Appendix 4D

for the half-year ended 31 December 2017

REA Group Limited

ABN 54 068 349 066

RESULTS FOR ANNOUNCEMENT TO THE MARKET

For the half-year ended 31 December 2017 (*"current period"*)

		31 Dec 2017 A$'000	% Change from 6 months ended 31 Dec 2016	31 Dec 2016 A$'000
Revenue from ordinary activities (core operations)	Up	**406,779**	21%	337,326
Net Profit for the period attributable to members	Down	**132,522**	(55%)	292,143
Net Profit from core operations	Up	**147,255**	21%	121,771
Net Profit for the period attributable to members of parent (before non-controlling interest)	Down	**132,359**	(55%)	292,139

Dividend information

	Amount per share (cents)	Franked amount per share (cents)	Tax rate for franking credit
2017 interim dividend per share (paid 15 March 2017)	**40.0**	40.0	30%
2017 final dividend per share (paid 14 September 2017)	**51.0**	51.0	30%
2018 interim dividend per share (to be paid 16 March 2018)	**47.0**	47.0	30%

2018 interim dividend dates

Ex-dividend date	1 March 2018
Record date	2 March 2018
Payment date	16 March 2018

	31 Dec 2017 Cents	30 Jun 2017 Cents
Net tangible assets per security	**35.0**	39.2

Additional Appendix 4D disclosure requirements can be found in the notes to the Interim Financial Report and the Directors' Report for the half-year ended 31 December 2017. Information should be read in conjunction with REA Group Limited's 2017 Annual Report and the attached Interim Financial Report.

This report is based on the consolidated Interim Financial Report for the half-year ended 31 December 2017 which has been reviewed by Ernst & Young with the Independent Auditor's Review Report included in the Interim Financial Report.

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REA Group Limited

ABN 54 068 349 066

Interim Financial Report
for the half-year ended 31 December 2017

Index

Corporate Information

Directors	Hamish McLennan (Chairman) Tracey Fellows (Chief Executive Officer) Roger Amos Kathleen Conlon Richard Freudenstein Michael Miller John McGrath (resigned 16 January 2018) Susan Panuccio (resigned 14 July 2017) Ryan O'Hara (appointed 14 July 2017)
Chief Financial Officer	Owen Wilson
Company Secretary	Sarah Turner
Principal registered office	511 Church Street Richmond, Victoria, 3121 Australia Ph: +61 3 9897 1121 Fax: +61 3 9897 1114
Share register	Link Market Services Limited Tower 4, 727 Collins Street Melbourne VIC 3008 Ph: 1300 554 474 (within Australia) +61 1300 554 474 (outside Australia) Fax: 02 9287 0303
Auditor	Ernst & Young 8 Exhibition Street Melbourne, VIC 3000 Australia
Bankers	National Australia Bank Limited
Securities Exchange Listing	REA Group shares are listed on the Australian Securities Exchange (ASX: REA)
Website	www.rea-group.com

Directors' Report

The Directors present their report together with the Interim Financial Statements of the consolidated entity (the "Group"), being REA Group Limited (the "Company") and its controlled entities, for the half-year ended 31 December 2017 and the Independent Auditor's Report thereon.

Directors

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

- Hamish McLennan (Chairman)
- Tracey Fellows (Chief Executive Officer)
- Roger Amos
- Kathleen Conlon
- Richard Freudenstein
- Michael Miller
- John McGrath (appointed 15 September 1999 and resigned 16 January 2018)
- Susan Panuccio (appointed 22 March 2016 and resigned 14 July 2017)
- Ryan O'Hara (appointed 14 July 2017)

Principal activities

REA advertises 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 these users of its services 'consumers'.
- Helping real estate agents, developers, property-related businesses and advertisers promote their services. REA calls these users of its services 'customers'.

Operating and financial review

Reconciliation of results from core operations

A summary of financial results from core operations for the half-year ended 31 December 2017 is set out below.

For the purposes of this report operating income is defined as revenue from property advertising and revenue from financial services less expenses from franchisee commissions. Core operations are defined as the reported results as set out in the Consolidated Interim Financial Statements adjusted for significant non-recurring items such as revaluation and unwind of contingent consideration, transaction costs relating to acquisitions and the impact of the change in US tax rates on Move, Inc. results. In the prior comparative period, core operations excluded the revaluation and unwind of contingent consideration 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 Consolidated Interim Financial Statements on page 14 is set out below:

A$'000 (unless stated)	2014 HY	2015 HY	2016 HY	2017 HY	2018 HY	Growth
Operating income from core operations	189,237	239,255	289,772	337,326	406,779	21%
EBITDA[1] from core operations[2]	103,466	140,721	176,693	200,053	242,787	21%
EBITDA margin	*55%*	*59%*	*61%*	*59%*	*60%*	
Net profit from core operations	69,448	84,967	115,309	121,771	147,255	21%
Dividend (cents per share)	22.0	29.5	36.0	40.0	47.0	18%
Earnings per share from core operations	52.7	64.5	87.5	92.5	111.8	21%

[1] The Directors believe the EBITDA measures to be relevant and useful in measuring the financial performance of the Group. EBITDA is defined as Earnings before Interest, Tax, Depreciation and Amortisation.
[2] The Directors believe the additional information to IFRS measures included in the report is relevant and useful in measuring the financial performance of the Group.

Reconciliation of results from core operations continued

Core and reported results	2018 HY $'000	2017 HY $'000	Growth
Reported operating income	**406,779**	337,326	21%

EBITDA from core operations (excluding share of losses of associates)	**246,799**	201,810	22%
Share of losses of associates	**(15,858)**	(1,757)	>100%
US tax reform - revaluation of deferred tax balances	**11,846**	-	n/a
EBITDA from core operations[3]	**242,787**	200,053	21%
Revaluation of contingent consideration	**254**	-	n/a
Business combination and other transaction costs	**(552)**	-	n/a
US tax reform - revaluation of deferred tax balances	**(11,846)**	-	n/a
Reported EBITDA[3]	**230,643**	200,053	15%

Profit from core operations	**147,255**	121,771	21%
Unwind of contingent consideration	**(2,589)**	(3,737)	(31%)
Revaluation of contingent consideration	**254**	10,723	(98%)
Discontinued operations (net of gain on sale)	**-**	163,386	n/a
Business combination and other transaction costs, net of tax	**(552)**	-	n/a
US tax reform - revaluation of deferred tax balances	**(11,846)**	-	n/a
Reported profit	**132,522**	292,143	(55%)

Group results from core operations

Group operating income from core operations grew by 21% to $406.8 million driven by the continued growth in listing depth products (where agents pay extra to feature a more prominent listing of a particular property) and the inclusion of Smartline operating income from 1 August, which was not included in the prior comparative period. Strong residential growth included the continued success of the Premiere All offering, favourable product mix and yield. While listings nationwide declined slightly, listings in the key markets of Melbourne and Sydney rose.

The Group achieved a 21% increase in EBITDA from core operations to $242.8 million and a 21% increase in net profit from core operations to $147.3 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 half-year and Australia remained the primary revenue driver for the business, delivering 94% of the Group's operating income. The 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 platforms[4].

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 $6

[3] 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.
[4] Web visits Nielsen Market Intelligence – Home and Fashion, App launches Nielsen Digital Content Ratings average; monthly visits for the audited sites of realestate.com.au compared to domain.com.au for the half-year ended 31 December 2017.

billion in loans annually with a total loan book of approximately $25 billion. The Group's final 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 31 December 2017.

- In September 2017, the Group acquired a 70% non-controlling share in a newly formed company "realestate.com.au Home Loans", a mortgage broking business owned by Advantage 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.

Strong operational results were offset by key investment activities and shareholder returns in the form of dividends, resulting in a cash balance of $198.3 million and net current liabilities of $29.0 million as at 31 December 2017. During the period, REA repaid $134.0 million of interest bearing loans, which reduced the cash balance compared to June 2017.

Dividends

Dividends paid or declared by the Company during, and since, the end of the year are set out in Note 14 to the Consolidated Interim Financial Statements and below:

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

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

Performance by region

Half-year ended 31 December 2017	**Australia**		**Asia**	**North America**	**Corporate**	**Total**
	Property & Online Advertising	**Financial Services**				
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Segment operating income						
Total segment operating income[1]	**370,832**	**13,154**	**22,967**	**-**	**-**	**406,953**
Inter-segment operating income[1]	**-**	**-**	**(174)**	**-**	**-**	**(174)**
Operating income[1] from external customers	**370,832**	**13,154**	**22,793**	**-**	**-**	**406,779**
Results						
Segment EBITDA from core operations (excluding share of losses of associates)	**247,709**	**5,920**	**4,493**	**-**	**(11,323)**	**246,799**
Share of losses of associates	**-**	**(240)**	**(3,160)**	**(12,458)**	**-**	**(15,858)**
US tax reform - revaluation of deferred tax balances	**-**	**-**	**-**	**11,846**	**-**	**11,846**
Segment EBITDA from core operations	**247,709**	**5,680**	**1,333**	**(612)**	**(11,323)**	**242,787**
Revaluation of contingent consideration		**-**	**-**	**-**	**254**	**254**
Business combination and other transaction costs	**-**	**-**	**-**	**-**	**(552)**	**(552)**
US tax reform - revaluation of deferred tax balances	**-**	**-**	**-**	**(11,846)**	**-**	**(11,846)**
EBITDA	**247,709**	**5,680**	**1,333**	**(12,458)**	**(11,621)**	**230,643**

1. This represents revenue less commissions for financial services

Performance by region continued

Half-year ended 31 December 2016	Australia[1]		Asia	North America	Corporate	Total
	Property & Online Advertising	Financial Services				
	$'000	$'000	$'000	$'000	$'000	$'000
Segment operating income						
Total segment operating income[2]	318,343	392	19,367	-	-	338,102
Inter-segment operating income[2]	(575)	-	(201)	-	-	(776)
Operating income[2] from external customers	317,768	392	19,166	-	-	337,326
Results						
Segment EBITDA from core operations (excluding share of losses of associates)	209,690	(356)	2,639	-	(10,163)	201,810
Share of losses of associates	-	-	-	(1,757)	-	(1,757)
Segment EBITDA from core operations	209,690	(356)	2,639	(1,757)	(10,163)	200,053
EBITDA	209,690	(356)	2,639	(1,757)	(10,163)	200,053

1. Prior year comparatives have been restated to separate Property & Online Advertising from Financial Services in line with revised segment reporting for half-year ended 31 December 2017. Refer to Note 3 of the Consolidated Interim Financial Statements.
2. This represents revenue less commissions for financial services

Benefits of continued expansion

The Group has benefited from its continued expansion, increasing its presence both domestically in Australia and internationally across Asia. As a result of our strong market positions, customer relationships and products, we are positioned to capture long-term market opportunities on a global scale.

Australia

The Group operates Australia's number one residential, commercial and share property sites, realestate.com.au[5], realcommercial.com.au[6] and Flatmates.com.au[7].

Customers value the number one[5] position with a 5% increase in the number of Australian real estate agent offices that list properties on the sites for the half-year ended 31 December 2017.

Overall, Australian operating income increased by 21% to $384.0 million during the half-year.

Property and Online Advertising

Property and Online Advertising total revenue increased 17% to $370.8 million.

Australia's listing depth revenue increased 21% to $295.6 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 increased.

Developer and commercial listing depth and subscription revenue increased by 5%. While there was a decline in new dwelling commencements, this growth was achieved due to positive take-up of the premium commercial product, Elite Plus.

realcommercial.com.au continues to be the number one commercial property site in Australia. It received over 2.0 million average monthly visits[8], representing a growth of 23% compared to the previous comparative period.[9]

Media and other business revenue increased 2% to $46.6 million. Media display revenue, in particular

[5] Source: Web visits Nielsen Market Intelligence – Home and Fashion, App launches Nielsen Digital Content Ratings; average monthly visits for the audited site realestate.com.au compared to domain.com.au for the half-year ended 31 December 2017.
[6] Source: Web visits Nielsen Market Intelligence – Home and Fashion, App launches Nielsen Digital Content Ratings; average monthly visits for the audited site realcommercial.com.au, compared to commercialrealestate.com.au, for the half-year ended 31 December 2017.
[7] Source: Google Analytics average monthly visits for the Flatmates.com.au site for the half-year ended 31 December 2017 compared to the nearest market competitor.
[8] Source: Nielsen Online Market Intelligence Home and Fashion average monthly visits for the audited site of realcommercial.com.au for the half-year ended 31 December 2017. Excludes apps.
[9] Source: Nielsen Online Market Intelligence Home and Fashion average monthly visits for the audited site of realcommercial.com.au for the half-year ended 31 December 2017 compared to the half-year ended 31 December 2016. Excludes apps.

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 our lifestyle content offering on realestate.com.au partly offset by the transfer of the mortgage calculator inventory to our 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 11.8 million visits since its launch[10].

Flatmates.com.au is the number one site in share accommodation by visits[11]. It recorded over 2.6 million average monthly visits, representing growth of 27% compared to the previous comparative period[12]. The Group is well placed to strengthen this leadership position through the sharing of technology, expertise and marketing.

Rental applications received by 1Form online application for renters grew 22% on the previous comparative period[13]. This technology provides early visibility of consumers who are planning to move. Advertisers can utilise this information to target these consumers, with their consent, through initiatives such as Connections.

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 $13.2 million for the half-year. This result was driven by the inclusion of Smartline from 1 August 2017, and was not included in the prior comparative period.

Since the launch of realestate.com.au Home Loans, there have been over 150,000 financial profiles saved and more than 5.3 million calculator engagements[14]. There have also been a number of mortgage settlements through the experience since the launch.

Innovation is driving consumer engagement

The Group has the largest and most engaged audience of property seekers in Australia. realestate.com.au continues to be the clear number one place for property with more than twice the visits compared to its nearest competitor across all platforms, including app[15]. realestate.com.au is outperforming the competition with more than 7.2 times total time on site[16] and more than 6.2 times total page views[17].

As a result of the Group's focus to deliver an exceptional mobile experience for realestate.com.au, app launches grew 30%[18] and app downloads exceeded 7.4 million[19]. Average monthly launches of realestate.com.au's app outperformed the nearest competitor by more than 2.6 times[20] and people spent more than 3.6 times longer on the app.[21]

The high consumer engagement across all platforms is due to the Group's continued efforts to enhance the online experience for people looking to buy, sell,

[10] Source: REA Internal Data – Adobe Analytics March 2017 – December 2017.
[11] Source: Google Analytics average monthly visits for the Flatmates.com.au site for the half-year ended 31 December 2017 compared to the nearest market competitor.
[12] Source: Google Analytics average monthly visits for the Flatmates.com.au site for the half-year ended 31 December 2017 compared to the half-year ended 31 December 2016.
[13] Source: REA Internal Data total rental applications for the half-year ended 31 December 2017 compared to the half-year ended 31 December 2016.
[14] Source: REA Internal Data September 2017 – January 2018. Total mortgage calculator engagements (Engagements are changes to calculator fields) and total financial profiles saved.
[15] Source: Web visits Nielsen Market Intelligence – Home and Fashion, App launches Nielsen Digital Content Ratings average; monthly visits for the audited sites of realestate.com.au compared to domain.com.au for the half-year ended 31 December 2017.
[16] Source: Nielsen Online Market Intelligence Home and Fashion average monthly time on site for the audited sites of realestate.com.au compared to domain.com.au for the half-year ended 31 December 2017. Excludes apps.
[17] Source: Nielsen Online Market Intelligence Home and Fashion average monthly page views for the audited sites of realestate.com.au compared to domain.com.au for the half-year ended 31 December 2017. Excludes apps.
[18] Source: Adobe Analytics average monthly launches of the app for realestate.com.au for the half-year ended 31 December 2017 compared to the half-year ended 31 December 2016.
[19] Source: Google Play and iTunes, total downloads for the realestate.com.au iOS and Android apps to December 2017.
[20] Source: Nielsen Digital Content Ratings - Average monthly app launches for realestate.com.au compared to domain.com.au for the half-year ended 31 December 2017.
[21] Source: Nielsen Digital Content Ratings - Average monthly time on app for realestate.com.au compared to domain.com.au August 2017 – December 2017

rent or share property. This large audience provides rich data into how people search, where they look and what they look for. This information enables the Group to personalise consumers' experiences based on their own search behaviour.

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

Examples of such innovations include:

Agent comparison tool - consumers can now more easily find and compare agents in their area to sell their home.

realestate.com.au Home Loans - an Australian first combining searching for property and getting a home loan in a single experience and allowing consumers to clearly see properties that are right for them as they look for their perfect home.

New Home Page Search Experience - Update to the search navigation introducing new tabs, Property Value to help people understand how much their property is worth, and Find Agent to help consumers looking to sell find an agent.

Uplift in New Homes Section - Update to the new homes section on realestate.com.au to create a single destination that brings together the latest news, guides, research, builders and home designs, and enabling searching for the latest homes, land and new apartments.

Renovation Estimator - This handy tool allows people to input the space they want to renovate, size and scale of renovation and receive an estimated renovation cost.

Invest - Property seekers on realcommercial.com.au can now find accurate information on yield, capital growth, and occupancy and tenancy rates so they can make better informed choices when searching for commercial investment properties.

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

Strong residential growth included the continued success of the Premiere All offering, favourable product mix and yield increases. While listings nationwide declined slightly, listings in the key markets of Melbourne and Sydney rose. An important factor has been the expansion and innovation of depth products, increasing adoption by both residential and commercial property agents.

Asia

The Group's Asian operations comprises leading property portals across Malaysia[22], and prominent portals in Hong Kong, Indonesia, Thailand and Singapore, as well as Chinese site, myfun.com. Additionally the Group holds a strategic investment in Elara Technologies which operates PropTiger.com, makaan.com and Housing.com in India.

The Asian business recorded revenue growth of 19% to $22.8 million for the half-year. This strong growth was driven by MyFun, Thailand and Indonesia. Conditions in key Asian markets remained challenging for the half-year ended 31 December 2017.

The release of innovative android and iOS apps and new responsive regional websites in Malaysia, Indonesia, Hong Kong and Singapore brought a best in class experience to these markets.

The Group has put in place a senior leadership team based in-region, strengthening the Asian management team to implement the strategy and leverage the Australian operation.

In Malaysia, iproperty.com.my strengthened its leadership position with more than 2 times the number of visits compared to its nearest competitor.[23] In Singapore, iproperty.com.sg experienced a 48% increase in visits and has claimed

[22] Source: SimilarWeb average monthly visits for iproperty.com.my site in Malaysia for from 1 July 2017 to 31 December 2017 compared to the nearest market competitor. Excludes app.

[23] Source. Similar web average monthly visits for iproperty.com.my from 1 July 2017 to 31 December 2017 compared to nearest competitor. Excludes app

a strong number two position in this market[24]. Indonesia's Rumah123 continues to strengthen its market leadership with 33% growth in visits[25].

The Group holds a 14.2% stake on a fully diluted basis (16.4% on a non-diluted basis) in Elara Technologies. News Corp, the parent of REA Group's majority shareholder News Corp Australia, is currently the largest shareholder of Elara Technologies, holding a 23% investment.

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

North America

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

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

Knowledge and technology sharing between REA and Move, Inc. across product and consumer experience has led to a number of new innovations. realtor.com® is the number two property portal in the United States, the world's largest real estate market. Reported revenue growth of 17% to US$217 million[26] was due to the continued growth in its Connections℠ for Buyers product. This growth was partially offset by the $5m decline in revenue associated with the sale of Tigerlead® in November 2016. Average monthly unique users of realtor.com®'s web and mobile sites increased 9% on the prior corresponding period to 52 million[27] with mobile representing more than half of all unique users.

The Group's share of Move, Inc. for the half-year resulted in a $0.6 million loss from core operations recognised in the Income Statement.

As a result of US tax reform in December 2017, the US corporate tax rate decreased to 21% and a one-time deferred tax adjustment was recognised. The Group's share of the revaluation was $11.8m, recognised within share of losses for the period.

Business Strategy

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 become more personalised to consumers. By continuing to innovate and develop new products and services, the Group assists property developers and real estate agents, as well as making it easier for our consumers to find properties.

Lifestyle and Financial Services

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. This 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.

The Group also entered the mortgage broking market, launching realestate.com.au Home Loans where consumers can access a panel of more than 30 lenders through the Group's broker service.

[24] Source: Similar web average monthly visits for iproperty.com.sg from 1 July 2017 to 31 December 2017 compared to nearest competitor. Excludes app.

[25] Source: Similar web average monthly visits for rumah123 from 1 July 2017 to 31 December 2017. Excludes app.

[26] Source: NewsCorp's Earnings Release stated in US Dollars (8 February 2018) for the half-year ended 31 December 2017.

[27] Source: Comscore data average monthly unique users for the half-year ended 31 December 2017 compared to the half-year ended 31 December 2016.

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.

Global

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

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

With average property prices in Singapore and Hong Kong already higher than in Australia, and the volume of transactions exceeding that of Australia, REA Group Asia is important for continued growth.

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

Rounding of amounts

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

Auditor's Independence Declaration

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

Declaration

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

Hamish McLennan

Chairman

Tracey Fellows

Chief Executive Officer

Melbourne

9 February 2018

Ernst & Young
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
ey.com/au

Building a better
working world

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

As lead auditor for the review of REA Group Limited for the half-year ended 31 December 2017, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

b) no contraventions of any applicable code of professional conduct in relation to the review.

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

Ernst & Young

Ernst & Young

David McGregor

David McGregor
Partner
9 February 2018

Table of Contents

Consolidated Interim Financial Statements

Notes to the Consolidated Interim Financial Statements

Consolidated Income Statement

for the half-year ended 31 December

	Notes	2017 $'000	2016 $'000
Revenue from property and online advertising	4	**393,625**	336,934
Revenue from financial services	4	**38,434**	392
Expense from franchisee commissions	4	**(25,280)**	-
Revenue from financial services after franchisee expense		**13,154**	392
Total operating income		**406,779**	337,326
Employee benefits expenses	5	**(85,038)**	(69,707)
Consultant and contractor expenses		**(3,954)**	(4,345)
Marketing related expenses		**(34,142)**	(27,288)
Technology expenses		**(8,973)**	(8,255)
Operations and administration expenses		**(28,171)**	(25,921)
Share of losses of associates		**(15,858)**	(1,757)
Earnings before interest, tax, depreciation and amortisation (EBITDA)		**230,643**	200,053
Depreciation and amortisation expense	5	**(23,146)**	(17,858)
Profit before tax and interest (EBIT)		**207,497**	182,195
Net finance (expense)/income	5	**(6,532)**	773
Profit before income tax from continuing operations		**200,965**	182,968
Income tax expense	6	**(68,443)**	(54,211)
Profit for the half-year from continuing operations		**132,522**	128,757
Discontinued operations[28]			
Profit after tax for the half-year from discontinued operations	8	**-**	163,386
Profit for the half-year		**132,522**	292,143
Profit for the half-year is attributable to:			
Non-controlling interest		**163**	4
Owners of the parent		**132,359**	292,139
		132,522	292,143

	Cents	Cents
Earnings per share attributable to the ordinary equity holders of REA Group Limited		
Basic earnings per share	100.5	221.8
Diluted earnings per share	100.5	221.8
Basic earnings per share from continuing operations	100.5	97.8
Diluted earnings per share from continuing operations	100.5	97.8

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

28 The European business was sold effective 31 December 2016. Results from the European business are classified as discontinued operations.

Consolidated Statement of Comprehensive Income

for the half-year ended 31 December

	2017 $'000	2016 $'000
Profit for the half-year	**132,522**	292,143
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations, net of tax	**(1,913)**	14,104
Other comprehensive income for the half-year, net of tax	**(1,913)**	14,104
Total comprehensive income for the half-year	**130,609**	306,247
Total comprehensive income for the half-year is attributable to:		
Non-controlling interest	**163**	4
Owners of the parent	**130,446**	306,243
	130,609	306,247

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

Consolidated Statement of Financial Position

as at 31 December 2017

	Notes	31 Dec 2017 $'000	30 June 2017 $'000
ASSETS			
Current assets			
Cash and cash equivalents	10	**198,267**	358,500
Trade and other receivables		**97,211**	99,684
Current commissions receivable	13	**44,592**	-
Total current assets		**340,070**	458,184
Non-current assets			
Plant and equipment		**20,179**	19,767
Intangible assets		**819,154**	753,163
Deferred tax assets		**9,437**	8,364
Other non-current assets		**865**	413
Investment in associate		**324,498**	338,922
Non-current commissions receivable	13	**122,101**	-
Total non-current assets		**1,296,234**	1,120,629
Total assets		**1,636,304**	1,578,813
LIABILITIES			
Current liabilities			
Trade and other payables		**153,079**	168,994
Current tax liabilities		**16,531**	20,002
Provisions		**11,008**	9,456
Deferred revenue		**33,712**	46,815
Interest bearing loans and borrowings	11	**119,783**	133,828
Current commissions payable	13	**34,977**	-
Total current liabilities		**369,090**	379,095
Non-current liabilities			
Other non-current payables		**16,690**	2,938
Deferred tax liabilities		**45,061**	28,337
Provisions		**5,372**	4,595
Interest bearing loans and borrowings	11	**239,496**	359,118
Non-current commissions payable	13	**95,288**	-
Total non-current liabilities		**401,907**	394,988
Total liabilities		**770,997**	774,083
Net assets		**865,307**	804,730
EQUITY			
Contributed equity	15	**92,038**	95,215
Reserves		**34,861**	36,323
Retained earnings		**737,897**	672,712
Parent interest		**864,796**	804,250
Non-controlling interest		**511**	480
Total equity		**865,307**	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 half-year ended 31 December 2017

	Notes	Contributed equity $'000	Retained earnings $'000	Reserves $'000	Parent interest $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 July 2017		**95,215**	**672,712**	**36,323**	**804,250**	**480**	**804,730**
Profit for the half-year		**-**	**132,359**	**-**	**132,359**	**163**	**132,522**
Other comprehensive income		**-**	**-**	**(1,913)**	**(1,913)**	**-**	**(1,913)**
Total comprehensive income for the half-year		**-**	**132,359**	**(1,913)**	**130,446**	**163**	**130,609**
Transactions with owners in their capacity as owners							
Share-based payment expense	**5**	**-**	**-**	**2,805**	**2,805**	**-**	**2,805**
Acquisition of treasury shares		**(3,484)**	**-**	**-**	**(3,484)**	**-**	**(3,484)**
Settlement of vested performance rights		**307**	**-**	**(2,354)**	**(2,047)**		**(2,047)**
Dividends paid	**14**	**-**	**(67,174)**	**-**	**(67,174)**	**(132)**	**(67,306)**
Balance at 31 December 2017		**92,038**	**737,897**	**34,861**	**864,796**	**511**	**865,307**

	Notes	Contributed equity $'000	Retained earnings $'000	Reserves $'000	Parent interest $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 July 2016		97,109	585,274	32,842	715,225	550	715,775
Profit for the half-year		-	292,139	-	292,139	4	292,143
Other comprehensive income		-	-	14,104	14,104	-	14,104
Total comprehensive income for the half-year		-	292,139	14,104	306,243	4	306,247
Transactions with owners in their capacity as owners							
Discontinued operations		12	(6,011)	5,999	-	-	-
Share-based payment expense	5	-	-	1,927	1,927	-	1,927
Acquisition of treasury shares		(1,261)	-	-	(1,261)	-	(1,261)
Settlement of vested performance rights		(601)	-	(1,135)	(1,736)	-	(1,736)
Dividends paid	14	-	(59,930)	-	(59,930)	(162)	(60,092)
Balance at 31 December 2016		95,259	811,472	53,737	960,468	392	960,860

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

Consolidated Statement of Cash Flows

for the half-year ended 31 December

	Notes	2017 $'000	2016 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		**438,970**	394,750
Payments to suppliers and employees (inclusive of GST)		**(213,899)**	(203,132)
		225,071	191,618
Interest received		**3,753**	943
Interest paid		**(6,443)**	(7,103)
Income taxes paid		**(72,415)**	(48,482)
Share-based payment on settlement of LTI plans		**(2,181)**	(1,754)
Net cash inflow from operating activities		**147,785**	135,222
Cash flows from investing activities			
Payment for acquisition of subsidiary		**(70,659)**	(1,159)
Investment in associates		**(4,378)**	-
Payment for plant and equipment		**(3,134)**	(3,140)
Payment for intangible assets		**(24,889)**	(20,981)
Cash disposed as part of discontinued operations		**-**	(6,151)
Net cash (outflow) from investing activities		**(103,060)**	(31,431)
Cash flows from financing activities			
Dividends paid to company's shareholders	14	**(67,174)**	(59,930)
Dividends paid to non-controlling interests in subsidiaries		**(132)**	(162)
Acquisition of treasury shares	15	**(3,484)**	(1,261)
Net repayments of borrowings	11	**(134,000)**	(3,345)
Net cash (outflow) from financing activities		**(204,790)**	(64,698)
Net increase in cash and cash equivalents		**(160,065)**	39,093
Cash and cash equivalents at the beginning of the half-year		**358,500**	126,834
Effects of exchange rate changes on cash and cash equivalents		**(168)**	346
Cash and cash equivalents at end of the half-year	10	**198,267**	166,273

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

Notes to the Consolidated Interim Financial Statements

1. Corporate information

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

The condensed Consolidated Interim Financial Statements of the Company as at and for the half-year ended 31 December 2017 comprise the Financial Statements of the Company and its subsidiaries.

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

2. Basis of preparation

The condensed Consolidated Interim Financial Statements for the half-year ended 31 December 2017 has been prepared in accordance with AASB 134 Interim Financial Reporting.

The condensed Consolidated Interim Financial Statements do not include all the information and disclosures required in annual Financial Statements, and should be read in conjunction with the Group's annual Financial Statements as at 30 June 2017.

The accounting policies adopted in the preparation of the condensed Consolidated Interim Financial Statements are consistent with those adopted in the Group's annual financial report for the year ended 30 June 2017, except for:

- Commissions payable and receivable. Following the acquisition of Smartline in July 2017, the Group now recognises fair value assets and liabilities relating to commissions on loans settled. Refer to Note 13 for details of the accounting policy and significant estimates and assumptions for commissions.

Adoption of new standards and interpretations as of 1 July 2017 as disclosed in the 30 June 2017 Financial Report are noted below:

- AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107

The adoption of the above accounting standards had no material impact on the Group.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

3. Segment information

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. As such, Management has determined that Financial Services should be reported as a new segment during FY18. Financial Services was not previously reported separately as the value was not significant to the Group's operations.

The following tables present revenue and results by operating segments for the half-year ended 31 December 2017 and 2016.

Half-year ended 31 December 2017	Australia		Asia	North America	Corporate	Total
	Property & Online Advertising	Financial Services				
	$'000	$'000	$'000	$'000	$'000	$'000
Segment operating income[1]						
Total segment operating income[1]	**370,832**	**13,154**	**22,967**	**-**	**-**	**406,953**
Inter-segment operating income[1]	**-**	**-**	**(174)**	**-**	**-**	**(174)**
Operating income[1]	**370,832**	**13,154**	**22,793**	**-**	**-**	**406,779**
Results						
Segment EBITDA from core operations (excluding share of losses of associates)	**247,709**	**5,920**	**4,493**	**-**	**(11,323)**	**246,799**
Share of losses of associates	**-**	**(240)**	**(3,160)**	**(12,458)**	**-**	**(15,858)**
US tax reform - revaluation of deferred tax balances	**-**	**-**	**-**	**11,846**	**-**	**11,846**
Segment EBITDA from core operations	**247,709**	**5,680**	**1,333**	**(612)**	**(11,323)**	**242,787**
Revaluation of contingent consideration		**-**	**-**	**-**	**254**	**254**
Business combination and other transaction costs	**-**	**-**	**-**	**-**	**(552)**	**(552)**
US tax reform - revaluation of deferred tax balances	**-**	**-**	**-**	**(11,846)**	**-**	**(11,846)**
EBITDA	**247,709**	**5,680**	**1,333**	**(12,458)**	**(11,621)**	**230,643**
Depreciation and amortisation						**(23,146)**
EBIT						**207,497**
Net finance expense from core operations						**(3,943)**
Profit before income tax from core operations						**203,554**
Net finance expense						**(2,589)**
Profit before income tax						**200,965**

1. This represents revenue less commissions for financial services.

Half-year ended 31 December 2016	Australia[1]		Asia	North America	Corporate	Total
	Property & Online Advertising	Financial Services				
	$'000	$'000	$'000	$'000	$'000	$'000
Segment operating income						
Total segment operating income[2]	318,343	392	19,367	-	-	338,102
Inter-segment operating income[2]	(575)	-	(201)	-	-	(776)
Operating income[2] from external customers	317,768	392	19,166	-	-	337,326
Results						
Segment EBITDA from core operations (excluding share of losses of associates)	209,690	(356)	2,639	-	(10,163)	201,810
Share of losses of associates	-	-	-	(1,757)	-	(1,757)
Segment EBITDA from core operations	209,690	(356)	2,639	(1,757)	(10,163)	200,053
EBITDA	209,690	(356)	2,639	(1,757)	(10,163)	200,053
Depreciation and amortisation						(17,858)
EBIT						182,195
Net finance expense from core operations						(6,213)
Profit before income tax from core operations						175,982
Net finance income						6,986
Profit before income tax						182,968

1. Prior year comparatives have been restated to separate Property & Online Advertising from Financial Services in line with revised segment reporting for FY18.
2. This represents revenue less commissions for financial services

4. Revenue

Total revenue for the Group for the half-year ended:

	31 Dec 17	31 Dec 16
	$'000	$'000
Revenue from property and online advertising	**393,625**	336,934
Revenue from financial services	**38,434**	392
Total revenue	**432,059**	337,326

Reconciliation of operating income:

Total revenue	**432,059**	337,326
Expense from franchisee commissions	**(25,280)**	-
Total operating income	**406,779**	337,326

5. Expenses

	31 Dec 2017 $'000	31 Dec 2016 $'000
Profit before income tax includes the following specific expenses:		
Employee benefits		
Salary costs	**75,336**	62,377
Defined contribution superannuation expense	**6,897**	5,403
Share based payments expense	**2,805**	1,927
Total employee benefits	**85,038**	69,707
Finance (income)/expense		
Interest income	**(2,722)**	(1,080)
Interest expense	**6,665**	7,293
Unwind of contingent consideration[1]	**2,589**	3,737
Revaluation of contingent consideration	**-**	(10,723)
Total finance (income)/expense	**6,532**	(773)
Expenses		
Depreciation of plant and equipment	**3,403**	2,902
Amortisation	**19,743**	14,956
Depreciation and amortisation expense	**23,146**	17,858
Revaluation of contingent consideration	**(254)**	-
Minimum lease payments	**3,777**	3,079
(Gain)/loss on disposal of plant and equipment	**4**	(34)
Net foreign exchange (gain)/loss	**372**	(536)

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

6. Income tax expense

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

	31 Dec 2017 $'000	31 Dec 2016 $'000
Income taxes:		
Current income tax expense	69,160	55,359
Deferred income tax expense related to origination and reversal of deferred taxes	(717)	(1,148)
Income tax expense	68,443	54,211

7. Business combinations

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.

(a) **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 Year 3. 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 Year 4. 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 REA 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.

(b) Details of net assets and liabilities acquired

Initial accounting

The net identifiable assets acquired are still provisional in light of the timing of the transaction. The acquisition accounting will be finalised within 12 months of the acquisition date, in line with accounting standards.

	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	26,682
Non-current commissions receivable	119,506
Total non-current assets	**146,516**
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	(17,188)
Total non-current liabilities	**(110,907)**
Net identifiable assets acquired	
Add: goodwill	33,965
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.

(c) 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.

8. Discontinued operations

During the half-year ended 31 December 2016, the Group publicly announced the decision to divest the 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), which was recognised in Trade and other receivables as at 31 December 2016. This resulted in a gain of $161.6 million (€111.5 million), after deducting the net assets, accumulated foreign exchange reserve and transaction costs.

At 31 December 2016, the European half-year results of $1.8m are disclosed as discontinued operations for the prior comparative period.

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

9. Investment in associates

The Group's share of losses in Move, Inc. for the period was $12.5 million (2016: $1.8 million) and the carrying value of the investment is $258.7 million. As a result of US tax reform in December 2017, the US corporate tax rate decreased to 21% and a one-time deferred tax adjustment was recognised. The Group's share of the revaluation was $11.8m, recognised within share of losses for the period.

The Group's interest in Elara Technologies is equity-accounted and as at 31 December 2017 has a carrying value of $61.7m while share of losses for the period was $3.2m (2016: Nil).

As of 28 September 2017, the Group acquired a 70% non-controlling share in a newly formed company "realestate.com.au Home Loans", a mortgage broking business owned by Advantage Financial Services Holdings Pty Ltd, a subsidiary of NAB. The Group has used the equity method to account for its investment in the Consolidated Financial Statements at 31 December 2017.

10. Cash and cash equivalents

Cash and cash equivalents are comprised of the following:

	31 Dec 2017 $'000	30 Jun 2017 $'000
Cash at bank	**153,150**	193,383
Short term deposits	**45,117**	165,117
	198,267	358,500

11. Interest bearing loans & borrowings

Facility[1]	Interest rate	Maturity	31 Dec 2017 $'000	30 Jun 2017 $'000
Unsecured syndicated revolving loan facility[2]				
Sub facility A	BBSY +	December 2017	**-**	120,000
Sub facility B	0.85% -	December 2018	**120,000**	120,000
Sub facility C	1.45%[3]	December 2019	**240,000**	240,000
Unsecured working capital facility[4]				
Tranche 1	BBSY +1.00%	February 2018[5]	**-**	14,000

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, Commonwealth Bank and Westpac Bank.
3 Interest rate margin is dependent on the Group's net leverage ratio. As of December 31, 2017, REA Group was paying a margin of between 0.85% and 1.05%, at a weighted average interest rate of 2.7%.
4 REA Group Ltd is a guarantor for this facility.
5 The facility was repaid in November 2017. No additional fees or penalties were incurred as a result of the early settlement.

Reconciliation of liabilities arising from financing activities:

	30 June 2017				31 Dec 2017	
	Carrying amount $'000	Book amount $'000	Cash movement $'000	Non-cash movement $'000	Book amount $'000	Carrying amount $'000
As at 31 December 2017						
Current interest bearing	133,828	134,000	(134,000)	120,000	**120,000**	**119,783**
Non-current interest bearing	359,118	360,000	-	(120,000)	**240,000**	**239,496**
Total	492,946	494,000	(134,000)	-	**360,000**	**359,279**

12. Contingent consideration

The Group has 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. Contingent consideration is categorised as Level 3 in the fair value hierarchy. The following were key unobservable inputs and valuation techniques used in determining the fair value of contingent consideration at the reporting date:

	Valuation technique	Discount rate	Hurdle	Period	Carrying value 31 Dec 2017[1] $'000	Carrying Value 30 Jun 2017[1] $'000
Acquired contingent liabilities[2]	Discounted cash flow	14.4%	Revenue	1 year	**4,491**	**4,373**
Flatmates.com.au[2]	Discounted cash flow	6.0%	EBITDA	1 year	**1,308**	**8,171**
iProperty	Option pricing theory	3.25%	Revenue & EBITDA	1 year	**103,984**	**102,335**
Property Platform[2]	Discounted cash flow	12.8%	Revenue	3 years	**1,523**	**1,546**
Smartline[2]	Option pricing theory	11.0%	EBITDA	4 years	**15,030**	**-**
Total					**126,336**	**116,425**

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

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

	31 Dec 2017 $'000	30 Jun 2017 $'000
Fair value of contingent consideration at 1 July 2017	116,425	128,795
Acquisition[1]	14,464	-
Payments	(6,936)	(4,557)
Realised fair value changes recognised in profit or loss[2]	(173)	(196)
Unrealised fair value changes recognised in profit or loss[2]	2,508	(7,668)
Realised impact from applying foreign exchange rates[3]	15	177
Unrealised impact from applying foreign exchange rates[3]	33	(126)
Closing fair value balance[4]	**126,336**	**116,425**

1 Relates to remaining 19.7% shareholding in Smartline, 80.3% on 31 July 2017
2 Included within Operations and administration expense and Net finance expense
3 Included within Operations and administration expense
4 Included within Trade and other payables and Other non-current payables

13. Commissions

The Group receives trailing commissions from lenders over the life of the settled loans in its loan book based on outstanding balances. The Group also makes trailing commission payments to franchisees based on the outstanding loan book balance of the individual franchisees.

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. The key assumptions underlying the fair value calculations of trailing commissions receivable and the corresponding payable to franchisees at balance date are detailed in the table below.

	31 Dec 17
Weighted average loan life[1]	3.7 years
Weighted average discount rate[1]	6.0% - 6.5%
Percentage of commissions received paid to franchisees (10 year average)[1]	78.6%

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

The determination of the assumptions to be used in the valuation 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.

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 Income Statement.

The Directors consider that the carrying amounts of financial assets and financial liabilities recognised in the Consolidated Financial Statements approximate their fair values as per below:

	31 Dec 2017 $'000
Future trailing commission receivable – current	37,984
Upfront commission receivable - current	6,608
Total current commissions receivable	**44,592**
Future trailing commission receivable – non current	122,101
Future trailing commission payable - current	29,743
Upfront commission payable – current	5,234
Total current commissions payable	**34,977**
Future trailing commission payable – non current	95,288

14. Dividends

(a) Dividends declared or paid

The following dividends were declared or paid by the Group:

	Per share	Total amount	Franked	Payment date
Half-year ended 31 Dec 2017: **2017 Final dividend (fully franked)**	**51.0 cents**	**67,174**	**100%**	**14 Sept 2017**
Half-year ended 31 Dec 2016: 2016 Final dividend (fully franked)	45.5 cents	59,930	100%	15 Sept 2016

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

On release of the Consolidated Interim Financial Statements, the Directors declared an interim ordinary dividend for 2018 of $61.9 million (47.0 cents per share fully franked) to be paid on 16 March 2018 out of retained earnings as at 31 December 2017. The interim dividend has not been recognised in the Financial Statements for the half-year ended 31 December 2017, but will be in subsequent financial reports.

15. Contributed equity

At 31 December 2017 the Group had 131,714,699 ordinary shares on issue. There has not been any issue of shares during the half-year ended 31 December 2017.

	Contributed equity	Other contributed equity	Total
	$'000	$'000	$'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	**102,616**	**(7,401)**	**95,215**
Acquisition of treasury shares	**-**	**(3,484)**	**(3,484)**
Settlement of vested performance rights	**-**	**307**	**307**
Balance at 31 December 2017	**102,616**	**(10,578)**	**92,038**

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

16. Commitments and contingencies

Various claims arise in the ordinary course of business against REA Group Limited and its subsidiaries. The amount of the liability (if any) at 31 December 2017 cannot be ascertained, and the REA Group Limited entity believes that any resulting liability would not materially affect the financial position of the Group.

As a result of the Move, Inc. transaction, the Group entered a commitment relating to the funding of rollover awards held by Move, Inc. employees. No payments were made during the half-year and the outstanding balance of US$0.65 million is expected to be paid within one year.

17. Events after the balance sheet date

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

Directors' Declaration

For the half-year ended 31 December 2017:

In the Directors' opinion:

(a) the Consolidated Interim Financial Statements and notes of the consolidated entity set out on pages 14 to 28 are in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and

   (ii) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001;* and

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

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

Hamish McLennan

Hamish McLennan

Chairman

Tracey Fellows

Tracey Fellows

Chief Executive Officer

Melbourne

9 February 2018

Ernst & Young
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
ey.com/au

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

Report on the Interim Financial Report

Conclusion

We have reviewed the accompanying interim financial report of REA Group Limited and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 December 2017, 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 half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2017 and of its consolidated financial performance for the half-year ended on that date; and

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

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2017 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the REA Group Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Ernst & Young

David McGregor
Partner
Melbourne
9 February 2018