

REA Group Limited
ABN 54 068 349 066

Audited Financial Statements
for the year ended 30 June 2018



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Corporate information

Directors	Hamish McLennan (Chairman) Tracey Fellows (Chief Executive Officer) Roger Amos Kathleen Conlon Richard J Freudenstein Michael Miller Nick Dowling (appointed 9 May 2018) Ryan O'Hara (appointed 14 July 2017) John D McGrath (resigned 16 January 2018) Susan Panuccio (resigned 14 July 2017)
Chief Financial Officer	Owen Wilson
Company Secretary	Sarah Turner
Principal Registered Office in Australia	511 Church Street Richmond, Victoria, 3121 Australia Ph: +61 3 9897 1121 Fax: +61 3 9897 1114
Share register	Link Market Services Limited Tower 4, 727 Collins Street Melbourne, Victoria, 3008 Ph: 1300 554 474 (within Australia) +61 1300 554 474 (outside Australia) Fax: 02 9287 0303
Auditor	Ernst & Young 8 Exhibition Street Melbourne, Victoria, 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 Limited (the 'Company') and its controlled entities, for the year ended 30 June 2018 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 52.

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:

- Director of Magellan Financial Group
- Director of the Garvin Institute of Medical Research (Fundraising Board).

Recent directorships and offices:

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

Board Committee membership:

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

Tracey Fellows BEc

Executive Director and Chief Executive Officer appointed 20 August 2014. Age 53.

Independent: No.

Skills and experience: As CEO of REA Group, Ms Fellows leads the Group's strategy, operations and investments in Australia, Asia, India and North America.

Ms Fellows joined REA Group in 2014 from Australia Post, where she was responsible for the physical and digital mail.

Previously, Ms Fellows was based in Singapore as Microsoft Vice-President, Asia-Pacific where she was responsible for the management, sales, marketing and operations for 12 countries across the region. Prior to this, Ms Fellows was CEO of Microsoft Australia for four years and also served on the ninemsn Board.

Other current directorships and offices:

- Member of Chief Executive Women
- Director of the Royal Children's Hospital Foundation.

Board Committee membership:

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

Roger Amos FCA, FAICD

Independent non-executive Director appointed 4 July 2006. Age 70.

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

Other current directorships and offices:

- Chairman of Contango Asset Management Limited (since November 2007)
- Director of Eneo Group Limited (since November 2009), Chairman of the Audit and Risk Committee and member of the Remuneration and Nomination Committee
- Director of 3P Learning Limited (since June 2014), Chairman of Audit and Risk Committee and member of the Human Resources Committee
- Governor of the Cerebral Palsy Alliance Research Foundation.

Recent directorships and offices:

- Former Director of Austar United Communications Ltd (May 2008 to April 2013)
- Former Chairman of the Opera Foundation of Australia (2009 to 2013).

Board Committee membership:

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

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

Independent non-executive Director appointed 27 June 2007. Age 54.

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

Other current directorships and offices:

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

Board Committee membership:

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

Richard J Freudenstein BEc, LLB (Hons)

Non-executive Director appointed 21 November 2006. Age 53.

Independent: No – Nominee Director of News Corp Australia.

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

Other current directorships and offices:

- Director of Astro Malaysia Holdings Berhad, member of the Audit Committee and Remuneration Committee (since September 2016)
- Deputy Chancellor and Fellow of the Senate, University of Sydney (since December 2017)
- Director of Wenona School Limited (since September 2012).

Recent directorships and offices:

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

Board Committee membership:

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

Michael Miller B.A.Sc, Communication and Media

Non-executive Director appointed 12 November 2015. Age 49.

Independent: No – Nominee Director of News Corp Australia.

Skills and experience: Mr Miller was appointed Executive Chairman of News Corp Australasia in November 2015. He has over 20 years' experience working in senior executive roles in the media industry, most recently as the CEO of APN News and Media. Mr Miller was previously the Regional Director for News Limited in New South Wales, the Managing Director of Advertiser News Media, and News Limited's Group Marketing Director. He has served on the Boards of News Limited, Adshel, Australian Radio Network, carsguide.com.au, Sky Network Television NZ Limited, the Committee for Sydney, the South Australian Rugby Union Limited and Waratahs Rugby.

Other current directorships and offices:

- Executive Chairman of News Corp Australasia
- Chairman of NewsMediaWorks
- Director of Unruly Group Limited
- Director of Foxtel Management Pty Limited
- Director of Fox Sports.

Board Committee membership: N/A

Ryan O'Hara BEc, MBA

Non-executive Director appointed 14 July 2017. Age 49.

Independent: No – Nominee Director of News Corp Australia.

Skills and experience: Mr O'Hara is Chief Executive Officer of Move, Inc., a leading provider of online real estate services and the operator of realtor.com® websites and mobile experiences in the United States. He assumed the role in January 2015, shortly after News Corp and REA's acquisition of the company.

Mr O'Hara served as a President at The Madison Square Garden Company, the sports and entertainment firm where he led media assets MSG and Fuse network, technology and sales. Previously, he was Chief Executive Officer of The Topps Company, a leading consumer products business.

Move, Inc. represented Mr O'Hara's return to News Corp following several roles with affiliated companies, including Gemstar-TV Guide, where he led TV Guide Network and TVG. Earlier he held senior roles at Fox Cable Networks in Los Angeles and with BSkyB in London, as well as consulting with PwC and in brand management with Nestlé.

Other current directorships and offices: N/A

Recent directorships and offices:

- Former Director of The Topps Company.

Board Committee membership: N/A

Nick Dowling BAcc, GradDipAppFin

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

Skills and experience: Mr Dowling is Chief Executive Officer of the Jellis Craig Group, a leading real estate

business based in Melbourne, Australia. He assumed the role in June 2011 and is responsible for overseeing the growth, risk management, and long term strategic direction of the group.

Prior to this, Mr Dowling 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.

He holds a Bachelor of Business from RMIT University and a Postgraduate Diploma in Finance and Investment.

Other current directorships and offices:

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

Board Committee membership:

- Member of the Human Resources Committee.

Meetings of Directors

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

Director	Board meetings		Audit, Risk & Compliance Committee		Human Resources Committee	
	A	B	A	B	A	B
Hamish McLennan	12	12	-	7*	5	4
Tracey Fellows	12	12	-	7*	-	5*
Roger Amos	12	12	7	7	5	4
Kathleen Conlon	12	12	7	7	5	5
Richard J Freudenstein	12	11	7	7	5	5
John D McGrath (resigned 16 Jan 2018)	4	4	-	-	2	1
Michael Miller	12	11	-	-	-	-
Ryan O'Hara (appointed 14 Jul 2017)	12	10	-	-	-	-
Susan Panuccio (resigned 14 Jul 2017)	-	-	-	-	-	-
Nick Dowling (appointed 9 May 2018)	1	1	-	-	2	2

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.

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

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

REA's strategy is made up of three pillars: property advertising, lifestyle and financial services, and global. Further details are set out in the business strategies and future developments section of this Directors' Report.

Operating and financial review

Reconciliation of results from core operations

A summary of financial results from core operations for the year ended 30 June 2018 is set out below.

For the purposes of this report, core operations are defined as the reported results as set out in the financial statements adjusted for significant non-recurring items such as revaluation, unwind and finance costs of contingent consideration, transaction costs relating to acquisitions, brand write-off and the impact of the change in US tax rates on results of Move, Inc. In the prior comparative period, this included items such as revaluation and unwind of contingent consideration, foreign exchange ('FX') on proceeds from European operations, impairment charge, transaction costs and discontinued operations (net of gain on sale).

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 32 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	2018 \$'000	2017 \$'000	Growth
Reported operating income	807,678	671,206	20%
EBITDA from core operations (excluding share of losses of associates and joint ventures)*	471,468	385,323	22%
Share of losses of associates and joint ventures	(19,282)	(4,417)	>100%
US tax reform - revaluation of deferred tax balances	11,520	-	n/a
EBITDA from core operations*	463,706	380,906	22%
Revaluation of contingent consideration	2,195	2,783	(21%)
Business combination transaction costs	(2,405)	(2,545)	(6%)
US tax reform - revaluation of deferred tax balances	(11,520)	-	n/a
Brand write-off	(12,800)	-	n/a
FX on proceeds from European operations	-	(4,112)	n/a
Impairment charge	-	(182,837)	n/a
Reported EBITDA*	439,176	194,195	>100%
Net profit from core operations	279,946	228,298	23%
Unwind, revaluation and finance costs of contingent consideration	(2,498)	7,864	(>100%)
Business combination transaction costs, net of tax	(2,140)	(2,536)	(16%)
US tax reform - revaluation of deferred tax balances	(11,520)	-	n/a
Brand write-off	(10,688)	-	n/a
FX on proceeds from European operations, net of tax	-	(2,879)	n/a
Discontinued operations (net of gain on sale)	-	158,423	n/a
Impairment charge	-	(182,837)	n/a
Reported net profit	253,100	206,333	23%

* 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 grew by 20% to \$807.7 million, driven by the continued growth in listing depth products, where agents can upgrade listings to feature more prominently. Additionally, Smartline operating income was included from 1 August, which was not included in the prior comparative period.

The Group achieved a 22% increase in EBITDA from core operations to \$463.7 million and a 23% increase in net profit from core operations to \$279.9 million. Operating expenses increased due to the inclusion of the new Financial Services segment and continued investment in strategic initiatives including an increase in marketing for both Australia and Asia.

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

In Australia, realestate.com.au is the number one place for property. It has maintained its lead with the largest and most engaged audience of property seekers, with more than twice the visits compared to the nearest competitor site across all platforms¹.

Corporate expansion and investment activities

The Group has continued to deliver on its global strategy and corporate expansion:

- On 31 July 2017, the Group completed its acquisition of an 80.3% stake in Smartline. Smartline is one of Australia's premier mortgage broking franchise groups with over 300 advisers nationally, settling more than \$5 billion in loans annually with a total loan book of approximately \$26 billion. The Group's purchase consideration was \$82.1 million, of which \$67.6 million was funded from existing cash reserves with the remainder recognised as contingent consideration as at 30 June 2018.
- In September 2017, the Group acquired a 70% share in a newly formed company 'realestate.com.au Home Loans', a mortgage

broking business owned by Advantedge Financial Services Holdings Pty Ltd, a subsidiary of National Australia Bank ('NAB'). Through this partnership with NAB, realestate.com.au launched realestate.com.au Home Loans, an Australian first end-to-end digital property search and financing experience. The Group also launched its realestate.com.au Home Loans mortgage broking offering, where consumers have access to more than 30 lenders.

- On 1 June 2018, the Group acquired 100% of Hometrack Australia Pty Ltd ('Hometrack Australia'). Hometrack Australia is a provider of property data services to the financial sector. Its suite of products includes property data analytics and insights, customised data platforms and an Automated Valuation Model ('AVM'). The purchase consideration of \$126.3 million was funded from existing cash reserves and debt of \$70 million.

Strong operational results, offset by key investment activities and shareholder returns in the form of dividends, resulted in a cash balance of \$115.8 million and net current liabilities of \$21.5 million as at 30 June 2018. During the year, REA made significant deferred consideration payments in relation to recent acquisitions, which reduced the cash balance at 30 June 2018. The Group generated positive operating cashflows and traded profitably for the year. The Directors expect this to continue into the foreseeable future.

Dividends

Dividends paid or declared by the Company during, and since, the end of the financial year are set out in Note 10 to the Financial Statements and below:

	Final 2018	Interim 2018	Final 2017
Per share (cents)	62.0	47.0	51.0
Total amount (\$'000)	81,663	61,906	67,174
Franked*	100%	100%	100%
Payment date	13 Sept 2018	16 Mar 2018	14 Sept 2017

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

¹ Source: Average monthly visits to the realestate.com.au site and app versus the domain.com.au site and app for the year ended 30 June 2018. Web visits: Nielsen Market Intelligence – Home and Fashion; App launches: Nielsen Digital Content Ratings.

Performance by region

2018	Australia Property & Online Advertising \$'000	Financial Services \$'000	Asia \$'000	North America \$'000	Corporate \$'000	Total \$'000
Segment operating income¹						
Total segment operating income ¹	734,067	29,321	45,018	-	-	808,406
Inter-segment operating income ¹	-	-	(728)	-	-	(728)
Operating income¹ from external customers	734,067	29,321	44,290	-	-	807,678
Results						
Segment EBITDA from core operations (excluding share of losses of associates and joint ventures)	473,066	11,472	8,326	-	(21,396)	471,468
Share of losses of associates and joint ventures	-	(671)	(5,573)	(1,518)	(11,520)	(19,282)
US tax reform - revaluation of deferred tax balances	-	-	-	-	11,520	11,520
Segment EBITDA from core operations	473,066	10,801	2,753	(1,518)	(21,396)	463,706
Revaluation of contingent consideration	-	-	-	-	2,195	2,195
Business combination and other transaction costs	-	-	-	-	(2,405)	(2,405)
US tax reform - revaluation of deferred tax balances	-	-	-	-	(11,520)	(11,520)
Brand write-off	-	-	-	-	(12,800)	(12,800)
EBITDA	473,066	10,801	2,753	(1,518)	(45,926)	439,176

¹ This represents revenue less commissions for financial services

2017	Australia ¹ \$'000	Asia \$'000	North America \$'000	Corporate \$'000	Total \$'000
Segment operating income					
Total segment operating income	634,102	38,110	-	-	672,212
Inter-segment operating income	(575)	(431)	-	-	(1,006)
Operating income from external customers	633,527	37,679	-	-	671,206
Results					
Segment EBITDA from core operations (excluding share of losses of associates and joint ventures)	404,089	2,462	-	(21,228)	385,323
Share of losses of associates and joint ventures	-	(3,300)	(1,117)	-	(4,417)
Segment EBITDA from core operations	404,089	(838)	(1,117)	(21,228)	380,906
Revaluation of contingent consideration	-	-	-	2,783	2,783
FX on proceeds from Europe operations	-	-	-	(4,112)	(4,112)
Impairment	-	-	-	(182,837)	(182,837)
Business combination transaction costs	-	-	-	(2,545)	(2,545)
EBITDA	404,089	(838)	(1,117)	(207,939)	194,195

¹ Prior year comparatives have not been restated. Refer to Note 2 of the Consolidated Financial Statements for further information.

Australia

The Group operates Australia's number one residential, commercial and share property sites, realestate.com.au², realcommercial.com.au² and Flatmates.com.au³.

Australian operating income increased by 21% to \$763.4 million during the year predominantly due to the strong performance of Australia's listing depth revenue.

Revenues increased, due to greater uptake of 'listing depth products'

An important factor has been the expansion and innovation of depth products, increasing adoption by both residential and commercial property agents.

Innovation is driving consumer engagement

realestate.com.au continues to be the clear number one place for property with more than twice the visits compared to its nearest competitor⁴. The Group also has the most engaged audience of property seekers in Australia, with consumers spending 3.8 times longer on the realestate.com.au⁵ app than the nearest competitor.

As a result of the Group's focus to deliver an exceptional mobile experience for realestate.com.au the app has been downloaded over 7.9 million times⁶ and has over twice the launches of any other property app⁷.

The high consumer engagement across all platforms is due to continued efforts to enhance the experience for consumers looking to buy, sell, rent or share property. This large audience provides rich data into how people search, which enables the Group to personalise these experiences.

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

Property and online advertising

Property and online advertising total revenue increased 17% to \$734.1 million.

Australia's listing depth revenue increased 21% to \$581.5 million. This was driven by the success of the residential Premiere All offering and increased yield. Although listings nationwide declined, listings in the key markets of Melbourne and Sydney did increase.

Developer and commercial listing depth and subscription revenue increased by 4%. While there was a decline in new dwelling commencements, positive take-up of the premium commercial product Elite Plus drove this growth.

realcommercial.com.au continues to be the number one commercial property site in Australia. It received over 25 million average monthly visits⁸, representing a growth of 15% compared to the previous comparative period⁹.

Media and other business revenue increased 4% to \$94.7 million. Media display revenue, in particular developer advertising, has been impacted by the decline in both dwelling commencements and the total media market. Growth was achieved through the success of the Flatmates.com.au business and the lifestyle content offering on realestate.com.au, partly offset by the transfer of the mortgage calculator inventory to the financial services segment. Lifestyle hosts a range of videos and content to help Australians throughout their entire property journey, whether they're renovating, decorating or taking inspiration from the latest trends. The video content also provides highly shareable material, which has led to increased reach and engagement across realestate.com.au's social media platforms. Lifestyle has had more than 20 million visits since its launch¹⁰.

Flatmates.com.au is the number one site in share accommodation by visits¹¹. It recorded over 2.8 million average monthly visits, representing growth of 20% compared to the previous comparative period¹². The Group is well placed to strengthen this leadership

² Source: Nielsen Market Intelligence - Home and Fashion, average monthly visits and average monthly time on site for the audited sites of realestate.com.au and realcommercial.com.au, compared to domain.com.au and commercialrealestate.com.au, for the year ended 30 June 2018. Excludes apps.

³ Source: Google Analytics, average monthly visits for the flatmates.com.au site for the year ended 30 June 2018 compared to the nearest market competitor.

⁴ Source: Average monthly visits to the realestate.com.au site and app versus the domain.com.au site and app for the year ended 30 June 2018. Web visits: Nielsen Market Intelligence - Home and Fashion; App launches: Nielsen Digital Content Ratings.

⁵ Source: Nielsen Digital Content Ratings, average monthly time on the realestate.com.au app compared with the domain.com.au app (August 2017 - June 2018).

⁶ Source: App Store and Google Play, realestate.com.au total app downloads to June 2018.

⁷ Source: Nielsen Digital Content Ratings, app launches vs nearest competitor (July 2017 - June 2018).

⁸ Source: Nielsen Market Intelligence - Home and Fashion, average monthly visits for the audited site of realcommercial.com.au for the year ended 30 June 2018. Excludes apps.

⁹ Source: Nielsen Market Intelligence - Home and Fashion, average monthly visits for the audited site of realcommercial.com.au for the year ended 30 June 2018 compared to the year ended 30 June 2017. Excludes apps.

¹⁰ Source: Adobe Analytics, visits to realestate.com.au/lifestyle, March 2017 - June 2018.

¹¹ Source: Google Analytics, average monthly visits for the flatmates.com.au site for the year ended 30 June 2018 compared to the nearest market competitor.

¹² Source: Google Analytics, average monthly visits for the flatmates.com.au site for the year ended 30 June 2018 compared to the year ended 30 June 2017.

position through the sharing of technology, expertise and marketing.

Rental applications received by the 1Form online application for renters grew 14% on the previous comparative period¹³, with more than 2.8 million applications received in the 2018 financial year¹⁴. In May 2018, realestate.com.au launched 'Pet Profiles' on 1form – a feature that allows tenants to present their pet in the best light and saves property managers time when reviewing rental applications. In the first 24 hours, over 4,000 Pet Profiles were created and since launch, more than 150,000 people have added their pet to their 1Form application¹⁵.

Hometrack Australia's results have been consolidated from 1 June 2018. Hometrack Australia is forecast to deliver revenue between \$14 million to \$16 million and EBITDA between \$6 million to \$7 million in the 2019 financial year. The Group also expects to realise synergies once the Hometrack business is fully integrated into REA's platforms.

Financial services

Financial services operating income is generated from the activities of Smartline and the NAB Partnership, including realestate.com.au Home Loans.

Financial Services operating income was \$29.3 million for the year ended 30 June 2018. This result was driven by the inclusion of Smartline from 1 August 2017, which was not included in the prior comparative period.

Since the launch of realestate.com.au Home Loans, there have been over 350,000 financial profiles saved and more than \$75 million per month in loan applications¹⁶.

Asia

The Group's Asian operations comprises leading property portals in Malaysia¹⁷ and Indonesia¹⁸, and prominent portals across Hong Kong, Thailand, Singapore and China. Additionally, the Group holds a 14.1% stake on a fully diluted basis (16.4% on a non-

diluted basis) in Elara Technologies, which operates PropTiger.com, makaan.com and Housing.com in India.

The Asian business recorded revenue growth of 18% to \$44.3 million for the year. This strong growth was driven by MyFun, Thailand and Indonesia. The Asian financial results continued to be affected in the year by decline in property markets due to changes to government and banking regulations.

The release of innovative android and iOS apps and new responsive websites in Malaysia, Indonesia, Hong Kong and Singapore brought a best-in-class experience to these markets. In Malaysia, iproperty.com.my strengthened its leadership position with more than 1.6 times the number of visits compared to its nearest competitor¹⁹. In Singapore, iproperty.com.sg experienced a 116%²⁰ increase in visits from the launch of its regional web experience and has claimed a strong number two position in this market²¹ by the close of the year. Indonesia's Rumah123 continues to strengthen its market leadership with more visits²² and over 1.2 times total time on site than the nearest competitor²³.

Elara's audience continues to strengthen. In 2018, combined traffic to all three platforms increased by 43%²⁴, and PropTiger.com maintained its position as the number two property site in India, with revenue increasing by 48%²⁵. Makaan also achieved the highest number of listings compared to any other platform in 2018.

Elara is the only player in India to offer the full range of online to offline property services, such as personalised search, virtual viewing, site visits, legal and financial diligence, negotiations, property registration, home loans and post-sales services. In 2018, housing.com launched a new broker product on its platform, which attracted more than 4,000 paid brokers in less than 12 months.

¹³ Source: REA internal data, total rental applications for the year ended 30 June 2018 compared to the year ended 30 June 2017.

¹⁴ Source: REA internal data, number of 1Form applications created from 1 July 2017 to 30 June 2018.

¹⁵ Source: REA internal data, total applications including Pet Profiles 10 April 2018 – 11 April 2018.

¹⁶ Source: REA internal data, total number of financial profiles created (September 17 – June 18).

¹⁷ Source: SimilarWeb average monthly visits for iproperty.com.my site in Malaysia from 1 July 2017 to 30 June 2018 compared to the nearest competitor.

¹⁸ Source: SimilarWeb average monthly visits for rumah123.com site in Indonesia from 1 July 2017 to 30 June 2018 compared to the nearest competitor.

¹⁹ Source: Similar Web average monthly visits for iProperty.com.my site in Malaysia (Oct 17 - Jun 18).

²⁰ Similar Web average monthly visits for iProperty.com.my site in Malaysia (October 17 - June 18).

²¹ Source: SimilarWeb monthly visits for iproperty.com.sg site in Singapore compared to its nearest competitor as at June 2018.

²² Source: SimilarWeb average monthly visits for rumah123.com site in Indonesia from 1 July 2017 to 30 June 2018 compared to the nearest competitor.

²³ Source: SimilarWeb average time on site for rumah123.com site in Indonesia from 1 October 2017 to 30 June 2018 compared to the nearest competitor.

²⁴ Google Analytics, total visits to proptiger.com, housing.com and makaan.com for the period Jul 17 – Jun 18 compared to the year prior

²⁵ Source: REA internal data, PropTiger revenue for the 12 months ended 30 June 2018 compared to the 12 months ended 30 June 2017.

North America

REA Group owns a 20% investment in Move, Inc. which operates realtor.com, the number two property portal in North America. The Group's investment in Move, Inc continues to provide exposure and insights from the largest residential real estate market in the world. Move, Inc. had another strong year, increasing its revenue to US\$452.4m – a 15% growth against the prior year²⁶.

realtor.com remains the clear number two property portal in North America, but leads the market in consumer engagement with users viewing pages 1.7 times more²⁷, and spending 1.2 times as long on site per visit²⁸, than its nearest competitor. This is driven by a commitment to creating unique and innovative experiences for property seekers and products to help customers grow their business.

This year, realtor.com continued to deliver new innovations to market. These included an improved home page, allowing for a faster search experience and an uplifted design of property pages. This release also now includes a New York specific experience to help buyers and renters navigate the unique nuances of searching for a home in New York City. Home owners can now access their property value, equity and additional suburb details all from their My Home page.

REA Group welcomed Ryan O'Hara, Chief Executive Officer of Move, Inc., to its Board in July 2017. Ryan has extensive leadership and management experience across a range of digital companies and will provide valuable insights as the business continues to grow.

State of affairs

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

Events since the end of the financial year

On 2 August 2018, the Group signed an off-balance sheet guarantee for a revolving credit facility ('RCF') issued by Citibank to Elara Technologies. The total RCF is USD\$35.0 million and the Group's portion of the guarantee is USD\$13.2 million. Under the arrangement, the Group will also earn income in the form of a guarantee fee.

Other than the above, as at the date of this report, the Directors are not aware of any matter or circumstance that has arisen since 30 June 2018 that has significantly affected the operations of the Group, the results of the operations or the state of affairs of the Group, as outlined in Note 25.

Business strategies and future developments

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

Property advertising

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

The aim of property advertising is to improve both the existing products and personalise the experience for consumers. By continuing to innovate and develop new products and services, the Group assists property developers and real estate agents, as well as offering REA's consumers tools to search.

The acquisition of Hometrack Australia will allow the Group to deliver more property data and insights to customers and consumers.

Lifestyle and financial services

Home finance is an integral part of the property purchase process. As part of the Group's strategy to enter Financial Services, the Group launched 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 also allows consumers to access a realestate.com.au white label mortgage product.

²⁶ Source: NewsCorp's Earnings Release stated in US Dollars (9 August 2018) for the year ended 30 June 2018.

²⁷ Source: comScore, number of page views on realtor.com compared to its nearest competitor (July 2017 - June 2018).

²⁸ Source: comScore, total amount of time spent per visit on realtor.com compared to its nearest competitor (July 2017 - June 2018).

The Group also expanded into the mortgage broking market, acquiring Smartline and launching realestate.com.au Home Loans.

Lifestyle is a video-led content experience that connects the realestate.com.au brand to a wider audience in the property segment, such as home owners, decorators and property improvers. The Group is now focused on increasingly video-led content to attract new media customers and access different market segments.

Global

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

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

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

Corporate Sustainability Statement

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

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

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

Corporate governance

REA Group is committed to being ethical, transparent and accountable. It believes this is essential for the long-term performance and sustainability of the Company and supports the interests of shareholders. The REA Group Board of Directors is responsible for ensuring that the Company has an appropriate corporate governance framework to protect and enhance company performance and build sustainable value for shareholders. This corporate governance framework acknowledges the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (ASX Principles and Recommendations) and is designed to support business operations, deliver on strategy, monitor performance and manage risk.

The Corporate Governance Statement addresses the recommendations contained in the third edition of the ASX Principles and Recommendations and is available on the website at www.rea-group.com/corporate-governance. 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 comply 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 to international investments. Having a clearly defined purpose provides the Group with opportunities to drive further value. These include:

- A significant increase in transaction volumes in all of REA's markets
- Increased speed-to-market for new products and greater uptake of new and existing products
- Expansion of international presence, either through acquisition or investment
- Utilising data to provide a new or enhanced experience for consumers and/or further

support customers in achieving their strategic aims; and

- Building a market-leading home loan offering by entering into the mortgage broking industry and utilising REA's leading digital capability.

REA has continued its trajectory of high growth in 2018 that has included an expansion into Financial Services businesses as the Group continues to change the way the world experiences property. 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 and 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 control systems to manage these risks
- Treating risks – identifying options for addressing risks, including assessing the effectiveness of that treatment and deciding whether the residual risk exposure is acceptable
- 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 Settings 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 return 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 essential. To manage the risk of damaging security incidents, REA 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 sites 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.
- A decline in market conditions could result in a significant reduction in the number of property listings on REA's sites. The property market is driven by employment, interest rates and consumer confidence. A substantial change in these market indicators could result in a deterioration in the performance of the property market. Interest rates remain low and REA does not foresee any significant risks in relation to the other drivers of transaction volumes. As a business with international operations, REA has a small exposure to currency fluctuations, which is monitored and managed.
- A breach of REA's privacy obligations could occur. REA recognises that privacy compliance is critical to maintaining consumer trust. REA maintains a comprehensive privacy compliance program and updates the program to align with changes in the law. REA is committed to the 'privacy by design' method of embedding privacy considerations into the company's products, processes and systems.

Community and sustainability

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

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

- Continuation and expansion of the 'Because We Care' program through a number of programs, including: matched payroll giving, employee community grants, volunteering and fundraising.
- National partnerships with Launch Housing and Orange Sky Australia. REA continues to help Launch Housing deliver the National Rapid Rehousing Fund in support of women and children at risk of homelessness from family violence while REA's support of Orange Sky Australia has allowed them to expand their fleet which includes Orange Sky Laundry and Orange Sky Shower vans, as well as the brand-new Orange Sky Digital car.
- The Group extended its community program beyond Australia's shores for the first time, announcing a new partnership with the International Committee of the Red Cross (ICRC) to address humanitarian issues throughout Asia.
- REA is now a White Ribbon accredited workplace - a company recognised for taking active steps to prevent and respond to violence against women. In alignment with the Group's focus on gender equity and the accreditation, the Group offers Domestic Violence Sensitivity Training for people managers as well as 20 days paid leave for employees who disclose that they are experiencing domestic violence.

Directors' qualifications, experience and special responsibilities

At the date of this report, the Board comprises seven non-executive Directors and one executive Director, the Chief Executive Officer, who collectively have a diverse range of skills and experience. The names of 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 2018 financial year are listed on pages 4 to 6 of this report.

Company Secretary's qualifications and experience

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

Chief Executive Officer/Chief Financial Officer declaration

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

Indemnification and insurance of directors and officers

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

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

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

Indemnification of auditors

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

Non-audit services

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

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

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

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

Consolidated REA Group	2018 \$	2017 \$
Tax compliance services	250,700	268,160
International tax consulting	100,000	118,510
Total remuneration for non-audit services	350,700	386,670

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

Auditor

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

Rounding of amounts

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

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 18.

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

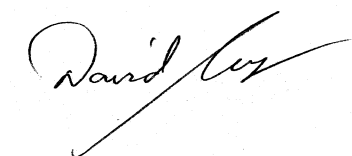
As lead auditor for the audit of REA Group Limited for the financial year ended 30 June 2018, I declare to the best of my knowledge and belief, there have been:

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

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



Ernst & Young



David McGregor
Partner
10 August 2018

Remuneration Report

This report details REA Group's remuneration framework and outcomes for Key Management Personnel ('KMP') for the financial year ending 30 June 2018. 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 2018 outlines the remuneration arrangements in place for the KMP of REA Group Limited and its controlled entities ('the Group'), which comprises all Directors (executive and non-executive) and those executives who have authority and responsibility for planning, directing and controlling the activities of the Group.

The following executives of the Group were classified as KMP during the 2018 financial year and unless otherwise indicated were classified as KMP for the entire year.

Executive Directors

Tracey Fellows	Chief Executive Officer
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Senior Executives

Owen Wilson	Chief Financial Officer
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Non-Executive Directors

Hamish McLennan	Chairman
Roger Amos	Independent Director
Kathleen Conlon	Independent Director
Richard J Freudenstein	Director
Michael Miller	Director
Nick Dowling	Independent Director (appointed 9 May 2018)
Ryan O'Hara	Director (appointed 14 July 2017)
John McGrath	Independent Director (resigned 16 January 2018)
Susan Panuccio	Director (resigned 14 July 2017)

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.

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

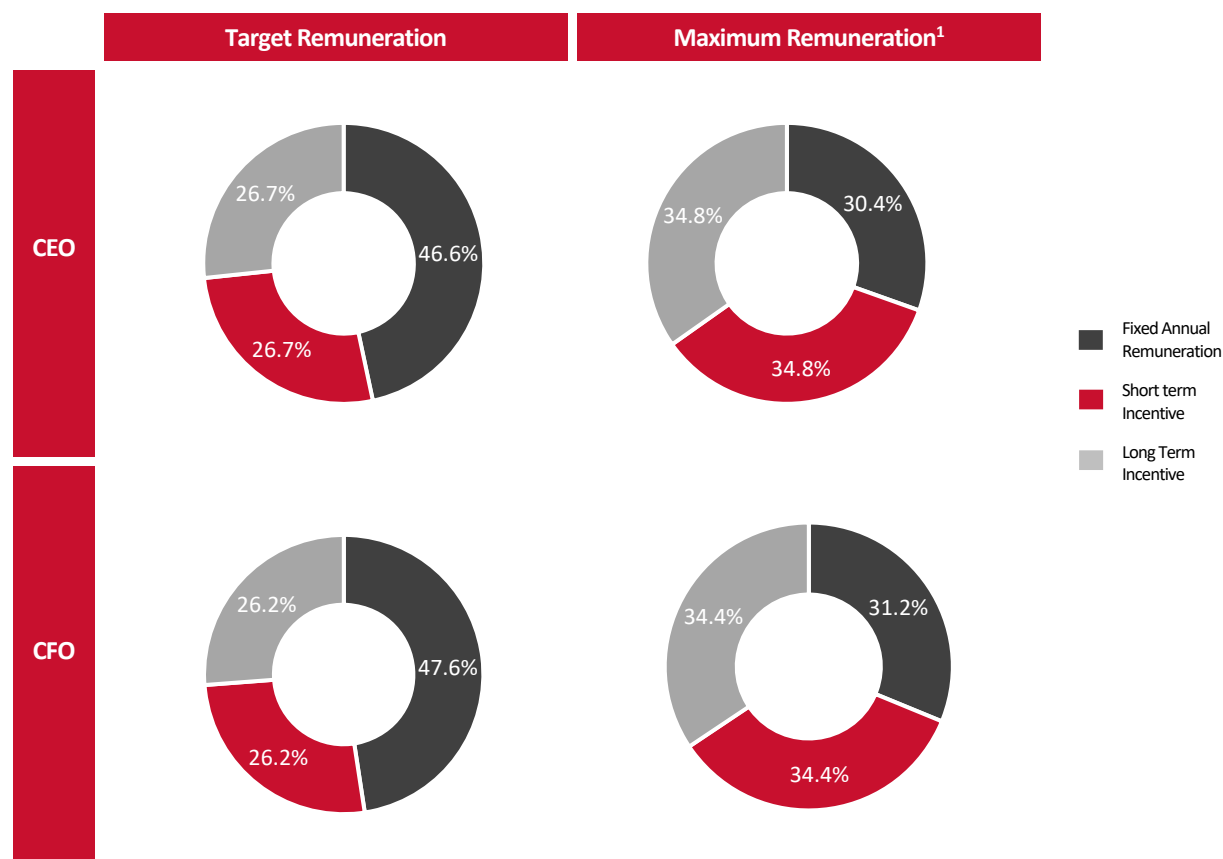
Executive total remuneration is made up of the following three components:

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.



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 ending 30 June 2018 and the longer-term will provide shareholders and other interested stakeholders with important context when reviewing our remuneration framework and outcomes in more detail over the following pages of this report.

4.1 REA Group performance

It has been another strong year for the Group, with revenue increasing by 20% and EBITDA from core operations increasing by 22% on prior comparative period.

Summary of Group performance

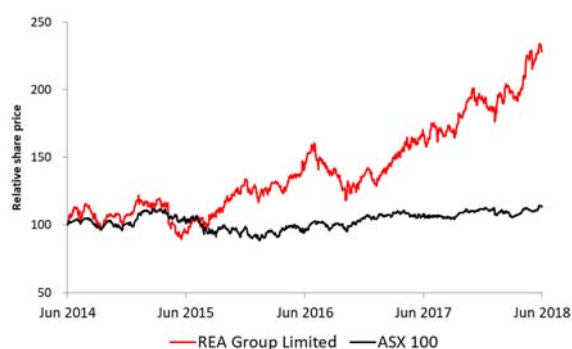
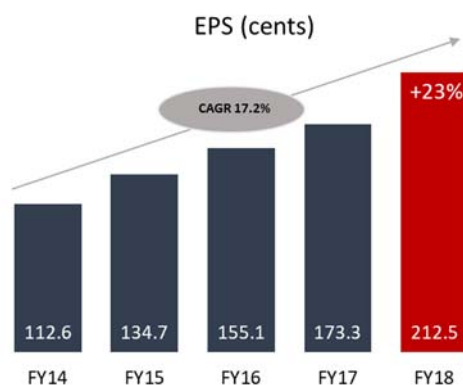
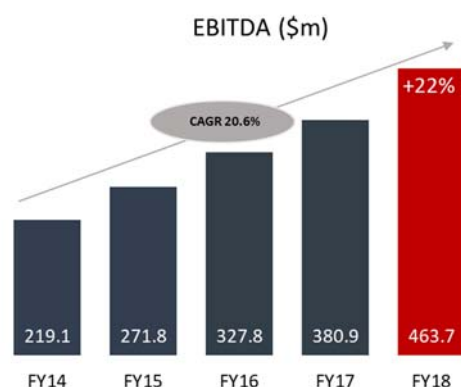
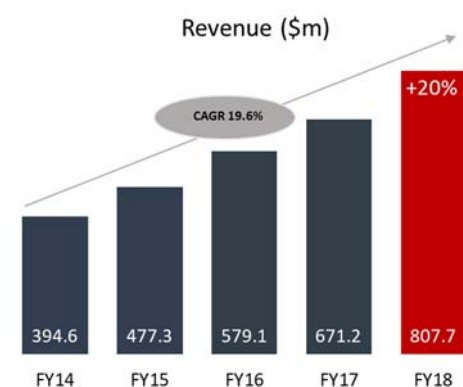
The table below summarises key indicators of the Group's performance and the effect on shareholder value over the past five years.

Key Indicators	2014	2015	2016	2017	2018
Revenue*	394,602	477,292	579,059	671,206	807,678
EBITDA*	219,114	271,785	327,828	380,906	463,706
Net profit after tax*	148,263	177,435	204,251	228,298	279,946
Earnings per share*	112.6c	134.7c	155.1c	173.3c	212.5c
Dividends per share	57.0c	70.0c	81.5c	91.0c	109.0c
Share Price 30 June	\$42.71	\$39.21	\$59.49	\$66.40	\$90.87

* From core operations \$'000. Information for 2014 – 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 2018 financial year:

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

4.3 KMP remuneration outcomes

The following table sets out the STI outcomes for the 2018 financial year based on achievement of financial and non-financial objectives:

Executives	Actual STI payment	% of Target STI payable
CEO	1,112,000	139%
CFO	616,911	149%

The following table sets out details of performance rights held by and granted to the CEO and CFO during the 2018 financial year under the LTI Plans, along with the number of performance rights forfeited.

Name	Balance at 1 July 2017	Granted during year	Vested during year ¹	Forfeited during year ²	Balance at 30 June 2018 ³	\$ value of rights at grant date
T Fellows						
LTI Plan 2017 (Plan 8)	11,155	-	10,206	949	-	450,000
LTI Plan 2018 (Plan 9)	12,567	-	-	-	12,567	465,000
LTI Plan 2019 (Plan 10)	11,122	-	-	-	11,122	649,973
LTI Plan 2020 (Plan 11)	-	11,990	-	-	11,990	800,000
Total	34,844	11,990	10,206	949	35,679	2,364,973
O Wilson						
LTI Plan 2017 (Plan 8)	5,164	-	4,724	440	-	208,316
LTI Plan 2018 (Plan 9)	8,108	-	-	-	8,108	300,000
LTI Plan 2019 (Plan 10)	5,133	-	-	-	5,133	299,974
LTI Plan 2020 (Plan 11) ⁴	-	6,063	-	-	6,063	412,904
Total	18,405	6,063	4,724	440	19,304	1,221,194

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 performance hurdle achievement.

³ The balance of performance rights at 30 June 2018 are unvested.

⁴ The 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.

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

Plan	Grant date	Vesting date ¹	Value per performance right at grant date ²	% performance achieved	% vested
LTI Plan 2017 (Plan 8)	1 July 2014	1 July 2017	\$40.34	88-95%	92%
LTI Plan 2018 (Plan 9)	1 July 2015	1 July 2018	\$37.00	to be determined	-
LTI Plan 2019 (Plan 10)	1 July 2016	1 July 2019	\$55.82	to be determined	-
LTI Plan 2020 (Plan 11)	1 July 2017	1 July 2020	\$62.57	to be determined	-
LTI Plan 2020 (Plan 11)	1 January 2018	1 July 2020	\$71.67	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.

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 things 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 50th percentile and target total remuneration to a position between the 50th and 75th percentiles. This aligns with the Group principle of rewarding for above threshold performance.

Benchmarking methodology

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

1. Size-based comparator group taking cognisance of both revenue and 12-month average market capitalisation (excluding companies from outside our market for talent, e.g., resources sector)
2. All companies within the ASX 51 – 100.

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 2018 financial year are detailed in section 5.5.

5.2 Short term incentive arrangements

The following table summarises the key components, operation and outcomes of the Group's 2018 short term incentive plan:

Short term Incentive Summary				
Participants	CEO and CFO			
Award type	Cash			
Performance period	One year performance period beginning 1 July 2017 and ending on 30 June 2018			
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.			
Performance metrics and weightings	CEO <table><tr><td>■ Individual KPIs</td><td>■ EBITDA</td><td>■ Revenue</td></tr></table>	■ Individual KPIs	■ EBITDA	■ Revenue
	■ Individual KPIs	■ EBITDA	■ Revenue	
CFO <table><tr><td>■ Individual KPIs</td><td>■ EBITDA</td><td>■ Revenue</td></tr></table>	■ Individual KPIs	■ EBITDA	■ Revenue	
■ Individual KPIs	■ EBITDA	■ Revenue		
Target ¹	\$800,000			
Maximum ²	\$1,600,000			
	\$412,995			
	\$825,990			
Relationship between performance and payment	Financial measures – level of performance	% of Target incentive awarded*		
	Below Threshold (i.e. ≤ 85% of Target)	0%		
	85-89%	50%		
	95%	90%		
	Target	100%		
	Above Target (i.e. ≥ 120% of Target)	200%		
* Pro-rata 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 long term incentive plan:

Long term Incentive Summary		
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 2017 and ending on 30 June 2020. The Group refers to this grant as the "LTI Plan 2020" as the performance period ends in FY20.	
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 VWAP prior to the issuance of performance rights. Each performance right is a right to acquire one share in REA upon vesting.	
Target LTI value	CEO	CFO
	\$800,000 delivered in performance rights	\$412,995 delivered in performance rights
Relationship between performance and vesting	The following vesting schedule applies to both performance hurdles and to both the LTI Plan 2020 granted this year, and the LTI Plan 2018 that vested during this financial year.	
	Performance level	% of awards vesting
	Below Threshold	0% vesting
	Threshold	80% vesting
	Target	100% vesting
	Stretch*	200% vesting
* 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.

Why don't we publish performance target information?

The Board considers that the growth rates required to attract full or partial vesting are commercially sensitive and therefore do not disclose them to the market. The Board however, confirms its commitment to driving growth for shareholders over the longer term as it continues to consider the Company a growth company.

For the LTI Plan 2020 granted, the Board approved challenging Threshold, Target and Stretch growth rates in respect of both the revenue and EPS hurdles, which are based on the Group's strategic plan and reflective of the Group's continued growth objectives.

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 an executive ceases employment due to their own resignation, any unvested performance rights will lapse. 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.

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 either party (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 the current executives for the 2018 and 2017 financial years are set out as follows:

KMP	Short term employee benefits		Post-employment benefits	Long term employee benefits	LTI Plan ²	Total	Performance related %	LTIP %
	Salary	STI Plan ¹						
T Fellows								
2018	1,379,951	1,112,000	20,049	23,554	749,198	3,284,752	57%	23%
2017	1,280,384	577,200	19,616	15,322	475,941	2,368,463	44%	20%
O Wilson								
2018	729,951	616,911	20,049	12,336	413,245	1,792,492	57%	23%
2017	680,384	357,600	19,616	7,600	220,498	1,285,698	45%	17%
Total								
2018	2,109,902	1,728,911	40,098	35,890	1,162,443	5,077,244	57%	23%
2017	1,960,768	934,800	39,232	22,922	696,439	3,654,161	45%	19%

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

2 LTI Plan represents accrued expenses amortised over vesting period of grant. Refer to Note 16 of the Financial Statements.

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 2018 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 independent advice received from external remuneration consultants (through the HR Committee). The last increases to Chairman and non-executive Director fees were effective 1 October 2015.

6.2 Non-executive director fees

The table below shows the structure and level of annualised non-executive Director fees that have applied since 1 October 2015.

Fee applicable	Year	Chair \$	Member \$
Board	2018	375,000	150,000
	2017	375,000	150,000
Audit, Risk & Compliance Committee	2018	32,000	16,000
	2017	32,000	16,000
Human Resources Committee	2018	27,000	15,000
	2017	27,000	15,000

6.3 Non-executive director remuneration

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

Remuneration applicable	Year	Fees and allowances \$	Post- employment benefits \$	Total \$
H McLennan (Chairman) ¹	2018	355,384	20,049	375,433
	2017	355,384	19,616	375,000
R Amos	2018	179,909	17,091	197,000
	2017	179,909	17,091	197,000
K Conlon	2018	176,256	16,744	193,000
	2017	176,256	16,744	193,000
N Dowling (appointed 9 May 2018)	2018	21,838	2,075	23,913
	2017	-	-	-
R Freudenstein	2018	164,775	15,654	180,429
	2017	147,260	13,990	161,250
J McGrath (ceased 16 January 2018)	2018	87,900	8,350	96,250
	2017	150,685	14,315	165,000
Total	2018	986,062	79,963	1,066,025
	2017	1,009,494	81,756	1,091,250

1. Additional payment above cap made during the year was to correct superannuation up to the maximum allowable amount for the prior year.

7. Shareholdings of key management personnel and Board of Directors

The numbers of ordinary shares in the company held during the financial year (directly and indirectly) by each Director and other key management personnel of the Group, including their related parties are set out below¹:

	Balance at 1 July 2017	Received during the year on settlement of performance rights	Purchase of shares	Balance at 30 June 2018 ²
Executives				
T Fellows ³	-	10,206	12	10,218
O Wilson	-	4,724	-	4,724
Non-executive directors				
H McLennan	1,095	-	-	1,095
R Amos	2,481	-	-	2,481
K Conlon	2,248	-	-	2,248
R Freudenstein	-	-	1,470	1,470
J McGrath	146,080	-	-	146,080

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.

³ Purchase of shares occurred in accordance with the 2016 Employee Share Purchase Plan.

Declaration

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



Mr Hamish McLennan
Chairman



Ms Tracey Fellows
Chief Executive Officer

Melbourne
10 August 2018

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Consolidated Income Statement
for the year ended 30 June 2018

	Notes	2018 \$'000	2017 \$'000
Revenue from property and online advertising	3	778,357	666,612
Revenue from financial services	3	89,019	4,594
Expense from franchisee commissions	3	(59,698)	-
Revenue from financial services after franchisee expense		29,321	4,594
Total operating income		807,678	671,206
Employee benefits expenses	15	(177,669)	(145,767)
Consultant and contractor expenses		(9,205)	(11,434)
Marketing related expenses		(74,483)	(60,415)
Technology expenses		(20,013)	(17,991)
Operations and administration expenses		(55,050)	(54,150)
Brand write-off/impairment expense	3	(12,800)	(182,837)
Share of losses of associates and joint ventures		(19,282)	(4,417)
Earnings before interest, tax, depreciation and amortisation (EBITDA)		439,176	194,195
Depreciation and amortisation expense	3	(48,702)	(37,816)
Profit before interest and tax (EBIT)		390,474	156,379
Net finance expense	3	(12,777)	(5,692)
Profit before income tax		377,697	150,687
Income tax expense	6	(124,597)	(102,777)
Profit from continuing operations		253,100	47,910
Discontinued operations			
Profit after tax from sale of discontinued operations		-	158,423
Profit for the year		253,100	206,333
Profit for the year is attributable to:			
Non-controlling interest		321	267
Owners of the parent		252,779	206,066
		253,100	206,333
Earnings per share attributable to the ordinary equity holders of REA Group Limited			
Basic earnings per share	4	191.9	156.4
Diluted earnings per share	4	191.9	156.4
Basic earnings per share from continuing operations	4	191.9	36.1
Diluted earnings per share from continuing operations	4	191.9	36.1

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

Consolidated Statement of Comprehensive Income
for the year ended 30 June 2018

	2018	2017
	\$'000	\$'000
Profit for the year	253,100	206,333
Other comprehensive income		
<i>Items that may be reclassified subsequently to the Income Statement</i>		
Exchange differences on translation of foreign operations, net of tax	12,452	(3,946)
Other comprehensive income for the year, net of tax	12,452	(3,946)
Total comprehensive income for the year	265,552	202,387
Total comprehensive income for the year is attributable to:		
Non-controlling interest	321	267
Owners of the parent	265,231	202,120
Total comprehensive income for the year	265,552	202,387

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

Consolidated Statement of Financial Position
as at 30 June 2018

	Notes	2018 \$'000	2017 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	7	115,841	358,500
Trade and other receivables	12	121,019	99,684
Current commissions receivable	9	47,116	-
Total current assets		283,976	458,184
Non-current assets			
Plant and equipment	21	22,100	19,767
Intangible assets	5	942,177	753,163
Deferred tax assets	6	9,539	8,364
Other non-current assets	12	621	413
Investment in associates and joint ventures	19	337,514	338,922
Non-current commissions receivable	9	126,545	-
Total non-current assets		1,438,496	1,120,629
Total assets		1,722,472	1,578,813
LIABILITIES			
Current liabilities			
Trade and other payables	13	62,674	168,994
Current tax liabilities		23,551	20,002
Provisions		12,272	9,456
Deferred revenue		47,710	46,815
Interest bearing loans and borrowings	8	122,461	133,828
Current commissions payable	9	36,770	-
Total current liabilities		305,438	379,095
Non-current liabilities			
Other non-current payables		16,553	2,938
Deferred tax liabilities	6	45,940	28,337
Provisions		5,532	4,595
Interest bearing loans and borrowings	8	309,923	359,118
Non-current commissions payable	9	98,317	-
Total non-current liabilities		476,265	394,988
Total liabilities		781,703	774,083
Net assets		940,769	804,730
EQUITY			
Contributed equity	11	91,325	95,215
Reserves	11	52,517	36,323
Retained earnings		796,421	672,712
Parent interest		940,263	804,250
Non-controlling interest		506	480
Total equity		940,769	804,730

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 2018

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

	Contributed equity	Reserves	Retained earnings	Parent interest	Non- controlling interest	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2016	97,109	32,842	585,274	715,225	550	715,775
Profit for the year	-	-	206,066	206,066	267	206,333
Other comprehensive income	-	(3,946)	-	(3,946)	-	(3,946)
Total comprehensive income for the year	-	(3,946)	206,066	202,120	267	202,387
Transactions with owners in their capacity as owners						
Discontinued operations	13	5,999	(6,012)	-	-	-
Share-based payment expense for the year	-	2,963	-	2,963	-	2,963
Acquisition of treasury shares	(1,261)	-	-	(1,261)	-	(1,261)
Settlement of vested performance rights	(646)	(1,535)	-	(2,181)	-	(2,181)
Dividends paid	-	-	(112,616)	(112,616)	(337)	(112,953)
Balance at 30 June 2017	95,215	36,323	672,712	804,250	480	804,730

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 2018

	Notes	2018 \$'000	2017 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		871,225	763,847
Payments to suppliers and employees (inclusive of GST)		(411,992)	(358,361)
		459,233	405,486
Interest received		5,365	2,525
Interest paid		(11,927)	(13,899)
Income taxes paid		(124,144)	(95,079)
Share-based payment on settlement of LTI Plans		(2,182)	(2,217)
Net cash inflow from operating activities	7	326,345	296,816
Cash flows from investing activities			
Payment for acquisition of subsidiary		(307,804)	(4,557)
Investment in associates and joint ventures		(5,035)	(69,552)
Payment for plant and equipment	21	(8,417)	(11,664)
Payment for intangible assets	5	(50,847)	(42,491)
Proceeds from sale of subsidiaries		-	181,810
Net cash (outflow)/inflow investing activities		(372,103)	53,546
Cash flows from financing activities			
Dividends paid to company's shareholders	10	(129,070)	(112,616)
Dividends paid to non-controlling interests in subsidiaries		(295)	(337)
Acquisition of treasury shares		(4,198)	(1,261)
Proceeds from borrowings		70,000	655
Repayment of borrowings		(134,000)	(4,655)
Net cash outflow from financing activities		(197,563)	(118,214)
Net (decrease)/increase in cash and cash equivalents		(243,321)	232,148
Cash and cash equivalents at the beginning of the year		358,500	126,834
Effects of exchange rate changes on cash and cash equivalents		662	(482)
Cash and cash equivalents at end of the year	7	115,841	358,500

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

Notes to the Consolidated Financial Statements

About this report

Basis of preparation

- REA Group Limited 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 derivative instruments, financial liabilities relating to contingent consideration and trailing commissions receivable and payable.
The Group has net current liabilities of \$21.5 million as at 30 June 2018. During the year, REA made significant deferred consideration payments in relation to recent acquisitions, which reduced the cash balance at 30 June 2018. The Group generated positive operating cashflows and traded profitably for the year. The Directors expect this to continue into the foreseeable future.
- The preparation of the Financial Statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Financial Statements, are disclosed separately in each relevant note.
- The Company is of a kind referred to in Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the Financial Statements. Amounts in the Financial Statements have been rounded off in accordance with that Instrument to the nearest thousand dollars unless otherwise stated.

1. Corporate information

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

The consolidated Financial Statements of the Company as at and for the year ended 30 June 2018 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 our 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 largely determined based on the location of the Group's operations. However, following the acquisition of Smartline and the launch of realestate.com.au Home Loans, mortgage broking and home financing now represents a new service offering distinct from the traditional services of the Group. Therefore, the

Australian operations have been disaggregated into two separate operating segments – Property & Online Advertising and Financial Services.

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

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

The following tables present revenue and results by operating segments for the years ended 30 June 2018 and 30 June 2017.

2018	Australia ¹		Asia	North America	Corporate	Total
	Property & Online Advertising	Financial Services				
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Segment operating income²						
Total segment operating income ²	734,067	29,321	45,018	-	-	808,406
Inter-segment operating income ²	-	-	(728)	-	-	(728)
Operating income²	734,067	29,321	44,290	-	-	807,678
Results						
Segment EBITDA from core operations (excluding share of losses of associates and joint ventures)	473,066	11,472	8,326	-	(21,396)	471,468
Share of losses of associates and joint ventures	-	(671)	(5,573)	(1,518)	(11,520)	(19,282)
US tax reform - revaluation of deferred tax balances	-	-	-	-	11,520	11,520
Segment EBITDA from core operations	473,066	10,801	2,753	(1,518)	(21,396)	463,706
Revaluation of contingent consideration	-	-	-	-	2,195	2,195
Business combination and other transaction costs	-	-	-	-	(2,405)	(2,405)
US tax reform - revaluation of deferred tax balances	-	-	-	-	(11,520)	(11,520)
Brand write-off	-	-	-	-	(12,800)	(12,800)
EBITDA	473,066	10,801	2,753	(1,518)	(45,926)	439,176
Depreciation and amortisation						(48,702)
EBIT						390,474
Net finance expense from core operations						(8,085)
Profit before income tax from core operations						382,389
Net finance expense						(4,692)
Profit before income tax						377,697

¹ Summation of results from the two Australian segments would return equivalent Australian segment per presentation in FY17 comparative.

² This represents revenue less commissions for financial services.

2017	Australia ¹ \$'000	Asia \$'000	North America \$'000	Corporate \$'000	Total \$'000
Segment operating income					
Total segment operating income	634,102	38,110	-	-	672,212
Inter-segment operating income	(575)	(431)	-	-	(1,006)
Operating income from external customers	633,527	37,679	-	-	671,206
Results					
Segment EBITDA from core operations (excluding share of losses of associates and joint ventures)	404,089	2,462	-	(21,228)	385,323
Share of losses of associates and joint ventures	-	(3,300)	(1,117)	-	(4,417)
Segment EBITDA from core operations	404,089	(838)	(1,117)	(21,228)	380,906
Revaluation of contingent consideration	-	-	-	2,783	2,783
FX on proceeds from Europe operations	-	-	-	(4,112)	(4,112)
Impairment	-	-	-	(182,837)	(182,837)
Business combination transaction costs	-	-	-	(2,545)	(2,545)
EBITDA	404,089	(838)	(1,117)	(207,939)	194,195
Depreciation and amortisation					(37,816)
EBIT					156,379
Net finance income / (expense)					(5,692)
Profit before income tax					150,687

¹ Prior year comparatives have not been restated in line with revised segment reporting for FY18 as the financial services segment results during FY17 are not considered material for reporting purposes.

3. Revenue and expenses

(a) Revenue recognition

Accounting policies

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Amounts disclosed as revenue are net of returns, agency commissions, trade allowances, rebates and amounts collected on behalf of third parties. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Where services have been billed in advance and obligations are not complete the revenue will be deferred.

Type of revenue	Recognition criteria
<i>Subscription services</i>	Subscription revenues are recognised on a straight-line basis over the contract period.
<i>Listing depth products</i>	Transaction value is allocated to customer service obligations based on the fair value and revenue is recognised over time as obligations are fulfilled.
<i>Banner advertising</i>	Revenues from banner advertising are recognised in the period over which the advertisements are placed or as the advertisements are displayed depending on the type of advertising contract.
<i>Performance advertising and contracts</i>	Revenues from performance advertising and performance contracts are recognised when the performance measure occurs and is generated (e.g. cost per click).

<i>Events</i>	Event revenue is recognised on the date that the event takes place.
<i>Upfront lender commissions</i>	Upfront commissions are recognised as revenue in the month the loan is established.
<i>Trailing lender commissions</i>	Trailing commissions are recognised in full when the loan is established, with the value measured as the fair value of expected future trail cash receipts discounted to their present value using the discounted cash flow valuation technique.
<i>Data revenue</i>	Automated valuation model ('AVM') income is recognised on a straight-line basis over the contract period. Platform build revenue is recognised based on milestones and deliverables.
<i>Interest income</i>	Interest income is recognised as interest accrues using the effective interest rate method.
<i>Dividends</i>	Dividends are recognised as revenue when the right to receive payment is established.

(b) Revenue reconciliation

Total revenue for the Group:	2018	2017
	\$'000	\$'000
Revenue from property and online advertising	778,357	666,612
Revenue from financial services	89,019	4,594
Total revenue	867,376	671,206

Reconciliation of operating income:

Total revenue	867,376	671,206
Expense from franchisee commissions	(59,698)	-
Total operating income	807,678	671,206

(c) Expenses

Profit before income tax includes the following specific expenses:	2018	2017
	\$'000	\$'000
Depreciation of plant and equipment	7,476	6,133
Amortisation of intangibles	41,226	31,683
Depreciation and amortisation expense	48,702	37,816
Finance expense/(income)		
Interest income	(4,590)	(3,727)
Unwind, revaluation and finance costs of contingent consideration ¹	4,692	(5,081)
Interest expense	12,675	14,500
Total finance expense	12,777	5,692
Revaluation of contingent consideration	(2,195)	(2,783)
Minimum lease payments	7,747	6,444
Loss/(Gain) on disposal of assets	367	(11)
Net foreign exchange loss	662	4,450
Brand write-off	12,800	-
Impairment charge	-	182,837

¹ Revaluation of contingent consideration relating to the acquisition of iProperty and Smartline is classified as a financing expense/(income).

(d) 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 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.

4. Earnings per share (EPS)**Accounting policies**

The Group presents basic and diluted EPS in the 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	2018	2017
	Cents	Cents
Basic and diluted earnings per share from continuing operations	191.9	36.1
Basic and diluted earnings per share from discontinued operations	-	120.3
Total basic and diluted earnings per share attributable to the ordinary equity holders of the company	191.9	156.4

(b) Reconciliation of earnings used in calculating earnings per share	2018	2017
	\$'000	\$'000
Profit attributable to the ordinary equity holders of the company used in calculating basic and diluted earnings per share:		
From continuing operations	252,779	47,643
From discontinued operations	-	158,423
	252,779	206,066

(c) Weighted average number of shares	2018	2017
	Shares	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 currently 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.

5. 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.

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

Other intangible assets such as customer contracts acquired by the Group are stated at cost less accumulated amortisation and impairment losses. Amortisation is charged to the Income Statement on a straight-line basis over the estimated useful lives of the intangible assets, ranging from three to fifteen years, except for brands, which have an indefinite useful life.

Key estimate and judgement

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

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

Management judgment is applied to identify CGUs. The determination of value-in-use 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 estimates is based on a 'best estimate' at the time of performing the valuation, by definition, the estimate will seldom equal the related actual results.

	Goodwill \$'000	Software ¹ \$'000	Customer contracts \$'000	Brands \$'000	Total \$'000
Year ended 30 June 2018					
Opening net book amount	583,863	67,047	9,628	92,625	753,163
Additions - acquired and internally generated	-	50,847	-	-	50,847
Other business combinations ²	134,771	24,523	28,200	4,404	191,898
Disposals (net of amortisation)	-	(178)	-	-	(178)
Amortisation charge	-	(38,174)	(3,052)	-	(41,226)
Brand write-off	-	-	-	(12,800)	(12,800)
Exchange differences	-	228	-	245	473
Closing net book amount	718,634	104,293	34,776	84,474	942,177
At 30 June 2018					
Cost	901,471	262,396	45,258	97,274	1,306,399
Accumulated amortisation and impairment	(182,837)	(158,103)	(10,482)	(12,800)	(364,222)
Net book amount	718,634	104,293	34,776	84,474	942,177
Year ended 30 June 2017					
Opening net book amount	787,680	62,207	12,900	92,596	955,383
Additions - acquired and internally generated	-	42,491	-	-	42,491
Disposals (net of amortisation)	-	(125)	-	-	(125)
Divestment	(20,611)	(5,230)	(995)	-	(26,836)
Amortisation charge – continuing operations	-	(29,769)	(1,914)	-	(31,683)
Amortisation charge – discontinued operations	-	(2,311)	(341)	-	(2,652)
Impairment charge	(182,837)	-	-	-	(182,837)
Exchange differences	(369)	(216)	(22)	29	(578)
Closing net book amount	583,863	67,047	9,628	92,625	753,163
At 30 June 2017					
Cost	766,700	183,668	17,024	92,625	1,060,017
Accumulated amortisation and impairment	(182,837)	(116,621)	(7,396)	-	(306,854)
Net book amount	583,863	67,047	9,628	92,625	753,163

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

² Acquisitions of Smartline and Hometrack Australia.

(a) Impairment tests for goodwill

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

	Discount rates		Terminal growth rates		\$'000			
	2018	2017	2018	2017	Goodwill		Brands	
	2018	2017	2018	2017	2018 ¹	2017	2018	2017
Asia	9.9% - 16.6%	10.6% - 18.7%	3.1% - 6.2%	2.0% - 5.8%	519,704	519,704	74,166	86,717
Australia – Property & Online Advertising	12.2%	12.8%	2.3%	2.4%	64,159	64,159	6,408	5,908
Australia – Financial Services	12.4%	n/a	2.3%	n/a	36,460	n/a	3,900	-
Total					620,323	583,863	84,474	92,625

1 The balance of goodwill that has not been tested for impairment relates to goodwill acquired in Hometrack Australia, which will be subject to impairment testing for the first time in the 2019 financial year.

(i) Asia

The recoverable amount of this unit has been determined based on a value-in-use calculation using cash flow projections based on financial forecasts approved by senior management covering a ten year period. Cash flows are projected over a ten year period to appropriately reflect the current economic conditions in Asia and the growth profile of the business. Over the extended forecast period, growth rate assumptions are above the terminal growth rate as the Group operates in a high growth industry.

(ii) Australia – Property and Online Advertising

The recoverable amount of this unit has been determined based on a value-in-use calculation using cash flow projections based on financial forecasts approved by senior management covering a five year period.

(iii) Australia – Financial Services

The recoverable amount of this unit has been determined based on a value-in-use calculation using cash flow projections based on financial forecasts approved by senior management covering a five year period.

(iv) Result of impairment testing

As a result of the recoverable amount analysis performed, there is headroom for all CGUs and the Group did not identify any impairment for the year ended 30 June 2018 (2017: \$182.8 million).

(b) Key assumptions used for value-in-use calculations

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

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

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

(c) Sensitivity to changes in assumptions

The value-in-use calculations are sensitive to changes in discount rates, terminal growth, earnings and working capital adjustments varying from the assumptions and forecast data used in the impairment testing. As such, sensitivity analysis was undertaken to examine the effect of a change in a variable on each CGU.

(i) Asia

While the estimated recoverable amount of the Asian CGU was greater than its carrying value, any adverse change in certain key assumptions would, in isolation, have caused an impairment to goodwill to be recognised. The calculations are sensitive to changes in key assumptions as follows; increase in discount rate of 1% would result in an impairment loss of \$52.7 million; decrease in terminal growth rate of 1% would result in an impairment loss of \$13.3 million; decrease in revenue growth rates of 2% would result in an impairment loss of \$37.4 million; and increase in expenses growth rates of 2% would result in an impairment loss of \$0.9 million.

(ii) Australia – Property and Online Advertising

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

(iii) Australia – Financial Services

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

(d) Brand write-off

The Group recognised a write-off against the brands held in the Hong Kong business of \$12.8 million (after tax impact of \$10.7 million). The charge was recognised following a strategic decision to consolidate our brands under one masthead. The consolidation of brands will enable greater efficiency from the marketing spend and a greater focus of investment in IT development. The write-off has been recognised in the Corporate segment for segment reporting purposes.

6. 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. Management establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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

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

are current and deferred tax balances attributable to amounts recognised directly in equity, these are also recognised directly in equity.

Tax consolidation legislation

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

Key estimate and judgement

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

(a) Income tax expense	2018 \$'000	2017 \$'000
Current tax	127,968	106,238
Adjustments for current tax of prior periods	(1,912)	(1,091)
Deferred tax	(2,785)	(3,126)
Adjustments for deferred tax of prior periods	1,326	756
Income tax expense reported in the Consolidated Income Statement	124,597	102,777
(b) Numerical reconciliation of income tax expense to prima facie tax payable	2018 \$'000	2017 \$'000
Profit from continuing operations before income tax expense	377,697	150,687
Profit from discontinued operations before income tax expense	-	155,428
Accounting profit before income tax	377,697	306,115
Tax at the Australian tax rate of 30% (2017: 30%)	113,309	91,835
<i>Tax effect of amounts which are not deductible (taxable) in calculating taxable income:</i>		
Research and development current year deduction	(2,331)	(1,887)
Share of losses of associates and joint ventures	5,785	1,325
Prior period adjustments including premium research and development claim	(586)	(336)
Effect of foreign tax rate	1,814	717
Tax losses not recognised	5,360	3,579
Impairment of goodwill in subsidiaries	-	54,851
Revaluation of contingent consideration	398	(2,170)
Tax losses utilised (no DTA previously booked)	(1,640)	-
Non-taxable gain on sale of foreign subsidiaries	-	(49,257)
Other	2,488	1,125
Aggregate income tax expense	124,597	99,782
Income tax expense reported in the Consolidated Income Statement	124,597	102,777
Income tax expense attributable to discontinued operation	-	(2,995)

(c) Amounts recognised directly into equity	2018 \$'000	2017 \$'000
<i>Aggregate current and deferred tax arising in the reporting period and not recognised in the Income Statement or other comprehensive income but directly (credited) or debited to equity:</i>		
Current tax – credited directly to equity	(135)	(36)
Net deferred tax – (credited)/debited directly to equity	(119)	452
Total amount recognised directly into equity	(254)	416

(d) Summary of deferred tax	2018 \$'000	2017 \$'000
<i>The balances comprise temporary differences attributable to:</i>		
Employee benefits	3,850	3,350
Doubtful debts	304	269
Accruals and other	5,385	4,745
Intangible assets	(44,421)	(26,699)
Foreign currency revaluation of associate	(1,519)	(1,638)
Total temporary differences	(36,401)	(19,973)
Deferred tax assets	9,539	8,364
Deferred tax liabilities	(45,940)	(28,337)
Net deferred tax liabilities	(36,401)	(19,973)
<i>Movements:</i>		
Opening balance	(19,973)	(23,622)
Credited/(debited) to the Income Statement	2,785	3,126
Credited/(debited) to equity	119	416
Deferred taxes on acquisition of subsidiary	(19,332)	-
Exchange differences	-	107
Closing balance	(36,401)	(19,973)
Deferred tax assets expected to be recovered within 12 months	7,032	6,765
Deferred tax assets expected to be recovered after more than 12 months	2,507	1,599
Deferred tax liabilities expected to be payable within 12 months	-	-
Deferred tax liabilities expected to be payable after more than 12 months	(45,940)	(28,337)
Net deferred tax liabilities	(36,401)	(19,973)

(e) Unrecognised temporary differences

The Group has unused tax losses for which no deferred tax asset has been recognised of \$54.9 million (2017: \$36.9 million) on the basis that it is not probable that the Group will derive future assessable income of a nature and amount sufficient to enable the temporary difference to be realised.

RETURNS, RISK AND CAPITAL MANAGEMENT

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

7. 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 Statement of Financial Position.

	2018	2017
(a) Cash and short-term deposits	\$'000	\$'000
Cash at bank and in hand	115,433	193,383
Short-term deposits	408	165,117
Total cash and short-term deposits	115,841	358,500

(b) Cash flow reconciliation	2018	2017
	\$'000	\$'000
Profit for the year	253,100	206,333
Depreciation and amortisation (including discontinued operations)	48,702	40,706
Brand write-off	12,800	-
Impairment charge	-	182,837
Share-based payment expense	6,096	2,963
Net exchange differences	(1,437)	6,397
Acquisition of subsidiary	1,064	-
Gain on sale of business	-	(161,600)
Share of losses of associates and joint ventures	19,282	4,417
Loss on disposal of fixed assets	582	217
Share-based payment on settlement of LTI Plans	(2,182)	(2,216)
Contingent consideration revaluation and unwind	1,965	(7,864)
Working capital divested	-	6,981
Deferred consideration recognised	14,464	-
Other non-cash items	451	198
<i>Change in operating assets and liabilities</i>		
Increase in trade receivables	(18,974)	(2,041)
Increase in other current assets	(49,477)	(1,107)
Increase in deferred tax assets	(1,175)	(3,154)
(Increase)/decrease in other non-current assets	(126,753)	966
Increase in trade and other payables	142,037	9,012
Increase in deferred revenue	895	5,250
Increase in provisions	3,753	603
Increase/(decrease) in deferred tax liabilities charged to the Income Statement	17,603	(16)
Increase in current tax liabilities	3,549	7,934
Net cash inflow from operating activities	326,345	296,816

8. Financial risk management

(a) Financial assets and liabilities

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	2018 \$'000	2017 \$'000
Current financial assets/(liabilities) at amortised cost			
Cash and cash equivalents	7	115,841	358,500
Trade receivables and other assets	12	121,019	99,684
Investment in associates and joint ventures	19	337,514	338,922
Trade and other payables		(62,222)	(55,338)
Borrowings		(122,461)	(133,828)
Current financial assets/(liabilities) at fair value through profit or loss			
Current commissions receivable		47,116	-
Current commissions payable		(36,770)	-
Contingent consideration	17	(452)	(113,656)
Total current financial assets		399,585	494,284
Non-current financial assets/(liabilities) at amortised cost			
Other non-current assets	12	621	413
Borrowings		(309,923)	(359,118)
Non-current financial assets/(liabilities) at fair value through profit or loss			
Non-current commissions receivable		126,545	-
Non-current commissions payable		(98,317)	-
Contingent consideration	17	(16,264)	(2,769)
Total non-current financial liabilities		(297,338)	(361,474)

Management assessed that the fair values of cash and cash equivalents, trade receivables and other assets, trade payables and borrowings approximate their carrying amounts largely due to the short-term maturities of these instruments. Refer to Note 17 for details on the methods and assumptions used to estimate the carrying and fair value of contingent consideration.

(b) Borrowings**Accounting policies**

Borrowings are initially recognised at fair value, net of transaction costs incurred and are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities, which are not an incremental cost relating to the actual draw-down 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 draw down 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.

Facility ¹	Interest rate	Maturity	2018 \$'000	2017 \$'000
Unsecured syndicated revolving loan facility²				
Sub facility A	BBSY +0.85% - 1.45% ³	December 2017	-	120,000
Sub facility B		December 2018	120,000	120,000
Sub facility C		December 2019	240,000	240,000
Unsecured working capital facility⁴				
Tranche 1	BBSY +1%	February 2018	-	14,000
Unsecured NAB loan facility	BBSY +0.85% - 1.40% ³	April 2021	70,000	-

1 The carrying value of the debt approximates fair value.

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

3 Interest rate margin is dependent on the Group's net leverage ratio.

4 REA Group Ltd is a guarantor for this facility.

(i) Unsecured syndicated revolving loan facility

As of 30 June 2018, the Group was paying a margin between 0.85% and 1.05%. The Group paid \$11.2 million in interest for the year ended 30 June 2018 (2017: \$13.4 million) at a weighted average interest rate of 2.6% (2017: 2.7%). At 30 June 2018, \$0.5 million (2017: \$1.0 million) of capitalised transaction costs had not yet been amortised through the Income Statement.

In December 2017 sub facility A was repaid at maturity.

The loan facility requires the Group to maintain a net leverage ratio of not more than 3.25 to 1.0 and an interest coverage ratio of not less than 3.0 to 1.0. As of 30 June 2018, the Group was in compliance with all of the applicable debt covenants.

(ii) Unsecured working capital facility

The Group paid \$0.2 million (2017: \$0.6 million) in interest for the year ended 30 June 2018 at a weighted interest rate of 2.9% (2017: 3.1%).

This facility was repaid in November 2017.

(iii) Unsecured NAB 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. The loan facility is provided by National Australia Bank.

In May 2018, the Group drew down the full \$70.0 million available and used it 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 \$0.2 million has not yet been amortised through the Consolidated Income Statement.

As of 30 June 2018, the Group was paying a margin of 0.85%. The Group paid \$0.2 million in interest for the year ended 30 June 2018 (2017: nil) at a weighted average interest rate of 2.6% (2017: nil).

Debt covenant requirements for the facility are the same as those for the unsecured syndicated revolving loan facility. As of 30 June 2018, the Group was in compliance with all of the applicable debt covenants.

(iv) Finance leases

The Group leases IT equipment with a carrying amount of \$0.9 million under finance leases expiring within one to four years. The Group acquired these leases as part of the acquisition of Hometrack, and therefore no prior period information is available.

Finance leases	2018 \$'000
Commitments in relation to finance leases are payable as follows:	
Within one year	534,467
Later than one year but not later than five years	439,837
Later than five years	-
Minimum lease payments	974,304
Future finance charges	(27,296)
Total finance lease liabilities	947,008
The present value of finance lease liabilities is as follows:	
Within one year	521,874
Later than one year but not later than five years	425,134
Later than five years	-
Total finance lease liabilities	947,008

(c) Market risk – foreign exchange

Nature of risk	Risk management	Material arrangements	Exposure
Foreign currency risk arises when future transactions or financial assets and liabilities are denominated in a currency other than the entity's functional currency.	The Group manages its foreign currency risk by evaluating its exposure to fluctuations and entering forward foreign currency contracts, where appropriate.	At the reporting date, cash and cash equivalents included \$10.0 million (2017: \$13.0 million) of USD.	Sensitivity analyses were performed for reasonable possible movements in the USD with all other variables held constant and utilising a range of +5% to -5%:
The Group operates internationally and is therefore exposed to foreign exchange risk, relating to the US Dollar (USD), Singapore Dollar	The Group also holds foreign currency cash balances in order to fund significant transactions	The Group's investment in Move, Inc. (Note 19) is materially exposed to changes in the AUD/USD exchange rate. The Group's investment in PropTiger (Note 19) is	Cash and cash equivalents: the impact to the profit and loss would be between (\$0.6 million) and \$0.7 million.

(SGD), Hong Kong Dollar (HKD), Malaysian Ringgit (MYR), Thai Baht (THB) and Indonesian Rupiah (IDR).	denominated in non-functional currencies.	materially exposed to changes in the AUD/SGD and AUD/USD exchange rates. The Group's exposure to foreign currency changes for all other currencies is not material.	Move, Inc.: the impact on equity would be between (\$13.5 million) and \$13.5 million. PropTiger: the impact on equity would be between (\$2.5 million) and \$3.7 million.
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(d) 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 2018, the Group's primary exposure to interest rate risk arises from borrowings and cash and cash equivalents. Cash and cash equivalents consist primarily of cash and short-term deposits, which are predominately interest-bearing accounts.	Funds that are excess to short-term liquidity requirements are generally invested in short-term deposits. Domestic interest rate movements contribute to most of the overall interest rate risk exposure, therefore no further analysis of the impact of foreign interest rate changes is necessary. Management believes the risk exposure at reporting date is representative of the risk exposure inherent in the financial instruments. There is uncertainty in the market if interest rates will rise or fall in the near future.	As at 30 June 2018, the Group held cash and cash equivalents of \$115.8 million (2017: \$358.5 million), of which \$0.4 million (2017: \$165.1 million) was held in short-term deposits. See further details in section (b) on the Group's borrowing facilities.	Sensitivity analyses were performed for exposure to interest rate risk, with all other variables held constant. Borrowings: the weighted average interest rate for the year ended 30 June 2018 was 2.6% (2017: 2.8%). If the interest rate were to increase or decrease by 1%, the impact to the interest expense would be between \$0.2 million and (\$0.4 million). Cash and cash equivalents: utilising an increase/decrease of 1% and based on historic interest rates, the impact to post-tax profit would be between \$0.1 million and (\$0.1 million).

(e) 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 2018 (2017: nil).

(f) 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 customer receivables) and from its financing activities, including deposits with financial institutions and foreign exchange transactions.	Receivable balances are monitored on an ongoing basis. Our policies determine the likelihood for default on an individual debtor basis. Credit risk arising from other financial assets, i.e. cash and cash equivalents, arises from default of the counter party. The Group's treasury policy only authorises dealings with financial institutions that have an appropriate rating.	The gross trade receivables balance at 30 June 2018 was \$110.4 million (2017: \$91.7 million). Refer to Note 12 for an aging analysis of this balance.	Historically there have not been significant write-offs of trade debtors. The monthly analysis performed of the trade debtor portfolio does not suggest any material credit risk exposure. 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.

(g) 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.	The Group maintains deposits at call that are expected to readily generate cash inflows for managing liquidity risk and maintains borrowing facilities to enable the Group to borrow funds when necessary.	At the end of the reporting period the Group held deposits at call of \$0.4 million (2017: \$165.1 million). See further details in section (b) on the Group's borrowing facilities.	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, excluding contingent consideration.

(h) Contractual maturities of financial liabilities

	< 6 months	6- 12 months	1-2 years	>2 years	Total contractual cash flows	Carrying amount
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 30 June 2018						
Trade payables	62,222	-	-	-	62,222	62,222
Contingent consideration	446	6	521	15,743	16,716	16,716
Borrowings	122,384	-	240,000	70,000	432,384	432,384
Total financial liabilities	185,052	6	240,521	85,743	511,322	511,322
At 30 June 2017						
Trade payables	55,338	-	-	-	55,338	55,338
Contingent consideration	7,108	109,314	1,862	1,406	119,690	116,425
Borrowings	120,000	14,000	120,000	240,000	494,000	492,946
Total financial liabilities	182,446	123,314	121,862	241,406	669,028	664,709

(i) Reconciliation of liabilities arising from financing activities

	Balance at 1 July 2017	Cash flows	Business combinations	Other	Balance at 30 June 2018
	\$'000	\$'000	\$'000	\$'000	\$'000
Current interest-bearing liabilities	133,828	(134,000)	2,677	119,956	122,461
Non-current interest-bearing loans	359,118	70,000	425	(119,620)	309,923
Total interest bearing loans	492,946	(64,000)	3,102	336	432,384

9. Commissions**Accounting policies**

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

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

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

Key estimate and judgement

The determination of the assumptions to be used in the valuation of trailing commissions is made by management, 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 fair value calculations of the trailing commissions receivable and the corresponding payable to franchisees at 30 June 2018 are detailed in the table below:

	2018
Weighted average loan life ¹	3.8 years
Weighted average discount rate ¹	6.0%
Percentage of commissions received paid to franchisees (10 year average) ¹	78.8%

¹ An increase/decrease in the above assumptions would lead to an increase/decrease in the fair value of the trailing commissions balances.

Management considers that the carrying amounts of financial assets and financial liabilities recognised as they relate to trailing commissions approximate their fair values, as detailed below:

	2018 \$'000
Future trailing commissions receivable – current	40,508
Upfront commissions receivable - current	6,608
Total current commissions receivable	47,116
Future trailing commissions receivable – non-current	126,545
Future trailing commissions payable – current	31,536
Upfront commissions payable – current	5,234
Total current commissions payable	36,770
Future trailing commissions payable – non-current	98,317

10. 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.

	2018 \$'000	2017 \$'000
Declared and paid during the period (fully-franked at 30%)		
Interim dividend for 2018: 47.0 cents (2017: 40.0 cents)	61,896	52,686
Final dividend for 2017: 51.0 cents (2016: 45.5 cents)	67,174	59,930
Total dividends provided for or paid	129,070	112,616
Proposed and unrecognised as a liability (fully-franked at 30%)		
Final dividend for 2018: 62.0 cents (2017: 51.0 cents). Proposed dividend is expected to be paid on 13 September 2018 out of retained earnings at 30 June 2018 but is not recognised as a liability at year end	81,663	67,174
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	343,599	285,751
Impact on the franking account of the dividend recommended by the Directors since year end, but not recognised as a liability at year end	(34,998)	(28,789)

11. Equity and reserves**(a) Equity****Accounting policies**

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

The number of ordinary shares issued at 30 June 2018 was 131,714,699 (2017: 131,714,699).

	Contributed equity \$'000	Other contributed equity \$'000	Total \$'000
Balance at 1 July 2016	102,603	(5,494)	97,109
Divestment of European business	13	-	13
Acquisition of treasury shares	-	(1,261)	(1,261)
Settlement of vested performance rights	-	(646)	(646)
Balance at 30 June 2017 and 1 July 2017	102,616	(7,401)	95,215
Acquisition of treasury shares	-	(4,198)	(4,198)
Settlement of vested performance rights	-	308	308
Balance at 30 June 2018	102,616	(11,291)	91,325

The settlement of the LTI Plan during the year ended 30 June 2018 was performed through the on-market purchase of the shares, not issuing of new shares. Refer to Note 16 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 16.

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	Business combination reserve \$'000	Total \$'000
Balance at 1 July 2016	4,639	34,202	(5,999)	32,842
Foreign currency translation differences	-	(3,946)	-	(3,946)
Total other comprehensive loss	-	(3,946)	-	(3,946)
Divestment of European business	-	-	5,999	5,999
Share-based payments expense	2,963	-	-	2,963
Settlement of vested performance rights	(1,535)	-	-	(1,535)
Balance at 30 June 2017 and 1 July 2017	6,067	30,256	-	36,323
Foreign currency translation differences	-	12,452	-	12,452
Share-based payments expense	6,096	-	-	6,096
Settlement of vested performance rights	(2,354)	-	-	(2,354)
Balance at 30 June 2018	9,809	42,708	-	52,517

12. Trade receivables and other assets

Accounting policies

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment. Due to their short term nature, trade receivables have not been discounted. Trade receivables are generally due for settlement between 15 and 45 days. Debts which are known to be uncollectible are written-off by reducing the carrying amount directly. An allowance account (provision for doubtful debts) is made when there is objective evidence that the Group 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.

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

	2018 \$'000	2017 \$'000
Trade receivables and other assets		
Trade receivables (a)	110,391	91,733
Provision for doubtful debts	(2,053)	(2,369)
Net trade receivables	108,338	89,364
Current prepayments	5,332	5,484
Accrued income and other	7,349	4,836
Current trade and other receivables	121,019	99,684
Non-current prepayments	621	413
Other non-current assets	621	413
Total trade receivables and other assets	121,640	100,097

(a) Ageing of trade receivables	2018 \$'000	2017 \$'000
Not due	88,992	73,334
1-30 days past due not impaired	13,222	10,610
31-60 days past due not impaired	3,869	3,686
61+ days past due not impaired	2,255	1,734
Considered impaired	2,053	2,369
Total gross trade receivables	110,391	91,733

During the year, a total expense of \$1.1 million (2017: \$1.7 million) was recognised in the Income Statement in relation to the provision for doubtful debts.

Information about the Group's exposure to foreign currency, interest rate and credit risk in relation to trade and other receivables is provided in Note 8.

13. 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.

	2018 \$'000	2017 \$'000
Trade payables	9,545	14,680
Accrued expenses	45,317	35,528
Other payables	7,360	5,130
Contingent consideration	452	113,656
Total trade and other payables	62,674	168,994

Information regarding the effective interest rate and credit risk of current payables is set out in Note 8.

14. Commitments and contingencies

(a) Contingent liabilities

(i) Claims

Various claims arise in the ordinary course of business against REA Group Limited and its subsidiaries. The amount of the liability (if any) at 30 June 2018 cannot be ascertained, and the REA Group Limited entity believes that any resulting liability would not materially affect the financial position of the Group.

(ii) Guarantees

At 30 June 2018, the Group had bank guarantees totalling \$5.5 million (2017: \$5.8 million) in respect of various property leases for offices used by the Group.

(b) Non-cancellable operating leases**Accounting policies**

Operating leases are those where a significant portion of the risks and rewards of ownership are not transferred to the Group, as lessee. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Income Statement on a straight-line basis over the period of the lease. The Group has entered into commercial leases for office property and motor vehicles, with remaining lives ranging from 1 to 64 months. There are no restrictions placed upon the lessee by entering into these leases.

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

Non-cancellable operating leases	2018 \$'000	2017 \$'000
Within one year	7,552	6,205
Later than one year but not later than five years	18,184	20,006
Greater than five years	52	705
Total future minimum lease payments	25,788	26,916

The Group has no capital commitments at 30 June 2018 (2017: nil).

OUR PEOPLE

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

15. 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 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 16.

Provisions are measured at the present value of management'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.

	2018 \$'000	2017 \$'000
Employee benefits		
Salary costs	160,430	132,206
LTI Plan expense	2,826	1,737
Defined contribution superannuation expense	14,413	11,824
Total employee benefits expense	177,669	145,767
Provisions		
Current employee benefit provisions ¹	11,715	9,250
Non-current employee benefit provisions ²	2,595	2,306
Total provisions for employee benefits	14,310	11,556

¹ Included within current provisions.

² Included within non-current provisions.

16. Share-based payments

Accounting policies

The cost of **equity settled transactions** is recognised, 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 subsequent reporting date until vesting, the cumulative charge to the 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.

The Group has an **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 revenues and EPS.

Rights are vested after the performance period. The LTI Plan 2018 rights performance period ends at the end of the year and they will vest upon approval by the Board in August 2018. As all other performance periods are 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.

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 LTI Plan valuations were performed using the Black Scholes model. The short-term incentive plans valuation was determined using a five day weighted volume 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.

Plan	Performance period end date	Balance at the start of the year Number	Granted during the year Number	Exercised during the year Number	Forfeited/cancelled during the year Number	Balance at the end of the year Number
LTI Plan 2017 (Plan 8)	1 July 2017	35,530	-	(32,505)	(3,025)	-
LTI Plan 2018 (Plan 9)	1 July 2018	55,718	-	-	(2,702)	53,016
LTI Plan 2019 (Plan 10)	1 July 2019	40,230	349	-	(1,882)	38,697
LTI Plan 2020 (Plan 11)	1 July 2020	-	46,416	-	-	46,416
STI deferred share plan 2015	1 September 2017	23,719	-	(23,719)	-	-
STI deferred share plan 2016	1 September 2018	29,046	2,319	-	(7,327)	24,038
STI deferred share plan 2017	1 September 2019	-	53,221	-	(5,859)	47,362
Key talent deferred share plan 2017	1 September 2020	-	11,736	-	-	11,736
Total rights		184,243	114,041	(56,224)	(20,795)	221,265

(a) Long-Term Incentive Plan

Plan	Grant date	Performance period	Vesting date (and earliest exercise date)	Number of rights granted	Value of rights as at grant date
LTI Plan 2018 (Plan 9)	1 July 2015	2018	1 July 2018	66,195	\$2,449,359
LTI Plan 2019 (Plan 10)	1 July 2016	2019	1 July 2019	44,749	\$2,615,145
LTI Plan 2020 (Plan 11)	1 July 2017	2020	1 July 2020	46,416	\$3,123,819

Plan	Fair value per right at grant date	Exercise price	Expected volatility	Risk-free interest rate	Expected life of performance rights
LTI Plan 2018 (Plan 9)	\$37.00	\$0.00	30.0%	2.0%	38 months
LTI Plan 2019 (Plan 10)	\$55.82	\$0.00	27.5%	1.5%	38 months
LTI Plan 2020 (Plan 11)	\$62.57-\$72.76	\$0.00	25.0%	1.9%	38 months

(b) STI deferred share plan

100% of share plan rights granted vest 24 months after grant date, but for the key talent share plan rights, which vest 36 months after grant date. The share rights automatically convert into one ordinary share at an exercise price of nil. The number of share rights granted was determined based on the dollar value of the plan divided by the weighted average price using a 5 day VWAP leading up to the date of grant.

Plan	Grant date	Weighted average price of rights at grant date	Vesting date	Number of rights granted	Value of rights as at grant date
STI deferred share plan 2016	1 September 2016	\$59.42	1 September 2018	31,365	\$1,863,855
STI deferred share plan 2017	1 September 2017	\$67.85	1 September 2019	53,221	\$3,589,858
Key talent deferred share plan 2017	1 September 2017	\$67.45	1 September 2020	11,736	\$791,615

GROUP STRUCTURE

This section provides information on our 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, business combinations and discontinued operations.

17. Business combinations

Accounting policies

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

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and relevant conditions. All identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair values. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of AASB 139 Financial Instruments: Recognition and Measurement, is measured at fair value with the changes in fair value recognised in the Income Statement.

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

Key estimate and judgement

The Group has made assumptions and estimates to determine the purchase price of businesses acquired as well as its allocation to acquired assets and liabilities.

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

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

(a) Smartline

On 31 July 2017, the Group completed its acquisition of an 80.3% majority stake in Smartline, a premier mortgage broking franchise group. Results have been consolidated from 1 August 2017. The acquisition provides the Group a platform to further expand into Financial Services.

(i) Purchase consideration

The total purchase consideration is detailed below:

	\$'000
Cash paid (net of purchase price adjustment received)	67,606
Contingent consideration	14,464
Total purchase consideration	82,070

Smartline minority shareholders hold a put option that will entitle them to cash out their 19.7% shareholding at the end of the third year following completion. If the Smartline minority shareholders do not exercise this put option, the Group has a call option to acquire the minority shares for the exit price at the end of the fourth year following completion. The assessed fair value range of contingent consideration lies between \$11.3 million and \$16.5 million. The range of undiscounted outcomes is between \$17.2 million and \$23.1 million. Management judgement is used to determine whether call options without a fixed price give the Group a present ownership interest. As management determined that the majority of risks and rewards have been transferred to the Group, the transaction is treated as though the Group has effectively acquired 100% at the acquisition date.

(ii) Details of net assets and liabilities acquired**Final accounting**

The net identifiable assets acquired in Smartline are detailed below:

	Fair value recognised on acquisition \$'000
Current assets	
Cash and cash equivalents	3,883
Trade and other receivables	629
Current commissions receivable	47,080
Total current assets	51,592
Non-current assets	
Property, plant and equipment	328
Intangibles	23,118
Non-current commissions receivable	119,506
Total non-current assets	142,952
Current liabilities	
Trade and other payables	(1,033)
Current commissions payable	(37,527)
Provisions	(516)
Current tax liabilities	(20)
Total current liabilities	(39,096)
Non-current liabilities	
Non-current commissions payable	(93,432)
Provisions	(287)
Deferred tax liability	(16,119)
Total non-current liabilities	(109,838)
Net identifiable assets acquired	
Add: goodwill	36,460
Net assets	82,070
Cash flows on acquisition	
Cash consideration	67,606
Less: cash acquired	(3,883)
Outflow of cash	63,723

The goodwill acquired is attributable to Smartline's strong position in its market and the high growth potential of that market. Goodwill is not deductible for tax purposes.

The fair value of trade and other receivables is \$0.6 million and includes trade receivables with a fair value of \$0.1 million. The gross contractual amount of trade receivables due is \$0.1 million, none of which is expected to be uncollectible.

(iii) *Acquisition related costs*

Acquisition related costs of \$2.0 million were accounted for as expenses within operations and administration expenses and consultant and contractor expenses in the period in which they were incurred.

(b) Hometrack Australia

On 1 June 2018, the Group acquired 100% of Hometrack Australia Pty Ltd. Hometrack is a provider of property data services to the financial sector. Its suite of products includes property data analytics and insights, customised data platforms and an Automated Valuation Model (AVM).

(i) *Purchase consideration*

The total purchase consideration is detailed below:

	\$'000
Cash paid (net of purchase price adjustment to be received)	126,310
Total purchase consideration	126,310

(ii) *Details of net assets and liabilities acquired*

Initial accounting

The net identifiable assets acquired in Hometrack will be finalised within 12 months of the acquisition date, in line with accounting standards. Provisional net assets and liabilities acquired are detailed below:

	Fair value recognised on acquisition \$'000
Current assets	
Cash and cash equivalents	2,330
Trade and other receivables	1,520
Total current assets	3,850
Non-current assets	
Property, plant and equipment	1,094
Intangibles	34,133
Deferred tax asset	447
Total non-current assets	35,674
Current liabilities	
Trade and other payables	(3,459)
Provisions	(1,008)
Current tax liabilities	(136)
Deferred Revenue	(20)
Loans and borrowings	(2,695)
Total current liabilities	(7,318)
Non-current liabilities	
Provisions	(88)
Deferred tax liability	(3,660)
Loans and borrowings	(459)
Total non-current liabilities	(4,207)
Net identifiable assets acquired	
Add: goodwill	98,311
Net assets	126,310
Cash flows on acquisition	
Cash consideration	126,310
Less: cash acquired	(2,330)
Outflow of cash	123,980

The goodwill is attributable to Hometrack's strong position in its market and the high growth potential of that market. Goodwill is not deductible for tax purposes.

(iii) Acquisition related costs

Acquisition related costs of \$0.9 million were accounted for as expenses within operations and administration expenses and consultant and contractor expenses in the period in which they were incurred.

(c) Revenue and profit before tax from continuing operations

From the date of each acquisition, business combinations contributed \$20.5 million to total revenue and \$11.2 million to profit before tax from the continuing operations of the Group.

If all combinations had taken place at 1 July 2017, the Group's revenue from continuing operations would have been \$32.4 million and the profit before tax from continuing operations would have been \$15.9 million.

(d) Contingent consideration

At the reporting date the Group held the following financial liabilities in respect of previous business combinations:

	2018 \$'000	2017 \$'000
Current		
Contingent consideration ¹	452	113,656
Non-current		
Contingent consideration ²	16,264	2,769

¹ Included within trade and other payables.

² Included within other non-current payables.

(i) iProperty

As part of the Group's acquisition of iProperty, the Group had an obligation to acquire the remaining 13.1% shareholding over a two-year period through a put and call option arrangement contingent on iProperty achieving certain revenue and EBITDA hurdles in calendar years 2016 and 2017. In April 2018, all remaining shareholders exercised their put options and the Group made the final payment of \$104.5 million relating to the acquisition of 100% of iProperty Group Limited.

(ii) Acquired contingent liabilities

As part of the iProperty business combination, the Group recognised contingent consideration with an estimated fair value of \$15.3 million. At the reporting date, the contingent consideration has all been paid.

(iii) Smartline

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

The fair value of the contingent consideration arrangement of \$14.5 million at acquisition was estimated by applying the option pricing theory. The fair value measurement is based on significant inputs that are not observable in the market, which AASB 13 Fair Value Measurement refers to as level 3 inputs. Key assumptions include a discount rate of 11% and assumed probability-adjusted enterprise value over a two year period as well as the assumed probability of options exercised in the first year. The carrying amount of \$15.7 million approximates fair value at 30 June 2018.

(iv) Flatmates.com.au

As part of the Group's acquisition of Flatmates.com.au, a contingent consideration was recorded. This consideration was dependent on Flatmates.com.au achieving certain EBITDA hurdles in FY17 and FY18. At the reporting date, the contingent consideration was remeasured to \$0.4 million. The fair value adjustment is recognised in operating profit.

(v) Other

As part of the Group's acquisition of Property Platform, a contingent consideration was recorded. 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 the acquisition date. At the reporting date, the contingent consideration was remeasured to \$0.5 million. The fair value adjustment is recognised in operating profit.

The Group has adopted the fair value method in measuring contingent consideration. The determination of these fair values involves management's judgement and the ability of the acquired entity to achieve certain financial results. Contingent consideration is categorised as Level 3 in the fair value hierarchy. At 30 June 2018, key unobservable inputs and valuation techniques used in determining the fair value of contingent consideration are:

	Valuation technique	Discount rate	Hurdle	Period	Carrying value ¹ 2018 \$'000	Carrying value ¹ 2017 \$'000
iProperty	Option pricing theory	3.25%	Revenue & EBITDA	2 years	-	102,335
Acquired contingent liabilities ²	Discounted cash flow	14.40% - 17.40%	Revenue	3 years	-	4,373
Smartline	Option pricing theory	11.00%	Enterprise value	2 years	15,743	-
Flatmates.com.au ²	Discounted cash flow	6.00%	EBITDA	2 years	446	8,171
Property Platform ²	Discounted cash flow	12.80%	Revenue	5 years	527	1,546

¹ Carrying value approximates fair value.

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

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

	2018 \$'000	2017 \$'000
Opening fair value balance	116,425	128,795
Payments	(116,444)	(4,557)
Acquisitions	14,464	-
Fair value changes recognised in profit or loss ¹	1,971	(7,864)
Impact from applying foreign exchange rates as at 30 June ²	300	51
Closing fair value balance³	16,716	116,425

¹ Included within Operations and administration expense and Net finance income/(expense).

² Included within Operations and administration expense.

³ Included within Trade and other payables and Other non-current payables.

18. Discontinued operations

In the prior comparative period, the Group divested its European operations, which included the wholly owned subsidiaries, atHome Group S.à r.l. and REA Italia S.r.l, via the sale of shares.

The consideration received was \$193.7 million (€132.6 million). This resulted in a gain of \$161.6 million (€111.5 million), after deducting the net assets, accumulated foreign exchange reserve and transaction costs.

European results of \$1.8m are disclosed as discontinued operations in the prior comparative period in the Income Statement.

Refer to the 30 June 2017 financial accounts for details of the results for the Europe segment for the prior year and the major classes of assets and liabilities of the European operations held as at 31 December 2016, prior to divestment.

19. Investment in associates and joint ventures**Accounting policies**

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

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

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

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

**Key estimate
and
judgement**

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

The Group has a 20% interest in Move Inc. The remaining 80% of Move is held by News Corp. News Corp. granted the Group a put option to require News Corp. to purchase the Group's interest in Move, which can be exercised at any time beginning two years from the date of acquisition at fair value. Carrying value of the investment approximates fair value. The share of losses in Move in the current period includes a one-time adjustment to deferred tax balances through the income statement as a result of US tax reform which reduced the corporate tax rate to 21% from 35%, effective from 1 January 2018.

In January 2017, the Group purchased a 14.7% strategic stake on a fully diluted basis (16.4% on a non-diluted basis) in PropTiger, a leading online real estate services company in India. The acquisition was effective from 21 January 2017.

As of 28 September 2017, the Group acquired a 70% share in a newly formed company, "realestate.com.au Home Loans", a mortgage broking business owned by Advantedge Financial Services Holdings Pty Ltd, a subsidiary of NAB. The Group has used the equity method to account for the investment as at 30 June 2018.

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

	Move		PropTiger		Other	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Carrying amount of the investment	272,696	275,074	61,111	63,848	3,707	-

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

	Move		PropTiger	
	30 June 2018 (adjusted) \$'000	30 June 2017 (adjusted) \$'000	30 June 2018 (estimated & adjusted) ¹ \$'000	30 June 2017 (estimated & adjusted) ¹ \$'000
Current assets	358,008	304,931	16,540	55,458
Non-current assets	1,182,944	1,231,008	374,628 ²	355,697 ²
Current liabilities	(139,302)	(107,717)	(9,521)	(10,546)
Non-current liabilities	(38,172)	(52,852)	(9,015)	(11,291)
Equity	1,363,478	1,375,370	372,632	389,318
Proportion of the Group's ownership	20.0%	20.0%	16.4%	16.4%
Carrying amount of the investment	272,696	275,074	61,111	63,848
Revenue	588,711	510,249	15,868	4,432
Other operating costs	(541,347)	(462,421)	(46,773)	(21,231)
Interest/dividend income	3,666	1,895	959	95
Interest/Other expense	94	(254)	(1,978)	(2,673)
Depreciation and amortisation (inclusive of amortisation of fair value uplift on acquisition of associates)	(61,639)	(57,739)	(1,919)	(745)
Income tax benefit/(expense)	(54,675)	2,685	-	-
(Loss)/profit for the year from continuing operations	(65,190)	(5,585)	(33,843)	(20,122)
Total comprehensive (loss)/profit	(65,190)	(5,585)	(33,843)	(20,122)
Share of (loss)/gain of associates	(13,038)	(1,117)	(5,573)	(3,300)

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

² Amount includes fair value uplift of intangible assets acquired.

20. Parent entity financial information

Accounting policies

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

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

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

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

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

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

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

	2018 \$'000	2017 \$'000
Current assets	76,606	197,404
Non-current assets	395,953	394,983
Total assets	472,559	592,387
Current liabilities	83,060	155,526
Non-current liabilities	-	10
Total liabilities	83,060	155,536
Net assets	389,499	436,851
Contributed equity	92,874	97,094
Reserves	4,959	3,442
Retained earnings	291,666	336,315
Total shareholders' equity	389,499	436,851
Profit and other comprehensive income of the parent entity	84,422	134,331

Guarantees entered into by the parent entity

The parent entity has not provided unsecured financial guarantees in respect of loans of subsidiaries (2017: \$14.0 million, in relation to the iProperty working capital facility which has been repaid in the current year).

In addition, there are cross guarantees given by REA Group Limited and realestate.com.au Pty Limited as described in Note 22. No deficiencies of assets exist in either of these companies.

Commitments and contingencies

Various claims arise in the ordinary course of business against REA Group Limited. The amount of the liability (if any) at 30 June 2018 cannot be ascertained, and the REA Group Limited entity believes that any resulting liability would not materially affect its financial position.

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

OTHER DISCLOSURES

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

21. Plant and equipment**Accounting policies**

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

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

Key estimate and judgement

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

	Plant and equipment \$'000	Leasehold improvements \$'000	Total \$'000
Year ended 30 June 2018			
Opening net book amount	8,525	11,242	19,767
Additions	4,718	3,699	8,417
Business combinations	1,287	134	1,421
Disposals (net of accumulated depreciation)	(287)	(117)	(404)
Depreciation charge – continued operations	(4,277)	(3,199)	(7,476)
Exchange differences (net)	263	112	375
Closing net book amount	10,229	11,871	22,100
At 30 June 2018			
Cost	26,429	19,655	46,084
Accumulated depreciation	(16,200)	(7,784)	(23,984)
Net book amount	10,229	11,871	22,100

Year ended 30 June 2017			
Opening net book amount	8,638	7,527	16,165
Exchange differences (net)	(303)	283	(20)
Additions	5,589	6,075	11,664
Disposals (net of accumulated depreciation)	(92)	-	(92)
Divestment	(1,026)	(553)	(1,579)
Depreciation charge – continued operations	(4,049)	(2,084)	(6,133)
Depreciation charge – discontinued operations	(232)	(6)	(238)
Closing net book amount	8,525	11,242	19,767
At 30 June 2017			
Cost	21,817	16,435	38,252
Accumulated depreciation	(13,292)	(5,193)	(18,485)
Net book amount	8,525	11,242	19,767

No items of plant and equipment have been impaired during the year ended 30 June 2018 (2017: nil).

22. Related parties

(a) Transactions with related parties

	2018	2017
	\$	\$
Ultimate parent entity (News Corp) and group entities		
Sale of goods and services	362,876	140,350
Purchase of goods and services	5,327,393	5,327,352
Dividends paid	79,507,558	69,371,509
Management fee	155,000	310,000
Amounts receivable from parent entity	367,820	144,888
Amounts owing to parent entity	1,022,974	76,891
Key management personnel compensation		
Short-term employee benefits	4,824,875	3,905,062
Post-employment benefits	120,061	120,988
Long-term employee benefits	35,890	22,922
Long-Term Incentive Plan (LTIP)	1,162,443	696,439

(i) Parent entities

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

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

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

(ii) *Key management personnel*

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

During the year, the Group sold residential subscriptions, other advertising products and training sponsorships at arm's length terms, normal terms and conditions to the franchisees and offices of the John McGrath Estate Agents and McGrath Limited (Director-related entities).

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

(iii) *Commitments*

As a result of the Move transaction, the Group entered a commitment relating to the funding of rollover awards held by Move employees. \$0.6 million of payments were made during the year with no further payments required.

(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 iProperty which currently prepares its Financial Statements for the reporting period ending 31 December, and Hometrack which currently prepares its Financial Statement for the reporting period ending 30 September.

Associates are all entities over which the Group has significant influence but not control. This is generally the case where the Group holds between approximately 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost. They are adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in the Income Statement and the Group's share of movements in other comprehensive income (OCI) of the investee.

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.

The consolidated Financial Statements incorporate the assets, liabilities and results of the following subsidiaries and associates of REA Group Limited as at 30 June 2018 in accordance with the above accounting policy.

Name of entity	Country of incorporation	Equity Holding 2018 %	Equity Holding 2017 %
Subsidiaries:			
NL/HIA JV Pty Ltd	Australia	100	100
Property Look Pty Ltd	Australia	100	100
Property.com.au Pty Ltd	Australia	100	100
REA US Holding Co. Pty Ltd	Australia	100	100
REA Group Europe Ltd	United Kingdom	100	100
Hub Online Global Pty Ltd	Australia	100	100
Web Effect Int. Pty Ltd ¹	Malaysia	-	100
realestate.com.au Pty Ltd	Australia	100	100
1Form Online Pty Ltd	Australia	100	100
Austin Rollco Ltd	Australia	100	-
Flatmates.com.au Pty Ltd	Australia	100	100
REA Austin Pty Ltd	Australia	100	100
Hometrack Australia Pty Limited	Australia	100	-
Hometrack Nominees Pty Limited	Australia	100	-
NOVII Pty Ltd (previously Media Cell Pty Ltd)	Australia	56.2	56.2
Ozhomevalue Pty Ltd ²	Australia	56.2	56.2
Smartloan Home Loans Pty Ltd	Australia	80.3	-
Smartline Operations Pty Ltd ³	Australia	80.3	-
Austin Bidco Pty Ltd	Australia	100	87
iProperty Group Pty Ltd	Australia	100	100
iProperty.com 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
Info-Tools Pte Ltd	Singapore	100	100
iProperty.com Singapore Pte Ltd	Singapore	100	100
GoHome H.K. Co. Ltd	Hong Kong	100	100
Finance18.com Ltd	Hong Kong	100	100
House18.com Services Ltd	Hong Kong	100	100
SMART Expo Limited	Hong Kong	100	100
Big Sea International Limited ⁴	Macau	100	100
GoHome Macau Co Ltd (previously vProperty Ltd) ⁴	Macau	100	100
PT Web Marketing Indonesia	Indonesia	100	100
iProperty (Thailand) Co., Ltd	Thailand	100	100
Prakard IPP Co Ltd	Thailand	100	100
Kid Ruang Yu Co., Ltd	Thailand	100	100
Flagship Co., Ltd	Thailand	100	100
Prakard.com (Hong Kong) Limited	Hong Kong	100	100
REA Group Hong Kong Ltd	Hong Kong	100	100
Primedia Limited	Hong Kong	100	100
REA HK Co Limited (previously Squarefoot Ltd)	Hong Kong	100	100
REA Group Consulting (Shanghai) Co. Limited	China	100	100
Associates and joint ventures:			
Move, Inc. ⁵	United States	20	20
Elara Technologies Pte Ltd ⁶	Singapore	14.1	14.7
realestate.com.au Homeloans Mortgage Broking Pty Ltd	Australia	70	-

¹ Deregistered on 4 September 2017.

² Ozhomevalue Pty Ltd is 100% owned by NOVII Pty Ltd (previously Media Cell Pty Ltd).

³ Smartline Operations Pty Ltd is 100% owned by Smartloan Home Loans Pty Ltd.

⁴ BVI registered company

⁵ Investment in Move, Inc. is held by REA US Holdings Co. Pty Ltd.

⁶ Effective from 21 January 2017. Shareholding is 16.4% on a non-diluted basis (14.1% fully-diluted basis). Elara Technologies Pte Ltd owns 100% of Aarde Technosoft Pvt. Ltd (owner of PropTiger in India).

(c) Deed of Cross Guarantee

Pursuant to ASIC Corporations Instrument 2016/785, relief has been granted to realestate.com.au Pty Limited from the *Corporations Act 2001* requirements for the preparation, audit and lodgement of its Financial Statements.

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

The summarised Income Statement, Statement of Financial Position and Retained Earnings of REA Group Limited and realestate.com.au Pty Limited as members of the Closed Group are below.

Consolidated Income Statement	2018 \$'000	2017 \$'000
Profit from continuing operations before income tax	416,039	477,973
Income tax expense	(123,163)	(101,937)
Profit for the year	292,876	376,036
Summary of movements in consolidated retained earnings		
Retained earnings at beginning of the financial year	832,009	578,029
Earnings for the year	292,876	376,036
Other ¹	-	(9,440)
Dividends provided for or paid during the year	(129,070)	(112,616)
Retained earnings at end of the financial year	995,815	832,009

¹ Funds repatriated from REA Group Europe.

Consolidated Statement of Financial Position	2018 \$'000	2017 \$'000
ASSETS		
Current assets		
Cash and cash equivalents	93,173	348,975
Trade and other receivables	216,096	145,992
Total current assets	309,269	494,967
Non-current assets		
Plant and equipment	16,345	18,516
Intangible assets	68,855	61,784
Deferred tax assets	8,767	8,200
Other non-current assets	91	358
Investments in subsidiaries	1,310,230	1,100,351
Total non-current assets	1,404,288	1,189,209
Total assets	1,713,557	1,684,176
LIABILITIES		
Current liabilities		
Trade and other payables	66,499	182,356
Current tax liabilities	25,971	19,821
Provisions	10,639	9,027
Deferred revenue	43,704	40,992
Interest bearing loans and borrowings	119,922	119,881
Total current liabilities	266,735	372,077
Non-current liabilities		
Deferred tax liabilities	7,874	5,463
Provisions	5,058	4,401
Other non-current liabilities	25,520	10,624
Interest bearing loans and borrowings	309,415	359,118
Total non-current liabilities	347,867	379,606
Total liabilities	614,602	751,683
Net assets	1,098,955	932,493
EQUITY		
Contributed equity	91,300	95,211
Reserves	11,851	5,273
Retained earnings	995,804	832,009
Total equity	1,098,955	932,493

23. Remuneration of auditors

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

	EY Australia		Related practices of EY Australia		Non-EY audit firms	
	2018	2017	2018	2017	2018	2017
	\$	\$	\$	\$	\$	\$
Audit and review of Financial Statements	753,154	690,578	242,525	222,850	16,348	4,236
Taxation services	350,700	386,670	-	-	266,698	219,128
Other assurance services	124,307	103,842	-	-	342,244	180,613
Total remuneration	1,228,161	1,181,090	242,525	222,850	625,290	403,977

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

The consolidated Financial Statements are presented in Australian dollars, which is the Group's **functional and presentational 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 2017: A number of new or amended accounting standards are effective for annual periods beginning on or after 1 January 2017. The following standard has been identified as one which impacts the Group in the current reporting period. There is no significant impact to the Group on adoption of these new or amended accounting standards.

Summary	Impact on Group Financial Statements	Application date of standard	Application date for Group
AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107 This Standard amends AASB 107 Statement of Cash Flows (August 2015) to require entities preparing financial statements in accordance with Tier 1 reporting requirements to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.	Disclosures have been included within Note 8 to detail changes in liabilities arising from financing activities for both cash flows and non-cash items. These changes only arise due to borrowings.	1 January 2017	1 July 2017

New standards and interpretations not yet adopted: the following standards are relevant to current operations. They are available for early adoption but have not been applied by the Group in this financial report.¹

Summary	Impact on Group Financial Statements	Application date of standard	Application date for Group
AASB 15 Revenue from Contracts with Customers Establishes principles for reporting useful information to users of Financial Statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The core principle is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.	The Group will adopt this standard for the full year ending 30 June 2019. Management has chosen to apply the cumulative effect method of transition and, as a result, will not restate the comparative period. The Group has prepared a full assessment of the impacts of the Standard for all the Group's revenue streams. No material differences have been identified between current recognition or measurement of the Group's revenue and AASB 15. Disclosures require revenue to be disaggregated into categories according to nature, timing and uncertainty of revenue. There will be no changes to how the Group disaggregates revenue under AASB 15. Also, disclosures of performance obligations (typically providing services over time) and significant judgements that affect the amount or timing of revenue recognition will be included.	1 January 2018	1 July 2018

Summary	Impact on Group Financial Statements	Application date of standard	Application date for Group
AASB 9 Financial Instruments AASB 9 replaces AASB 139 and addresses the classification, measurement and derecognition of financial assets and financial liabilities. It also addresses the new hedge accounting requirements, including changes to hedge effectiveness testing, treatment of hedging costs and risk components that can be hedged. AASB 9 introduces a new expected-loss impairment model that will require entities to account for expected credit losses at the time or recognising the asset.	The Group has performed a detailed assessment of the implication of AASB 9 as at 30 June 2018. The Group concludes that the adoption of the new standard does not have a material impact on the classification and measurement of the financial assets and liabilities nor its results on adoption of the new impairment model. Additional disclosures will be required in 2019 financial year on the application of AASB 9 including the classification considerations and calculation of loss allowances. In the transition year (2019 financial year), the Group will need to disclose a comparative between classification under AASB 139 and the new standard. In addition, the credit risk disclosures will need to expand to address the risk ratings of each financial asset.	1 January 2018	1 July 2018
AASB 16 Leases Lessees will be required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee measures right-of-use assets similarly to other non-financial assets and lease liabilities similarly to other financial liabilities. AASB 16 contains disclosure requirements for lessees.	The Group is currently undertaking a detailed assessment of the impact of AASB 16 and the Standard will be first adopted for the year ending 30 June 2020. This includes evaluating current contracts to assess if any contain embedded operating lease terms. Under AASB 16, entities are required to separate lease and non-lease components and account for them individually, if certain criteria are met. Information on the undiscounted amount of the Group's operating lease commitments at 30 June 2018 under AASB 117, the current leases standard, is disclosed in Note 14. Under AASB 16, the present value of these commitments would be shown as a liability on the balance sheet together with an asset representing the right-of-use. The ongoing Income Statement classification of what is currently predominantly presented as operations and administration expenses will be split between depreciation and interest expense. The Standard is not expected to materially change the profit after tax, but will change the Segment EBITDA.	1 January 2019	1 July 2019

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

25. Events after the Statement of Financial Position date

On 2 August 2018, the Group signed an off-balance sheet guarantee for a revolving credit facility ('RCF') issued by Citibank to Elara Technologies. The total RCF is USD\$35.0 million and the Group's portion of the guarantee is USD\$13.2 million. Under the arrangement, the Group will also earn income in the form of a guarantee fee.

Other than the above, from the end of the reporting period to the date of this report, no other matter or circumstance has arisen which has significantly affected the operations of the Group, the results of the operations or the state of affairs of the Group.

Directors' Declaration

In the Directors' opinion:

- a) the Financial Statements and notes of the consolidated entity for the financial year ended 30 June 2018 set out on pages 32 to 80 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 2018 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 ending 30 June 2018; and
- e) as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in Note 22 will be able to meet any obligations or liabilities to which they are or may become subject, by virtue of the Deed of Cross Guarantee.

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



Mr Hamish McLennan
Chairman



Ms Tracey Fellows
Chief Executive Officer

Melbourne
10 August 2018

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of REA Group Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- (i) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2018 and of its consolidated financial performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia; and we have fulfilled our other ethical responsibilities in accordance with the Code.

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

Key Audit Matters

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

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

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

Why significant

The Group recognised \$778.4m in property and online advertising revenue for the year ended 30 June 2018. 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.

How this matter was addressed in the 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 timing of revenue recognition 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 deferred revenue, trade receivables and cash accounts. We also assessed the timing, aging profile and nature of the transactions.

We assessed the Group accounting policies set out in Note 3, for compliance with the revenue recognition requirements of Australian Accounting Standards.

Acquisition accounting

Why significant

During the 2018 financial year, the Group acquired 80.3% of Smartline Home Loans Pty Ltd and 100% of Hometrack Australia Pty Ltd. The details of these business combinations can be found in Note 17 of the financial report.

Given the value of these acquisitions and the significant degree of judgment required in determining the identification of assets acquired and liabilities assumed, and the resultant acquisition accounting including the determination of contingent consideration, we have determined this to be a key audit matter.

How this matter was addressed in the audit

Our audit procedures included the following:

- ▶ Examined the Group's determination and valuation of the assets, in particular intangible assets acquired and liabilities assumed as part of the business combinations. We considered whether there were any other identifiable intangible assets acquired by using our knowledge of the industry and assessing the terms of the acquisition agreements.
- ▶ Assessed the competence, qualifications and objectivity of the experts engaged by the Group to assist with the identification and valuation of assets acquired.
- ▶ Assessed the key assumptions and valuation methodology used by the Group considering external market data, which involved the input of our valuation specialists.
- ▶ Assessed the Group's determination of the fair value of contingent consideration.
- ▶ Assessed the adequacy of the Group's disclosures in the financial report in respect of the acquisitions, including the contingent consideration and the related estimates.

Recoverability assessment of goodwill

Why significant

As at 30 June 2018 the Group held \$718.6m in goodwill.

As detailed in Note 5 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 are critical to the assessment of impairment.

Based on the size of the asset and the judgement involved in determining the recoverable amount, we have considered this a key audit matter.

How this matter was addressed in the audit

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 the determination of CGUs and the level at which goodwill is monitored in accordance with Australian Accounting Standards.
- ▶ Compared the cash flows used in the valuation to the actual and budgeted financial performance of the underlying CGUs.
- ▶ 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.
- ▶ Compared earnings multiples derived from the Group's value in use model to those observable from external market data of comparable listed entities, where available.
- ▶ 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 in the Group's Annual Report for the year ended 30 June 2018, but does not include the financial report and the auditor's report thereon. We obtained the Directors' Report that is to be included in the Annual Report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of this auditor's report.

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

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

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

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

Report on the Audit of the Remuneration Report

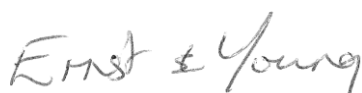
Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 19 to 30 of the Directors' Report for the year ended 30 June 2018.

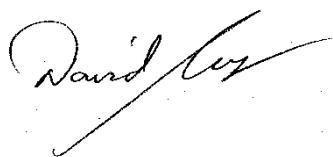
In our opinion, the Remuneration Report of REA Group Limited for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

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



David McGregor
Partner

Melbourne
10 August 2018

Historical results

A\$'000 (except where indicated)	2018	2017	2016	2015	2014
Consolidated Results:					
Revenue from continuing operations ¹	807,678	671,206	579,059	477,292	394,602
Profit before interest and tax (EBIT) ¹	390,474	156,379	349,836	280,174	200,873
Profit before income tax ¹	377,697	150,687	343,369	283,624	210,169
Profit for the year attributable to owners of the parent	252,779	206,066	252,958	210,011	149,728
Earnings per share from continuing operations (cents) ¹	191.9	36.1	193.1	151.3	112.7
Return on average shareholders' equity (% p.a.)	24%	27%	40%	44%	41%
Dividend and distribution	129,070	112,616	100,762	84,953	62,564
Dividend per ordinary share (cents)	109.0c	91.0	81.5	70.0	57.0
Dividend franking (% p.a.)	100%	100%	100%	100%	100%
Dividend cover (times)	1.96	1.83	2.51	2.47	2.40
Financial Ratios:					
Net tangible asset backing per share (\$)	(0.01)	0.39	(1.82)	3.43	2.38
Net EBITDA (continuing operations) interest cover (times) ¹	37.67	14.05	63.73	N/A	N/A
Gearing (debt / debt and shareholders' equity) (%)	31%	38%	41%	N/A	N/A
Financial Statistics:					
Income from dividends and interest ¹	4,590	3,727	1,819	3,611	9,292
Depreciation and amortisation provided during the year ¹	48,702	37,816	29,658	22,852	18,240
Net finance expense / (income) ¹	12,777	5,692	6,467	(3,450)	(9,296)
Net cash inflow from operating activities	326,345	296,816	221,339	191,355	183,581
Capital expenditure and acquisitions	372,103	128,264	568,883	391,146	44,154
Balance Sheet Data as at 30 June:					
Current assets	283,976	458,184	223,370	158,530	319,976
Non-current assets	1,438,496	1,120,629	1,259,914	511,440	198,592
Total Assets	1,722,472	1,578,813	1,483,284	669,970	518,568
Current liabilities	305,438	379,095	233,002	99,521	100,913
Non-current liabilities	476,265	394,988	534,507	12,370	9,343
Total Liabilities	781,703	774,083	767,509	111,891	110,256
Net Assets	940,769	804,730	715,775	558,079	408,312
Shareholders' Equity					
Contributed equity	91,325	95,215	97,109	98,355	102,075
Reserves	52,517	36,323	32,842	26,112	(2,273)
Retained profits	796,421	672,712	585,274	433,078	308,020
Shareholders' equity attributable to REA	940,263	804,250	715,225	557,545	407,822
Non-controlling interests in controlled entities	506	480	550	534	490
Total Shareholders' equity	940,769	804,730	715,775	558,079	408,312
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 (\$)	93.20	67.97	59.89	51.28	52.05
– year's low (\$)	62.17	47.50	39.15	37.40	26.70
– close (\$)	90.87	66.40	59.49	39.21	42.71
Market capitalisation (\$000,000)	11,969	8,746	7,836	5,165	5,626
Employee numbers (continuing operations) ¹	1,519	1,423	1,277	715	643
Number of shareholders	12,985	12,324	10,883	8,883	4,429

¹ Information for 2014 – 2016 is restated to exclude discontinued operations.