest rate	Maturity	2019 \$'000	2018 \$'000
<b>Unsecured syndicated revolving loan facility<sup>2</sup></b>				
Sub facility B <sup>3</sup>	BBSY +0.95% - 1.35% <sup>4</sup>	December 2018	-	120,000
Sub facility C	BBSY +1.05% - 1.45% <sup>4</sup>	December 2019	<b>240,000</b>	240,000
<b>Unsecured NAB revolving loan facility</b>	BBSY +0.85% - 1.40% <sup>4</sup>	April 2021	<b>70,000</b>	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 This facility was repaid in December 2018

4 Interest rate margin is dependent on the Group's net leverage ratio. As of 30 June 2019, the interest rate margin was between 0.85% and 1.05%, at a weighted average interest rate of 3.0%

*(i) Unsecured syndicated revolving loan facility*

As of 30 June 2019, the interest rate margin was between 0.95% and 1.05% (2018: between 0.85% and 1.05%). \$8.7 million in interest was paid for the year ended 30 June 2019 (2018: \$11.2 million) at a weighted average interest rate of 3.0% (2018: 2.6%). At 30 June 2019, \$0.1 million (2018: \$0.5 million) of capitalised transaction costs had not yet been amortised through the Consolidated Income Statement.

In December 2018 sub facility B was repaid at maturity.

The loan facility requires the Group to maintain a net leverage ratio of not more than 3.25 to 1.0 and an interest coverage ratio of not less than 3.0 to 1.0. As of 30 June 2019, the Group was in compliance with all of the applicable debt covenants.

*(ii) Unsecured NAB revolving loan facility*

In April 2018, the Group entered into a \$70.0 million unsecured loan facility agreement which becomes due for repayment in April 2021. In May 2018, the full \$70.0 million available was drawn down and used to fund the acquisition of Hometrack. Transaction costs of \$0.2 million which were incurred to establish the facility have been capitalised on the consolidated balance sheet, of which \$0.1 million (2018: \$0.2 million) has not yet been amortised through the Consolidated Income Statement.

As of 30 June 2019, the interest rate margin was 0.85% (2018: 0.85%). \$1.9 million in interest was paid for the year ended 30 June 2019 (2018: \$0.2 million) at a weighted average interest rate of 2.7% (2018: 2.6%).

Debt covenant requirements for the facility are consistent with those applied to the unsecured syndicated revolving loan facility. As of 30 June 2019, the Group was in compliance with all of the applicable debt covenants.

(iii) Finance leases

The Group leases IT equipment under finance leases expiring within one to two years. The Group acquired these leases as part of the acquisition of Hometrack.

	2019 \$'000	2018 \$'000
<i>Commitments in relation to finance leases are payable as follows:</i>		
Within one year	283	534
Later than one year but not later than five years	87	440
<b>Minimum lease payments</b>	<b>370</b>	974
Future finance charges	(12)	(27)
<b>Total finance lease liabilities</b>	<b>358</b>	947
<i>The present value of finance lease liabilities is as follows:</i>		
Within one year	275	522
Later than one year but not later than five years	83	425
<b>Total finance lease liabilities</b>	<b>358</b>	947

(d) Market risk – foreign exchange

Nature of risk	Risk management	Material arrangements	Exposure
Foreign currency risk arises when future transactions or financial assets and liabilities are denominated in a currency other than the entity's functional currency.	The Group manages foreign currency risk by evaluating its exposure to fluctuations and entering forward foreign currency contracts, where appropriate.	At the reporting date, cash and cash equivalents included the AUD equivalent of \$11.0 million (2018: \$16.8 million) in MYR, THB, SGD, IDR, HKD, USD and CNY.	Sensitivity analyses were performed to illustrate the impact of movements in each foreign currency with all other variables held constant and utilising a range of +5% to -5%:
The Group operates internationally and is therefore exposed to foreign exchange risk, relating to the US Dollar (USD), Singapore Dollar (SGD), Hong Kong Dollar (HKD), Malaysian Ringgit (MYR), Thai Baht (THB) and Indonesian Rupiah (IDR).	The Group also holds foreign currency cash balances in order to fund significant transactions denominated in non-functional currencies.	At reporting date, no forward or foreign currency contracts were in place.  The Group's investment in Move, Inc. (Note 19) is materially exposed to changes in the AUD/USD exchange rate.  The Group's investment in Elara (Note 19) is materially exposed to changes in the AUD/SGD and AUD/USD exchange rates.  The Group's exposure to foreign currency changes for all other currencies is not considered material.	Cash and cash equivalents: the impact to the profit and loss would be between (\$0.6 million) and \$0.6 million.  Move, Inc.: the impact on equity would be between (\$14.0 million) and \$14.0 million.  Elara: the impact on equity would be between (\$3.0 million) and \$3.0 million.

**(e) Market risk – cash flow interest rate**

Nature of risk	Risk management	Material arrangements	Exposure
<p>The Group is exposed to variable interest rate risk on its interest-bearing financial assets and liabilities due to the possibility that changes in interest rates will affect future cash flows.</p> <p>As at 30 June 2019, the Group’s primary exposure to interest rate risk arises from borrowings and cash and cash equivalents. Cash and cash equivalents consist primarily of cash and short-term deposits, which are predominately interest-bearing accounts.</p>	<p>Funds that are excess to short-term liquidity requirements are generally invested in short-term deposits. The Group is primarily exposed to domestic interest rate movements, therefore exposure and impact to foreign interest change is considered immaterial.</p> <p>The Group manages interest rate risk by evaluating its exposure to interest rate changes and entering contracts where appropriate.</p>	<p>As at 30 June 2019, the Group held cash and cash equivalents of \$137.9 million (2018: \$115.8 million), of which \$75.4 million (2018: \$0.4 million) was held in short-term deposits.</p> <p>As at 30 June 2019, the Group held borrowings of \$310.0 million (2018: \$430.0 million) which are exposed to interest rate movements. See further details in section (c) on the Group’s borrowing facilities.</p>	<p>Sensitivity analyses were performed to illustrate the impact of movements in interest rates, with all other variables held constant.</p> <p>Borrowings: the weighted average interest rate for the year ended 30 June 2019 was 3.0% (2018: 2.6%). If the interest rate were to increase or decrease by 1%, the impact to the interest expense would be between \$0.2 million and (\$0.1 million).</p> <p>Cash and cash equivalents: if cash and cash equivalents were to increase or decrease of 1%, based on historic interest rates, the impact to interest income would be between \$0.1 million and (\$0.1 million).</p>

**(f) Market risk – price**

The Group does not have any listed equity securities that are susceptible to market price risk arising from uncertainties about future values of the investment securities at 30 June 2019 (2018: nil).

**(g) Credit risk**

Nature of risk	Risk management	Material arrangements	Exposure
<p>Credit risk can arise from the non-performance by counterparties of their contractual financial obligations towards the Group.</p> <p>The Group is exposed to credit risk from its operating activities (primarily from trade receivables and commission contract assets) and from its financing activities, including deposits with financial institutions.</p>	<p>It is the Group’s policy that all customers who wish to trade on credit terms are subject to credit verification procedures, which may include and assessment of their financial position, past experience and industry reputation, depending on the amount of credit to be granted.</p> <p>Receivable balances are monitored on an ongoing basis. Refer to Notes 10 and 13 for further details on the expected credit loss policy.</p> <p>Credit risk arising from other financial assets, i.e. cash and cash equivalents, arises from default of the counterparty. The Group’s treasury policy specifies a minimum risk rating for financial institutions in order to transact with the Group.</p>	<p>The gross trade receivables balance at 30 June 2019 was \$108.6 million (2018: \$110.4 million). Refer to Note 13 for an aging analysis of this balance.</p> <p>The total commission contract assets balance at 30 June 2019 was \$182.2 million (2018: \$173.7 million). Refer to Note 10 for further details on this balance.</p> <p>As at 30 June 2019, the Group held cash and cash equivalents of \$137.9 million (2018: \$115.8 million) of which \$75.4 million (2018: \$0.4 million) was held in short-term deposits. The Group also has an arrangement 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.</p>	<p>The Group’s maximum exposures to credit risk at balance date in relation to each class of recognised financial assets is the carrying amount of those assets.</p> <p>Refer to Notes 10 and 13 for details on the provision for expected credit losses as at 30 June 2019.</p>

**(h) Liquidity risk**

Nature of risk	Risk management	Material arrangements	Exposure
<p>Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations as they fall due.</p> <p>Liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due.</p>	<p>Liquidity risk is managed via the regular review of forecasted cash inflows and outflows, with any surplus funds being placed in short term deposits to maximise interest revenue.</p> <p>Principally the Group sources liquidity from cash generated from operations and where required external bank facilities.</p>	<p>The gross trade receivables balance at 30 June 2019 was \$108.6 million (2018: \$110.4 million). Refer to Note 13 for an aging analysis of this balance.</p> <p>As at 30 June 2019, the Group held cash and cash equivalents of \$137.9 million (2018: \$115.8 million), of which \$75.4 million (2018: \$0.4 million) was held in short-term deposits.</p> <p>See further details in section (i) on the Group's contractual maturities of financial liabilities.</p>	<p>The table below categorises the Group's financial liabilities into their relevant maturity groupings. The amounts included are the contractual undiscounted cash flows.</p> <p>Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.</p>

**(i) Contractual maturities of financial liabilities**

	< 6 months	6-12 months	1-2 years	>2 years	Total contractual cash flows	Carrying amount
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>At 30 June 2019</b>						
Trade payables	57,822	-	-	-	57,822	57,822
Contingent consideration	16,004	653	-	-	16,657	16,657
Borrowings	240,154	121	70,083	-	310,358	310,106
<b>Total financial liabilities</b>	<b>313,980</b>	<b>774</b>	<b>70,083</b>	<b>-</b>	<b>384,837</b>	<b>384,585</b>
<b>At 30 June 2018</b>						
Trade payables	62,222	-	-	-	62,222	62,222
Contingent consideration	446	6	521	15,743	16,716	16,716
Borrowings	122,460	215	240,311	70,114	433,100	432,384
<b>Total financial liabilities</b>	<b>185,128</b>	<b>221</b>	<b>240,832</b>	<b>85,857</b>	<b>512,038</b>	<b>511,322</b>

(j) Reconciliation of liabilities arising from financing activities

	Balance at 1 July 2018 \$'000	Repayment \$'000	Reclassification \$'000	Other \$'000	Balance at 30 June 2019 \$'000
Current interest bearing liabilities	122,461	(122,676)	240,043	255	<b>240,083</b>
Non current interest bearing liabilities	309,923	-	(240,043)	143	<b>70,023</b>
<b>Total interest bearing liabilities</b>	<b>432,384</b>	<b>(122,676)</b>	<b>-</b>	<b>398</b>	<b>310,106</b>

10. Commissions

**Accounting policies**

On initial recognition at settlement, **trailing commission** revenue and the related contract asset are recognised at fair value, being the net present value of the expected future trailing commissions to be received. An associated expense and liability due to the franchisees are also recognised initially, measured at fair value being the net present value of the expected future trailing commission payable to franchisees.

The fair value of trailing commission contract assets and the corresponding liabilities due to franchisees is determined by using the discounted cash flow valuation technique. These calculations require the use of assumptions that are unobservable inputs categorised as Level 3 within the fair value hierarchy.

Subsequent to initial recognition and measurement of the corresponding liabilities due to franchisees, the carrying amounts of the liabilities are adjusted to reflect actual and revised estimated cash flows by recalculating the net present value of estimated future cash flows at the original effective interest rate. Any resulting adjustment to the carrying value is recognised as income or expense in the Consolidated Income Statement.

**Key estimate and judgement**

The determination of the assumptions used in the valuation of trailing commissions is based primarily on an annual actuarial assessment at year end of the underlying loan portfolio, including historical run-off rate analysis and consideration of current and future economic factors. These factors are complex and the determination of assumptions requires a high degree of judgement.

The key assumptions underlying the expected value calculations of the trailing commission contract asset and the corresponding liability due to franchisees at 30 June are detailed below. Any increase/decrease in the below assumptions would lead to a corresponding increase/decrease in the carrying value of the trailing commissions balance.

	2019	2018
Weighted average loan life	<b>4.0 years</b>	3.8 years
Weighted average discount rate	<b>6.5%</b>	6.0%
Percentage of commissions received paid to franchisees (10-year average)	<b>79.0%</b>	78.8%

Future trail commission contract assets are due from a combination of highly rated major lenders. There have been no historical instances where a loss has been incurred, including through the global financial crisis. ECLs are not considered material and consequently have not been recognised.



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

	2019 \$'000	2018 \$'000
Future trailing commission contract assets – current	41,402	40,508
Upfront commission contract assets - current	6,703	6,608
<b>Total current commission contract assets</b>	<b>48,105</b>	47,116
Future trailing commission contract assets – non-current	134,097	126,545
Future trailing commission liabilities - current	32,234	31,536
Upfront commission liabilities –current	5,301	5,234
<b>Total current commission liabilities</b>	<b>37,535</b>	36,770
Future trailing commission liabilities – non-current	104,422	98,317

## 11. Dividends

### Accounting policies

**Dividend** declared is provided for when it is appropriately authorised and no longer at the discretion of the company on or before the end of the reporting period but not distributed at the end of the reporting period.

	2019 \$'000	2018 \$'000
<b>Declared and paid during the period (fully-franked @ 30%)</b>		
Interim dividend for 2019: 55.0 cents (2018: 47.0 cents)	72,443	61,896
Final dividend for 2018: 62.0 cents (2017: 51.0 cents)	81,663	67,174
<b>Total dividends provided for or paid</b>	<b>154,106</b>	129,070
<b>Proposed and unrecognised as a liability (fully-franked at 30%)</b>		
Final dividend for 2019: 63.0 cents (2018: 62.0 cents). Proposed dividend is expected to be paid on 19 September 2019 out of retained earnings at 30 June 2019 but is not recognised as a liability at year end	82,980	81,663
<b>Franking credit balance (based on a tax rate of 30%)</b>		
Franking credits available for future years, adjusted for franking credits and debits that will arise from the settlement of liabilities or receivables for income tax and dividends after the end of the year	410,985	343,599
Impact on the franking account of the dividend recommended by the Directors since year end, but not recognised as a liability at year end	(35,563)	(34,998)

## 12. Equity and reserves

### (a) Equity

#### Accounting policies

**Ordinary shares** are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

The number of ordinary shares issued at 30 June 2019 was 131,714,699 (2018: 131,714,699).

	Contributed equity \$'000	Other contributed equity \$'000	Total \$'000
<b>Balance at 1 July 2017</b>	102,616	(7,401)	95,215
Acquisition of treasury shares	-	(4,198)	(4,198)
Settlement of vested performance rights	-	308	308
<b>Balance at 30 June 2018</b>	<b>102,616</b>	<b>(11,291)</b>	<b>91,325</b>
Acquisition of treasury shares	-	(587)	(587)
Settlement of vested performance rights	-	(1,194)	(1,194)
<b>Balance at 30 June 2019</b>	<b>102,616</b>	<b>(13,072)</b>	<b>89,544</b>

The settlement of the LTI Plan during the year ended 30 June 2019 was performed through the on-market purchase of the shares, not by issuing new shares. The purchase of shares to satisfy grants under other share-based payment plans was made through the on-market purchase of shares, not by issuing new shares. Refer to Note 17 for more details of LTI Plans.

### (b) Reserves

#### Accounting policies

**Share-based payments reserve** represents the value of the grant of rights to executives under the Long-Term Incentive Plans and other compensation granted in the form of equity. The amounts are transferred out of the reserve when the rights vest and the shares are purchased on-market. Refer to Note 17 for further details on share-based payment arrangements.

**Currency translation reserve** is used to record exchange differences arising from the translation of the Financial Statements of its overseas subsidiaries and equity investments.

	Share-based payments reserve \$'000	Currency translation reserve \$'000	Total \$'000
Balance at 1 July 2017	6,067	30,256	36,323
Foreign currency translation differences	-	12,452	12,452
Total other comprehensive gain	-	12,452	12,452
Share-based payments expense	6,096	-	6,096
Settlement of vested performance rights	(2,354)	-	(2,354)
<b>Balance at 30 June 2018</b>	<b>9,809</b>	<b>42,708</b>	<b>52,517</b>
Foreign currency translation differences	-	17,391	17,391
<b>Total other comprehensive gain</b>	<b>-</b>	<b>17,391</b>	<b>17,391</b>
Share-based payments expense	2,213	-	2,213
Settlement of vested performance rights	(4,001)	-	(4,001)
<b>Balance at 30 June 2019</b>	<b>8,021</b>	<b>60,099</b>	<b>68,120</b>

### 13. Trade and other receivables and contract assets

#### Accounting policies

**Trade receivables** are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment. Due to their short-term nature, trade receivables have not been discounted. Trade receivables are generally due for settlement between 15 and 60 days. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for doubtful debts) is made when the Group expects that it will not be able to collect all amounts due according to the original terms of the receivables. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows.

A provision matrix is used to calculate **expected credit losses** ('ECLs') for trade receivables. The provision rates are based on days past due for groupings of customer segments that have similar loss patterns.

The ECL calculation performed at each reporting date reflects the Group's historical credit loss experience, adjusted for forward-looking factors specific to debtor profiles and the economic environment. Generally, trade receivables are written off if past due for more than one year. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 9.

Impairment losses are recognised in the Consolidated Income Statement within operations and administration expenses. When a trade receivable for which an allowance has been recognised becomes uncollectible in a subsequent period, it is written off against the provision account.

**Contract assets** relate to the provision of goods or services to a customer in advance of consideration being received or due and primarily arise because the consideration to be received is conditional.

#### Key estimate and judgement

The provision matrix used to calculate ECLs is initially based on the Group's historical observed default rates and the matrix is adjusted for forward-looking information. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is an estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

	2019 \$'000	2018 \$'000
Trade receivables	108,625	110,391
Provisions for doubtful debts	(2,560)	(2,053)
<b>Net trade receivables</b>	<b>106,065</b>	<b>108,338</b>
Current prepayments	7,861	5,332
Accrued income and other receivables	4,185	7,349
<b>Current trade and other receivables</b>	<b>118,111</b>	<b>121,019</b>
Non-current prepayments	811	621
<b>Other non-current assets</b>	<b>811</b>	<b>621</b>
<b>Total trade receivables and other assets</b>	<b>118,922</b>	<b>121,640</b>

(a) Ageing of trade receivables	2019 \$'000	2018 \$'000
Not due	84,713	88,992
1-30 days past due not impaired	16,186	13,222
31-60 days past due not impaired	2,643	3,869
61+ days past due not impaired	2,523	2,255
Provisions for doubtful debts	2,560	2,053
<b>Total gross trade receivables</b>	<b>108,625</b>	<b>110,391</b>

During the year, a total expense of \$0.9 million (2018: \$1.1 million) was recognised in the Consolidated Income Statement in relation to the provision for doubtful debts.

Information about the Group's exposure to foreign currency, interest rate and credit risk in relation to trade and other receivables is provided in Note 9.

#### (b) Contract assets

Contract assets relate to the provision of services in advance of consideration being received or due because the consideration to be received is conditional. Upon achievement of these conditions, the amount recognised as a contract asset will be reclassified to trade receivables. As at 30 June 2019, the Group has contract assets of \$2.8 million (2018: \$5.6 million).

## 14. Trade and other payables

### Accounting policies

**Trade and other payables** are carried at amortised cost and are not discounted. These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are paid in accordance with vendor terms.

	2019 \$'000	2018 \$'000
Trade payables	11,719	9,545
Accrued expenses	39,186	45,317
Other payables	6,917	7,360
Contingent consideration	16,657	452
<b>Total trade and other payables</b>	<b>74,479</b>	<b>62,674</b>

Information regarding the effective interest rate and credit risk of current payables is set out in Note 9.

## 15. Commitments and contingencies

### (a) Contingent liabilities

#### (i) Claims

Various claims arise in the ordinary course of business against REA Group Limited and its subsidiaries. The amount of the liability (if any) at 30 June 2019 cannot be ascertained, and any resulting liability would not materially affect the financial position of the Group.

#### (ii) Guarantees

At 30 June 2019, the Group had bank guarantees totalling \$5.7 million (2018: \$5.5 million) in respect of various property leases for offices used by the Group.

On 2 August 2018 the Group entered an arrangement 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. At 30 June 2019, USD\$26.3 million of the facility had been drawn down, with the remaining portion of the RCF expected to be utilised in the 2020 financial year. Under the arrangement, the Group earns income in the form of a guarantee fee.

### (b) Non-cancellable operating leases

#### Accounting policies

**Operating leases** are those where a significant portion of the risks and rewards of ownership are not transferred to the Group, as lessee. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Consolidated Income Statement on a straight-line basis over the period of the lease. The Group has entered into commercial leases for office property and motor vehicles, with remaining lives ranging from 1 to 87 months. There are no restrictions placed upon the lessee by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases as at 30 June are as follows:

	2019 \$'000	2018 \$'000
Within one year	9,596	7,552
Later than one year but not later than five years	31,484	18,184
Greater than five years	15,889	52
<b>Total minimum lease payments</b>	<b>56,969</b>	<b>25,788</b>

The Group has no capital commitments at 30 June 2019 (2018: nil).

## OUR PEOPLE

*This section provides information about employee benefit obligations, including annual leave, long service leave and post-employment benefits. It also includes details about employee share plans.*

### 16. Employee benefits

#### Accounting policies

**Wage and salary liabilities** are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

**Long service leave liabilities** are measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Expected future payments are discounted using market yields at the end of the reporting period of high-quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Re-measurements as a result of experience adjustments and changes in actuarial assumptions are recognised in the Consolidated Income Statement.

**Termination benefits** are payable when employment is terminated before the normal retirement date or an employee accepts voluntary redundancy in exchange for these benefits. It is recognised when the Group is demonstrably committed to either terminating employment according to a detailed formal plan without possibility of withdrawal or to providing termination benefits as a result of an offer made to encourage voluntary redundancy.

**Share-based payments** are further described in Note 17.

**Provisions** are measured at the present value of the Group's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

	2019 \$'000	2018 \$'000
<b>Employee benefits</b>		
Salary costs	167,601	157,160
Defined contribution superannuation expense	15,964	14,413
Share-based payments expense	2,213	6,096
<b>Total employee benefits expenses</b>	<b>185,778</b>	177,669
<b>Provisions</b>		
Current employee benefit provisions <sup>1</sup>	13,045	11,715
Non-current employee benefit provisions <sup>2</sup>	4,018	2,595
<b>Total employee benefits provisions</b>	<b>17,063</b>	14,310

1 Included within current provisions

2 Included within non-current provisions

## 17. Share-based payments

### Accounting policies

The cost of **equity settled transactions** is recognised in employee benefits expense in the Consolidated Income Statement, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the award (the vesting date). At each reporting date until vesting, the cumulative charge to the Consolidated Income Statement is in accordance with the vesting conditions.

Equity settled awards granted by the Company to employees of subsidiaries are recognised in the subsidiaries' separate Financial Statements as an expense with a corresponding credit to equity. As a result, the expense recognised by the Group is the total expense associated with all such awards. Until an award has vested, any amounts recorded are contingent and will be adjusted if more or fewer awards vest than were originally anticipated.

### Key estimate and judgement

The Group measures the cost of equity settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The Long Term Incentive ('LTI') plan and deferred equity plan valuations were performed using the Black Scholes model. The deferred share plan valuation was determined using a five-day volume-weighted average price ('VWAP'). The accounting estimates and assumptions relating to equity settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

**(a) LTI plan**

The Group operates a LTI plan for executives identified by the Board. The plan is based on the grant of performance rights that vest as shares on a one-to-one basis at no cost to the employee subject to performance hurdles. Settlement of the performance rights is made in ordinary shares purchased on-market. The performance measures approved by the Board for all executives are based upon Group revenue and EPS compound annual growth rate ('CAGR') achievement over the performance period.

Rights are vested after the performance period. The LTI Plan 2019 rights performance period ends at the end of this financial year and they will vest upon approval by the Board in August 2019. As all other performance periods conclude in the future, no performance rights are exercisable (or have been exercised) at balance date.

The fair value of each performance right is estimated on the grant date using the Black Scholes model.

The tables below summarise the movement in the Group's LTI plan during the year and other information required to understand how the fair value of the equity instruments has been determined.

Plan	Performance period	Balance at start of the year	Granted during the year	Exercised during the year <sup>1</sup>	Forfeited/cancelled during the year	Balance at end of the year <sup>2</sup>
		Number	Number	Number	Number	Number
LTI Plan 2018 (Plan 9) <sup>3</sup>	1 July 2015 – 30 June 2018	53,016	16,479	(69,495)	-	-
LTI Plan 2019 (Plan 10)	1 July 2016 – 30 June 2019	38,697	-	-	(12,324)	26,373
LTI Plan 2020 (Plan 11)	1 July 2017 – 30 June 2020	46,416	-	-	(17,042)	29,374
LTI Plan 2021 (Plan 12)	1 July 2018 – 30 June 2021	-	41,494	-	(14,358)	27,136
<b>Total</b>		<b>138,129</b>	<b>57,973</b>	<b>(69,495)</b>	<b>(43,724)</b>	<b>82,883</b>

1 The weighted average share price at the date of exercise for these rights was \$88.66

2 The weighted average remaining contractual life of these rights at the end of the reporting period is 14 months

3 Additional rights granted during the year under this plan relate to achievement above target on the related performance hurdles

Plan	Value per right at measurement date	Expected volatility <sup>1</sup>	Risk-free interest rate	Expected life of performance rights	Annual dividend yield
LTI Plan 2019 (Plan 10)	\$55.82	27.5%	1.5%	38 months	2.0%
LTI Plan 2020 (Plan 11)	\$62.57 - \$76.31	22.0% - 25.0%	1.9% - 2.1%	38 months	1.8% - 2.0%
LTI Plan 2021 (Plan 12)	\$73.95 - \$85.44	22.0%	2.0%	38 months	2.3%

1 The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the rights is indicative of future trends, which may not necessarily be the actual outcome



**(b) Deferred equity plan**

During the year, the Group introduced a deferred equity plan. This operates in the same manner as the Groups' LTI plan, for certain non-executive employees, dependent on their position in the Group's remuneration framework. The performance measures approved by the Board for these employees are based upon Group revenue and EBITDA CAGR achievement over the performance period.

Rights are vested after the performance period. All performance periods conclude in the future and no performance rights are exercisable (or have been exercised) at balance date.

The fair value of each performance right is estimated on the grant date using the Black Scholes model.

The tables below summarise the movement in the Group's deferred equity plan during the year and other information required to understand how the fair value of the equity instruments has been determined.

Plan	Performance period	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Forfeited/ cancelled during the year Number	Balance at end of the year <sup>1</sup> Number
Deferred equity plan 2020	1 July 2018 – 30 June 2020	-	33,788	-	-	33,788

<sup>1</sup> The weighted average remaining contractual life of these rights at the end of the reporting period is 14 months

Plan	Value per right at measurement date	Expected volatility <sup>1</sup>	Risk-free interest rate	Expected life of performance	Annual dividend yield
Deferred equity plan 2020	\$72.79	22.0%	2.0%	26 months	2.3%

<sup>1</sup> The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the rights is indicative of future trends, which may not necessarily be the actual outcome

**(c) Deferred share plan**

Rights granted under these plans vest 24 months after grant date, except for rights under the key talent share plan which vest 36 months after grant date. The share rights automatically convert into one ordinary share at an exercise price of nil at the end of the performance period, subject to service conditions. All performance periods conclude in the future and no performance rights are exercisable at balance date. The fair value of each share right is estimated on the grant date using the VWAP of the shares purchased on-market to make these grants, which is considered to be an observable market price. The number of share rights granted is determined based on the dollar value of the award divided by the weighted average price using a 5-day VWAP leading up to the date of grant.

The tables below summarise the movement in the Group's deferred share plan during the year and the fair value of these equity instruments.

Plan	Performance period end date	Balance at start of the year	Granted during the year	Exercised during the year <sup>1</sup>	Forfeited/cancelled during the year	Balance at end of the year <sup>2</sup>
		Number	Number	Number	Number	Number
Deferred share plan 2016	31 August 2018	24,038	-	(24,038)	-	-
Deferred share plan 2017	31 August 2019	47,658	-	-	(7,036)	40,622
Key talent deferred share plan 2017	31 August 2020	11,736	-	-	-	11,736
Deferred share plan 2018	30 June 2020	-	7,432	-	(3,833)	3,599
Future leaders deferred share plan 2020	31 August 2020	-	3,707	-	-	3,707
Deferred share plan 2019	6 January 2021	-	7,437	-	-	7,437
Deferred share plan 2019	21 May 2021	-	4,110	-	-	4,110
<b>Total</b>		<b>83,432</b>	<b>22,686</b>	<b>(24,038)</b>	<b>(10,869)</b>	<b>71,211</b>

1 The weighted average share price at the date of exercise for these shares was \$90.52

2 The weighted average remaining contractual life of these shares at the end of the reporting period is 8 months

Plan	Value per right at measurement date
Deferred share plan 2016	\$56.29 - \$59.59
Deferred share plan 2017	\$67.45 - \$71.96
Key talent deferred share plan 2017	\$67.45
Deferred share plan 2018	\$75.98
Future leaders deferred share plan 2020	\$75.98
Deferred share plan 2019	\$73.95 - \$88.31

## GROUP STRUCTURE

*This section provides information on the Group structure and how this impacts the results of the Group as a whole, including parent entity information, details of investments in associates and joint ventures and business combinations.*

### 18. Business combinations

#### Accounting policies

**Business combinations** are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and relevant conditions. All identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair values. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of AASB 9 *Financial Instruments*, is measured at fair value with the changes in fair value recognised in the Consolidated Income Statement.

**Acquisition-related costs** are expensed as incurred and included in consultant and contractor expenses and operations and administrative expenses.

#### Key estimate and judgement

The purchase price of businesses acquired as well as its allocation to acquired assets and liabilities requires estimates and judgements.

On acquisition date, the fair value of the identifiable assets acquired, including intangible assets such as brands, customer relationships, software and liabilities is determined. The assumptions and estimates made have an impact on the assets and liability amounts recorded in the Financial Statements. In addition, the estimated useful lives of the acquired amortisable assets, the identification of intangible assets and the determination of the indefinite or finite useful lives of intangible assets acquired will have an impact on the Group's future profit or loss.

The Group has also adopted the fair value method in measuring contingent consideration. The determination of these fair values involves judgement and the ability of the acquired entity to achieve certain financial results.

In prior year, the Group acquired both Smartline and Hometrack. During the year the Group finalised its purchase price adjustments of the Hometrack acquisition with no material changes from the original purchase price allocation disclosed in the prior year.

There have been no business acquisitions during the year ended 30 June 2019. At the reporting date, the Group held the following financial liabilities in respect of previous business combinations:

	2019 \$'000	2018 \$'000
<b>Contingent consideration</b>		
Current contingent consideration <sup>1</sup>	16,657	452
Non-current Contingent consideration <sup>2</sup>	-	16,264

1 Included within trade and other payables

2 Included within other non-current payables

(i) *Smartline*

As part of the Group's acquisition of Smartline, the Group had an obligation to acquire the remaining 19.7% minority shareholding within a two-year period, between the end of the third and fourth years following completion, through a put and call option arrangement and is contingent on the enterprise value at the date of exit.

The Group has agreed to acquire the minority shareholding for \$16.0 million at an earlier exit date, on 1 July 2019. The contingent consideration has been classified in current liabilities. The fair value of the contingent consideration arrangement was remeasured as at 30 June 2019.

(ii) *Flatmates.com.au*

As part of the Group's acquisition of Flatmates.com.au, a contingent consideration was recorded. This consideration was dependent on Flatmates.com.au achieving certain EBITDA hurdles in FY17 and FY18. Consideration of \$0.4m was paid in August 2018.

(iii) *Other*

As part of the Group's acquisition of Property Platform contingent consideration was recognised. A portion of the consideration was based on an earn-out arrangement depending on the revenue performance of the acquired business for five years subsequent to the acquisition date. At the reporting date, the contingent consideration is \$0.7 million and has been reclassified to current.

The Group has adopted the fair value method in measuring contingent consideration. The determination of these fair values involves judgement and the ability of the acquired entity to achieve certain financial results. Contingent consideration is categorised as Level 3 in the fair value hierarchy. At 30 June 2019, key unobservable inputs and valuation techniques used in determining the fair value of contingent consideration are:

	Valuation technique	Discount rate	Hurdle	Period (years)	Carrying value <sup>1</sup> 2019 \$'000	Carrying value <sup>1</sup> 2018 \$'000
Flatmates.com.au <sup>2</sup>	Discounted cash flow	6.00%	EBITDA	2	-	446
Property Platform <sup>2</sup>	Discounted cash flow	12.80%	Revenue	5	653	527
<b>Total contingent consideration (excluding Smartline)</b>					<b>653</b>	<b>973</b>

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 of the contingent consideration instruments

The Group has agreed to acquire the minority shareholding in Smartline for \$16.0 million on 1 July 2019. In the prior year, the contingent consideration was valued using option pricing theory with a discount rate of 11%. Smartline contingent consideration was carried at \$15.7 million in the prior year.

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

	2019	2018
	\$'000	\$'000
Opening fair value balance	16,716	116,425
Payments	(457)	(116,444)
Acquisitions	-	14,464
Fair value changes recognised in profit or loss <sup>1</sup>	5,457	1,971
Revaluation <sup>1</sup>	(5,059)	-
Impact from applying foreign exchange rates as at period end <sup>2</sup>	-	300
<b>Closing fair value balance<sup>3</sup></b>	<b>16,657</b>	<b>16,716</b>

1 Included within net finance expense in the Consolidated Income Statement

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

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

## 19. Investment in associates and joint ventures

### Accounting policies

The Group's interest in equity accounted investees comprise interests in associates and joint ventures.

**Associates** are those entities in which the Group has significant influence, but no control or joint control over the financial or operating policies. **Joint ventures** are arrangements in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement rather than rights to its assets and obligations for its liabilities.

Interests in associates and joint ventures are accounted for using the equity method. They are recognised initially at cost which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of profit or loss and other comprehensive income of equity accounted investees until the date of significant influence or joint control ceases.

At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is **impaired**. If there is such evidence, the Group recognises the loss as share of profit of an associate or joint venture in the Consolidated Income Statement.

### Key estimate and judgement

The Group has determined that the arrangement with realestate.com.au Home Loans is a joint venture. The arrangement is structured to provide joint control over the financial and operating policies of realestate.com.au Home Loans despite the Group having a majority shareholding.

The Group has a 20% interest in Move Inc. The remaining 80% of Move is held by News Corp who granted the Group a put option to require News Corp to purchase the Group's interest in Move, which can be exercised at any time beginning two years from the date of acquisition at fair value. Carrying value of the investment approximates fair value. In October 2018, Move acquired 100% of Opcity, a market-leading real estate technology platform that matches qualified home buyers and sellers with real estate professionals in real time. The total transaction value was approximately USD\$210.0 million.

In January 2017, the Group purchased a 14.7% strategic stake on a fully diluted basis (16.4% on a non-diluted basis) in Elara Technologies Pty Ltd ('Elara'), a leading online real estate services company in India. In April 2019, Elara finalised the acquisition of FastFox, an online-to-offline (O2O) brokerage space. The acquisition was funded through shares, diluting the Group's shareholding to 13.5% (16.1% on a non-diluted basis) as at 30 June 2019. At 30 June 2019, the Group recorded a \$15.7 million reduction in the carrying value of the investment in Elara due to the deferral of near-term returns despite strong revenue growth. Following the impairment charge, the recoverable amount of the investment is equal to its carrying amount. Therefore, any adverse change in Elara's performance may result in further impairment. The charge is recognised in the Corporate segment for segment reporting purposes.

In September 2017, the Group acquired a 70% share in realestate.com.au Home Loans, a mortgage broking business owned by Advantagedge Financial Services Holdings Pty Ltd, a subsidiary of NAB. The investment is accounted for using the equity accounting method.

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

	Move		Elara		Other	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Carrying amount of the investment	<b>279,004</b>	272,696	<b>43,573</b>	61,111	<b>3,555</b>	3,707

The following illustrates the summarised financial information of the Group's material investments in associates:

	Move		Elara	
	2019 (adjusted) \$'000	2018 (adjusted) \$'000	2019 (estimated & adjusted) <sup>1</sup> \$'000	2018 (estimated & adjusted) <sup>1</sup> \$'000
Current assets	<b>127,955</b>	358,008	<b>17,405</b>	16,540
Non-current assets	<b>1,507,461<sup>2</sup></b>	1,182,944 <sup>2</sup>	<b>317,474<sup>2</sup></b>	374,628 <sup>2</sup>
Current liabilities	<b>(202,281)</b>	(139,302)	<b>(16,057)</b>	(9,521)
Non-current liabilities	<b>(38,117)</b>	(38,172)	<b>(48,179)</b>	(9,015)
<b>Equity</b>	<b>1,395,018</b>	1,363,478	<b>270,643</b>	372,632
Proportion of the Group's ownership	<b>20.0%</b>	20.0%	<b>16.1%</b>	16.4%
Carrying amount of the investment	<b>279,004</b>	272,696	<b>43,573</b>	61,111
Revenue	<b>679,271</b>	588,711	<b>24,973</b>	15,868
Other operating costs	<b>(662,366)</b>	(541,347)	<b>(56,243)</b>	(46,773)
Interest/dividend income	<b>1,800</b>	3,666	-	959
Interest income/(expense)	-	94	<b>(1,477)</b>	(1,978)
Depreciation and amortisation (inclusive of amortisation of fair value uplift on acquisition of associates)	<b>(75,760)</b>	(61,639)	<b>(1,052)</b>	(1,919)
Other	<b>(400)</b>	-	<b>(838)</b>	-
Income tax benefit/(expense)	<b>14,789</b>	(54,675)	-	-
<b>Profit/(loss) for the year from continuing operations</b>	<b>(42,666)</b>	(65,190)	<b>(34,637)</b>	(33,843)
<b>Total comprehensive profit/(loss)</b>	<b>(42,666)</b>	(65,190)	<b>(34,637)</b>	(33,843)
<b>Share of (loss)/gain of associates</b>	<b>(8,533)</b>	(13,038)	<b>(5,577)</b>	(5,573)

1 Estimation of Elara unaudited results is based on most recent information available, adjusted for acquisition fair value and other adjustments, including implied goodwill, on the Group's acquisition of Elara shares. As such, these amounts do not represent and cannot be reconciled to, Elara's standalone entity results

2 Amount includes fair value uplift of intangible assets acquired and other adjustments

## 20. Parent entity financial information

### Accounting policies

The financial information for the parent entity has been prepared on the same basis as the Consolidated Financial Statements, except as set out below.

**Investments in subsidiaries, associates and joint ventures** are accounted for at cost. Dividends received from associates and joint ventures are recognised in the parent entity's Income Statement, rather than being deducted from the carrying amount of these investments.

In addition to its own current and deferred tax amounts, REA Group Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate the Company for any current tax payable assumed and are compensated by the Company for any current tax receivable and deferred taxes relating to unused tax losses or unused tax credits that are transferred to REA Group Limited under the tax consolidation legislation.

The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements. Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable or payable to other entities in the group. Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

Where the parent entity has provided **financial guarantees** in relation to loans and payables of subsidiaries for no compensation, the fair values of these guarantees are accounted for as contributions and recognised as part of the cost of the investment.

The individual Financial Statements for the parent entity, REA Group Limited show the following aggregate amounts:

	2019 \$'000	2018 \$'000
Current assets	18,489	76,606
Non-current assets	395,405	395,953
<b>Total assets</b>	<b>413,894</b>	<b>472,559</b>
Current liabilities	29,496	83,060
Non-current liabilities	-	-
<b>Total liabilities</b>	<b>29,496</b>	<b>83,060</b>
<b>Net assets</b>	<b>384,398</b>	<b>389,499</b>
Contributed equity	90,250	92,874
Reserves	3,085	4,959
Retained earnings	291,063	291,666
<b>Total shareholders' equity</b>	<b>384,398</b>	<b>389,499</b>
<b>Profit and other comprehensive income of the parent entity</b>	<b>153,502</b>	<b>84,422</b>

REA Group Limited has net current liabilities of \$11.0 million as at 30 June 2019 (2018: \$6.5 million), driven by intercompany balances with its subsidiaries. REA Group Limited considers these balances to be recoverable.

#### Guarantees entered into by the parent entity

The parent entity has not provided unsecured financial guarantees in respect of loans of subsidiaries (2018: \$nil).

Refer to Note 22 for further information relating to the Deed of Cross Guarantee.

#### Commitments and contingencies

Various claims arise in the ordinary course of business against REA Group Limited. The amount of the liability (if any) at 30 June 2019 cannot be ascertained, and any resulting liability is not expected to materially impact the REA Group Limited's financial position.

REA Group Limited does not have any non-cancellable lease commitments.

### OTHER DISCLOSURES

*This section includes other balance sheet and related disclosures not included in the other sections, for example fixed assets, related parties, remuneration of auditors, other significant accounting policies and subsequent events.*

#### 21. Plant and equipment

##### Accounting policies

**Plant and equipment** is stated at cost less accumulated depreciation and any accumulated impairment losses. The cost of plant and equipment includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred.

**Depreciation** is calculated on a straight-line basis over the estimated useful life of the asset. The estimated useful life of leasehold improvements is the lease term; plant and equipment is over two to five years. An asset is written down immediately if its carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the Consolidated Income Statement.

##### Key estimate and judgement

The assets' residual values, useful lives and depreciation methods are reviewed and adjusted if appropriate, at each financial year end. The estimation of useful lives of assets has been based on historic experience, lease terms and turnover policies. Any changes to useful lives may affect prospective depreciation rates and asset carrying values. Assets other than goodwill and intangible assets that have an indefinite useful life are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.



	Plant and equipment \$'000	Leasehold improvements \$'000	Total \$'000
<b>Year ended 30 June 2019</b>			
Opening net book amount	10,229	11,871	22,100
Additions	3,240	774	4,014
Disposals (net of accumulated depreciation)	(109)	-	(109)
Depreciation charge	(5,304)	(3,456)	(8,760)
Exchange differences (net)	(71)	(26)	(97)
<b>Closing net book amount</b>	<b>7,985</b>	<b>9,163</b>	<b>17,148</b>
<b>At 30 June 2019</b>			
Cost	27,547	20,593	48,140
Accumulated depreciation	(19,562)	(11,430)	(30,992)
<b>Net book amount</b>	<b>7,985</b>	<b>9,163</b>	<b>17,148</b>
<b>Year ended 30 June 2018</b>			
Opening net book amount	8,525	11,242	19,767
Additions	4,718	3,699	8,417
Business combinations <sup>1</sup>	1,287	134	1,421
Disposals (net of accumulated depreciation)	(287)	(117)	(404)
Depreciation charge	(4,277)	(3,199)	(7,476)
Exchange differences (net)	263	112	375
<b>Closing net book amount</b>	<b>10,229</b>	<b>11,871</b>	<b>22,100</b>
<b>At 30 June 2018</b>			
Cost	26,429	19,655	46,084
Accumulated depreciation	(16,200)	(7,785)	(23,984)
<b>Net book amount</b>	<b>10,229</b>	<b>11,871</b>	<b>22,100</b>

1 Acquisitions of Smartline and Hometrack

No items of plant and equipment have been impaired during the year ended 30 June 2019 (2018: nil).

## 22. Related parties

### (a) Transactions with related parties

	2019 \$	2018 \$
<b>Ultimate parent entity (News Corp) and group entities</b>		
Sale of goods and services	1,219,998	362,876
Purchase of goods and services	7,567,830	5,327,393
Dividends paid	94,929,418	79,507,558
Management fee	155,000	155,000
Amounts receivable from parent entity	270,688	367,820
Amounts owing to parent entity	656,681	1,022,974
<b>Key management personnel</b>		
Short term employee benefits	3,966,668	4,824,875
Post-employment benefits	139,181	120,061
Long term employee benefits	(15,799)	35,890
Long Term Incentive Plan (LTIP)	(399,599)	1,162,443

*(i) Parent entities*

The parent entity within the Group is REA Group Limited. The ultimate parent entity of the Group is News Corp, a resident of the United States of America, which owns 61.6% of REA Group Limited via its wholly owned subsidiary News Corp Australia. News Corp is listed on the New York Stock Exchange.

During the year, the Group sold advertising space at arm's length terms to News Corp Australia and recharged promotional costs. The Group also utilised advertising and support services of News Corp Australia on commercial terms and conditions.

In addition to the above, insurance premium recharges were paid to News Corp Australia and News Corp Australia recharged the Group relating to the use of IT content delivery services. The Group has entered certain agreements with independent third parties under the same terms and conditions negotiated by News Corp.

*(ii) Key management personnel*

For a list of key management personnel and additional disclosures, refer to the Remuneration Report.

During the year, the Group sold residential subscriptions and other advertising products, and provided training sponsorships at arm's length terms, normal terms and conditions to the franchisees and offices of the Jellis Craig Group (Director-related entity).

*(iii) Commitments*

On 2 August 2018 the Group entered an arrangement for a 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. At 30 June 2019, USD\$26.3 million of the facility had been drawn down, with the remaining portion of the RCF expected to be utilised in the 2020 financial year. Under the arrangement, the Group earns income in the form of a guarantee fee.

**(b) Investment in subsidiaries, associates and joint ventures****Accounting policies**

**Subsidiaries** are all those entities which the Group controls. Control exists if the Group has:

- Power over the investee (i.e. ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group. A change in ownership interest of a subsidiary that does not result in a loss of control is accounted for as an equity transaction.

The Financial Statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies, with the exception of certain Asian entities with a financial reporting period ending 31 December.

The consolidated Financial Statements incorporate the assets, liabilities and results of the following subsidiaries and associates of REA Group Limited as at 30 June 2019 in accordance with the above accounting policy.

Name of entity	Country of incorporation	Equity Holding 2019 %	Equity Holding 2018 %
NL/HIA JV Pty Ltd <sup>1</sup>	Australia	-	100
Property Look Pty Ltd <sup>1</sup>	Australia	-	100
Property.com.au Pty Ltd	Australia	100	100
REA US Holding Co. Pty Ltd	Australia	100	100
REA Group Europe Ltd	United Kingdom	100	100
Hub Online Global Pty Ltd	Australia	100	100
realestate.com.au Pty Ltd	Australia	100	100
1Form Online Pty Ltd	Australia	100	100
Austin Rollco Ltd	Australia	100	100
Flatmates.com.au Pty Ltd	Australia	100	100
REA Austin Pty Ltd	Australia	100	100
Hometrack Australia Pty Limited	Australia	100	100
Hometrack Nominees Pty Limited <sup>2</sup>	Australia	-	100
NOVII Pty Ltd (previously Media Cell Pty Ltd)	Australia	56.2	56.2
Ozhomevalue Pty Ltd <sup>3</sup>	Australia	56.2	56.2
Smartline Home Loans Pty Ltd	Australia	80.3	80.3
Smartline Operations Pty Ltd <sup>4</sup>	Australia	80.3	80.3
Austin Bidco Pty Ltd	Australia	100	100
iProperty Group Pty Ltd	Australia	100	100
iProperty.com Pty Ltd <sup>5</sup>	Australia	-	100
iProperty Group Asia Pte Ltd	Singapore	100	100
IPGA Management Services Sdn Bhd	Malaysia	100	100
iProperty.com Events Sdn Bhd	Malaysia	100	100
iProperty.com Malaysia Sdn Bhd	Malaysia	100	100
Brickz Research Sdn Bhd	Malaysia	100	100
Think iProperty Sdn Bhd	Malaysia	100	100
Info-Tools Pte Ltd <sup>6</sup>	Singapore	-	100
iProperty.com Singapore Pte Ltd	Singapore	100	100
REA Hong Kong Management Co Limited (previously GoHome HK Co Limited)	Hong Kong	100	-
GoHome H.K. Co. Ltd	Hong Kong	100	100
Finance18.com Ltd	Hong Kong	100	100
House18.com Services Ltd	Hong Kong	100	100
SMART Expo Limited	Hong Kong	100	100
Big Sea International Limited <sup>7</sup>	Macau	100	100
GoHome Macau Co Ltd (previously vProperty Ltd) <sup>7</sup>	Macau	100	100
PT Web Marketing Indonesia	Indonesia	100	100
iProperty (Thailand) Co., Ltd	Thailand	100	100
Prakard IPP Co Ltd	Thailand	100	100
Kid Ruang Yu Co., Ltd	Thailand	100	100
Flagship Co., Ltd	Thailand	100	100
Prakard.com (Hong Kong) Limited	Hong Kong	100	100
REA Group Hong Kong Ltd	Hong Kong	100	100
Primedia Limited	Hong Kong	100	100
REA HK Co Limited (previously Squarefoot Ltd)	Hong Kong	100	100
REA Group Consulting (Shanghai) Co. Limited	China	100	100
<b>Associates and joint ventures:</b>			
Move, Inc. <sup>8</sup>	United States	20	20
Elara Technologies Pte Ltd <sup>9</sup>	Singapore	13.5	14.1
realestate.com.au Homeloans Mortgage Broking Pty Ltd	Australia	70	70

1 Deregistered on 21 February 2019

2 Deregistered on 1 August 2018

3 Ozhomevalue Pty Ltd is 100% owned by NOVII Pty Ltd (previously Media Cell Pty Ltd)

4 Smartline Operations Pty Ltd is 100% owned by Smartline Home Loans Pty Ltd

5 Deregistered on 1 March 2019

6 Amalgamated with iProperty.com Singapore Pte Ltd effective 30 April 2019

7 BVI registered company

8 Investment in Move, Inc. is held by REA US Holdings Co. Pty Ltd

9 Shareholding is 16.1% on a non-diluted basis (13.5% fully-diluted basis)

**(c) Deed of Cross Guarantee**

Pursuant to ASIC Corporations Instrument 2016/785, relief has been granted to realestate.com.au Pty Limited, Austin Bidco Pty Ltd, Hometrack Australia Pty Limited and Flatmates.com.au Pty Ltd (the 'Closed Group') from the *Corporations Act 2001* requirements for the preparation, audit and lodgement of separate Financial Statements.

As a condition of the Class Order, REA Group Limited and realestate.com.au Pty Limited entered into a Deed of Cross Guarantee (the 'Deed') on 26 May 2009, with all other entities added to the Deed during the 2019 financial year. The effect of the Deed is that REA Group Limited guarantees to each creditor payment in full of any debt in the event of winding up of the aforementioned entities under certain provisions or if they do not meet their obligations under the terms of overdrafts, loans, leases or other liabilities subject to the guarantee. The controlled entities have also given a similar guarantee in the event that REA Group Limited is wound up or if it does not meet its obligations under the terms of overdrafts, leases or other liabilities subject to the guarantee.

The summarised Consolidated Income Statement, Consolidated Statement of Financial Position and Retained Earnings of the Closed Group are below.

<b>Consolidated Income Statement</b>	<b>2019 \$'000</b>	<b>2018 \$'000</b>
Profit before income tax	<b>549,398</b>	416,039
Income tax expense	<b>(137,252)</b>	(123,163)
<b>Profit for the year</b>	<b>412,146</b>	292,876
<b>Summary of movements in consolidated retained earnings</b>		
Retained earnings at beginning of the financial year	<b>995,815</b>	832,009
Earnings for the year	<b>412,146</b>	292,876
Other	<b>43,720</b>	-
Dividends provided for or paid during the year	<b>(154,106)</b>	(129,070)
<b>Retained earnings at end of the financial year</b>	<b>1,297,575</b>	995,815

Consolidated Statement of Financial Position	2019 \$'000	2018 \$'000
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	117,460	93,173
Trade and other receivables	343,461	216,096
<b>Total current assets</b>	<b>460,921</b>	<b>309,269</b>
<b>Non-current assets</b>		
Plant and equipment	13,149	16,345
Intangible assets	80,056	68,855
Deferred tax assets	11,330	8,767
Other non-current assets	219	91
Investment in associates and joint ventures	47,168	-
Investment in subsidiaries	1,231,379	1,310,230
<b>Total non-current assets</b>	<b>1,383,301</b>	<b>1,404,288</b>
<b>Total assets</b>	<b>1,844,222</b>	<b>1,713,557</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Trade and other payables	70,731	66,499
Current tax liabilities	34,639	25,971
Provisions	12,237	10,639
Contract liabilities	46,349	43,704
Interest bearing loans and borrowings	240,083	119,922
<b>Total current liabilities</b>	<b>404,039</b>	<b>266,735</b>
<b>Non-current liabilities</b>		
Deferred tax liabilities	4,693	7,874
Provisions	6,311	5,058
Other non-current liabilities	12,102	25,520
Interest bearing loans and borrowings	70,023	309,415
<b>Total non-current liabilities</b>	<b>93,129</b>	<b>347,867</b>
<b>Total liabilities</b>	<b>497,168</b>	<b>614,602</b>
<b>Net assets</b>	<b>1,347,054</b>	<b>1,098,955</b>
<b>EQUITY</b>		
Contributed equity	34,537	91,300
Reserves	14,942	11,851
Retained earnings	1,297,575	995,804
<b>Total Equity</b>	<b>1,347,054</b>	<b>1,098,955</b>

**23. Remuneration of auditors**

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	EY Australia		Related practices of EY Australia		Non-EY audit firms	
	2019 \$	2018 \$	2019 \$	2018 \$	2019 \$	2018 \$
Audit and review of Financial Statements	964,247	877,461	267,400	242,525	58,066	16,348
Taxation services	297,176	350,700	74,420	-	-	-
Other assurance services	22,297	-	-	-	-	-
<b>Total remuneration</b>	<b>1,283,720</b>	1,228,161	<b>341,820</b>	242,525	<b>58,066</b>	16,348

**24. Other significant accounting policies****Accounting policies****Foreign currency translation**

The consolidated Financial Statements are presented in Australian dollars, which is the Group's **functional and presentation currency**. Items included in the Financial Statements of each of the Group's entities are measured using the currency of the primary economic environments in which the entity operates ('the functional currency').

**Foreign currency transactions** are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

All foreign exchange gains and losses are presented in the Income Statement on a net basis within operations and administration expenses.

Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. Translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in the Income Statement as part of the fair value gain or loss. Translation differences on non-monetary assets are included in the fair value reserve in equity.

The results and financial position of all the **Group entities** (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows, with all resulting exchange differences are recognised in OCI:

- Assets and liabilities for each Statement of Financial Position presented are translated at the closing rate at the date of that Statement of Financial Position; and
- Income and expenses for each Income Statement are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions).

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

**New and amended Accounting Standards and Interpretations**

**New standards effective from 1 July 2018:** A number of new or amended accounting standards are effective for annual periods beginning on or after 1 January 2018. Refer to the Basis of Preparation for details on those standards that were identified as having an impact on the Group in the current reporting period. There is no significant impact to the Group on adoption of these new or amended accounting standards.

**New standards and interpretations not yet adopted:** the following standard is relevant to current operations of the Group. It is available for early adoption but has not been applied by the Group in this financial report.<sup>1</sup>

Summary	Impact on Group Financial Statements	Application date of standard	Application date for Group
<p><b>AASB 16 Leases</b></p> <p>AASB 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.</p> <p>AASB 16 contains disclosure requirements for lessees, and replaces existing leases guidance.</p>	<p>The Group is required to adopt AASB 16 Leases from 1 July 2019. The Group has assessed the estimated impact that initial application of IFRS 16 will have on its consolidated Financial Statements, as described below. The actual impacts of adopting the standard on 1 July 2019 may change because the new accounting policies are subject to change until the Group presents its first Financial Statements that include the date of initial application.</p> <p>The Group will recognise new assets and liabilities for all operating leases. The nature of expenses related to those leases will now change because the Group will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities. Previously, the Group recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.</p> <p>Based on the information currently available, the Group estimates that it will recognise a lease liability of \$72.8 million as at 1 July 2019. The Group does not expect the adoption of AASB 16 to impact its ability to comply with loan covenants described in Note 9.</p> <p>The Group has chosen to apply the modified retrospective approach on adoption of the new standard. Therefore, the cumulative effect on application date will be recognised as an adjustment to the opening balance of retained earnings at 1 July 2019, with no restatement of comparative information. The Group will apply the practical expedient to grandfather the definition of a lease on transition.</p>	1 January 2019	1 July 2019

<sup>1</sup> Other new accounting standards, amendments and interpretations 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.

## 25. Events after the Statement of Financial Position date

On 1 July 2019 the Group acquired the remaining minority shares in Smartline for \$16.0 million, increasing the Group's ownership to 100%. The outstanding balance was classified as a current liability at 30 June 2019.

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

In the Directors' opinion:

- a) the Financial Statements and notes of the consolidated entity for the financial year ended 30 June 2019 set out on pages 34 to 87 are in accordance with the *Corporations Act 2001*, including:
  - giving a true and fair view of the consolidated entity's financial position as at 30 June 2019 and of its performance for the financial year ended on that date; and
  - complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
- b) The Basis of Preparation note confirms that the Financial Statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board;
- c) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;
- d) the Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2019; and
- e) as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in Note 22 will be able to meet any obligations or liabilities to which they are or may become subject, by virtue of the Deed of Cross Guarantee.

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



**Mr Hamish McLennan**  
*Chairman*



**Mr Owen Wilson**  
*Chief Executive Officer*

Sydney  
8 August 2019





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

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of REA Group Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- (i) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2019 and of its consolidated financial performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for Opinion

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

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

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

### Property and online advertising revenue recognition and its reliance on automated processes and controls

Why significant	How this matter was addressed in the audit
<p>The Group recognised \$847.9m in Property and Online advertising revenue for the year ended 30 June 2019. The recognition of this revenue was considered a key audit matter due to the significance of revenue to the financial report and level of audit effort required, with the associated disclosures found in Note 3.</p> <p>The Group's revenue recognition processes are heavily reliant on IT systems with automated processes and controls over the capturing, valuing and recording of transactions. These processes include a combination of manual and automated controls. The understanding and testing of the IT systems and controls that process revenue transactions is a key part of our audit.</p>	<p>We assessed the effectiveness of relevant controls over the capture, recording and recognition of revenue transactions, including the relevant IT systems.</p> <p>We examined the processes and controls over the capture and determination of the revenue recognition in line with the satisfaction of performance obligations and tested a sample of transactions to supporting evidence.</p> <p>We tested the Group's controls over IT systems relevant to revenue transaction processing and revenue recognition.</p> <p>We performed data analysis procedures over the revenue transactions and the relationship of these transactions against the contract liability, trade receivables and cash accounts. We also assessed the timing, aging profile and nature of the transactions.</p> <p>We assessed the Group accounting policies set out in Note 3, for compliance with the revenue recognition requirements of Australian Accounting Standards.</p>

### Impairment assessment of goodwill

Why significant	How this matter was addressed in the audit
<p>As at 30 June 2019 the Group held \$545.7m in goodwill.</p> <p>As detailed in Note 6 of the financial report, the goodwill is tested by the Group for impairment annually. The goodwill is monitored by management across three segments Australia - Property &amp; Online Advertising, Australia - Financial Services and Asia.</p> <p>The recoverable amount has been determined based on a value in use and fair value less cost of disposal models with discounted cash flows, estimates and other significant judgments regarding future projections which are critical to the assessment of impairment.</p> <p>Based on the size of the asset and the judgement involved in determining the recoverable amount, we have considered this a key audit matter.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>▶ Assessed the appropriateness of the valuation methodologies applied.</li> <li>▶ Assessed the key inputs and assumptions including board approved cash flows, discount rates and growth rates adopted in the valuation.</li> <li>▶ Evaluated whether the Group's determination of its Cash Generating Units (CGU) is in accordance with Australian Accounting Standards, including the consideration of the level at which goodwill is allocated and monitored.</li> <li>▶ Compared the cash flows used in the valuation to the actual and budgeted financial performance of the underlying CGUs.</li> <li>▶ Assessed the reasonableness of the Group's sensitivity analysis around the key assumptions to determine whether any reasonably possible changes would result in an impairment charge.</li> <li>▶ Compared earnings multiples derived from the Group's value in use model to those observable from external market data of comparable listed entities, where available.</li> <li>▶ Assessed the adequacy of the disclosures made in the financial report.</li> </ul> <p>Our valuation specialists were involved in the performance of these procedures where appropriate.</p>



## Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information in the Group's Annual Report for the year ended 30 June 2019, but does not include the financial report and the auditor's report thereon. We obtained the Directors' Report that is to be included in the Annual Report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

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

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

## Responsibilities of the Directors for the Financial Report

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

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

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

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



As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting in the preparation of the financial report. We also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events and conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the disclosures in the financial report about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial report. However, future events or conditions may cause an entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



## Report on the Audit of the Remuneration Report

### Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 20 to 32 of the Directors' Report for the year ended 30 June 2019.

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

### Responsibilities

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

A stylized signature of 'Ernst &amp; Young' in a cursive font.

Ernst & Young

A stylized signature of 'David McGregor' in a cursive font.

David McGregor  
Partner

Melbourne  
8 August 2019

## Historical results

A\$'000 (except where indicated)	2019	2018	2017	2016	2015
<b>Consolidated Results:</b>					
Revenue from continuing operations <sup>1</sup>	874,949	807,678	671,206	579,059	477,292
Profit before interest and tax (EBIT) <sup>1</sup>	252,571	390,474	156,379	349,836	280,174
Profit before income tax <sup>1</sup>	244,954	377,697	150,687	343,369	283,624
Profit for the year attributable to owners of the parent	104,997	252,779	206,066	252,958	210,011
Earnings per share from continuing operations (cents) <sup>1</sup>	79.7	191.9	36.1	193.1	151.3
Return on average shareholders' equity (% p.a.)	11%	24%	27%	40%	44%
Dividend and distribution	154,106	129,070	112,616	100,762	84,953
Dividend per ordinary share (cents)	118.0	109.0	91.0	81.5	70.0
Dividend franking (% p.a.)	100%	100%	100%	100%	100%
Dividend cover (times)	0.68	1.96	1.83	2.51	2.47
<b>Financial Ratios:</b>					
Net tangible asset backing per share (\$)	0.93	(0.01)	0.39	(1.82)	3.43
Net EBITDA (continuing operations) interest cover (times) <sup>1</sup>	30.02	37.67	14.05	63.73	N/A
Gearing (debt / debt and shareholders' equity) (%)	26%	31%	38%	41%	N/A
<b>Financial Statistics:</b>					
Income from dividends and interest <sup>1</sup>	2,153	4,590	3,727	1,819	3,611
Depreciation and amortisation provided during the year <sup>1</sup>	59,573	48,702	37,816	29,658	22,852
Net finance expense / (income) <sup>1</sup>	7,617	12,777	5,692	6,467	(3,450)
Net cash inflow from operating activities	364,054	326,345	296,816	221,339	191,355
Capital expenditure and acquisitions	64,736	372,103	128,264	568,883	391,146
<b>Balance Sheet Data as at 30 June:</b>					
Current assets	306,961	289,601	458,184	223,370	158,530
Non-current assets	1,274,770	1,438,496	1,120,629	1,259,914	511,440
<b>Total Assets</b>	<b>1,581,731</b>	<b>1,728,097</b>	<b>1,578,813</b>	<b>1,483,284</b>	<b>669,970</b>
Current liabilities	444,930	311,063	379,095	233,002	99,521
Non-current liabilities	231,366	476,265	394,988	534,507	12,370
<b>Total Liabilities</b>	<b>676,296</b>	<b>787,328</b>	<b>774,083</b>	<b>767,509</b>	<b>111,891</b>
<b>Net Assets</b>	<b>905,435</b>	<b>940,769</b>	<b>804,730</b>	<b>715,775</b>	<b>558,079</b>
<b>Shareholders' Equity</b>					
Contributed equity	89,544	91,325	95,215	97,109	98,355
Reserves	68,120	52,517	36,323	32,842	26,112
Retained profits	747,312	796,421	672,712	585,274	433,078
<b>Shareholders' equity attributable to REA</b>	<b>904,976</b>	<b>940,263</b>	<b>804,250</b>	<b>715,225</b>	<b>557,545</b>
Non-controlling interests in controlled entities	459	506	480	550	534
<b>Total Shareholders' equity</b>	<b>905,435</b>	<b>940,769</b>	<b>804,730</b>	<b>715,775</b>	<b>558,079</b>
<b>Other data as at 30 June:</b>					
Fully paid shares (000's)	131,715	131,715	131,715	131,715	131,715
<b>REA share price:</b>					
– year's high (\$)	97.37	93.20	67.97	59.89	51.28
– year's low (\$)	69.23	62.17	47.50	39.15	37.40
– close (\$)	96.04	90.87	66.40	59.49	39.21
Market capitalisation (\$000,000)	12,650	11,969	8,746	7,836	5,165
Employee numbers (continuing operations) <sup>1</sup>	1,642	1,519	1,423	1,277	715
Number of shareholders	14,359	12,985	12,324	10,883	8,883

<sup>1</sup> Information for 2015 and 2016 is restated to exclude discontinued operations.