Appendix 4E

for the year ended 30 June 2020

REA Group Ltd

ABN 54 068 349 066

RESULTS FOR ANNOUNCEMENT TO THE MARKET

For the year ended 30 June 2020 ("current period")

		30 June 2020 A$'000	% Change from year ended 30 June 2019	30 June 2019 A$'000
Revenue[1]	Down	**820,269**	(6%)	874,949
Net Profit for the period attributable to members	Up	**112,585**	7%	105,278
Net Profit from core operations	Down	**268,865**	(9%)	295,495
Net Profit for the period attributable to members of parent (before non-controlling interest)	Up	**112,373**	7%	104,997

Dividend information

	Amount per share (cents)	Franked amount per share (cents)	Tax rate for franking credit
2019 final dividend per share (paid 19 September 2019)	**63.0**	63.0	30%
2020 interim dividend per share (paid 24 March 2020)	**55.0**	55.0	30%
2020 final dividend per share (to be paid 17 September 2020)	**55.0**	55.0	30%

2020 final dividend dates

Ex-dividend date	27 August 2020
Record date	28 August 2020
Payment date	17 September 2020

	30 June 2020 Cents	30 June 2019 Cents
Net tangible assets per security[2]	**162.6**	92.9

Other information requiring disclosure to comply with Listing Rule 4.3A is contained in, and should be read in conjunction with, the notes to the Consolidated Financial Statements and the Directors' Report for the year ended 30 June 2020.

This report is based on the Consolidated Financial Statements for the year ended 30 June 2020 which has been audited by EY with the Independent Auditor's Report included in the 2020 Financial Statements.

The 2020 Annual General Meeting of REA Group Ltd will be held virtually on Tuesday, 17 November 2020. The last date for receipt of director nominations is Tuesday, 29 September 2020.

[1] Revenue is defined as revenue from property advertising and revenue from financial services less expenses from franchisee commissions disclosed in the Consolidated Financial Statements as operating income.
[2] Net tangible assets is calculated based on net assets excluding intangible and right-of-use assets. The comparative has not been restated following the adoption of AASB 16 from 1 July 2019.

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REA Group Ltd
ABN 54 068 349 066

Audited Financial Statements
for the year ended 30 June 2020

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Corporate Information

Directors	Hamish McLennan (Chairman) Owen Wilson (Chief Executive Officer) Roger Amos Kathleen Conlon Nick Dowling Tracey Fellows Richard J Freudenstein Michael Miller
Chief Financial Officer	Janelle Hopkins
Company Secretary	Erin Thorne (appointed as Acting Company Secretary, effective 15 May 2020) Sarah Turner (resigned 15 May 2020)
Principal Registered Office in Australia	511 Church Street Richmond, VIC 3121 Australia Ph: +61 3 9897 1121 Fax: +61 3 9897 1114
Share register	Link Market Services Limited Tower 4, 727 Collins Street Melbourne, VIC 3000 Ph: 1300 554 474 (within Australia) +61 1300 554 474 (outside Australia) Fax: 02 9287 0303
Auditor	EY 8 Exhibition Street Melbourne, VIC 3000 Australia
Bankers	National Australia Bank Limited
Securities Exchange Listing	REA Group shares are listed on the Australian Securities Exchange (ASX:REA)
Website	www.rea-group.com

Directors' Report

The Directors present their report together with the Financial Statements of the consolidated entity ('the Group' or 'REA'), being REA Group Ltd (the 'Company') and its controlled entities, for the year ended 30 June 2020 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 54.

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:
- Chairman of HT&E Limited
- Chairman of Rugby Australia
- Vice Chairman of Magellan Financial Group
- Director of Garvin Research Foundation Board
- Director of Claim Central Consolidated Pty Ltd.

Recent directorships and offices:
- Former Executive Chairman and Chief Executive Officer of Ten Network Holdings Limited
- Former Executive Vice President, Office of the Chairman of News Corp Australia.

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

Owen Wilson BCom, ACA, GAICD

Executive Director and Chief Executive Officer appointed 7 January 2019. Chief Financial Officer from 3 September 2014 until 6 January 2019. Age 56.

Skills and experience: As CEO of REA Group, Mr Wilson is responsible for driving the Company's growth, operations and global investments. With more than 30 years' experience working across the information technology, recruitment and banking industries, Owen is a strategic leader who is passionate about building high performing teams and creating personalised experiences to help change the way the world experiences property. 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

Recent directorships and offices: N/A

Board Committee membership:
- Mr Wilson attends all Audit, Risk & 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 72.

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
- Director of 3P Learning Limited
- Director of HT&E Limited
- Governor of the Cerebral Palsy Alliance Research Foundation.

Recent directorships and offices:
- Former Chairman of the Opera Foundation of Australia
- Former Director of Enero Group Limited
- Former Director of Austar United Communications Ltd.

Board Committee membership:

- Chair of the Audit, Risk & Compliance Committee
- Member of the Human Resources Committee.

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

Independent non-executive Director appointed 27 June 2007. Age 56.

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
- Director of Aristocrat Leisure Limited
- Director of the Benevolent Society
- Director of Bluescope Steel Limited
- Member of Chief Executive Women
- Member of Corporate Governance Committee for the Australian Institute of Company Directors.

Recent directorships and offices: N/A

Board Committee membership:

- Member of the Audit, Risk & Compliance Committee
- Chair of the Human Resources Committee.

Nick Dowling BAcc, GradDipAppFin

Independent non-executive Director appointed 9 May 2018. Age 43.

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 was the Head of Real Estate, Business Banking at Macquarie Bank Limited. He commenced his career with National Australia Bank across various divisions of the bank.

Other current directorships and offices:

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

Recent directorships and offices: N/A

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 55.

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

Skills and experience: Ms Fellows is a digital media executive with extensive experience in real estate, technology and communications across Australian and international markets. Ms Fellows is President of Global Digital Real Estate for News Corp, responsible for driving the strategy and growth of its digital real estate interests. Ms Fellows was previously the Chief Executive Officer of REA Group where she drove the rapid expansion of the digital real estate business in Australia and Asia, as well as leading the company's investments in India and North America. She has also held the positions of 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:

- Director of Elara Technologies Pte Ltd
- Member of Chief Executive Women.

Recent directorships and offices:

- Former Director of ninemsn
- Former Director of the Royal Children's Hospital Foundation.

Board Committee membership:

- Ms Fellows attends all Human Resources Committee meetings at the invitation of the Board/Committee.

Richard J Freudenstein BEc, LLB (Hons)

Non-executive Director appointed 21 November 2006. Age 55.

Independent: No – Nominee Director of News Corp Australia.

Skills and experience: Mr Freudenstein is a media executive with extensive experience in Australian and international markets. He 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 Coles Group Limited

- Director of Cricket Australia
- Director of Wenona School Limited
- Deputy Chancellor and Fellow of the Senate, University of Sydney.

Recent directorships and offices:
- Former Chairman of REA Group Ltd
- Former Chairman of Multi Channel Network Pty Ltd
- Former Director of Astro Malaysia Holdings Berhad
- Former Director of Ten Network Holdings Ltd
- Former Director of The Bell Shakespeare Company Limited.

Board Committee membership:
- Member of the Audit Risk & Compliance Committee
- Member of the Human Resources Committee.

Alternate Director: Marygrace DeGrazio (age 44) was appointed an Alternate Director for Richard J Freudenstein on 5 May 2020. Ms DeGrazio has not attended any meetings or exercised any powers in that capacity since that time. Ms DeGrazio is currently the Senior Vice President, Global Financial Operations at News Corp responsible for global accounting and financial reporting. Prior to joining News Corp, she spent 15 years in the audit practice of PricewaterhouseCoopers servicing entertainment and media clients. Ms DeGrazio holds a Masters of Business Administration and is a Certified Public Accountant.

Michael Miller B.A.Sc, Communication and Media

Non-executive Director appointed 12 November 2015. Age 51.

Independent: No – Nominee Director of News Corp Australia.

Skills and experience: Mr Miller was appointed Executive Chairman Australasia of News Corp Australia 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 The Newspaper Works.

Recent directorships and offices:
- Former Director of News Limited
- Former Director of Fox Sports Australia
- Former Director of carsguide.com.au
- Former Director of Sky Network Television Limited
- Former Director of The Committee for Sydney
- Former Director of Waratahs Rugby
- Director of Unruly Media Pty Ltd
- Director of Foxtel
- Director of FOX SPORTS.

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	17	17	-	6*	6	6
Owen Wilson	17	17	-	7*	-	6*
Roger Amos	17	17	7	7	6	6
Kathleen Conlon	17	17	7	7	6	6
Nick Dowling	17	17	-	1*	6	6
Tracey Fellows	17	17	-	-	-	4*
Richard J Freudenstein	17	17	7	7	6	6
Michael Miller	17	17	-	1*	-	-

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.

Principal activities

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

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

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

REA's growth strategy is centred around four core objectives. Firstly, providing our customers with access to the largest and most engaged audience of property seekers. Secondly, delivering unparalleled customer value. Thirdly, providing the richest content, data and insights to empower our customers and consumers throughout their property journey. And finally, creating the next generation of property and property-related marketplaces. 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 2020 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 restructure costs, revaluation of contingent consideration, gain/loss on acquisitions, disposals and divestments, and impairment charges. In the prior year, this included items such as revaluation, unwind and finance costs of contingent consideration, transaction costs relating to acquisitions by associates, and impairment charges.

A reconciliation of results from core operations and non-IFRS (International Financial Reporting Standards) measures compared with the reported results in the financial statements on page 36 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	2020 $'000	2019 $'000	Growth
Reported operating income	**820,269**	874,949	(6%)
EBITDA from core operations (excluding share of losses of associates and joint ventures)*	**492,073**	515,327	(5%)
Share of losses of associates and joint ventures	**(15,411)**	(14,231)	(8%)
(Gain)/loss on acquisitions and disposals and business combination transaction costs	**(1,059)**	108	>(100%)
EBITDA from core operations*	**475,603**	501,204	(5%)
Restructure costs	**(8,159)**	-	n/a
Gain/(loss) on acquisitions and disposals and business combination transaction costs	**(1,000)**	(108)	>(100%)
Impairment charges	**(148,569)**	(188,943)	21%
Revaluation of contingent consideration	**1**	(9)	>100%
Reported EBITDA*	**317,876**	312,144	2%
Net profit from core operations	**268,865**	295,495	(9%)
Restructure costs, net of tax	**(5,711)**	-	n/a
Gain/(loss) on acquisitions and disposals and business combination transaction costs	**(2,001)**	(108)	>(100%)
Impairment charges	**(148,569)**	(188,943)	21%
Unwind, revaluation and finance costs of contingent consideration	**1**	(1,166)	>100%
Reported net profit	**112,585**	105,278	7%

Comparatives have not been restated following the adoption of AASB 16 from 1 July 2019. Refer to section (iii) in the Basis of Preparation for further details on the impact on transition.

* 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 decreased by 6% to $820.3 million. FY20 presented challenging market conditions and unprecedented global uncertainty as a result of the COVID-19 pandemic. The Group's first half result was delivered in subdued market conditions. This included a restricted lending environment contributing to declines in new residential listing volumes and new project commencements following the 2019 Financial Services Royal Commission.

At the start of the second half of FY20, the Australian property market showed strong signs of recovery, including improvements in national residential listings led by Melbourne and Sydney. This was prior to the effects of COVID-19 emerging in mid-March which significantly impacted the real estate market in April and May. As COVID-19 restrictions eased in June, the real estate market positively responded with new residential listings up 11% YoY, noting the low volumes in the comparative period.

Through strong cost management and efficiencies gained from an organisational realignment, total core operating expenses reduced by 9% (6% excluding the impact of AASB 16). EBITDA from core operations was $475.6 million, a decrease of 5% against prior year, and net profit from core operations decreased 9% to $268.9 million.

The Group's Australian operations remained the primary revenue driver for the FY20 performance. This reflects an ongoing focus on product innovation and the launch of new features and experiences to deliver an enhanced consumer experience and provide greater customer value by delivering more potential leads to support their business growth.

In Australia, realestate.com.au remains the clear market leader in online real estate, growing audience metrics to all-time highs during FY20. Australians visited the site more than 90 million times each month on average, up 18% YoY[1], rising to a new a record of 114.4 million in June[2].

Strong operating cashflows enabled the repayment of $70 million of debt, continued investment in innovation, and shareholder returns in the form of dividends. This resulted in a cash balance of $222.8 million at 30 June 2020. The Group generated positive operating cashflows and traded profitably for the period, maintaining a strong margin. The Directors expect this to continue for the foreseeable future.

During the year the Group strengthened its liquidity position by entering an additional $148.5 million loan facility with the existing banking syndicate which matures in December 2021. In addition, a $20.0 million overdraft facility was arranged with NAB. These facilities were entered to provide immediate access to funding in the event of a significant and prolonged market downturn. Neither facility was drawn at 30 June 2020.

Dividends

Dividends paid or declared by the Company during, and since, the end of the financial year are set out in Note 12 to the Financial Statements and below:

	Final 2020	**Interim 2020**	**Final 2019**
Per share (cents)	**55.0**	55.0	63.0
Total amount ($'000)	**72,443**	72,443	82,980
Franked*	**100%**	100%	100%
Payment date	**17 Sept 2020**	24 Mar 2020	19 Sept 2019

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

[1] Nielsen Digital Content Ratings (Monthly Tagged), Jul 19 – Jun 20 vs Jul 18 – Jun 19 (average), P2+, Digital (C/M), text, realestate.com.au, Total Sessions.

[2] Nielsen Digital Content Ratings (Monthly Tagged), Jun 20, P2+, Digital (C/M), text, realestate.com.au, Total Sessions.

Performance by region

2020	Australia		Asia	North America	Corporate	Total
	Property & Online Advertising	Financial Services				
	$'000	$'000	$'000	$'000	$'000	$'000
Segment operating income[1]						
Total segment operating income[1]	**747,467**	**25,707**	**48,795**	**-**	**-**	**821,969**
Inter-segment operating income[1]	**(767)**	**-**	**(933)**	**-**	**-**	**(1,700)**
Operating income[1]	**746,700**	**25,707**	**47,862**	**-**	**-**	**820,269**
Results						
Segment EBITDA from core operations (excluding share of losses of associates and joint ventures)	**495,545**	**10,046**	**8,880**	**-**	**(22,398)**	**492,073**
Share of losses of associates and joint ventures	**(154)**	**(182)**	**(8,911)**	**(7,223)**	**1,059**	**(15,411)**
(Gain)/ loss on acquisitions and disposals	**-**	**-**	**-**	**-**	**(1,059)**	**(1,059)**
Segment EBITDA from core operations	**495,391**	**9,864**	**(31)**	**(7,223)**	**(22,398)**	**475,603**
Impairment	**-**	**-**	**-**	**-**	**(148,569)**	**(148,569)**
Restructure costs	**-**	**-**	**-**	**-**	**(8,159)**	**(8,159)**
Revaluation of contingent consideration	**-**	**-**	**-**	**-**	**1**	**1**
Gain/(loss) on acquisitions and disposals	**-**	**-**	**-**	**-**	**(1,000)**	**(1,000)**
EBITDA	**495,391**	**9,864**	**(31)**	**(7,223)**	**(180,125)**	**317,876**
Depreciation and amortisation						**(78,620)**
EBIT						**239,256**
Net finance expense						**(5,562)**
Profit before income tax						**233,694**

1 This represents revenue less commissions for financial services

2019	**Australia**		**Asia**	**North America**	**Corporate**	**Total**
	Property & Online Advertising	**Financial Services**				
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Segment operating income[1]						
Total segment operating income[1]	799,943	27,023	49,423	-	-	876,389
Inter-segment operating income[1]	(636)	-	(804)	-	-	(1,440)
Operating income[1]	799,307	27,023	48,619	-	-	874,948
Results						
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 from 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
Depreciation and amortisation						(59,573)
EBIT						252,571
Net finance expense from core operations						(6,460)
Profit before income tax from core operations						246,111
Net finance expense						(1,157)
Profit before income tax						244,954

1 This represents revenue less commissions for financial services

Australia

The Group operates Australia's leading residential and commercial sites, realestate.com.au[3] and realcommercial.com.au[4], as well as the leading website dedicated to share property, Flatmates.com.au[5].

Australian operating income declined by 7% to $772.4 million during the year due to challenging market conditions, with declines in new residential listing volume of 12% and new project commencement of 27%, coupled with the impact of the COVID-19 pandemic.

realestate.com.au continues to be the leading property portal in Australia, with the number of people visiting realestate.com.au each month on average increasing 16% during the year to 9.8 million[6]. This jumped to a new record of 11.9 million[7] in May, or 60% of Australia's 18+ population[8]. This unrivalled 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 25% to 36.8 million[9], and consumers are spending 4.1 times longer on the realestate.com.au app[10] than the nearest competitor.

[3] Nielsen Digital Content Ratings (Monthly Tagged), Jul 19 – Jun 20, P2+, Digital (C/M), text, Real Estate/Apartments subcategory, Unique Audience.
[4] Nielsen Digital Content Ratings (Monthly Tagged), Jul 19 – Jun 20 (average), P2+, Digital (C/M), text, realcommercial.com.au vs commercialrealestate.com.au, Unique Audience.
[5] SimilarWeb, visits to flatmates.com.au vs flatmatefinders.com.au, Jul 19 – Jun 20.
[6] Nielsen Digital Content Ratings (Monthly Tagged), Jul 19 - Jun 20 vs Jul 18 – Jun 19 (average), P2+, Digital (C/M), text, realestate.com.au, Unique Audience.
[7] Nielsen Digital Content Ratings (Monthly Tagged), May 20, P2+, Digital (C/M), text, realestate.com.au, Unique Audience.
[8] Nielsen Digital Content Ratings (Monthly Tagged), Jun 20, P18+, Digital (C/M), text, realestate.com.au, Active Reach %.
[9] Nielsen Digital Content Ratings (Monthly Tagged), Jul 19 - Jun 20 vs Jul 18 - Jun 19 (average), P2+, Digital (C/M), text, realestate.com.au, App Launches.
[10] Nielsen Digital Content Ratings, (Monthly Tagged), Jul 19 - Jun 20, P2+, Mobile (App), text, realestate.com.au vs Domain, App Previous Session Length.

This demonstrates a highly engaged audience who remain passionate and invested in the property market.

Property and online advertising

Property and online advertising operating income decreased 7% to $746.7 million.

Australia's listing depth revenue decreased by 4% to $606.7 million. This was driven by continued listing declines, particularly in higher yielding cities Sydney and Melbourne, down 6% and 8%, respectively, compared to the prior comparative period.

Lower national listing volumes were partially offset by price changes that took effect from 1 July 2019 and improved product mix across both buy and rent. The Group responded to the COVID-19 health crisis by providing support measures to its customers and the broader real estate market. These included subscription discounts and changes to listing products to provide agents with greater flexibility.

Commercial and Developer revenue declined 7% reflecting the continued reduction in new project commencements, down 27%, partially offset by an increase in project profile duration.

realcommercial.com.au remains Australia's leading commercial property site, with the biggest audience of commercial property seekers across website and app[11]. In FY20, the realcommercial.com.au app was launched 8.6 times more than the nearest competitor[12], and consumers spent 7.0 times longer[13] on the realcommercial.com.au app.

Media, data and other revenue declined by 19% primarily due to lower Developer display advertising in line with new project commencement volumes. This was partially offset by continued growth from the Hometrack property data business.

Flatmates.com.au continues to be the leading website dedicated to share property in Australia[5], with 2.8 million average visits each month[14].

Rental applications received by 1form, the Group's online application tool for renters, grew 21% to more than 3.9 million applications[15]. Tenant Verification, which provides identity checks on potential tenants, and provides early visibility of consumers who are planning to move, continues to perform well. More than 100,000 verifications have been purchased since launch in 2018[16].

The Group continues to strengthen its existing leadership positions through investment in new technology, aimed at improving the digital offering for customers and consumers alike, including:

- Digital Inspections - launched in response to the Australian Government imposed restrictions on open for inspections;
- Home Builder - allowing consumers to search for home designs on the Buy section of the site; and
- REA Insights - unique real estate data and behavioural market intelligence providing insight into the real estate market.

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. 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.

Additionally, effective 1 November 2019, the Group acquired the remaining 30% minority share in realestate.com.au Home Loans, a mortgage broking business previously jointly owned with Advantedge Financial Services Holdings Pty Ltd, a subsidiary of NAB. realestate.com.au Home Loans is therefore now a fully consolidated subsidiary of the Group.

The Financial Services business delivered income of $25.7 million, a 5% decrease on the prior year. Operating revenue increased due to higher settlements and improved broker productivity. This was offset by the annual non-cash adjustment to the valuation of expected future trail commission net income. Settlements continue to increase, however the valuation was impacted by a higher run off rate in a low interest rate market combined with high refinancing activity. EBITDA from core operations (excluding share of losses of associates and joint ventures) grew 4% to $10.0 million. This result was

[11] Nielsen Digital Content Ratings (Monthly Tagged), Jul 19 – Jun 20 (average), P2+, Digital (C/M), text, realcommercial.com.au vs commercialrealestate.com.au, Unique Audience.
[12] Nielsen Digital Content Ratings (Monthly Tagged), Jul 19 - Jun 20 (average), P2+, Digital (C/M), text, realcommercial.com.au vs commercialrealestate.com.au, App Launches.
[13] Nielsen Digital Content Ratings (Monthly Tagged), Jul 19 - Jun 20 (average), P2+, Digital (C/M), text, realcommercial.com.au vs commercialrealestate.com.au, Total Time Spent in App.
[14] Google Analytics average monthly visits for the flatmates.com.au site (Jul 19 - Jun 20).
[15] REA internal data (Jul 19 – Jun 20) and compared to the same period (Jul 18 – Jun 19).
[16] REA internal data as at 30 Jun 20.

supported by decisive cost management initiatives implemented in response to COVID-19.

Our investment in Financial Services continues to perform well, delivering growth in loan submissions and settlements despite difficult trading conditions. This year, the Group successfully consolidated its broker offerings under the Smartline brand. This is expected to drive synergies and efficiencies across the Financial Services business, while leveraging the reputation of the Smartline brand. The Group now has almost 400 Smartline-branded brokers in market.

Due to the expected near-term impact of COVID-19 on loan settlement growth rates, the Group's result includes a $7.3 million non-cash (pre and post-tax) reduction in the carrying value of the financial services business.

Asia

The Group's Asian operations comprise a market leading property site in Malaysia[17], with prominent portals in Hong Kong and Thailand, as well as the Chinese site, myfun.com.

On 8 October 2019, the Group publicly announced the decision to establish a business with 99.co, the Singapore-headquartered digital property marketplace. 99 Group, was established on 28 February 2020 through the transfer of the existing businesses of 99.co and iProperty.com.sg and Rumah123.com, located in Singapore and Indonesia. In exchange, the Group received a 27.0% shareholding in 99 Group, which now provides an exciting opportunity to strengthen its competitive position in those countries.

Additionally, the Group holds a 13.5% stake on a fully diluted basis (16.1% on a non-diluted basis) in Elara Technologies Pte Ltd ('Elara'), which operates Housing.com, PropTiger.com and makaan.com in India. News Corp, the parent company of REA Group's majority shareholder News Corp Australia, is currently the largest shareholder of Elara, holding a 22% investment.

The Asian business contributed operating income of $47.9 million, a decline of 2% for the year, and EBITDA from core operations (excluding share of losses of associates and joint ventures) of $8.9 million. Malaysia had a strong first half, with digital revenue increasing 20%, underpinned by improved yield, customer acquisition and consumer audience. The COVID-19 pandemic impacted Malaysia's second half results, with extensive government lockdown restrictions throughout the health crisis. Despite this iproperty.com.my retained its leadership position throughout the year[17].

The Hong Kong business was significantly impacted by COVID-19 restrictions, coupled with ongoing political disruption. Events are a large part of the property landscape in Hong Kong, generating significant revenue, while also providing excellent digital cross sell opportunities. All property and investment events in the second half of the financial year were paused or cancelled.

The Group continued to launch features and products in the Asian region aimed at providing increased customer value. The most significant investment this financial year was in iProperty Pro, a revised business model and mobile-prime customer platform, which delivers improved market analytics products and customer reporting. In addition, iProperty Pro encompasses revised product packaging to encourage customer adoption of depth product offerings. This has been successfully piloted in Malaysia, with positive feedback received from customers.

The Group also continued to invest in the consumer experience in Asia, launching Search by Point of Interest functionality across all countries. This will help consumers to search for property based on landmarks rather than addresses alone. This feature was uplifted during the year to include Search by Train Station and Search by Schools, since reliance on public transport is high and zoning rules for education exist across the region.

In response to COVID-19 and strict government lockdown policies, the Group demonstrated its ability to quickly pivot on investment prioritisation initiatives. 360 Tours was launched in response to the health crisis in Hong Kong and Malaysia, making virtual tours available to consumers and customers, replacing the need for physical property inspections.

The force of these macroeconomic events experienced across the Asia segment during FY20 – prolonged unrest in Hong Kong, coupled with the negative impact of COVID-19 on the digital and events business, has reduced the current valuation of these businesses. As such, the Group's result includes a non-cash (pre and post-tax) goodwill impairment charge of $99.4 million, relating to the Asia segment.

Elara continues to be the only business in India to offer the full range of online to offline property services,

[17] SimilarWeb, monthly visits for iproperty.com.my site compared to the nearest competitor (Jul 19 - Jun 20). Excludes app.

such as personalised search, virtual viewing, site visits, legal and financial diligence, negotiations, property registration, home loans and post-sales services.

Elara delivered revenue growth, prior to the impact of COVID-19 in March, due to a strong contribution from Housing.com. COVID-19 caused an economic slowdown across India in the second half. While the depth and duration of the pandemic's impact on India remains unknown, Elara is well placed to capitalise on the eventual recovery.

At 30 June 2020, the Group recorded a $49.6 million reduction in the carrying value of its investment in Elara and 99 Group Pte Ltd due to the economic impact of the COVID-19 pandemic.

The impairments outlined above have 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.

North America

The Group owns a 20% investment in Move, Inc., with News Corp, the parent of REA Group majority shareholder News Corp Australia, holding the remaining 80%. The Group's investment in Move, Inc. continues to provide exposure and insights from the United States, the largest residential real estate market in the world.

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

Move, Inc. reported revenue decreased 2% to US$473 million[18]. Increased real estate revenues were generated from the referral model and the Local Expert and Market Reach products. This was offset by lower lead generation product revenues resulting from the transition of leads to the referral model, as well as the impacts of COVID-19.

Despite the above, realtor.com® continues to grow its audience position, with average monthly unique users of realtor.com®'s web and mobile sites for the fiscal fourth quarter growing 11% YoY to 80 million[19].

The Group's share of Move, Inc. for the year resulted in a $7.2 million loss from core operations, a decrease of $1.2 million on the prior year due to a reduction in operating costs despite increased investment in Opcity.

State of affairs

In the Directors' opinion, other than the investments and divestments 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

As at the date of this report, the Directors are not aware of any matter or circumstance that has arisen since 30 June 2020 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 26.

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.

[18] NewsCorp's Form 10-K stated in US Dollars for the twelve-month period ended 30 June 2020.

[19] NewsCorp's Earnings Release stated in US Dollars (6 August 2020) for the twelve-month period ended 30 June 2020: Average monthly unique users for Q4 FY 2020 and compared to the same period Q4 FY 2019.

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 choice of a digital loan application or to be connected to a Smartline mortgage broker.

The Group recognises the value mortgage brokers bring to people looking to finance their next property. Through its ownership of Smartline, and following the consolidation of realestate.com.au Home Loans mortgage brokers into this brand, the Group now has almost 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. There were 1.8 million active REA members at the end of the year, increasing 11% on the prior year[20]. The number of tracked properties increased to 1.9 million[21].

And for customers, it's about giving them deep insight into market trends and consumer behaviour to support their business growth.

Corporate Sustainability Statement

REA Group's commitment to responsible and sustainable business practices underpins everything we do. In November 2019, REA Group published its first Sustainability Report which is available on the website at www.rea-group.com/investor-centre.

REA Group's Sustainability Report, which will be published annually alongside the Group's Annual Report, details business activity and commitments across the areas of Environment, Social and Governance ('ESG').

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 the opportunity to share the ESG activity and associated commitments as a way to continually improve overall sustainability performance and play a role in creating positive change.

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;
- Making a positive impact on the community; and
- Reducing our impact on the environment.

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 fourth edition of the ASX Principles and Recommendations and is available on the website at www.rea-

[20] REA internal data as at Jun 20 and compared to Jun 19.

[21] REA internal data as at Jun 20.

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.

Despite market conditions, REA 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, keeping abreast of regulatory change through dedicated committees, 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.

Sustainability

REA's Sustainability program is centred around three pillars, including: community investment; community programs; and environment.

REA's community investment is focused on the issue of homelessness. In FY20 REA Group extended its multi-year charity partnerships with Launch Housing, Orange Sky Australia and The Big Issue through to 30 June 2021.

The partnerships provide a combination of financial and in-kind support. Employees and visitors to our Melbourne office are also provided with the opportunity to donate to REA's charity partners and employee-nominated causes of the month through the company's internal Community Café.

The community programs (internally 'Because We Care') provide employees with the opportunity to give back to causes important to them. In Australia, these programs include Matched Payroll Giving, a Volunteer Bank, Employee Community Grants program and Hack it Forward Award at each of the company's REAio Hack Days. In Asia, these programs include Matched Giving and a Volunteer Program, supported by a network of Community Champions in each country.

The environment component of REA's sustainability program saw a new program of work undertaken in FY20 to reduce the company's impact on the environment. REA Group's FY20 Sustainability Report will be published alongside REA Group's FY20 Annual Report and available on the company's corporate website in October 2020.

Key initiatives from REA's sustainability program this year included:

- Continued financial and in-kind support of Launch Housing, including funding of the National Rapid Rehousing Fund, supporting women and children at risk of homelessness from family violence (since February 2015). This program has provided financial assistance to 4,144 women and children since it began. Free advertising and listings are also provided to Launch Housing's social enterprise real estate agency, HomeGround Real Estate.
- Continued financial and in-kind support of Orange Sky Australia, including supporting the operating costs for mobile washing and shower services across Australia, and connecting volunteers with vulnerable and disadvantaged community members since 2017.
- Continued financial and in-kind support of The Big Issue Australia, including support of the Women's Subscription Enterprise, which employs vulnerable and disadvantaged women to pack copies of The Big Issue for subscribers. REA Group has also subscribed to 100 copies a fortnight since 2014.
- Continued support of the International Committee of the Red Cross – REA Group Asia has provided financial assistance to the ICRC since 2017, which supports humanitarian work throughout Asia and the Pacific.

- REA Group Asia made financial donations to Mercy Malaysia, Hong Kong Red Cross and UNICEF Thailand to support the charities' local community COVID-19 response efforts.
- 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.
- REA Group commenced a new program of work to understand the company's carbon footprint. This work was undertaken with a view to developing science-based carbon reduction targets and a carbon offset strategy, which will be communicated as part of REA Group's Climate Change Policy in FY21.
- REA continues not to charge Australian real estate agencies which have been endorsed as Deductible Gift Recipients, for subscriptions.
- Through realestate.com.au's Advantage Program, REA provided almost 100 individual community grants to its Australian residential customers helping them improve their local communities.
- REA Group also supported customers impacted by the devastating bushfires around Australia during the financial year. This support included the offer of refunds on paid advertising campaigns where properties were no longer on the market due to fire damage, free short-term subscriptions for customers whose businesses had been severely impacted by the bushfire crisis, and Flatmates was used to connect people who were left homeless by the disaster with accommodation.
- In response to COVID-19, REA Group supported customers by launching Digital Inspections to support real estate agents to connect with more consumers while adhering to physical distancing restrictions. This enabled agents to use videos to showcase listings to potential buyers and renters. In addition, realestate.com.au launched Online Auctions enabling real estate agents to promote their vendors' upcoming online auctions and link through to an online auction technology platform.

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 Directors 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 2020 financial year are listed on pages 4 to 6 of this report.

Company Secretary's qualifications and experience

Sarah Turner held the position of REA Group's General Counsel and Company Secretary from September 2015 to May 2020. 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. Erin Thorne was appointed Acting Company Secretary from May 2020. Ms Thorne has extensive governance and finance expertise gained at senior levels across corporate and government. Ms Thorne holds a Bachelor of Business (Accounting), Graduate Diploma in Chartered Accounting and Graduate Diploma of Applied Corporate Governance. She is a member of the Institute of Chartered Accountants Australia & New Zealand, 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 Ltd, except liabilities to REA Group Ltd 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 Ltd is obliged to maintain an insurance policy in favour of non-executive Directors for liabilities they incur as Directors of REA Group Ltd 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 Ltd 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 end of 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:

Consolidated REA Group	**2020 $**	2019 $
Category 2 fees - assurance services required by legislation to be provided by auditor	-	-
Category 3 fees - other assurance services	**7,800**	22,297
Category 4 fees - other services	**351,715**	371,596
Total remuneration for non-audit services	**359,515**	393,893

Further details on the fee categories and compensation paid to Ernst & Young are provided in Note 24 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 19.

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Building a better working world

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 2020, 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

Ernst & Young

David McGregor
Partner
7 August 2020

Dear Shareholder,

On behalf of the Board, I am pleased to present our Remuneration Report for the financial year ended 30 June 2020.

Response to COVID-19: Remuneration decision making

FY20 has been a year like no other. The Board has made remuneration decisions which we feel are proportionate given the market conditions and the impact that these conditions have had, and are likely to have, on REA Group, our shareholders, our employees, and our customers.

Context to decision making

The COVID pandemic has caused challenging market conditions for REA Group but we have not been catastrophically impacted and have not needed to access Government assistance. No employees have been stood down or asked to reduce their pay. However, unfortunately a very small number of employees have had their positions made redundant where the work was significantly impacted due to COVID.

While our customers have no doubt been impacted by the change in market conditions, the downturn has not been as significant as some market commentators had predicted and there have not been any large business failings in the real estate industry. REA Group quickly implemented comprehensive customer support measures. These measures were designed to help stimulate the market, protect our customers' businesses and ultimately support the continuation of a well-functioning property sector.

From a shareholder perspective, REA Group suffered a dramatic drop in share-price along with the ASX-100 in mid to late March. This has rapidly recovered and at the time of writing, is back close to pre-COVID levels. We will however take this into account when determining the number of performance rights allocated to executives under relevant grants.

As detailed in our financial statements, REA Group is in a strong financial position and has access to cash and debt facilities as required. Prior to COVID, REA Group's annual performance was tracking slightly below target.

The Board is of the opinion that the executive team, and indeed our wider employee group, have performed exceptionally well under very challenging conditions. The speed in which they reprioritised and responded to support the market and our customers has been outstanding. This, along with the factors detailed above, have been factored into the Board's decision making in FY20.

FY20 remuneration decisions

Given the continuing uncertainty in the economy and community expectations on executive remuneration, the Board has decided that it is not appropriate to conduct salary reviews at this time. We reserve the right to review this decision later in the year once we have had more time to observe the impact of COVID on the economy and the real estate market.

Despite very strong shareholder returns over the three-year performance period, the FY20 long-term incentive plan missed revenue and EPS CAGR thresholds and will not pay out. The Board did not believe it was appropriate to apply any discretion in relation to this plan.

Taking into account the value of customer support measures (in deferred revenue and in part, forgone revenue), REA Group managed to hit threshold on the company component of the short-term incentive plan. The Board felt that it was appropriate for this plan to pay out at threshold given the other decisions that have been made relative to the impact of COVID on the business. As detailed in this report, a portion of Ms Janelle Hopkin's short-term incentive was deferred into restricted shares.

Changes to remuneration arrangements for FY21 and beyond

The COVID pandemic is ongoing and the future impact on the economy, the real estate market and REA Group remains unknown. The Board is therefore delaying any remuneration decisions as they relate to FY21 and beyond and cannot confirm any changes in this remuneration report.

Notwithstanding this, I can confirm that the Board is actively reviewing remuneration arrangements for FY21 and the longer-term. Target setting for FY23 in this current environment is challenging. The Board will consider the mechanisms available to deal with this volatility.

As always, we welcome shareholder feedback on this report.

Yours sincerely,

Mrs Kathleen Conlon

Chair Human Resources Committee

Remuneration Report

This report details REA Group's remuneration framework and outcomes for Key Management Personnel 'KMP' for the financial year ended 30 June 2020. 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 2020 outlines the remuneration arrangements in place for the KMP of REA Group Ltd 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 2020 financial year and unless otherwise indicated were classified as KMP for the entire year.

Executive Directors	
Owen Wilson	Chief Executive Officer

Senior Executives	
Janelle Hopkins	Chief Financial Officer

Non-Executive Directors	
Hamish McLennan	Chairman
Roger Amos	Independent Director
Kathleen Conlon	Independent Director
Nick Dowling	Independent Director
Tracey Fellows	Director
Richard J Freudenstein	Director
Michael Miller	Director

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.

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.

No independent advice or data was sought from external consultants during FY20.

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:

Remuneration Guiding Principles			
Shareholder aligned	Rewards for high performance	Consistency & transparency	Simplicity

3.1 Remuneration structure

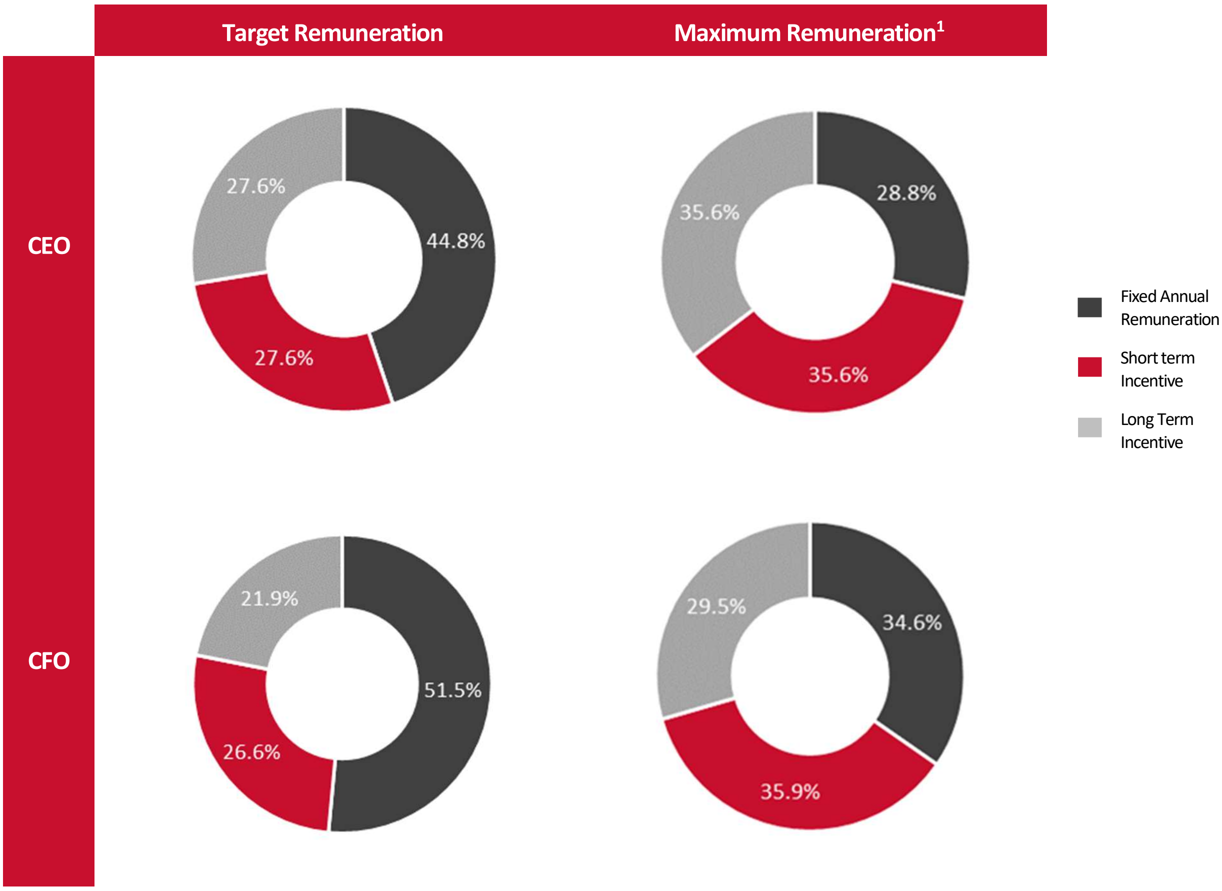
Executive total remuneration is made up of the following three components:

Component	What is it?	How does it link to strategy & performance?
Fixed Annual Remuneration ('FAR')	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.	• Provides competitive ongoing remuneration in recognition of day-to-day accountabilities.
Short Term Incentive ('STI')	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.	• Rewards delivery of key strategic and financial objectives in line with the annual business plan. • Enables differentiation of reward on the basis of individual performance. • Ensures annual remuneration is competitive.
Long Term Incentive ('LTI')	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.	• Rewards delivery against longer-term strategy and sustained shareholder value creation. • Provides greater alignment between shareholder and executive outcomes.

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.



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 2020 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

Summary of Group performance

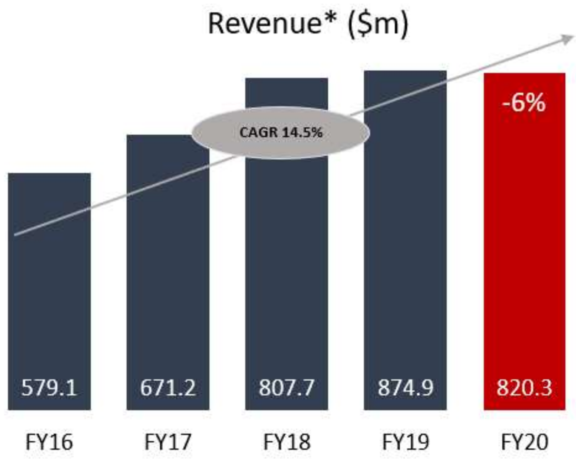
The table below summarises key indicators of the Group's performance and the effect on shareholder value over the past five years.

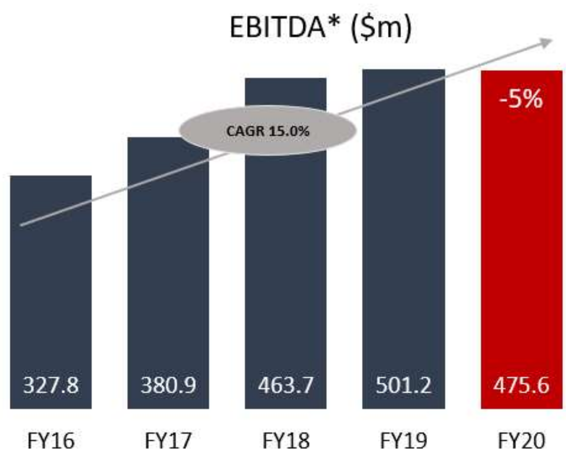
Key Indicators	2016	2017	2018	2019	**2020**
Revenue*	579,059	671,206	807,678	874,949	**820,269**
EBITDA*	327,828	380,906	463,706	501,204	**475,603**
Net profit after tax*	204,251	228,298	279,946	295,495	**268,865**
Earnings per share*	155.1c	173.3c	212.5c	224.3c	**204.1c**
Dividends per share	81.5c	91.0c	109.0c	118.0c	**110.0c**
Share Price 30 June	$59.49	$66.40	$90.87	$96.04	**$107.88**

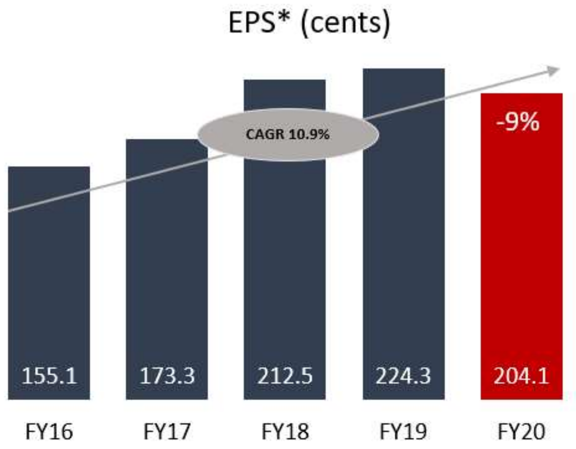
* From core operations $'000. Information for FY 2016 is restated to exclude discontinued operations.

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 earnings per share (EPS) compound annual growth rates (CAGR). 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 2020 financial year:

Category	Objective	Outcome
Financial	Group revenue targets Group EBITDA targets	86% of target* 85% of target*
Consumer and customer satisfaction	Increase key consumer metrics including customer satisfaction and loyalty metrics Adoption of product – impact on volume and revenue	Exceeded Met
Growth	Data Services Financial Services Asia	Below target Met Met
People	Employee engagement	Met

* Outcome adjusted for the impact of COVID-19 customer support measures. The Board applied its discretion to allow reasonable adjustments related to the customer support measures across the financial metrics, resulting in a payout of 50% of target on the Company component.

The following table sets out LTI Plan performance outcomes for the three-year performance period ended 30 June 2020:

Performance measure	Outcome	% of Target LTI payable
Revenue CAGR	6.9%	0%
EPS CAGR	3.4%	0%

4.3 KMP remuneration outcomes

The following table sets out the STI outcomes for the 2020 financial year based on achievement of financial and non-financial objectives:

Executives	Actual STI payment	% of Target STI payable
CEO	$640,000	80.0%
CFO	$450,000	100.0%**

**77.8% paid in cash and 22.2% deferred in restricted shares

The following table sets out details of performance rights held by and granted to Mr Wilson and Ms Hopkins during the 2020 financial year under the LTI Plans along with the number of performance rights forfeited.

Name	Balance at 1 July 2019	Granted during year	Vested during year[1]	Forfeited during year[2]	Balance at 30 June 2020[3]	$ value of rights at grant date
O Wilson						
LTI Plan 2019 (Plan 10)	5,133	-	(2,053)	(3,080)	-	299,974
LTI Plan 2020 (Plan 11)[4]	6,063	-	-	(6,063)	-	412,904
LTI Plan 2021 (Plan 12)[5]	7,335	-	-	-	7,335[6]	638,240
LTI Plan 2022 (Plan 13)	-	8,342	-	-	8,342	800,000
Total	**18,531**	**8,342**	**(2,053)**	**(9,143)**	**15,677**	**2,151,118**
J Hopkins						
LTI Plan 2022 (Plan 13)	-	3,858	-	-	3,858	370,000
Total	-	**3,858**	**-**	**-**	**3,858**	**370,000**

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 underperformance compared to company targets.
3 The balance of performance rights at 30 June 2020 are unvested.
4 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.
5 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.
6 Based on current expectations, there is an increased probability that Plan 12 will not vest.

The table below sets 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[1]	Value per performance right at grant date[2]	Revenue target % achieved	EPS target % achieved	% vested
LTI Plan 2019 (Plan 10)	1 July 2016	1 July 2019	$55.82	91.8%	96.2%	86.3%[3]
LTI Plan 2020 (Plan 11)	1 July 2017	1 July 2020	$62.57	0%	0%	0%
LTI Plan 2020 (Plan 11)	1 January 2018	1 July 2020	$76.31	0%	0%	0%
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	$69.05	To be determined		-
LTI Plan 2022 (Plan 13)	1 July 2019	1 July 2022	$97.55	To be determined		-
LTI Plan 2022 (Plan 13)	13 January 2020	1 July 2022	$107.30	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 prior year financial statements.

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^{th} percentile and target total remuneration to a position between the 50^{th} and 75^{th} percentiles in the market. This aligns with the Group's 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.

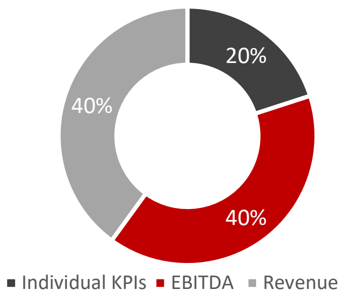
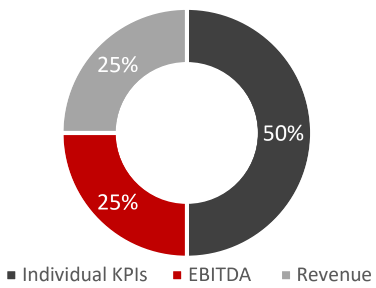
This methodology provides the Group with a balanced approach factoring in both company size and general ASX market practice into remuneration decision making. Full details of remuneration received during the 2020 financial year are detailed in section 5.5.

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).

5.2 Short term incentive arrangements

The following table summarises the key components, operation and outcomes of the Group's 2020 STI 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	
KMP participants	CEO and CFO	
Award type	Cash	
Performance period	One-year performance period beginning 1 July 2019 and ended on 30 June 2020	
When are performance conditions tested?	• Performance against financial measures are determined in line with approval of the Financial Statements at the end of the financial year. • 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.	
	CEO	**CFO**
Performance metrics and weightings		
Target[1]	$800,000	$450,000
Maximum[2]	$1,600,000	$900,000
Relationship between performance and payment	**Financial measures – level of performance** Below Threshold (i.e. ≤ 85% of Target) 85% of Target Target 120% of Target (i.e. ≥ 120% of Target)	**% of Target incentive awarded*** 0% 50% 100% 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.	
Calculation of outcome	Revenue outcome + EBITDA outcome + Individual outcome = STIP outcome	

1 Amount that would be paid for delivering on-target performance.
2 Amount that would be paid for delivering stretch performance.

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 LTI plan:

	Long term Incentive Summary
KMP participants	CEO and CFO
Award type	Performance rights
Performance period	The performance rights allocated during the year are subject to a three-year performance period beginning 1 July 2019 and ending on 30 June 2022. The Group refers to this grant as the "LTI Plan 2022" as the performance period ends in FY22.
Performance metrics	**Metric** – **Weighting** CAGR – Revenue – 50% CAGR – EPS – 50%
When are performance conditions tested?	Incentive payments are determined in line with the approval of the Financial Statements at the end of the performance period.
How is the LTI grant determined?	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 volume-weighted average price (VWAP) prior to the beginning of the performance period. Each performance right is a right to acquire one share in REA upon vesting.
Target LTI value	**CEO**: $800,000 delivered in performance rights **CFO**: $370,000 delivered in performance rights
Relationship between performance and vesting	The following vesting schedule applies to the performance hurdles for the LTI Plan 2022 granted this year. The LTI Plan 2020 that was performance tested at the end of this financial year had vesting of 80% at threshold performance. **Performance level** – **% of awards vesting*** Below Threshold – 0% vesting Threshold – 60% vesting Target – 100% vesting Stretch** – 200% vesting *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.
Calculation of 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.

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	• 9 months for the CEO and 6 months for the CFO (or payment in lieu) • Immediate termination for misconduct, breach of contract or bankruptcy • Statutory entitlements only for termination with cause • 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 • Eligible to participate in STI for period served prior to termination

5.5 Executive remuneration table

Details of the remuneration paid to KMP for the 2020 and 2019 financial years are set out as follows:

KMP	Short term employee benefits			Post-employment benefits	Long term employee benefits	LTI Plan[3]	Total	Performance related %	LTIP %
	Salary	STI Plan[1]	Other[2]						
O Wilson[4]									
2020	**1,278,997**	**640,000**	**-**	**21,014**	**33,021**	**(190,060)[7]**	**1,782,972**	**25%**	**0%**
2019	1,008,073	658,782	-	20,531	27,513	259,290	1,974,189	47%	13%
J Hopkins[5]									
2020	**848,997**	**350,000**	**150,000**	**21,014**	**2,679**	**225,449[8]**	**1,598,139**	**36%**	**14%**
2019	70,769	-	-	5,133	147	-	76,049	0%	0%
T Fellows[6]									
2019	898,464	-	34,698	15,399	(43,459)	(658,889)	246,213	0%	0%
Total									
2020	**2,127,994**	**990,000**	**150,000**	**42,028**	**35,700**	**35,389**	**3,381,111**	**30%**	**1%**
2019	1,977,306	658,782	34,698	41,063	(15,799)	(399,599)	2,296,451	47%[9]	13%[9]

1 STI Plan represents accrued payment for current year net of under/over accrual from prior year.
2 Other represents recognition of J Hopkins' incentives forfeited as a sign-on bonus and T Fellows' accrued annual leave paid out on termination.
3 LTI Plan represents accrued expenses amortised over vesting period of grant.
4 O Wilson was employed as the CFO from the period 1 July 2018 through to 6 January 2019, and then appointed CEO on 7 January 2019, effective from 25 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 Includes the probability of LTI Plan 11 and 12 not vesting.
8 LTI Plan includes $100,000 of restricted shares for J Hopkins awarded in the FY20 STI.
9 Total performance related percentage and LTIP percentage relates to the amounts for O Wilson and J Hopkins only, as T Fellows resigned during the prior year, forfeiting her participation in the STI and LTI plans.

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 2020 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). The last increases to Chairman and non-executive Director fees were effective 1 July 2018.

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	**2020**	**495,000**	**180,000**
	2019	495,000	180,000
Audit, Risk & Compliance Committee	**2020**	**40,000**	**21,000**
	2019	40,000	21,000
Human Resources Committee	**2020**	**37,000**	**20,000**
	2019	37,000	20,000

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)	**2020**	**473,998**	**21,014**	**495,012**
	2019	474,469	20,531	495,000
R Amos	**2020**	**219,179**	**20,831**	**240,010**
	2019	219,469	20,531	240,000
K Conlon	**2020**	**217,352**	**20,654**	**238,006**
	2019	217,469	20,531	238,000
R Freudenstein	**2020**	**201,826**	**19,174**	**221,000**
	2019	201,827	19,173	221,000
N Dowling	**2020**	**182,648**	**17,352**	**200,000**
	2019	182,648	17,352	200,000
Total	**2020**	**1,295,003**	**99,025**	**1,394,028**
	2019	1,295,882	98,118	1,394,000

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[1]:

	Balance at 1 July 2019	Received on settlement of performance rights	Purchase / (Sale) of shares	Balance at 30 June 2020[2]
Executives				
O Wilson	12,629	2,053	(1,000)	**13,682**
Non-executive directors				
H McLennan	1,095	-	-	**1,095**
R Amos	2,481	-	-	**2,481**
K Conlon	2,248	-	-	**2,248**
N Dowling	-	-	433	**433**
T Fellows	16,486	-	(9,100)	**7,386**
R Freudenstein	1,470	-	-	**1,470**

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

Melbourne
7 August 2020

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Consolidated Income Statement
for the year ended 30 June 2020

	Notes	2020 $'000	2019 $'000
Revenue from property and online advertising	3	**794,562**	847,926
Revenue from financial services	3	**87,295**	93,465
Expense from franchisee commissions	3	**(61,588)**	(66,442)
Revenue from financial services after franchisee commissions		**25,707**	27,023
Total operating income	3	**820,269**	874,949
Employee benefits expenses	17	**(190,199)**	(185,778)
Consultant and contractor expenses		**(7,842)**	(9,768)
Marketing related expenses		**(64,964)**	(75,048)
Technology and other expenses		**(36,674)**	(33,179)
Operations and administration expense		**(38,734)**	(55,858)
Impairment expense	4	**(148,569)**	(188,943)
Share of losses of associates and joint ventures		**(15,411)**	(14,231)
Earnings before interest, tax, depreciation and amortisation (EBITDA)		**317,876**	312,144
Depreciation and amortisation expense	4	**(78,620)**	(59,573)
Profit before interest and tax (EBIT)		**239,256**	252,571
Net finance expense	4	**(5,562)**	(7,617)
Profit before income tax		**233,694**	244,954
Income tax expense	7	**(121,109)**	(139,676)
Profit for the year		**112,585**	105,278
Profit for the year is attributable to:			
Non-controlling interest		**212**	281
Owners of the parent		**112,373**	104,997
		112,585	105,278
Earnings per share attributable to the ordinary equity holders of REA Group Ltd			
Basic earnings per share	5	**85.3**	79.7
Diluted earnings per share	5	**85.3**	79.7

The above Consolidated Income Statement should be read in conjunction with the accompanying notes. Comparatives have not been restated following the adoption of AASB 16 from 1 July 2019. Refer to section (iii) in the Basis of Preparation for further details on the impact on transition.

Consolidated Statement of Comprehensive Income

for the year ended 30 June 2020

	2020 $'000	2019 $'000
Profit for the year	**112,585**	105,278
Other comprehensive income		
Items that may be reclassified subsequently to the Consolidated Income Statement		
Exchange differences on translation of foreign operations, net of tax	**(1,291)**	17,391
Other comprehensive income for the year, net of tax	**(1,291)**	17,391
Total comprehensive income for the year	**111,294**	122,669
Total comprehensive income for the year is attributable to:		
Non-controlling interest	**212**	281
Owners of the parent	**111,082**	122,388
	111,294	122,669

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

Consolidated Statement of Financial Position

as at 30 June 2020

	Notes	**2020 $'000**	2019 $'000
ASSETS			
Current assets			
Cash and cash equivalents	8	**222,845**	137,897
Trade and other receivables	14	**99,391**	118,111
Contract assets	14	**5,552**	2,848
Commission contract assets	11	**45,356**	48,105
Total current assets		**373,144**	306,961
Non-current assets			
Property, plant and equipment[1]	22	**101,577**	17,148
Intangible assets	6	**650,365**	783,087
Deferred tax assets	7	**11,086**	13,495
Other non-current assets	14	**1,585**	811
Investment in associates and joint ventures	20	**304,910**	326,132
Commission contract assets	11	**147,856**	134,097
Total non-current assets		**1,217,379**	1,274,770
Total assets		**1,590,523**	1,581,731
LIABILITIES			
Current liabilities			
Trade and other payables	15	**78,478**	74,479
Current tax liabilities		**58,600**	28,039
Provisions		**7,870**	13,665
Contract liabilities		**60,755**	51,129
Interest bearing loans and borrowings[1]	9	**76,470**	240,083
Commission liabilities	11	**35,603**	37,535
Total current liabilities		**317,776**	444,930
Non-current liabilities			
Contract liabilities		**739**	2,846
Deferred tax liabilities	7	**36,335**	47,305
Provisions		**4,605**	6,770
Interest bearing loans and borrowings[1]	9	**250,682**	70,023
Commission liabilities	11	**115,893**	104,422
Total non-current liabilities		**408,254**	231,366
Total liabilities		**726,030**	676,296
Net assets		**864,493**	905,435
EQUITY			
Contributed equity	13	**92,050**	89,544
Reserves	13	**67,805**	68,120
Retained earnings		**704,262**	747,312
Parent interest			904,976
Non-controlling interest		**376**	459
Total equity			905,435

[1] Property, plant and equipment and interest bearing loans and borrowings includes, for the first time, right-of-use assets and lease liabilities, recognised on adoption of AASB 16. Refer to section (iii) in the Basis of Preparation for further details on the impact on transition.

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 2020

	Note	Contributed equity $'000	Reserves $'000	Retained earnings $'000	Parent interest $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 July 2019		**89,544**	**68,120**	**747,312**	**904,976**	**459**	**905,435**
Profit for the year		**-**	**-**	**112,373**		**212**	**112,585**
Other comprehensive income	13	**-**	**(1,291)**	**-**		**-**	**(1,291)**
Total comprehensive income for the year		**-**	**(1,291)**	**112,373**	**111,082**	**212**	**111,294**
Transactions with owners in their capacity as owners							
Share-based payment expense	17	**-**	**4,931**	**-**		**-**	**4,931**
Acquisition of treasury shares	13	**(344)**	**-**	**-**		**-**	**(344)**
Settlement of vested performance rights	13	**2,850**	**(3,955)**	**-**	**(1,105)**	**-**	**(1,105)**
Dividends paid	12	**-**	**-**	**(155,423)**		**(295)**	**(155,718)**
Balance at 30 June 2020		**92,050**	**67,805**	**704,262**		**376**	**864,493**

	Note	Contributed equity $'000	Reserves $'000	Retained earnings $'000	Parent interest $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 July 2018		91,325	52,517	796,421	940,263	506	940,769
Profit for the year		-	-	104,997	104,997	281	105,278
Other comprehensive income	13	-	17,391	-	17,391	-	17,391
Total comprehensive income for the year		-	17,391	104,997	122,388	281	122,669
Transactions with owners in their capacity as owners							
Share-based payment expense	17	-	2,213	-	2,213	-	2,213
Acquisition of treasury shares	13	(587)	-	-	(587)	-	(587)
Settlement of vested performance rights	13	(1,194)	(4,001)	-	(5,195)	-	(5,195)
Dividends paid	12	-	-	(154,106)	(154,106)	(328)	(154,434)
Balance at 30 June 2019		89,544	68,120	747,312	904,976	459	905,435

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 2020

	Notes	**2020 $'000**	2019 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		**924,746**	956,717
Payments to suppliers and employees (inclusive of GST)		**(401,743)**	(440,421)
		523,003	516,296
Interest received		**2,785**	1,782
Interest paid		**(7,057)**	(10,907)
Income taxes paid		**(98,178)**	(136,907)
Share-based payment on settlement of incentive plans		**(1,407)**	(6,210)
Net cash inflow from operating activities	8	**419,146**	364,054
Cash flows from investing activities			
(Payment)/receipt for acquisition of subsidiary, net of cash acquired		**(16,519)**	3,234
Payment for investment in associates and joint ventures		**(11,300)**	(9)
Payment for plant and equipment	22	**(10,830)**	(4,014)
Payment for intangible assets	6	**(62,523)**	(63,947)
Net cash outflow from investing activities		**(101,172)**	(64,736)
Cash flows from financing activities			
Dividends paid to company's shareholders	12	**(155,423)**	(154,106)
Dividends paid to non-controlling interests in subsidiaries		**(782)**	(328)
Payment for acquisition of treasury shares	13	**(344)**	(587)
Proceeds from borrowings		**169,116**	-
Repayment of borrowings and leases	9	**(246,084)**	(122,676)
Net cash outflow from financing activities		**(233,517)**	(277,697)
Net (decrease)/increase in cash and cash equivalents		**84,457**	21,621
Cash and cash equivalents at the beginning of the year		**137,897**	115,841
Effects of exchange rate changes on cash and cash equivalents		**491**	435
Cash and cash equivalents at end of the year	8	**222,845**	137,897

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes. Comparatives have not been restated following the adoption of AASB 16 from 1 July 2019. Refer to section (iii) in the Basis of Preparation for further details on the impact on transition.

Notes to the Consolidated Financial Statements

Basis of preparation

- REA Group Ltd 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 contingent consideration.
- The preparation of the Financial Statements requires the use of certain critical accounting estimates. It also requires the exercise of judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement 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

A number of new or amended accounting standards and interpretations are effective for the Group from 1 July 2019. However, aside from those described below, these are not considered relevant to the activities of the Group nor are they expected to have a material impact on the Financial Statements of the Group.

AASB 16 *Leases* ('AASB 16')

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

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

(i) Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was, or contained, a lease under Interpretation 4 *Determining Whether an Arrangement contains a Lease* ('Interpretation 4'). The Group now assesses whether a contract is, or contains, a lease based on the new definition of a lease, as explained in Note 10.

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

(ii) Transition impacts as a lessee

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

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

	$'000
Balance at 1 July 2019	71,403
Balance at 30 June 2020	**82,445**

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

Previously, the Group classified office leases as operating leases under AASB 117. The leases typically run for a period of 2 to 7 years and may include extension options which provide operational flexibility. Some leases provide for additional rent payments that are based on changes in local price indices. At transition, for leases classified as operating leases under AASB 117, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 July 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

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

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

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

(iii) Financial Statement impacts on transition

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

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

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

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

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

The Group applied for the first time Interpretation 23 from 1 July 2019. Interpretation 23 outlines how the recognition and measurement requirements of AASB 112 *Income Taxes* are applied where there is uncertainty over income tax treatments. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the relevant tax authority. Based on an assessment of the Group's current and historical transactions through to 30 June 2020, there are no material uncertain tax treatments under Interpretation 23.

1. Corporate information

REA Group Ltd (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 2020 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 and other property-related 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 operating income and results by operating segments for the years ended 30 June 2020 and 30 June 2019.

2020	Australia		Asia	North America	Corporate	Total
	Property & Online Advertising	Financial Services				
	$'000	$'000	$'000	$'000	$'000	$'000
Segment operating income[1]						
Total segment operating income[1]	**747,467**	**25,707**	**48,795**	**-**	**-**	**821,969**
Inter-segment operating income[1]	**(767)**	**-**	**(933)**	**-**	**-**	**(1,700)**
Operating income[1]	**746,700**	**25,707**	**47,862**	**-**	**-**	**820,269**
Results						
Segment EBITDA from core operations (excluding share of losses of associates and joint ventures)	**495,545**	**10,046**	**8,880**	**-**	**(22,398)**	**492,073**
Share of losses of associates and joint ventures	**(154)**	**(182)**	**(8,911)**	**(7,223)**	**1,059**	**(15,411)**
(Gain)/loss on acquisitions and disposals	**-**	**-**	**-**	**-**	**(1,059)**	**(1,059)**
Segment EBITDA from core operations	**495,391**	**9,864**	**(31)**	**(7,223)**	**(22,398)**	**475,603**
Impairment charges	**-**	**-**	**-**	**-**	**(148,569)**	**(148,569)**
Restructure costs	**-**	**-**	**-**	**-**	**(8,159)**	**(8,159)**
Revaluation of contingent consideration	**-**	**-**	**-**	**-**	**1**	**1**
Gain/(loss) on acquisitions and disposals	**-**	**-**	**-**	**-**	**(1,000)**	**(1,000)**
EBITDA	**495,391**	**9,864**	**(31)**	**(7,223)**	**(180,125)**	**317,876**
Depreciation and amortisation						**(78,620)**
EBIT						**239,256**
Net finance expense						**(5,562)**
Profit before income tax						**233,694**

1 This represents revenue less commissions for financial services

2019	Australia		Asia	North America	Corporate	Total
	Property & Online Advertising	Financial Services				
	$'000	$'000	$'000	$'000	$'000	$'000
Segment operating income[1]						
Total segment operating income[1]	799,943	27,023	49,423	-	-	876,389
Inter-segment operating income[1]	(636)	-	(804)	-	-	(1,440)
Operating income[1]	799,307	27,023	48,619	-	-	874,948
Results						
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 from 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
Depreciation and amortisation						(59,573)
EBIT						252,571
Net finance expense from core operations						(6,460)
Profit before income tax from core operations						246,111
Net finance expense						(1,157)
Profit before income tax						244,954

1 This represents revenue less commissions for financial services

3. Revenue from contracts with customers and other income

(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.

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**
Property & online advertising	
Subscription services	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.
Listing depth products	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.
Banner advertising	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.
Performance advertising and contracts	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.
Events	Event revenue is recognised over the period of time that the event takes place. Customers are billed monthly in arrears.
Data revenue	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	
Lender commissions	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. 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. 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.

The Group applies the practical expedients in accordance with AASB 15 *Revenue from Contracts with Customers* paragraph 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.

(b) Revenue from contracts with customers reconciliation

	Consolidated for the year ended 30 June 2020			
Total revenue for the Group: *Type of services*	**Property & Online Advertising $'000**	**Financial Services $'000**	**Asia $'000**	**Total $'000**
Revenue from property & online advertising	**746,700**	**-**	**47,862**	**794,562**
Revenue from financial services	**-**	**87,295**	**-**	**87,295**
Total revenue	**746,700**	**87,295**	**47,862**	**881,857**

	Consolidated for the year ended 30 June 2020			
Total revenue for the Group: *Timing of revenue*	**Property & Online Advertising $'000**	**Financial Services $'000**	**Asia $'000**	**Total $'000**
Services transferred at a point in time	**12,229**	**87,295**	**59**	**99,583**
Services transferred over time	**734,471**	**-**	**47,803**	**782,274**
Total revenue	**746,700**	**87,295**	**47,862**	**881,857**

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

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

Reconciliation of operating income:

	2020 $'000	2019 $'000
Total revenue	**881,857**	941,391
Expense from franchisee commissions	**(61,588)**	(66,442)
Total operating income	**820,269**	874,949

(c) Contract liabilities

As of 1 July 2019, contract liabilities amounted to $54.0 million, of which $50.0 million was recognised during the year ended 30 June 2020 (FY19: $50.5 million was recognised during the year ended 30 June 2019 relating to opening contract liabilities of $53.3 million).

4. Expenses

	2020 $'000	2019 $'000
Profit before income tax includes the following specific expenses:		
Finance (income)/expense		
Interest income	**(2,878)**	(2,153)
Interest expense	**7,587**	10,866
Foreign exchange gain - financing	**853**	(2,253)
Discount unwind and finance costs of contingent consideration	**-**	1,157
Total finance expense	**5,562**	7,617
Depreciation of property, plant and equipment	**17,270**	8,760
Amortisation of intangibles	**61,350**	50,813
Total depreciation and amortisation expense	**78,620**	59,573
Advertising placement costs	**9,192**	8,940
Rental expenses	**423**	7,015
Net foreign exchange (gain)/loss	**(2,132)**	222
Impairment of goodwill[1]	**106,761**	173,200
Impairment of investment in associate[2]	**41,808**	15,743

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

2 Refer to Note 20 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.

(a) Earnings per share	**2020** **Cents**	2019 Cents
Basic and diluted earnings per share attributable to the ordinary equity holders of the company	**85.3**	79.7

(b) Reconciliation of earnings used in calculating earnings per share	**2020** **$'000**	2019 $'000
Profit attributable to the ordinary equity holders of the company used in calculating basic and diluted earnings per share	**112,373**	104,997

(c) Weighted average number of shares	**2020** **Shares**	2019 Shares
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share[1]	**131,714,699**	131,714,699

1 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 a 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 services and direct payroll and payroll related costs of employees' time spent on the project. Amortisation is calculated on a straight-line basis over three to five 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. In assessing whether a brand has a finite or indefinite useful life, the Group makes use of information on the long-term strategy of the brand, the level of growth or decline of the markets that the brand operates in, the history of the market and the brand's position within that market. 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. Judgement 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[1] $'000	Customer contracts $'000	Brands[2] $'000	Total $'000
Year ended 30 June 2020					
Opening net book amount	**545,706**	**121,897**	**31,191**	**84,293**	**783,087**
Additions - internally generated	**-**	**62,523**	**-**	**-**	**62,523**
Other business combinations	**-**	**108**	**-**	**-**	**108**
Disposals (net of amortisation)	**(24,198)**	**(3,313)**	**-**	**-**	**(27,511)**
Amortisation charge	**-**	**(57,584)**	**(3,599)**	**(167)**	**(61,350)**
Impairment charge	**(106,761)**	**-**	**-**	**-**	**(106,761)**
Exchange differences	**-**	**269**	**-**	**-**	**269**
Closing net book amount	**414,747**	**123,900**	**27,592**	**84,126**	**650,365**
As at 30 June 2020					
Cost	**877,545**	**384,485**	**45,353**	**97,274**	**1,404,657**
Accumulated amortisation and impairment	**(462,798)**	**(260,585)**	**(17,761)**	**(13,148)**	**(754,292)**
Closing net book amount	**414,747**	**123,900**	**27,592**	**84,126**	**650,365**
Year ended 30 June 2019					
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
Closing net book amount	545,706	121,897	31,191	84,293	783,087
As at 30 June 2019					
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)
Closing net book amount	545,706	121,897	31,191	84,293	783,087

[1] Software includes capitalised development costs, being an internally generated intangible asset.
[2] Brands includes indefinite life intangible assets allocated to the Asia CGU of $73.9 million (FY19: $73.9 million) and the Financial Services CGU of $3.9 million (FY19: $3.9 million).

(a) Impairment tests for goodwill and indefinite life intangibles

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	
	2020	2019	**2020**	2019	**2020**	2019
Asia	**11.1% - 17.6%**	9.7% - 18.1%	**2.3% - 4.3%**	3.1% - 6.9%	**222,881**	346,504
Australia – Financial Services	**13.9%**	14.6%	**3.0%**	2.6%	**29,124**	36,460
Australia – Property & Online Advertising	**12.6%**	12.7%	**3.0%**	2.6%	**162,742**	162,742
Total					**414,747**	545,706

The recoverable amounts have been determined based on a value-in-use calculation using cash flow projections based on financial forecasts approved by the Board. The cashflow projections reflect the best estimate of current and expected market conditions including the impact of COVID-19 on the businesses. In the prior year, the recoverable amount of the Australia – Financial Services unit was determined based on a fair value less costs of disposal calculation. For Australia – Property and Online Advertising, these cash flow projections cover a five-year period. For Australia – Financial Services and Asia, these cash flow projections cover a seven-year period and a ten-year period respectively, to appropriately reflect the current economic conditions and the growth profile of the respective businesses. Cash flows beyond the final year of cash flows are extrapolated using a terminal growth rate.

(b) Result of impairment testing

At 30 June 2020, the Group has recorded an impairment charge of $106.7 million (2019: $173.2 million).

The Asia CGU experienced adverse market conditions during the year including significant disruption in Hong Kong, coupled with the negative impact of COVID-19 on the digital and events business across the region. The force of these macroeconomic events, combined with the uncertain timing of a recovery, has reduced the current valuation of these businesses. As a result, the Group's result includes an impairment charge of $99.4 million, recognised against goodwill in relation to the Asia CGU.

In addition, due to the expected near-term impact of COVID-19 on loan settlement growth rates in the Australia Financial Services Segment, the Group's result includes impairment charge of $7.3 million recognised against goodwill.

The impairment charges are recorded in the Consolidated Income Statement and recognised in the Corporate segment for segment reporting purposes.

(c) Key assumptions used for valuation calculations

The calculation of value-in-use 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 and Australia – Financial Services

Following the impairment loss recognised in relation to this CGU, the recoverable amount is equal to the carrying amount. Therefore, any adverse change in certain key assumptions could, in isolation, result in a material impairment.

(ii) 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.

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 liabilities 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 Ltd 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 23.

Adoption of Voluntary Tax Transparency Code
On 3 May 2016, the Australian Treasurer released a Voluntary Tax Transparency Code (the Voluntary Code). The Voluntary Code recommends additional tax information be publicly disclosed to help educate the public about the corporate sector's compliance with Australia's tax laws. REA Group supports the Voluntary Tax Transparency Code as part of our commitment to paying the right amount of tax and complying with all tax laws and signed up to this Voluntary Code for FY2019.

Key estimate and judgement	The Group is subject to income taxes in Australia and jurisdictions where it has foreign operations. Significant judgement 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. The Group is also required to assess if it has any uncertain tax treatments. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the relevant tax authority, and these require additional disclosures.

(a) Income tax expense	**2020 $'000**	2019 $'000
Current tax	**130,286**	145,705
Adjustments for current tax of prior periods	**51**	(1,940)
Deferred tax	**(9,002)**	(5,176)
Adjustments for deferred tax of prior periods	**(226)**	1,087
Total income tax expense reported in the Consolidated Income Statement	**121,109**	139,676

(b) Numerical reconciliation of income tax expense to prima facie tax payable	**2020 $'000**	2019 $'000
Accounting profit before income tax	**233,694**	244,954
Tax at the Australian tax rate of 30% (2019: 30%)	**70,109**	73,486
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Research and development deduction	**(1,967)**	(1,796)
Share of losses of associates and joint ventures	**4,623**	4,269
Prior period adjustments including research and development claim	**(176)**	(854)
Effect of foreign tax rate	**(318)**	23
Tax losses not recognised	**9,946**	6,604
Impairment of goodwill in subsidiaries	**32,028**	51,960
Impairment of investment in associate	**14,843**	4,723
Revaluation of contingent consideration	**-**	120
Tax losses utilised (no deferred tax asset previously booked)	**-**	(1,603)
(Gain)/loss on acquisitions	**618**	-
(Gain)/loss on sale of business	**(2,301)**	-
Tax cost setting adjustments for acquired entities	**(8,044)**	-
Other	**1,748**	2,744
Total income tax expense reported in the Consolidated Income Statement	**121,109**	139,676

(c) Amounts recognised directly into equity	2020 $'000	2019 $'000
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:		
Current tax – credited directly to equity	**(311)**	(1,048)
Net deferred tax – debited/(credited) directly to equity	**21**	280
Total amount recognised directly into equity	**(290)**	(768)

(d) Summary of deferred tax	2020 $'000	2019 $'000
The balances comprise temporary differences attributable to:		
Employee benefits	**2,738**	4,746
Expected credit losses	**1,851**	559
Accruals and other	**6,497**	8,190
Intangible assets	**(34,513)**	(45,505)
Foreign currency revaluation of associate	**(1,822)**	(1,800)
Total temporary differences	**(25,249)**	(33,810)
Deferred tax assets	**11,086**	13,495
Deferred tax liabilities	**(36,335)**	(47,305)
Net deferred tax liabilities	**(25,249)**	(33,810)
Movements:		
Opening balance	**(33,810)**	(36,401)
Credited to the Consolidated Income Statement	**9,228**	4,200
(Debited)/Credited to equity	**(21)**	(280)
Deferred taxes on acquisition of subsidiary	**(646)**	(1,329)
Closing balance	**(25,249)**	(33,810)
Deferred tax assets expected to be recovered within 12 months	**8,693**	11,238
Deferred tax assets expected to be recovered after more than 12 months	**2,393**	2,257
Deferred tax liabilities expected to be payable within 12 months	**-**	-
Deferred tax liabilities expected to be payable after more than 12 months	**(36,335)**	(47,305)
Net deferred tax liabilities	**(25,249)**	(33,810)

(e) Unrecognised temporary differences

The Group has unused tax losses for which no deferred tax asset has been recognised of $43.3 million (2019: $64.8 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. Of the $43.3 million, $41.6 million has no time limit expiry and $1.7m is subject to a time limit of expiry ranging 5 to 7 years from when the loss was incurred.

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.

	2020 $000	2019 $000
Cash at bank and in hand	**222,407**	62,461
Short-term deposits	**438**	75,436
Total cash and short-term deposits	**222,845**	137,897

(a) Cash flow reconciliation	**2020 $'000**	2019 $'000
Profit for the year	**112,585**	105,278
Depreciation and amortisation	**78,620**	59,573
Impairment charges	**148,569**	188,943
Share-based payment expense	**4,931**	2,213
Net exchange differences	**(2,789)**	(2,051)
Acquisition of subsidiary	**3,129**	(3,961)
Divestment of subsidiary	**(1,742)**	-
Share of losses of associates and joint ventures	**15,411**	14,231
Share-based payment on settlement of LTI Plans	**(1,407)**	(6,210)
Contingent consideration revaluation and unwind	**(1)**	398
Other non-cash items	**5,854**	1,396
Change in operating assets and liabilities		
Decrease in trade receivables	**19,177**	2,273
(Increase)/Decrease in other current assets	**(412)**	2,423
Decrease/(Increase) in deferred tax assets	**2,409**	(3,956)
Increase in other non-current assets	**(14,533)**	(7,742)
Increase in trade and other payables	**30,195**	2,122
Increase in contract liabilities	**7,519**	640
(Decrease)/Increase in provisions	**(7,960)**	2,631
(Decrease)/Increase in deferred tax liabilities	**(10,970)**	1,365
Increase in current tax liabilities	**30,561**	4,488
Net cash inflow from operating activities	**419,146**	364,054

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	**2020 $'000**	2019 $'000
Current financial assets/(liabilities) not measured at fair value			
Cash and cash equivalents	8	**222,845**	137,897
Trade and other receivables and contract assets		**104,943**	120,958
Current commission contract assets	11	**45,356**	48,105
Trade and other payables		**(78,478)**	(57,823)
Current commission liabilities	11	**(35,603)**	(37,535)
Interest bearing loans and borrowings		**(76,470)**	(240,083)
Financial guarantees		**(1,844)**	-
Current financial liabilities at fair value through profit or loss			
Contingent consideration	19	**-**	(16,657)
Total current net financial assets		**180,749**	(45,138)
Non-current financial assets/(liabilities) not measured at fair value			
Other non-current assets	14	**1,585**	811
Non-current commission contract assets	11	**147,856**	134,097
Non-current commission liabilities	11	**(115,893)**	(104,422)
Interest bearing loans and borrowings		**(250,682)**	(70,023)
Financial guarantees		**(167)**	-
Total non-current net financial liabilities		**(217,301)**	(39,537)

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, section (g) for measurement details on guarantees, and refer to Note 11 and Note 19 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 trade receivables (Note 14).

Commission contract assets (Note 11) are recognised at expected value under AASB 15 and are subject to impairment.

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 Consolidated Income Statement 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 11 and on trade receivables and other assets in Note 14.

(b) Financial liabilities

Accounting policies

Recognition and measurement

Financial liabilities are classified as subsequently measured at amortised cost, except for:

- Financial liabilities at fair value through profit or loss.
- Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies
- Financial guarantee contracts
- Commitments to provide a loan at a below-market interest rate
- Contingent consideration recognised by an acquirer in a business combination to which AASB 3 applies.

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, commissions payable and financial guarantees.

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 guarantees

After initial recognition, guarantees issued are subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with the expected credit loss (ECL) model under AASB 9 *Financial Instruments*; and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles in AASB 15 *Revenue from Contracts with Customers.*

ECLs are calculated 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 guarantee liabilities is disclosed in this note.

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 Consolidated Income Statement. 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 19.

(c) Borrowings

Facility[1]	**Interest rate**	**Maturity**	**2020 $'000**	2019 $'000
New unsecured syndicated revolving loan[2]				
Sub Facility A	BBSY +0.85% - 2.00%[6]	December 2021	**170,000**	-
Sub Facility B[3]	BBSY +2.00% - 2.75%[6]	December 2021	**-**	-
Original unsecured syndicated revolving loan facility[4]				
Sub facility C[5]	BBSY +1.05% - 1.45%[6]	December 2019	**-**	240,000
Unsecured NAB revolving loan facility	BBSY +0.85% - 2.75%[6]	April 2021	**70,000**	70,000
Unsecured NAB overdraft facility	NAB benchmark rate - 4.22%	On demand	**-**	-

1 The carrying value of the debt approximates fair value.

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

3 Facility was not drawn as at 30 June 2020.

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

5 The facility was repaid on 3 December 2019.

6 Interest rate margin is dependent on the Group's net leverage ratio. As of 30 June 2020, the interest rate margin was between 0.85% and 2.00%, at a weighted average interest rate of 1.89%.

(i) Unsecured syndicated revolving loan facility

On 3 December 2019, the Group entered a syndicated revolving loan facility for $170.0 million for a period of two years, maturing in December 2021. The proceeds were used to repay $240.0 million of the original syndicated revolving facility in addition to existing cash reserves. Transaction costs of $0.5 million, which were incurred to establish the facility, have been capitalised on the Consolidated Statement of Financial Position, of which $0.3 million has not yet been amortised through the Consolidated Income Statement.

On 30 April 2020, the Group amended the new syndicated revolving loan facility to add an additional $148.5 million working capital facility to the agreement (Sub facility B). Transaction costs of $0.4 million, which were incurred to establish the facility, have been capitalised on the Consolidated Statement of Financial Position, of which $0.4 million has not yet been amortised through the Consolidated Income Statement.

As of 30 June 2020, the interest rate margin was between 0.85% and 2.00% (2019: between 0.95% and 1.05%). $3.7 million in interest was paid for the year ended 30 June 2020 (2019: $8.7 million) at a weighted average interest rate of 1.9% (2019: 3.0%). At 30 June 2020, $0.7 million (2019: $0.1 million) of capitalised transaction costs had not yet been amortised through the Consolidated Income Statement.

The loan facility currently 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 2020, the Group was compliant with all 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 (2019: $0.1 million) has not yet been amortised through the Consolidated Income Statement.

As of 30 June 2020, the interest rate margin was 0.85% (2019: 0.85%). $1.2 million in interest was paid for the year ended 30 June 2020 (2019: $1.9 million) at a weighted average interest rate of 1.7% (2019: 2.7%).

Debt covenant requirements for the facility are consistent with those applied to the unsecured syndicated revolving loan facility. As of 30 June 2020, the Group was in compliance with all of the applicable debt covenants.

(iii) Unsecured overdraft facility

On 29 April 2020, the Group arranged an overdraft facility for $20.0 million. As of 30 June 2020, this facility had not been drawn.

(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 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 Chinese Yuan (CNY).	The Group manages foreign currency risk by evaluating its exposure to fluctuations and entering forward foreign currency contracts, where appropriate. The Group also holds foreign currency cash balances in order to fund significant transactions denominated in non-functional currencies.	At the reporting date, cash and cash equivalents included the AUD equivalent of $9.2 million (2019: $11.0 million) in MYR, THB, SGD, HKD, USD and CNY. At reporting date, no forward or foreign currency contracts were in place. The Group's exposure to foreign currency changes for all other currencies is not considered material.	Sensitivity analysis was 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%: Cash and cash equivalents: the impact to the profit and loss would be between ($0.5 million) and $0.5 million.

(e) Market risk – cash flow interest rate

Nature of risk	Risk management	Material arrangements	Exposure
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. As at 30 June 2020, the Group's primary exposure to interest rate risk arises from interest bearing loans and borrowings (excluding lease liabilities) and cash and cash equivalents. Cash and cash equivalents consist primarily of cash and short-term deposits, which are predominately interest bearing accounts.	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. The Group manages interest rate risk by evaluating its exposure to interest rate changes and entering contracts where appropriate.	As at 30 June 2020, the Group held cash and cash equivalents of $222.8 million (2019: $137.9 million), of which $0.4 million (2019: $75.4 million) was held in short-term deposits. As at 30 June 2020, the Group held interest bearing loans and borrowings (excluding lease liabilities) of $240.0 million (2019: $310.0 million) which are exposed to interest rate movements. See further details in section (c) on the Group's borrowing facilities.	Sensitivity analyses were performed to illustrate the impact of movements in interest rates, with all other variables held constant. Borrowings: the weighted average interest rate for the year ended 30 June 2020 was 1.89% (2019: 3.0%). If the interest rate were to increase or decrease by 1%, the impact to the interest expense would be between $0.1 million and ($0.1 million). Cash and cash equivalents: if cash and cash equivalents were to increase or decrease by 1%, based on historic interest rates, the impact to interest income would be between $0.1 million and ($0.1 million).

(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 2020 (2019: nil).

(g) Credit risk

Nature of risk	Risk management	Material arrangements	Exposure
Credit risk can arise from the non-performance by counterparties of their contractual financial obligations towards the Group. 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.	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 an assessment of their financial position, past experience and industry reputation, depending on the amount of credit to be granted. Receivable balances are monitored on an ongoing basis. Refer to Notes 11 and 14 for further details on the expected credit loss policy. 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.	The gross trade receivables balance at 30 June 2020 was $93.5 million (2019: $108.6 million). Refer to Note 14 for an aging analysis of this balance. The total commission contract assets balance at 30 June 2020 was $193.2 million (2019: $182.2 million). Refer to Note 11 for further details on this balance. As at 30 June 2020, the Group held cash and cash equivalents of $222.8 million (2019: $137.9 million) of which $0.4 million (2019: $75.4 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$69.0 million, and the Group's portion of the guarantee is USD$26.1 million, which would become payable by the Group in the event of default by Elara Technologies Pte Ltd. The guarantee is collateralised by an obligation for Elara to remunerate the Group in cash or discounted preference shares should default occur. The fair value of the guarantee reflects this credit enhancement. Based on macroeconomic factors, it has been determined that the credit risk of the guarantee has increased significantly since initial recognition, however due to the collateral in place, no increase in ECL is required at 30 June 2020.	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. Refer to Notes 11 and 14 for details on the provision for expected credit losses as at 30 June 2020.

(h) Liquidity risk

Nature of risk	Risk management	Material arrangements	Exposure
Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations as they fall due. 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.	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. Principally the Group sources liquidity from cash generated from operations and where required external bank facilities.	The gross trade receivables balance at 30 June 2020 was $93.5 million (2019: $108.6 million). Refer to Note 14 for an aging analysis of this balance. As at 30 June 2020, the Group held cash and cash equivalents of $222.8 million (2019: $137.9 million), of which $0.4 million (2019: $75.4 million) was held in short-term deposits. The Group also had access to an undrawn working capital facility of $148.5 million and an undrawn overdraft facility of $20.0 million. See further details in section (i) on the Group's contractual maturities of financial liabilities.	The table below categorises the Group's financial liabilities into their relevant maturity groupings. The amounts included are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

(i) Contractual maturities of financial liabilities

	< 6 months $'000	6-12 months $'000	1-2 years $'000	>2 years $'000	Total contractual cash flows $'000	Carrying amount $'000
At 30 June 2020						
Trade payables	**78,478**	**-**	**-**	**-**	**78,478**	**78,478**
Guarantees	**37,994**	**-**	**-**	**-**	**37,994**	**2,011**
Borrowings	**4,265**	**74,959**	**180,233**	**81,285**	**340,742**	**327,152**
Total financial liabilities	**120,737**	**74,959**	**180,233**	**81,285**	**457,214**	**407,641**
At 30 June 2019						
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
Total financial liabilities	313,980	774	70,083	-	384,837	384,585

(j) Reconciliation of liabilities arising from financing activities

	Balance at 1 July 2019 $'000	Additions $'000	Principal payments $'000	Other $'000	Balance at 30 June 2020 $'000
Current loans	239,809	69,516	(240,000)	131	**69,456**
Current lease liabilities[1]	6,399	1,407	(6,084)	5,292	**7,014**
Total current interest bearing loans and borrowings	246,208	70,923	(246,084)	5,423	**76,470**
Non-current loans	69,940	100,484	-	(647)	**169,777**
Non-current lease liabilities[2]	67,111	21,314	-	(7,528)	**80,897**
Total non-current interest bearing loans and borrowings	**137,051**	**121,798**	**-**	**(8,175)**	**250,674**

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

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

10. Leases

The Group has applied AASB 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under AASB 117 and Interpretation 4. The details of accounting policies under AASB 117 and Interpretation 4 are disclosed separately if they are different from those under AASB 16 and the impact of changes is disclosed in the Basis of Preparation.

Accounting policies

Applicable from 1 July 2019

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. A portion of an asset is an identified asset if it is physically distinct. If it is not physically distinct, the portion of an asset is not an identified asset, unless the lessee has the right to use substantially all the capacity of the asset during the lease term. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in AASB 16.

This policy is applied to contracts entered into on or after 1 July 2019.

As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component based on its relative stand-alone prices. However, for leases of property the Group has elected not to separate non-lease components and therefore account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term. If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

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

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease for each lessee and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Group presents right-of-use assets in 'property, plant and equipment' and lease liabilities in 'interest bearing loans and borrowings' in the Consolidated Statement of Financial Position.

Short-term leases and leases of low-value assets

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

Applicable before 1 July 2019

For contracts entered into before 1 July 2019, the Group determined whether the arrangement was, or contained, a lease based on the assessment of whether fulfilment of the arrangement was dependent on the use of a specific asset or assets and the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:

- the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
- the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
- facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

As a lessee

In the comparative period, as a lessee the Group classified leases that transferred substantially all the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent. Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognised in the Group's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

Key estimate and judgement	The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses the lessee's incremental borrowing rate ('IBR') to measure lease liabilities. The IBR is the rate of interest that the lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group would have to pay, which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

(a) Leases as a lessee

The Group typically leases office space over periods of two to seven years, with an option to renew the lease after that date. Lease payments are renegotiated on the exercise of renewal options to reflect market rentals. Some leases provide for additional rent payments that are based on changes in local price indices. For certain leases, the Group is restricted from entering into any sub-lease arrangements. These leases were classified as operating leases under AASB 117.

The Group leases several laptops, which were classified as finance leases under AASB 117.

The Group leases IT equipment with contract terms of one to five years. These leases are short-term and/or leases of low-value items. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

(i) Right-of-use assets

Right-of-use assets are presented as property, plant and equipment (see Note 22). The Group leases various assets including buildings and IT equipment. Information about leases for which the Group is a lessee is presented below.

	Property $'000	Equipment $'000	Total $'000
Balance at 1 July 2019	71,045	358	71,403
Additions	22,721	-	22,721
Remeasurement	(136)	-	(136)
Depreciation	(9,163)	(275)	(9,438)
Disposals (net of accumulated depreciation)	(2,191)	-	(2,191)
Exchange differences (net)	96	-	96
Balance at 30 June 2020	**82,372**	**83**	**82,455**

(ii) Lease liabilities

Lease liabilities related are presented as interest bearing loans and borrowings (see Note 9).

	2020 $'000
Maturity analysis – undiscounted cash flows	
Less than one year	9,224
One to five years	37,950
More than five years	53,568
Total undiscounted lease liabilities at 30 June	**100,742**
Lease liabilities included in the Consolidated Statement of Financial Position at 30 June	**87,919**
Current	7,014
Non-current	80,905

(iii) Amounts recognised in profit and loss

	2020 $'000
Interest on lease liabilities	2,305
Variable lease payment not included in the measurement of lease liabilities	-
Expenses relating to short-term leases	288
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	135

(iv) Amounts recognised in profit or loss

	2020 $'000
Total cash outflow for leases	8,390

(v) Extension options

Some property leases contain extension options exercisable by the Group up to 6 months before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control. The Group has no exposure from extension options as all options are reflected in the lease liability.

11. Commissions

Accounting policies

On initial recognition at settlement, the Group recognises **trailing commission** revenue and a related contract asset representing management's estimate of the variable consideration to be received from completion of the performance obligation. The Group uses the 'expected value' method of estimating variable consideration which requires significant judgement. A significant financing component is also involved when determining this variable consideration. As such, the contract asset is adjusted by recalculating the net present value of estimated future cash flows at the original effective interest rate. The transaction price is a percentage of the expected outstanding balance of the loan.

A corresponding expense and payable is also recognised, initially measured at fair value being the net present value of expected future trailing commission payable to brokers. These calculations require the use of assumptions that are unobservable inputs categorised as Level 3 within the fair value hierarchy. The trail commission liabilities that are initially recognised at fair value are subsequently carried at amortised cost using the effective interest rate ('EIR') method. 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. The assumptions reflect the 'best estimate' of COVID-19 on the trailing commission asset and corresponding liability at the time of performing the valuation. Any increase/decrease in the below assumptions would lead to a corresponding increase/decrease in the carrying value of the trailing commissions balance.

	2020	2019
Weighted average loan life	**4.3 years**	4.0 years
Weighted average discount rate	**5.0%**	6.5%
Percentage of commissions received paid to franchisees (10-year average)	**80.2%**	79.0%

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:

	2020 **$'000**	2019 $'000
Future trailing commission contract asset – current	**38,317**	41,402
Upfront commission contract asset - current	**7,039**	6,703
Total current commission contract assets	**45,356**	48,105
Future trailing commission contract asset – non-current	**147,856**	134,097
Future trailing commission liability - current	**29,988**	32,234
Upfront commission liability – non-current	**5,615**	5,301
Total current commission liabilities	**35,603**	37,535
Future trailing commission liability – non-current	**115,893**	104,422

12. 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.

	2020 $'000	2019 $'000
Declared and paid during the period (fully franked at 30%)		
Interim dividend for 2020: 55.0 cents (2019: 55.0 cents)	**72,443**	72,443
Final dividend for 2019: 63.0 cents (2018: 62.0 cents)	**82,980**	81,663
Total dividends provided for or paid	**155,423**	154,106
Proposed and unrecognised as a liability (fully franked at 30%)		
Final dividend for 2020: 55.0 cents (2019: 63.0 cents). Proposed dividend is expected to be paid on 17 September 2020 out of retained earnings at 30 June 2020 but is not recognised as a liability at year end	**72,443**	82,980
Franking credit balance (based on a tax rate of 30%)		
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	**450,202**	410,985
Impact on the franking account of the dividend recommended by the Directors since year end, but not recognised as a liability at year end	**(31,047)**	(35,563)

13. 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 company does not have authorised share capital or par value in respect of its shares.

The number of ordinary shares issued at 30 June 2020 was 131,714,699 (2019: 131,714,699).

	Contributed equity $'000	Other contributed equity $'000	Total $'000
Balance at 1 July 2018	102,616	(11,291)	91,325
Acquisition of treasury shares	-	(587)	(587)
Settlement of vested performance rights	-	(1,194)	(1,194)
Balance at 30 June 2019	**102,616**	**(13,072)**	**89,544**
Acquisition of treasury shares	**-**	**(344)**	**(344)**
Settlement of vested performance rights	**-**	**2,850**	**2,850**
Balance at 30 June 2020	**102,616**	**(10,566)**	**92,050**

The settlement of the LTI Plan during the year ended 30 June 2020 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 18 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 18 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 2018	9,809	42,708	52,517
Foreign currency translation differences	-	17,391	17,391
Total other comprehensive gain	-	17,391	17,391
Share-based payments expense	2,213	-	2,213
Settlement of vested performance rights	(4,001)	-	(4,001)
Balance at 30 June 2019	**8,021**	**60,099**	**68,120**
Foreign currency translation differences	**-**	**(1,291)**	**(1,291)**
Total other comprehensive gain	**-**	**(1,291)**	**(1,291)**
Share-based payments expense	**4,931**	**-**	**4,931**
Settlement of vested performance rights	**(3,955)**	**-**	**(3,955)**
Balance at 30 June 2020	**8,997**	**58,808**	**67,805**

14. Trade and other receivables and contract assets

Accounting policies

Trade receivables are initially recognised at the transaction price. 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 expected credit losses) 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.

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.

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.

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 including the expected impact of COVID -19. 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.

	2020 $'000	2019 $'000
Trade receivables	**93,499**	108,625
Provisions for expected credit losses	**(6,611)**	(2,560)
Net trade receivables	**86,888**	106,065
Current prepayments	**9,659**	7,861
Accrued income and other receivables	**2,844**	4,185
Current trade and other receivables	**99,391**	118,111
Non-current prepayments	**875**	811
Other assets	**710**	-
Other non-current assets	**1,585**	811
Total trade receivables and other assets	**100,976**	118,922

(a) Ageing of trade receivables	**2020 $'000**	2019 $'000
Not due	**75,896**	84,713
1-30 days past due not impaired	**6,964**	16,186
31-60 days past due not impaired	**1,993**	2,643
61+ days past due not impaired	**2,035**	2,523
Provisions for expected credit losses	**6,611**	2,560
Total gross trade receivables	**93,499**	108,625

During the year, a total expense of $1.2 million (2019: $0.9 million) was recognised in the Consolidated Income Statement in relation to trade receivables written off.

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

Contracts 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 2020, the Group has contract assets of $5.6 million (2019: $2.8 million).

15. 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.

	2020	2019
	$'000	$'000
Trade payables	**23,498**	11,719
Accrued expenses	**33,902**	39,186
Other payables	**21,078**	6,917
Contingent consideration	**-**	16,657
Total trade and other payables	**78,478**	74,479

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

16. Contingencies and commitments

(a) Contingent liabilities

(i) Claims

Various claims arise in the ordinary course of business against REA Group Ltd and its subsidiaries. The amount of the liability (if any) at 30 June 2020 cannot be ascertained, and any resulting liability would not materially affect the financial position of the Group.

(ii) Guarantees

At 30 June 2020, the Group had bank guarantees totalling $3.6 million (2019: $5.7 million) in respect of various property leases for offices used by the Group.

On 22 November 2019, the Group signed an amendment to the guarantee originally signed in the prior year for the RCF issued by Citibank to Elara Technologies Pte Ltd, with the RCF increased from USD$35.0 million to USD$69.0 million. The Group's portion of the guarantee is USD$26.1 million, which would become payable by the Group in the event of default by Elara Technologies Pte Ltd. At 30 June 2020, USD$55.8 million of the facility had been drawn down. Under the arrangement, the Group earns income in the form of a guarantee fee.

The RCF expires in August 2021 however if the guarantee was called the Group has the option to convert the debt paid to preference shares in Elara Technologies Pte Ltd at a discounted valuation. In addition, the Group also has the right to instruct Elara to repay the debt and exercise the preference share conversion option from August 2020. At 30 June 2020 there is an increased risk the guarantee will be called prior to August 2021, however the guarantee is considered fully collateralised by preference shares in the company.

(iii) Other Matters

From time to time, the Group is subject to both formal and informal reviews by various tax authorities as well as legal claims. The final outcome of any tax review or audit cannot be determined with an acceptable degree of reliability. At 30 June 2020 the Consolidated Statement of Financial Position accurately reflects all potential taxation liabilities and the Group is taking reasonable steps to conclude all outstanding matters with the relevant tax authorities.

(b) Capital commitments

The Group has no capital commitments at 30 June 2020 (2019: 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.

17. 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 18.

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.

	2020 $'000	2019 $'000
Employee benefits		
Salary costs	**168,763**	167,601
Defined contribution superannuation expense	**16,505**	15,964
Share-based payments expense	**4,931**	2,213
Total employee benefits expenses	**190,199**	185,778
Provisions		
Current employee benefit provisions[1]	**7,625**	13,045
Non-current employee benefit provisions[2]	**2,814**	4,018
Total employee benefit provisions	**10,439**	17,063

1 Included within current provisions

2 Included within non-current provisions

18. 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 2020 rights performance period ends at the end of this financial year and they will vest upon approval by the Board in August 2020. 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 Number	Granted during the year Number	Exercised during the year[1] Number	Forfeited/ cancelled during the year Number	Balance at end of the year[2] Number
LTI Plan 2019 (Plan 10)	1 July 2016 - 30 June 2019	26,373	-	(18,345)	(8,028)	-
LTI Plan 2020 (Plan 11)	1 July 2017 - 30 June 2020	29,374	-	-	(11,491)	**17,883**
LTI Plan 2021 (Plan 12)	1 July 2018 - 30 June 2021	27,136	-	-	(8,153)	**18,983**
LTI Plan 2022 (Plan 13)	1 July 2019 - 30 June 2022	-	36,131	-	(8,414)	**27,717**
Total		**82,883**	**36,131**	**(18,345)**	**(36,086)**	**64,583**

1 The weighted average share price over the settlement period for these rights was $104

2 The weighted average remaining contractual life of these rights at the end of the reporting period is 17 months

Plan	Value per right at measurement date	Expected volatility[1]	Risk-free interest rate	Expected life of performance rights	Annual dividend yield
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%
LTI Plan 2022 (Plan 13)	$97.55 - $107.30	25.0%	0.9%	38 months	1.6%

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

The Group introduced a deferred equity plan in prior year. 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 personal performance and Group revenue and EBITDA CAGR achievement over the performance period.

Rights are vested after the performance period. The deferred equity plan 2020 rights performance period ends at the end of this financial year and they will vest upon approval by the Board in August 2020. 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 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[1] Number
Deferred equity plan 2020	1 July 2018 - 30 June 2020	**33,788**	**-**	**-**	**(10,744)**	**23,044**
Deferred equity plan 2021	1 July 2019 - 30 June 2021	**-**	**26,607**	**-**	**(3,514)**	**23,093**
Total		**33,788**	**26,607**	**-**	**(14,258)**	**46,137**

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

Plan	Value per right at measurement date	Expected volatility[1]	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%
Deferred equity plan 2021	$99.32	25.0%	0.9%	26 months	1.4%

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

(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 Number	Granted during the year Number	Exercised during the year[1] Number	Forfeited/ cancelled during the Number	Balance at end of the year[2] Number
Deferred share plan 2017	31 August 2019	40,622	-	(40,622)	-	-
Key talent deferred share plan 2017	31 August 2020	11,736	-	-	-	**11,736**
Deferred share plan 2018	30 June 2020	3,599	-	-	(454)	**3,145**
Future leaders deferred share plan 2020	31 August 2020	3,707	-	-	(219)	**3,488**
Deferred share plan 2019	6 January 2021	7,437	-	-	-	**7,437**
Deferred share plan 2019	21 May 2021	4,110	-	(2,055)	-	**2,055**
Deferred share plan 2019	30 June 2021	-	3,588	-	-	**3,588**
Total		**71,211**	**3,588**	**(42,677)**	**(673)**	**31,449**

1 The weighted average share price over the settlement period for these rights was $103.92

2 The weighted average remaining contractual life of these rights at the end of the reporting period is 5 months

Plan	Value per right at measurement date
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 - $101.62

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.

19. Contingent consideration

Accounting policies

When the Group acquires a business, 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.

Key estimate and judgement	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.

(i) Smartline

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

(ii) Property Platform

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. The Group has paid all contingent consideration balances owing in relation to this acquisition as at 30 June 2020. In the prior year, contingent consideration was valued using the discounted cash flow technique, at a discount rate of 12.8%. Property Platform contingent consideration was carried at $0.7 million in the prior year.

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

	2020 $'000	2019 $'000
Opening fair value balance	**16,657**	16,716
Payments	**(16,656)**	(457)
Fair value changes recognised in profit or loss[1]	**-**	5,457
Revaluation[1]	**(1)**	(5,059)
Closing fair value balance[2]	**-**	16,657

1 Included within net finance expense in the Consolidated Income Statement

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

20. 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 an impairment expense in the Consolidated Income Statement.

Key estimate and judgement	The Group has determined that the arrangement with 99 Group is an investment in associate. The structure of the arrangement provides the Group with significant influence over the financial and operating policies of 99 Group.

(i) Move, Inc.

The Group has a 20% interest in Move, Inc. ('Move'), which is equity-accounted in the Group financial statements. 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. In prior year, Move completed the acquisition of Opcity, a market-leading real estate technology platform based in Texas that matches qualified home buyers and sellers with real estate professionals in real time.

(ii) Elara Technologies Pte. Ltd.

The Group holds a 13.5% (16.1% on a non-diluted basis) interest in Elara Technologies Pte. Ltd. ('Elara'), a leading online real estate services company in India, which owns and operates Housing.com. and other sites in the region. The investment is equity accounted in the Group financial statements.

At 30 June 2020, the Group recorded a $25.2 million reduction in the carrying value of the investment in Elara due to economic uncertainty as a result of the COVID-19 pandemic. The recoverable amount of the investment was calculated using the fair value less cost of sale method and inputs categorised as Level 2 within the fair value hierarchy. Following the impairment charge, the recoverable amount of the investment is equal to the carrying amount. Therefore, any adverse change in Elara's performance may result in further impairment. The impairment charge was recognised as an impairment expense in the Consolidated Income Statement and in the Corporate segment for segment reporting purposes. In prior year, an impairment charge of $15.7 million was recognised. Refer to Note 16 Contingencies and commitments for information in relation to the guarantee for Elara technologies Pte. Ltd.

(iii) realestate.com.au Home Loans Mortgage Broking Pty Ltd

On 25 October 2019, the Group acquired the remaining 30% minority share in realestate.com.au Home Loans Mortgage Broking Pty Ltd, a mortgage broking business previously jointly owned with Advantedge Financial Services Holdings Pty Ltd, a subsidiary of NAB. On completion, realestate.com.au Home Loans moved from joint control to a fully consolidated subsidiary of the Group. As part of the step acquisition, the Group recognised a $2.1 million net loss, representing the revaluation of the original investment and the measurement of the consideration transferred at fair value.

(iv) 99 Group Pte. Ltd.

On 28 February 2020 the Group entered an arrangement with 99.co to establish a Singapore headquartered digital property marketplace, through the transfer of the existing Singapore and Indonesia businesses of 99.co and iProperty.com.sg and Rumah123.com. In exchange, the Group received a 27.0% shareholding in the company with a fair value of $40.7 million. As part of the step disposal, the Group recognised an initial $7.7 million gain, after deducting net assets, accumulated foreign exchange reserve and transaction costs.

At 30 June 2020, the Group recorded a $24.5 million reduction in the carrying value of the investment in 99 Group Pte. Ltd. due to the deferral of near-term returns and as a result of the COVID-19 pandemic. The recoverable amount of the investment was calculated using the fair value less cost of sale method and inputs categorised as Level 2 within the fair value hierarchy. Following the impairment charge, the recoverable amount of the investment is equal to the carrying amount. Therefore, any adverse change in 99 Group Pte. Ltd.'s performance may result in further impairment. The initial gain and impairment charge are recognised as a net impairment expense in the Consolidated Income Statement and in the Corporate segment for segment reporting purposes.

(v) Managed Platforms Pty Ltd

On 22 October 2019, REA acquired a 27.8% share in Managed Platforms Pty Ltd, a cloud-based property management and investment platform business, for agency customers to manage residential rent rolls more efficiently, and at lower cost. The Group equity-accounts for the investment as it is deemed to have significant influence.

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

	Move		**Elara**		**Other**	
	2020 $'000	2019 $'000	**2020 $'000**	2019 $'000	**2020 $'000**	2019 $'000
Carrying amount of the investment	**279,425**	279,004	**10,095**	43,573	**15,390**	3,555

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

	Move		**Elara**	
	2020 (adjusted) $'000	2019 (adjusted) $'000	**2020 (estimated & adjusted)[1] $'000**	2019 (estimated & adjusted)[1] $'000
Current assets	**139,226**	127,955	**28,124**	17,405
Non-current assets	**1,577,149[2]**	1,507,461[2]	**131,379[2]**	317,474[2]
Current liabilities	**(242,826)**	(202,281)	**(91,979)**	(16,057)
Non-current liabilities	**(76,426)**	(38,117)	**(4,822)**	(48,179)
Equity	**1,397,123**	1,395,018	**62,702**	270,643
Proportion of the Group's ownership	**20.0%**	20.0%	**16.1%**	16.1%
Carrying amount of the investment	**279,425**	279,004	**10,095**	43,573
Revenue	**717,520**	679,271	**28,224**	24,973
Other operating costs	**(677,920)**	(662,366)	**(63,934)**	(56,243)
Interest/dividend income	**868**	1,800	**-**	-
Interest expense	**(627)**	-	**(7,134)**	(1,477)
Depreciation and amortisation[3]	**(70,216)**	(75,760)	**(996)**	(1,052)
Other	**(10,914)**	(400)	**(2,703)**	(838)
Income tax (expense)/benefit	**10,467**	14,789	**-**	-
Profit/(loss) for the year from continuing operations	**(30,822)**	(42,666)	**(46,543)**	(34,637)
Total comprehensive profit/(loss)	**(30,822)**	(42,666)	**(46,543)**	(34,637)
Share of (loss)/gain of associates	**(6,164)**	(8,533)	**(7,493)**	(5,577)

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.
3 Inclusive of amortisation of fair value uplift on acquisition of associates.

21. 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 Ltd 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 Ltd 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 Ltd show the following aggregate amounts:

	2020 $'000	2019 $'000
Current assets	45,876	18,489
Non-current assets	395,530	395,405
Total assets	441,406	413,894
Current liabilities	59,688	29,496
Non-current liabilities	-	-
Total liabilities	59,688	29,496
Net assets	381,718	384,398
Contributed equity	90,178	90,250
Reserves	3,078	3,085
Retained earnings	288,462	291,063
Total shareholders' equity	381,718	384,398
Profit and other comprehensive income of the parent entity	152,823	153,502

REA Group Ltd had net current liabilities of $13.8 million as at 30 June 2020 (2019: $11.0 million), driven by intercompany balances with its subsidiaries. REA Group Ltd intends to repay these balances as they fall due.

(a) Guarantees entered into by the parent entity

The parent entity has not provided unsecured financial guarantees in respect of loans of subsidiaries (2019: $nil).

Refer to Note 23 for further information relating to the Deed of Cross Guarantee.

(b) Commitments and contingencies

Various claims arise in the ordinary course of business against REA Group Ltd. The amount of the liability (if any) at 30 June 2020 cannot be ascertained, and any resulting liability is not expected to materially impact the REA Group Ltd's financial position.

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.

22. Property, plant and equipment

Accounting policies

Property, plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. The cost of property, 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; and right of use assets is over two to 12 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	Property[1] $'000	Total $'000
Year ended 30 June 2020				
Opening net book amount	**7,985**	**9,163**	**-**	**17,148**
Additions	**2,046**	**8,784**	**93,630**	**104,460**
Disposals (net of accumulated depreciation)[2]	**(589)**	**(141)**	**(2,191)**	**(2,921)**
Depreciation charge	**(4,540)**	**(3,567)**	**(9,163)**	**(17,270)**
Exchange differences (net)	**37**	**27**	**96**	**160**
Closing net book amount	**4,939**	**14,266**	**82,372**	**101,577**
At 30 June 2020				
Cost	**24,403**	**28,881**	**91,239**	**144,523**
Accumulated depreciation	**(19,464)**	**(14,615)**	**(8,867)**	**(42,946)**
Net book amount	**4,939**	**14,266**	**82,372**	**101,577**
Year ended 30 June 2019				
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)
Closing net book amount	7,985	9,163	-	17,148
At 30 June 2019				
Cost	27,547	20,593	-	48,140
Accumulated depreciation	(19,562)	(11,430)	-	(30,992)
Net book amount	7,985	9,163	-	17,148

1 Property includes recognition of leases in line with adoption of AASB 16. Refer to section (iii) in the Basis of Preparation for further details on the impact on transition.
2 Disposal of property, plant & equipment has arisen from divestment of Singapore and Indonesia iProperty entities. Refer to Note 20 for further details on this transaction.

No items of plant and equipment have been impaired during the year ended 30 June 2020 (2019: nil).

23. Related parties

(a) Transactions with related parties

	2020 $	2019 $
Ultimate parent entity (News Corp) and group entities		
Sale of goods and services	**1,874,807**	1,219,998
Purchase of goods and services	**6,452,014**	7,567,830
Dividends paid	**95,740,780**	94,929,418
Management fee	**155,000**	155,000
Amounts receivable from parent entity	**486,041**	270,688
Amounts owing to parent entity	**3,128,661**	656,681
Key management personnel		
Short term employee benefits	**4,562,997**	3,966,668
Post-employment benefits	**141,053**	139,181
Long term employee benefits	**35,700**	(15,799)
Long Term Incentive Plan (LTIP)	**35,389**	(399,599)

(i) Parent entities

The parent entity within the Group is REA Group Ltd. 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 Ltd via its wholly owned subsidiary News Australia Pty Limited. 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 (or one of its related entities) and recharged promotional costs. The Group also utilised advertising and support services of News Corp (or one of its related entities) on commercial terms and conditions.

In addition to the above, insurance premium recharges were paid to News Corp (or one of its related entities) and News Corp (or one of its related entities) 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

Refer to Note 16 for details on the RCF with Elara Technologies Pte. Ltd.

(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 Ltd as at 30 June 2020 in accordance with the above accounting policy.

Name of entity	**Country of incorporation**	**Equity Holding 2020 %**	Equity Holding 2019 %
Property.com.au Pty Ltd[1]	Australia	**-**	100
REA US Holding Co. Pty Ltd	Australia	**100**	100
REA Group Europe Ltd[2]	United Kingdom	**-**	100
Hub Online Global Pty Ltd[3]	Australia	**-**	100
realestate.com.au Pty Limited	Australia	**100**	100
1Form Online Pty Ltd	Australia	**100**	100
Austin Rollco Pty Limited[4]	Australia	**100**	100
Flatmates.com.au Pty Ltd	Australia	**100**	100
REA Austin Pty Ltd[4]	Australia	**100**	100
Hometrack Australia Pty Limited	Australia	**100**	100
realestate.com.au Home Loans Mortgage Broking Pty Ltd[5]	Australia	**100**	70
NOVII Pty Ltd	Australia	**56.2**	56.2
Ozhomevalue Pty Ltd[6]	Australia	**56.2**	56.2
Smartline Home Loans Pty Ltd[7]	Australia	**100**	80.3
Smartline Operations Pty Limited[7]	Australia	**100**	80.3
Austin Bidco Pty Ltd	Australia	**100**	100
iProperty Group Pty Ltd	Australia	**100**	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
iProperty.com Singapore Pte. Ltd.[8]	Singapore	**-**	100
REA Hong Kong Management Co Limited	Hong Kong	**100**	100
GoHome HK Co Limited	Hong Kong	**100**	100
Finance18.com Limited	Hong Kong	**100**	100
House18.com Services Ltd	Hong Kong	**100**	100
SMART Expo Limited[9]	Hong Kong	**-**	100
SMART Expo Limited[10]	Hong Kong	**100**	-
Big Sea International Limited	British Virgin Islands	**100**	100
GoHome Macau Co Ltd	Macau	**100**	100
PT Web Marketing Indonesia[8]	Indonesia	**-**	100
iProperty (Thailand) Co., Ltd. [11]	Thailand	**100**	100
Prakard IPP Co., Ltd. [12]	Thailand	**100**	100
Kid Ruang Yu Co., Ltd. [13]	Thailand	**100**	100
Flagship Studio Co., Ltd. [12,14]	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	Hong Kong	**100**	100
REA Group Consulting (Shanghai) Co. Limited	China	**100**	100
Associates and joint ventures:			
Move, Inc.[15]	United States	**20**	20
Elara Technologies Pte. Ltd.[16, 17]	Singapore	**13.5**	13.5
Managed Platforms Pty Ltd[17, 18]	Australia	**27.8**	-
99 Group Pte. Ltd.[19]	Singapore	**27**	-
ScaleUp Media Fund 2.0 Pty Limited[17, 20]	Australia	**16.7**	-

1 Deregistered on 31 July 2019
2 Deregistered on 24 December 2019
3 Deregistered on 27 May 2020
4 Deregistered on 15 July 2020

5 Equity Holding increased to 100% on 25 October 2019
6 Ozhomevalue Pty Ltd is 100% owned by NOVII Pty Ltd
7 Equity Holding increased to 100% on 1 July 2019
8 iProperty.com Singapore Pte Ltd and PT Web Marketing Indonesia are now incorporated in the 99 Group established in 2020
9 Amalgamated with REA Hong Kong Management Co. Limited on 31 December 2019
10 Incorporated on 7 January 2020
11 iProperty (Thailand) Co., Ltd is 50.5% owned by All Excellence Ltd. (a nominee shareholder of REA Group)
12 iProperty Group Pty Ltd and iProperty Group Asia Pte Ltd each hold one share in Prakard IPP Co., Ltd. and Flagship Studio Co., Ltd.
13 iProperty Group Pty Ltd holds one share in Kid Ruang Yu Co., Ltd.
14 Dissolved on 25 December 2019, but liquidation is not yet complete
15 Investment is held by REA US Holdings Co. Pty Ltd
16 Shareholding is 16.1% on a non-diluted basis (13.5% fully-diluted basis)
17 Investment is held by realestate.com.au Pty Limited
18 Investment acquired on 22 October 2019
19 Investment is held by iProperty Group Asia Pte. Ltd and was acquired on 28 February 2020
20 Investment acquired on 4 July 2019

(c) Deed of Cross Guarantee

Pursuant to ASIC Corporations (Wholly-owned Companies) Instrument 2016/785, relief has been granted to realestate.com.au Pty Limited, Austin Bidco Pty Ltd, Hometrack Australia Pty Limited, Flatmates.com.au Pty Ltd, Smartline Home Loans Pty Ltd and Smartline Operations Pty Limited (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 Ltd 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 and 2020 financial years. The effect of the Deed is that REA Group Ltd 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 Ltd 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.

Consolidated Income Statement	**2020 $'000**	2019 $'000
Profit from continuing operations before income tax	**396,710**	549,398
Income tax expense	**(120,669)**	(137,252)
Profit for the year	**276,041**	412,146
Summary of movements in consolidated retained earnings		
Retained earnings at beginning of the financial year	**1,297,575**	995,815
Earnings for the year	**276,041**	412,146
Other	**10,826**	43,720
Dividends provided for or paid during the year	**(155,423)**	(154,106)
Retained earnings at end of the financial year	**1,429,019**	1,297,575

Consolidated Statement of Financial Position	2020 $'000	2019 $'000
ASSETS		
Current assets		
Cash and cash equivalents	**203,940**	117,460
Trade and other receivables	**413,242**	343,461
Total current assets	**617,182**	460,921
Non-current assets		
Plant and equipment	**95,758**	13,149
Intangible assets	**91,502**	80,056
Deferred tax assets	**10,167**	11,330
Other non-current assets	**200,518**	219
Investment in associates and joint ventures	**11,941**	47,168
Investment in subsidiaries	**1,150,229**	1,231,379
Total non-current assets	**1,560,115**	1,383,301
Total assets	**2,177,297**	1,844,222
LIABILITIES		
Current liabilities		
Trade and other payables	**105,053**	70,731
Current tax liabilities	**79,537**	34,639
Provisions	**7,375**	12,237
Contract liabilities	**55,051**	46,349
Interest bearing loans and borrowings	**75,040**	240,083
Total current liabilities	**322,056**	404,039
Non-current liabilities		
Deferred tax liabilities	**5,731**	4,693
Provisions	**4,407**	6,311
Other non-current liabilities	**169,393**	12,102
Interest bearing loans and borrowings	**248,243**	70,023
Total non-current liabilities	**427,774**	93,129
Total liabilities	**749,830**	497,168
Net assets	**1,427,467**	1,347,054
EQUITY		
Contributed equity	**(30,824)**	34,537
Reserves	**29,272**	14,942
Retained earnings	**1,429,019**	1,297,575
Total Equity	**1,427,467**	1,347,054

24. Remuneration of auditors

Services provided by the auditor of the parent entity and its related practices are categorised as below:

- Category 1: Fees paid or payable to the auditor of the parent entity for auditing the statutory financial report of the parent covering the group, and for auditing statutory financial reports of any controlled entities;
- Category 2: Fees paid or payable for assurance services that are required by legislation, and are required by that legislation to be provided by the auditor of the parent entity;
- Category 3: Fees paid or payable for other assurance and agreed-upon procedures services that are required by legislation or other contractual arrangements, where there is discretion as to whether the service is provided by the auditor of the parent or another non-EY audit firm; and
- Category 4: Fees paid or payable for other services (including tax compliance).

During the year, the following fees were paid or payable for services provided by the auditor of the parent entity and its related practices split for the categories described above:

	EY Australia		**Related practices of EY Australia**		**Non EY Audit Firms**	
	2020 $	2019 $	**2020 $**	2019 $	**2020 $**	2019 $
Category 1 fees	**1,166,534**	964,247	**263,400**	267,400	**10,000**	58,066
Category 2 fees	**-**	-	**-**	-	**-**	-
Category 3 fees	**7,800**	22,297	**-**	-	**186,824**	265,531
Category 4 fees	**240,853**	297,176	**110,862**	74,420	**407,524**	364,124
Total auditor's remuneration	**1,415,187**	1,283,720	**374,262**	341,820	**604,348**	687,721

25. 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 2019: A number of new or amended accounting standards are effective for annual periods beginning on or after 1 January 2019. 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: There are a number of new accounting standards, amendments and interpretations that 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.

26. Events after the Statement of Financial Position date

From the end of the reporting period to the date of this report, no 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 2020 set out on pages 36 to 92 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 2020 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 2020; 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 23 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.

Hamish McL

Mr Hamish McLennan
Chairman

Mr Owen Wilson
Chief Executive Officer

Melbourne
7 August 2020

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Independent Auditor's Report to the Members of REA Group Ltd

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of REA Group Ltd (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of comprehensive income, consolidated statement of changes in equity and 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:

a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2020 and of its consolidated financial performance for the year ended on that date; and

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

Basis for Opinion

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

We 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 judgment, 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.

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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 report. 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 our audit addressed the key audit matter
The Group recognised $794.6m in Property and Online advertising revenue for the year ended 30 June 2020. 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. 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.	We assessed the effectiveness of relevant controls over the capture, recording and recognition of revenue transactions, including the relevant IT systems. 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. We tested the Group's controls over IT systems relevant to revenue transaction processing and revenue recognition. 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. As part of the response to COVID-19 changes were made to product offerings to give relief to customers. We assessed the revenue recognition impact of these product changes. We assessed the Group accounting policies set out in Note 3, for compliance with the revenue recognition requirements of Australian Accounting Standards.

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Impairment assessment of goodwill

Why significant	How our audit addressed the key audit matter
As at 30 June 2020 the Group held $422.0m in goodwill and recognised an impairment charge of $99.4m relating to Asia and $7.3m relating to Australia – Financial Services. 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 & Online Advertising, Australia – Financial Services and Asia. The recoverable amount has been determined based on a value in use model with discounted cash flows, estimates and other significant judgments regarding future projections which have been impacted by the economic uncertainty resulting from the COVID-19 pandemic and are critical to the assessment of impairment. Significant assumptions used in the impairment testing referred to above are inherently subjective and in times of economic uncertainty the degree of subjectivity is higher than it might otherwise be. Based on the size of the asset and the judgement involved in determining the recoverable amount, we have considered this a key audit matter.	Our audit procedures included the following: ▶ Assessed the appropriateness of the valuation methodologies applied. ▶ Assessed the key inputs and assumptions including board approved cash flows, discount rates and growth rates adopted in the valuation. ▶ 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. ▶ Compared the cash flows used in the recoverable amount calculation to the actual and budgeted financial performance of the underlying CGUs including any potential impact of the COVID-19 pandemic. ▶ We agreed the impairments recognised during the financial year to management's assessment. ▶ 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 where no impairment had been recognised. ▶ Compared earnings multiples to those observable from external market data of comparable listed entities, where available. ▶ Assessed the adequacy of the disclosures made in the financial report. Our valuation specialists were involved in the performance of these procedures where appropriate.

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Impairment assessment of equity accounted investments

Why significant	How our audit addressed the key audit matter
The Group holds equity accounted investments accounted for in accordance with IAS 28, 'Investments in associates'. The carrying amount of these investments is determined using the equity method and is tested for impairment whenever there is objective evidence that the investment may be impaired. The impairment test compares the investment's recoverable amount, being the higher of its value in use or fair value less costs to sell, with its carrying amount. The following associates were assessed for impairment: - Move Inc - Elara Technologies Pte Ltd - 99 Group Pte Ltd - Managed Platforms Pty Ltd As part of determining the recoverable amount, management has assessed the financial position, long-term business outlook and future cashflows of the investment which have been impacted by the economic uncertainty resulting from the COVID-19 pandemic. Significant assumptions used in the impairment testing referred to above are inherently subjective and in times of economic uncertainty the degree of subjectivity is higher than it might otherwise be. Based on the value of the investments and the judgement involved in determining the recoverable amount, we have considered this a key audit matter. The Group has assessed that there is no impairment to the investment in Move Inc or Managed Platforms Pty Ltd as the recoverable amount is higher than the carrying value as at 30 June 2020 however recognised an impairment of $25.2m on their investment in Elara Technologies Pty Ltd and $24.5m on 99 Group Pte Ltd.	Our audit procedures included the following: ► Assessed the appropriateness of the valuation methodologies applied. ► Assessed the key inputs and assumptions including board approved cash flows, discount rates and growth rates adopted in the recoverable amount calculation. ► Compared the cash flows used in the recoverable amount calculation to the actual and budgeted financial performance of the underlying investments including any potential impact of the COVID-19 pandemic. ► We agreed the impairments recognised during the financial year to management's assessment. ► 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 where no impairment had been recognised. ► Compared earnings multiples implied by the recoverable amount calculation to those observable from external market data of comparable listed entities, where available. ► Assessed the adequacy of the disclosures made in the financial report. Our valuation specialists were involved in the performance of these procedures where appropriate.

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 included in the Company's 2020 Annual Report other than the financial report and our 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 and will 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 relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

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

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As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment 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 and, based on the audit evidence obtained, whether a material uncertainty exists related to events or 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 our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group 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 financial report represents 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, actions taken to eliminate threats or safeguards applied.

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 22 to 34 of the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of REA Group Ltd for the year ended 30 June 2020, 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.

Ernst & Young

Ernst & Young

David McGregor
Partner
Melbourne, Australia
7 August 2020

Historical Results

A$'000 (except where indicated)	2020	2019	2018	2017	2016
Consolidated Results:					
Revenue from continuing operations[1]	820,269	874,949	807,678	671,206	579,059
Profit before interest and tax (EBIT) [1]	239,256	252,571	390,474	156,379	349,836
Profit before income tax[1]	233,694	244,954	377,697	150,687	343,369
Profit for the year attributable to owners of the parent	112,373	104,997	252,779	206,066	252,958
Earnings per share from continuing operations (cents) [1]	85.3	79.7	191.9	36.1	193.1
Return on average shareholders' equity (% p.a.)	13%	11%	24%	27%	40%
Dividend and distribution	155,423	154,106	129,070	112,616	100,762
Dividend per ordinary share (cents)	110.0	118.0	109.0	91.0	81.5
Dividend franking (% p.a)	100%	100%	100%	100%	100%
Dividend cover (times)	0.72	0.68	1.96	1.83	2.51
Financial Ratios:					
Net tangible asset backing per share ($)	1.63	0.93	(0.01)	0.39	(1.82)
Net EBITDA (continuing operations) interest cover (times) [1]	68.14	30.02	37.67	14.05	63.73
Gearing (debt / debt and shareholders' equity) (%)	27%	26%	31%	38%	41%
Financial Statistics:					
Income from dividends and interest[1]	2,878	2,153	4,590	3,727	1,819
Depreciation and amortisation provided during the year[1]	78,620	59,573	48,702	37,816	29,658
Net finance expense / (income) [1]	5,562	7,617	12,777	5,692	6,467
Net cash inflow from operating activities	419,146	364,054	326,345	296,816	221,339
Capital expenditure and acquisitions	101,172	64,736	372,103	128,264	568,883
Balance Sheet Data as at 30 June:					
Current assets	373,144	306,961	289,601	458,184	223,370
Non-current assets	1,217,379	1,274,770	1,438,496	1,120,629	1,259,914
Total Assets	**1,590,523**	**1,581,731**	**1,728,097**	**1,578,813**	**1,483,284**
Current liabilities	317,776	444,930	311,063	379,095	233,002
Non-current liabilities	408,254	231,366	476,265	394,988	534,507
Total Liabilities	**726,030**	**676,296**	**787,328**	**774,083**	**767,509**
Net Assets	**864,493**	**905,435**	**940,769**	**804,730**	**715,775**
Shareholders' Equity					
Contributed equity	92,050	89,544	91,325	95,215	97,109
Reserves	67,805	68,120	52,517	36,323	32,842
Retained profits	704,262	747,312	796,421	672,712	585,274
Shareholders' equity attributable to REA	864,117	**904,976**	**940,263**	**804,250**	**715,225**
Non-controlling interests in controlled entities	376	459	506	480	550
Total Shareholders' equity	**864,493**	**905,435**	**940,769**	**804,730**	**715,775**
Other data as at 30 June:					
Fully paid shares (000's)	131,715	131,715	131,715	131,715	131,715
REA share price:					
– year's high ($)	117.30	97.37	93.20	67.97	59.89
– year's low ($)	62.05	69.23	62.17	47.50	39.15
– close ($)	107.88	96.04	90.87	66.40	59.49
Market capitalisation ($000,000)	14,209	12,650	11,969	8,746	7,836
Employee numbers (continuing operations)[1]	1,496	1,642	1,519	1,423	1,277
Number of shareholders	19,155	14,359	12,985	12,324	10,883

1 Information for 2016 is restated to exclude discontinued operations.