Appendix 4D and Half Year Financial Report

Domain Holdings Australia Limited and Controlled Entities
for the half year period ended 24 December 2017

The half year financial report is provided to the Australian Securities Exchange (ASX) under ASX Listing Rule 4.2A.3.

Appendix 4D
Results for Announcement to the Market

Domain Holdings Australia Limited and Controlled Entities
for the half year period ended 24 December 2017

Reported (all comparisons to the half year ended 25 December 2016)				
Total revenue	up	62.3%	to	$112.7m
Net loss from ordinary activites after tax attributable to members	down	(119.8%)	to	($3.4m)

DIVIDENDS

	Amount per security	Franked amount per security
24 December 2017		
Interim dividend	4.0c	1.2c
Record date for determining entitlements to the interim dividend	26 February 2018	
25 December 2016		
Interim dividend	Nil	Nil

NET TANGIBLE ASSETS PER SHARE

	24 December 2017 $	25 December 2016 $
Net tangible asset backing per ordinary share	**(0.30)**	(183.86)
Net asset backing per ordinary share	**2.40**	126.63

Additional information supporting the Appendix 4D disclosure requirements can be found in the Directors' Report and the consolidated financial statements for the half-year ended 24 December 2017.

Results for Announcement to the Market

Domain Holdings Australia Limited and Controlled Entities
for the half year period ended 24 December 2017

		Statutory Results		Significant items (iii)		Trading performance excluding significant items	
		24 Dec 2017 6 months	25 Dec 2016 6 months	24 Dec 2017 6 months	25 Dec 2016 6 months	24 Dec 2017 6 months	25 Dec 2016 6 months
	Note	$'000	$'000	$'000	$'000	$'000	$'000
Total revenue	(i)	112,664	69,396	-	-	112,664	69,396
Associates/joint ventures net losses		(690)	(472)	-	-	(690)	(472)
Expenses		(105,054)	(37,596)	(3,768)	(434)	(101,286)	(37,162)
Operating EBITDA		6,920	31,328	(3,768)	(434)	10,688	31,762
Depreciation and amortisation		(7,306)	(3,520)	-	-	(7,306)	(3,520)
EBIT		(386)	27,808	(3,768)	(434)	3,382	28,242
Net finance costs	(ii)	(607)	22	-	-	(607)	22
Net (loss)/profit before tax		(993)	27,830	(3,768)	(434)	2,775	28,264
Income tax benefit/(expense)		1,433	(8,430)	975	131	458	(8,561)
Net profit after tax		440	19,400	(2,793)	(303)	3,233	19,703
Net profit attributable to non-controlling interest		3,791	2,475	-	-	3,791	2,475
Net (loss)/profit attributable to members of the Company		(3,351)	16,925	(2,793)	(303)	(558)	17,228
Earnings per share (cents)		(1.56)	12.48			(0.26)	12.70

Notes:

(i) Revenue from ordinary activities excluding interest income.

(ii) Finance costs less interest income.

(iii) Significant items are those items of such a nature or size that separate disclosure will assist users to understand the accounts. Refer to Note 4 for further details.

Directors' Report

Domain Holdings Australia Limited and Controlled Entities
for the half year period ended 24 December 2017

The Board of Directors presents its report on the consolidated entity of Domain Holdings Australia Limited (the Company) and the entities it controlled at the end of, or during, the period ended 24 December 2017.

Directors

The Directors of the Company at any time during the period ended 24 December 2017 or up to the date of this report are as follows. Directors held office for the entire period unless otherwise stated.

NICK FALLOON
Non-Executive Chairman, Appointed 16 November 2017
Executive Chairman, Appointed 22 January 2018

GREG ELLIS
Non-Executive Director
Appointed 16 November 2017

GEOFF KLEEMANN
Non-Executive Director
Appointed 16 November 2017

DIANA EILERT
Non-Executive Director
Appointed 16 November 2017

PATRICK ALLAWAY
Non-Executive Director
Appointed 16 November 2017

GAIL HAMBLY
Non-Executive Director

ANTONY CATALANO
Chief Executive Officer and Managing Director
Appointed 16 November 2017
Resigned 22 January 2018

GREGORY HYWOOD
Non-Executive Director
Resigned 16 November 2017

DAVID HOUSEGO
Non-Executive Director
Resigned 16 November 2017

Review of operations

Prior to 29 October 2017, Domain Holdings Australia Limited ("DHA") owned the interests in the Domain entities acquired in the last five years including Metro Media Publishing, All Homes, Commercial Real Estate, Beevo, APM PriceFinder, Homepass, Compare and Connect, Oneflare and Domain Loan Finder. The core Domain business, which originated as part of the real estate classifieds within The Age and the Sydney Morning Herald ("SMH"), was spread across various entities within the Fairfax Media Limited ("Fairfax") consolidated group.

On 29 October 2017 Domain acquired the legacy Domain-related assets and liabilities from the relevant entities within the Fairfax consolidated group for consideration of $1,279 million, being $150 million of cash and $1,129 million of shares issued to Fairfax. The acquisition is being treated as a business combination with DHA recognising the fair value of the net assets acquired on that date. This means that the interim financial report reflects:
- Comparative financial information of DHA;
- The results of DHA until 29 October 2017; and
- The results of the entire Domain Group from 30 October 2017.

Prior to the above noted acquisition, in anticipation of the separation, certain purchase to payment processes were transferred to DHA in relation to Domain expenses. This resulted in $36 million of expenses being recognised within DHA in the current period, that were not incurred in the comparative income statement. On 22 November 2017 DHA separated from Fairfax, following the listing on the ASX on 16 November 2017. Had the acquisition occurred at the beginning of the financial period the revenues for the period would have included $105.2 million and net profit before tax of $12.6 million respectively.

The key highlights of the statutory results of the Company for the period ended 24 December 2017 as compared to the corresponding period are primarily due to the transfer of the core Domain business from Fairfax:

- Net loss attributable to members after tax of $3.4 million (2017: net profit $16.9 million).
- Earnings per share of (1.56) cents (2017: 12.48 cents).

Review of operations (continued)

- Revenue of $112.7 million, up 62% from the prior corresponding period (2017: $69.4 million).
- EBITDA of $6.9 million, down 78% from the prior corresponding period (2017: $31.3 million).
- Significant items totalling $2.8 million loss after tax relate to the separation and listing and related restructuring.
- Net debt of $139.4 million, compared with net cash of $58.3 million at 25 June 2017.
- Interim dividend of 4.0 cents per share partially franked.

The statutory result is not representative of the underlying performance of the business due to the business transfer. As Domain prepared for separation, different aspects of the business transitioned into the Domain Holdings Australia Limited structure at various times between June and November 2017. The half year results Investor Presentation and commentary presented by the Domain management team provides a reconciliation of the reported 4D statutory numbers to the more meaningful proforma trading performance excluding significant items.

Significant changes in the state of affairs

On 22 January 2018, Antony Catalano (Chief Executive Officer and Managing Director) resigned. On the same date Nick Falloon became Executive Chairman.

On 15 February 2018, the DHA board of directors approved the Review Property Pty Limited transaction, whereby DHA will acquire the outstanding 50% of issued shares from the current co investors of Review Property Pty Limited, in exchange for DHA shares to be issued on 28 February 2018.

On 30 June 2017, DHA co-invested, with Lendi, into Digital Home Loans Pty Limited (mortgage broking) taking a controlling 60% holding for $5.4 million. Digital Home Loans Pty Limited is consolidated in the financial results of DHA.

On 31 August 2017, DHA co-invested, with Envest and Tony Mitchell, into Domain Insure Pty Limited (insurance broking) taking a 70% holding for $1.4 million. Domain Insure Pty Limited is consolidated in the financial results of DHA.

Dividends

An interim partially franked dividend of 4.0 cents (2017: Nil) has been declared by the Board. Record date for the interim dividend is 26 February 2018 and the dividend payment date will be 12 March 2018.

Rounding of amounts

The Group is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, issued by the Australian Securities and Investments Commission relating to the “rounding off” of amounts in the financial report. Amounts in the financial report have been rounded to the nearest thousand dollars in accordance with that Corporations Instrument, unless 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 7.

This report is made in accordance with a resolution of the directors of Domain Holdings Australia Limited.

Nick Falloon
Executive Chairman

Geoff Kleemann
Non-Executive Director

Sydney
19 February 2018

Ernst & Young
200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

Auditor's Independence Declaration to the Directors of Domain Holdings Australia Limited

As lead auditor for the review of Domain Holdings Australia Limited for the half-year ended 24 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 Domain Holdings Australia Limited and the entities it controlled during the financial period.

Ernst & Young

Douglas Bain
Partner
19 February 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Domain Holdings Australia Limited and Controlled Entities
for the half year period ended 24 December 2017

	Note	24 December 2017 $'000	25 December 2016 $'000
Revenue from operations	2(A)	**112,052**	69,295
Other revenue and income	2(B)	**640**	124
Total revenue and income		**112,692**	69,419
Share of net losses of associates and joint ventures	7(B)	**(690)**	(472)
Expenses from operations excluding depreciation, amortisation and finance costs	3(A)	**(105,054)**	(37,596)
Depreciation and amortisation	3(B)	**(7,306)**	(3,520)
Finance costs	3(C)	**(635)**	(1)
Net (loss)/profit from operations before income tax benefit/(expense)		**(993)**	27,830
Income tax benefit/(expense)		**1,433**	(8,430)
Net profit from operations after income tax benefit/(expense)		**440**	19,400
Other comprehensive income for the period		**-**	**-**
Total comprehensive income for the period		**440**	19,400
Net (loss)/profit is attributable to:			
Non-controlling interest		**3,791**	2,475
Owners of the parent		**(3,351)**	16,925
		440	19,400
Total comprehensive income is attributable to:			
Non-controlling interest		**3,791**	2,475
Owners of the parent		**(3,351)**	16,925
		440	19,400
Earnings per share (cents)			
Basic earnings per share (cents)	12	**(1.56)**	**12.48**
Diluted earnings per share (cents)	12	**(1.56)**	**12.48**

The above Consolidated Income Statement should be read in conjunction with the notes to the half year financial statements.

Consolidated Balance Sheet

Domain Holdings Australia Limited and Controlled Entities
as at 24 December 2017

	Note	24 December 2017 $'000	25 June 2017 $'000
Current assets			
Cash and cash equivalents		**24,769**	58,292
Trade and other receivables		**75,987**	26,970
Total current assets		**100,756**	85,262
Non-current assets			
Investments accounted for using the equity method	7	**16,333**	17,023
Intangible assets	8	**1,550,513**	233,504
Property, plant and equipment		**26,278**	1,043
Deferred tax assets		**10,920**	953
Total non-current assets		**1,604,044**	252,523
Total assets		**1,704,800**	337,785
Current liabilities			
Payables - related parties	15	**2,635**	169,713
Payables		**44,605**	28,832
Provisions		**9,974**	937
Current tax liabilities		**3,104**	10,248
Total current liabilities		**60,318**	209,730
Non-current liabilities			
Interest bearing liabilities	9	**164,173**	-
Provisions		**4,629**	892
Deferred tax liabilities		**96,951**	17,267
Total non-current liabilities		**265,753**	18,159
Total liabilities		**326,071**	227,889
Net assets		**1,378,729**	109,896
Equity			
Contributed equity	10	**1,268,781**	740
Reserves		**(8,342)**	(8,428)
Retained profits		**103,992**	107,343
Total parent entity interest		**1,364,431**	99,655
Non-controlling interest		**14,298**	10,241
Total equity		**1,378,729**	109,896

The above Consolidated Balance Sheet should be read in conjunction with the notes to the half year financial statements.

Consolidated Cash Flow Statement

Domain Holdings Australia Limited and Controlled Entities
for the half year period ended 24 December 2017

	Note	24 December 2017 $'000	25 December 2016 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		**116,106**	77,549
Payments to suppliers and employees (inclusive of GST)		**(114,074)**	(47,720)
Interest received		**28**	23
Finance costs paid		**(7)**	(1)
Net income taxes paid		**(7,838)**	(2,411)
Net cash (outflow)/inflow from operating activities		**(5,785)**	27,440
Cash flows from investing activities			
Payment for Businesses of Domain	6	**(150,000)**	-
Payment for purchase of controlled entities (net of cash acquired)		**-**	(1,150)
Payment for property, plant and equipment and software		**(10,091)**	(311)
Net cash (outflow) from investing activities		**(160,091)**	(1,461)
Cash flows from financing activities			
Proceeds from borrowings		**165,000**	-
Proceeds from issue of shares by subsidiary with non-controlling shareholder		**2,335**	-
Repayment of borrowings to Fairfax Media Limited		**(22,682)**	(5,503)
Transaction costs on issue of shares		**(7,539)**	-
Dividends paid to non-controlling interests in subsidiaries		**(3,911)**	(5,517)
Payment of facility fees		**(850)**	-
Net cash inflow/(outflow) from financing activities		**132,353**	(11,020)
Net (decrease)/increase in cash and cash equivalents held		**(33,523)**	14,959
Cash and cash equivalents as at 25 June 2017 (2017: 26 June 2016)	9	**58,292**	20,722
Cash and cash equivalents at end of the financial period	9	**24,769**	35,681

The above Consolidated Cash Flow Statement should be read in conjunction with the notes to the half year financial statements.

Consolidated Statement of Changes in Equity

Domain Holdings Australia Limited and Controlled Entities
for the half year period ended 24 December 2017

		Reserves						
	Contributed equity $'000	Asset revaluation reserve $'000	Acquisition reserve $'000	Share-based payment reserve $'000	Total reserves $'000	Retained profits $'000	Non-controlling interest $'000	Total equity $'000
Balance at 25 June 2017	740	1,434	(9,862)	-	(8,428)	107,343	10,241	109,896
(Loss)/Profit for the period	-	-	-	-	-	(3,351)	3,791	440
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-	(3,351)	3,791	440
Transactions with owners in their capacity as owners:								
Issue of share capital	1,268,041	-	-	-	-	-	-	1,268,041
Dividends paid to non-controlling interests in subsidiaries	-	-	-	-	-	-	(3,911)	(3,911)
Recognition of non-controlling interest in subsidiaries	-	-	-	-	-	-	4,177	4,177
Share-based payments	-	-	-	86	86	-	-	86
Total transactions with owners	1,268,041	-	-	86	86	-	266	1,268,393
Balance at 24 December 2017	1,268,781	1,434	(9,862)	86	(8,342)	103,992	14,298	1,378,729

The above Consolidated Statement of Changes in Equity should be read in conjunction with the notes to the half year financial statements.

Consolidated Statement of Changes in Equity

Domain Holdings Australia Limited and Controlled Entities
for the half year period ended 24 December 2017

		Reserves						
	Contributed equity $'000	Asset revaluation reserve $'000	Acquisition reserve $'000	Share-based payment reserve $'000	Total reserves $'000	Retained profits $'000	Non-controlling interest $'000	Total equity $'000
Balance at 26 June 2016	740	1,434	(5,918)	-	(4,484)	77,092	4,524	77,872
Profit for the period	-	-	-	-	-	16,925	2,475	19,400
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-	16,925	2,475	19,400
Transactions with owners in their capacity as owners:								
Dividends paid to non-controlling interests in subsidiaries	-	-	-	-	-	-	(5,517)	(5,517)
Non-controlling interest arising on business combination	-	-	-	-	-	-	1,950	1,950
Recognition of non-controlling interest in subsidiaries	-	-	(3,944)	-	(3,944)	-	3,944	-
Total transactions with owners	-	-	(3,944)	-	(3,944)	-	377	(3,567)
Balance at 25 December 2016	740	1,434	(9,862)	-	(8,428)	94,017	7,376	93,705

The above Consolidated Statement of Changes in Equity should be read in conjunction with the notes to the half year financial statements.

1. Summary of significant accounting policies

(A) BASIS OF PREPARATION

This interim financial report is for the 26 weeks from 26 June 2017 to 24 December 2017 (2017: the 26 weeks from 27 June 2016 to 25 December 2016). Reference in this report to 'period' is to the period 26 June 2017 to 24 December 2017 (2017: 27 June 2016 to 25 December 2016), unless otherwise stated. In the current financial year, Domain Holdings Australia Limited will report its half year and annual results on a 26 week and 52 week basis respectively.

The financial report is a general purpose financial report and has been prepared:

- in accordance with the requirements of Accounting Standard AASB 134 *Interim Financial Reporting;* the *Corporations Act 2001* and other authoritative pronouncements of the Australian Accounting Standards Board;
- the financial report also complies with International Accounting Standard 34 *Interim Financial Reporting* (IAS 34);
- on a historical cost basis, except as specifically disclosed.

The interim financial report does not include all notes of the type normally included within the annual financial report. However, as this is the first financial report of Domain Holdings Australia Limited as a listed entity, all material accounting policies have been incorporated.

The accounting policies applied have been consistent for all of the periods presented.

(i) New accounting standards and accounting standards issued but not yet applied

Certain new accounting standards and interpretations have been published that are not yet effective for the interim 24 December 2017 reporting period. The Group has elected not to early adopt these new standards or amendments in the financial report. They include:

AASB 9 Financial Instruments

Effective 1 January 2018, the Group must apply from 25 June 2018. Under AASB 9, all equity investments except those accounted for under the equity method are required to be measured at fair value. Equity investments that do not have a readily determinable fair value may, as a practical expedient, be measured at cost, adjusted for changes in observable prices minus impairment. The Group has yet to fully assess the impact AASB 9 will have on the financial statements, when applied in future periods.

AASB 15 Revenue from Contracts with Customers

Effective 1 January 2018, the Group must apply from 25 June 2018. AASB 15 provides a single, principles-based five-step model to be applied to all contracts with customers. Guidance is provided on topics such as the point at which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. The Group is undertaking a comprehensive review of the implementation impacts of AASB 15. The Group has not reached a determination as to the impacts of AASB 15.

AASB 16 Leases

Effective 1 January 2019, the Group must apply from 24 June 2020. AASB 16 requires all leases that have a term of over 12 months to be recognised on the balance sheet with the liability for lease payments and the corresponding right-of-use asset initially measured at the present value of amounts expected to be paid over the term. Costs for a lease will be disaggregated and recognised as both an operating expense (for the amortisation of the right-of-use asset) and interest expense (for interest on the lease liability). The Group has yet to fully assess the impact AASB 16 will have on the financial statements, when applied in future periods.

(ii) Rounding of amounts

The Group is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, issued by the Australian Securities and Investments Commission relating to the “rounding off” of amounts in the financial report. Amounts in the financial report have been rounded to the nearest thousand dollars in accordance with that Corporations Instrument, unless otherwise indicated.

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report is for the consolidated entity, consisting of Domain Holdings Australia Limited and its controlled entities. Domain Holdings Australia Limited was incorporated in Australia.

(B) PRINCIPLES OF CONSOLIDATION

(i) Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity issued by the acquirer, and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in other expenses.

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 conditions, the Group's operating or accounting policies and other pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through the income statement.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be a liability is recognised in accordance with AASB 139 in the income statement.

(ii) Business Combinations - Businesses of Domain Acquisition

The acquisition of the business of Domain from Fairfax Media Limited (as set out in note 6) has been identified as a common control transaction as Fairfax Media Limited continues to control the related business following the acquisition by Domain Holdings Australia Limited. Management has elected to apply the acquisition method of accounting under AASB 3 and therefore the principles noted above have been fully applied including recognising the net assets acquired at their fair value.

(iii) Controlled Entities

Controlled entities are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. The acquisition method of accounting is used to account for business combinations by the Group (refer to Note 6). Intercompany transactions, balances and unrealised gains on transactions between Group entities are eliminated.

(iv) Non-controlling interests

Non-controlling interests in the earnings and equity of controlled entities are shown separately in the consolidated statement of profit or loss and other comprehensive income, consolidated balance sheet and consolidated statement of changes in equity respectively.

(v) Interests in equity-accounted investees

Investments in associates and joint ventures are accounted for in the consolidated financial statements using the equity method. Associates are entities over which the Group has significant influence and are neither subsidiaries or joint ventures.

The Group's share of its associates' and joint ventures' post-acquisition profits or losses are recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends received from associates and joint ventures are recognised in the consolidated financial statements as a reduction in the carrying amount of the investment.

When the Group's share of losses in an associate or joint venture equals or exceeds its interest in the associate or joint venture, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate or joint venture.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in associates and joint ventures.

(C) REVENUE ACCOUNTING

Revenue from the provision of property listings on digital and print platforms is recognised over the period the listing is placed or the period until the agent withdraws the listing (eg. on sale or rental). Revenue from the provision of advertising on digital and print platforms is recognised in the period the advertisements are placed or when the impression occurs. Revenue is recognised on an accruals basis in accordance with the substance of the relevant agreement. Amounts disclosed as revenue are net of commissions, rebates, discounts and returns which are recognised when they can be reliably measured. Interest revenue is recognised as it accrues, based on the effective yield of the financial asset.

(D) EXPENSES ACCOUNTING

Borrowing costs include interest, amortisation of discounts or premiums relating to borrowings, amortisation or ancillary costs incurred in connection with arrangement of borrowings and foreign exchange losses net of hedged amounts on borrowings, including trade creditors and lease finance charges.

(E) SEGMENT REPORTING

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenue and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to assess performance, make resource allocation decisions and for which discrete financial information is available.

(F) INTANGIBLES

(i) Mastheads and tradenames

The Group's mastheads and tradenames operate in established markets with limited licence conditions and are expected to continue to complement the Group's new initiatives. On this basis, the Directors have determined that the majority of mastheads and tradenames have indefinite useful lives as there is no foreseeable limit to the period over which the assets are expected to generate net cash inflows for the Group. These assets are not amortised but are tested for impairment annually. Tradenames that have been assessed to have a definite useful life are amortised using a straight-line method over twenty years.

(ii) Goodwill

Goodwill represents the excess of cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired entity at the date of acquisition. Goodwill is not amortised but is tested for impairment annually.

(iii) Software, databases and websites
Internal and external costs directly incurred in the purchase or development of software or databases are capitalised as intangible assets, including subsequent upgrades and enhancements, when it is probable that they will generate future economic benefits attributable to the Group. Software licences and databases are amortised on a straight-line basis over their useful lives, which are between three and six years.

Internal and external costs directly incurred in the development of websites are capitalised as intangible assets and amortised on a straight-line basis over their useful lives, which are between two and four years.

(iv) Customer relationships
Customer relationships purchased in a business combination are amortised on a straight-line basis over their useful lives, which are between two and thirteen years.

(v) Impairment of assets
Intangibles are tested for impairment where there is an indication that the asset may be impaired. Goodwill and other indefinite life assets are further tested at least annually. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment whenever there is an indication of a potential reversal and at least annually.

(G) PROVISIONS
Provisions are recognised when the Group has a legal or constructive obligation to make a future sacrifice of economic benefits to others as a result of past transactions or events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

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 using a discounted cash flow methodology. The risks specific to the provision are factored into the cash flows and as such a risk-free government or corporate bond rate relative to the expected life of the provision is used as a discount rate. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

A provision for dividends is not recognised as a liability unless the dividends are declared, determined or publicly recommended on or before reporting date.

(i) Employee benefits
Current liabilities for wages and salaries, holiday pay, annual leave and long service leave are recognised in the provision for employee benefits and measured at the amounts expected to be paid when the liabilities are settled.

The employee benefit liability expected to be settled within twelve months from reporting date is recognised in current liabilities. The non-current provision relates to entitlements, including long service leave, which are expected to be payable after twelve months from reporting date and, where material, are measured as the present value of expected future payments to be made in respect of services, employee departures and periods of service. Expected future payments are discounted using market yields at reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

The Group recognises a provision and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

(ii) Restructure

The provision is in respect of amounts payable in connection with restructuring, including termination benefits, on-costs, outplacement and consultancy services.

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

(iii) Property

The provision for property costs is in respect of make good provisions, deferred lease incentives and onerous lease provisions. The make good provisions and deferred lease incentives are amortised over the shorter of the term of the lease or the useful life of the assets, being up to twenty years.

Property leases are considered to be an onerous contract if the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. Where a decision has been made to vacate the premises or there is excess capacity and the lease is considered to be onerous, a provision is recorded.

(H) LEASEHOLD PROPERTY, PLANT & EQUIPMENT

Leasehold property, plant and equipment is recorded at cost less accumulated depreciation and any accumulated impairment losses. Directly attributable costs arising from the acquisition or construction of fixed assets, including internal labour and interest, are also capitalised as part of the cost.

(i) Recoverable amount

All items of leasehold property, plant and equipment are reviewed annually to ensure carrying values are not in excess of recoverable amounts. Recoverable amounts are the higher of value in use or fair value less costs of disposal.

(ii) Depreciation and amortisation

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

Buildings	up to 60 years
Other production equipment	up to 15 years
Other equipment	up to 20 years
Computer equipment	up to 6 years

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing the proceeds with carrying amount. These are included in the income statement.

(I) INTEREST BEARING LIABILITIES

Subsequent to initial recognition at fair value, net of transaction costs incurred, interest bearing liabilities are measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

(J) EQUITY

(i) Ordinary shares

Ordinary shares are classified as equity and entitle the holder to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person, or by proxy, at a meeting of the Company.

(ii) Incremental costs

Incremental costs directly attributable to the issue of new shares or options are recognised in equity as a reduction from the proceeds. Incremental costs directly attributable to the issue of new shares for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

(K) Earning Per Share

(i) Basic earnings per share

Basic earnings per share (EPS) is calculated by dividing the net profit attributable to members, adjusted to exclude costs of servicing equity other than ordinary shares and debentures, by the weighted average number of ordinary shares and debentures outstanding during the financial year, adjusted for any bonus elements in ordinary shares issued during the financial year.

(ii) Diluted earnings per share

Diluted earnings per share is calculated by dividing the basic EPS earnings adjusted by the after tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the effect on revenues and expenses of conversion to ordinary shares associated with dilutive potential ordinary shares by the weighted average number of ordinary shares and dilutive potential ordinary shares adjusted for any bonus issue.

(L) COMMITMENTS

(i) Operating leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Net rental payments, excluding contingent payments, are recognised as an expense in the income statement on a straight-line basis over the period of the lease.

(M) TAXATION

(i) Income Tax and other taxes

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributed to temporary differences and to unused tax losses. Deferred tax assets and liabilities are recognised for temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

(i) Income Tax and other taxes (continued)

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Income taxes relating to items recognised directly in equity are recognised in equity.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable group and the same taxation authority.

(ii) Tax consolidation - Australia

Domain Holdings Australia Limited (the head entity) and its wholly-owned Australian entities formed a tax consolidated group on 22 November 2017. The head entity and the controlled entities in the tax consolidated group continue to account for their own current and deferred amounts. The group has applied the Group Allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group.

On adoption of the tax consolidation legislation, it is anticipated that the entities in the tax consolidated group will enter into a tax sharing agreement which, should limit the joint and several liability of the wholly-owned entities in the case of a default of the head entity, Domain Holdings Australia Limited.

Additionally, it is anticipated that the entities will also enter into a tax funding agreement under which the wholly-owned entities fully compensate Domain Holdings Australia Limited for any current tax payable assumed and are compensated by the Company for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits transferred to Domain Holdings Australia Limited pursuant to the tax consolidation legislation. Assets or liabilities arising under tax funding arrangements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the group. The amounts receivable/payable under the tax funding arrangements are due upon demand from the head entity. The head entity may also require payment of interim funding amounts to assist with its obligations to pay income tax instalments.

(N) SHARE-BASED PAYMENTS

Share-based compensation benefits can be provided to employees in the form of equity instruments. The cost of share-based payments is recognised 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 entitled to the award (the vesting date).

At each reporting date until vesting, the cumulative charge to the income statement is the product of (i) the grant date fair value of the award; (ii) the current best estimate of the number of awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being met; and (iii) the expired portion of the vesting period.

The market value at the grant date of equity instruments issued to employees for no cash consideration under the Long Term Incentive Plan is recognised as an employee benefits expense over the vesting period. Any shares purchased, but which have not yet vested to the employee as at reporting date are offset against contributed equity of the Group.

	24 December 2017 $'000	25 December 2016 $'000

2. Revenues

(A) REVENUE FROM OPERATIONS

Revenue from operations	**112,052**	69,295

(B) OTHER REVENUE AND INCOME

Interest income	**28**	23
Other	**612**	101
Total other revenue and income	**640**	124
Total revenue and income	**112,692**	69,419

	24 December 2017 $'000	25 December 2016 $'000

3. Expenses

	24 December 2017 $'000	25 December 2016 $'000
(A) EXPENSES FROM OPERATIONS EXCLUDING DEPRECIATION, AMORTISATION AND FINANCE COSTS		
Staff costs	**32,560**	14,745
Production & Distribution costs	**48,791**	16,808
Rent and outgoings	**3,841**	861
IT and communication costs	**6,104**	1,100
Fringe benefits tax, travel and entertainment	**2,381**	341
Restructuring charges	**3,768**	434
Other	**7,609**	3,307
Total expenses from operations excluding depreciation, amortisation and finance costs	**105,054**	37,596
(B) DEPRECIATION AND AMORTISATION		
Depreciation of plant and equipment	**480**	193
Depreciation of leasehold property	**393**	-
Amortisation of software	**3,691**	975
Amortisation of customer relationships and tradenames	**2,742**	2,352
Total depreciation and amortisation	**7,306**	3,520
(C) FINANCE COSTS		
External parties borrowing costs	**635**	1
(D) OTHER EXPENSE DISCLOSURES		
Operating lease rental expense	**3,164**	760
Share-based payment expense	**86**	-

4. Significant items

The net profit after tax includes the following items whose disclosure is relevant in explaining the financial performance of the consolidated entity.

Significant items are those items of such a nature or size that separate disclosure will assist users to understand the financial statements.

	24 December 2017 $'000	25 December 2016 $'000
Restructuring charges - Comprising:		
Restructuring charges (i)	**(3,768)**	(434)
Income tax benefit	**975**	131
Restructuring charges, net of tax	**(2,793)**	(303)
Net significant items after income tax	**(2,793)**	(303)

(i) Restructuring charges include those costs associated with the business transfer and listing.

5. Segment reporting

(A) DESCRIPTION OF SEGMENTS

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors, CEO and CFO in assessing performance and in determining the allocation of resources.

Reportable Segment	Products and Services
Core Digital	Digitally focused real estate media and services business - providing residential, commercial and rural property marketing solutions and search tools, plus information for buyers, investors, sellers, renters and agents Australia-wide.
Transactions and Other (Digital)	Connecting consumers with services relevant to them at different property lifecycle stages, commercial and residential utilities connections, home loans, insurance and trade services
Print	Real estate newspaper and magazine publishing.

(B) RESULTS BY OPERATING SEGMENT

The segment information provided to the Board of Directors, CEO and CFO for the reportable segments for the half year ended 24 December 2017 is as follows:

	Segment revenue $'000	Intersegment revenue $'000	Revenue from external customers $'000	Share of losses of associates and joint ventures $'000	Underlying EBITDA $'000
6 months to 24 December 2017					
Core Digital	68,844	-	68,844	(93)	**4,205**
Transactions and Other (Digital)	11,136	-	11,136	(597)	**(1,713)**
Print	32,072	-	32,072	-	**7,640**
Total for the Group	112,052	-	112,052	(690)	**10,132**

5. Segment reporting (continued)

(B) RESULTS BY OPERATING SEGMENT (CONTINUED)

	Segment revenue $'000	Intersegment revenue $'000	Revenue from external customers $'000	Share of losses associates and joint ventures $'000	Underlying EBITDA $'000
6 months to 25 December 2016					
Core Digital	31,656	-	31,656	(58)	21,288
Transactions and Other (Digital)	5,715	-	5,715	(414)	(388)
Print	31,924	-	31,924	-	11,137
Total for the Group	69,295	-	69,295	(472)	32,037

(C) OTHER SEGMENT INFORMATION

The Board of Directors, CEO and CFO assess the performance of the operating segments based on a measure of underlying EBITDA.

A reconciliation of underlying EBITDA to operating profit before income tax is provided as follows:

	24 December 2017 $'000	25 December 2016 $'000
Underlying EBITDA for continuing operations	**10,132**	32,037
Corporate	**556**	(275)
Restructuring charges	**(3,768)**	(434)
Depreciation and amortisation	**(7,306)**	(3,520)
Interest income	**28**	23
Finance costs	**(635)**	(1)
Reported net (loss)/profit before tax	**(993)**	27,830

Information provided to the Board of Directors, CEO and CFO in respect of assets and liabilities is presented on a group basis consistent with the consolidated financial statements.

6. Business combinations, acquisitions, disposals, and investments in controlled entities

(A) ACQUISITIONS

The Group gained control over the following entities and businesses during the half year:

Entity or business acquired	Principal activity	Date of acquisition	Ownership interest
Businesses of Domain (i)	Real Estate Media and Technology Services	29 October 2017	100%

(i) Acquisition of assets and liabilities which together constitute a business

The provisionally determined fair values of the identifiable assets and liabilities acquired are detailed below. Balances are provisional as purchase price accounting has not been finalised.

	Far value recognised on acquisition $'000
Current assets	
Trade and other receivables	41,347
Total current assets	41,347
Non-current assets	
Receivables	1,040
Intangible assets	277,649
Property, plant and equipment	26,393
Deferred tax assets	6,128
Total non-current assets	311,210
Total assets	352,557
Current liabilities	
Payables	9,358
Provisions	17,064
Total current liabilities	26,422
Non-current liabilities	
Provisions	3,554
Deferred tax liabilities	78,957
Total non-current liabilities	82,511
Total liabilities	108,933
Total identifiable net assets at fair value	243,624
Goodwill arising on acquisition	1,035,531
Total identifiable net assets and goodwill attributable to the Group	1,279,155
Purchase consideration	
Cash paid	150,000
Subscription proceeds of shares issued, at fair value	1,129,155
Total purchase consideration	1,279,155
Net cash outflow on acquisition	
Cash paid	(150,000)
Net cash outflow	(150,000)

As a result of the above acquisition, the consolidated income statement includes revenue and net profit before tax for the period ended 24 December 2017 of $33.6 million and $6.9 million respectively. Had the acquisition occurred at the beginning of the reporting period, the consolidated income statement would have included revenue and net profit before tax of $105.2 million and $12.6 million respectively.

6. Business combinations, acquisitions, disposals, and investments in controlled entities (continued)

(A) ACQUISITIONS (CONTINUED)

The Company issued 439,254,795 ordinary shares and the subscription proceeds were used to pay the consideration for the businesses of Domain acquired from Fairfax Media Limited. Transaction costs of $3.4 million are included in other expenses (and disclosed as significant items in Notes 3,4 & 5). The attributable costs of the issuance of the shares of $5.0 million (net of taxes) have been charged directly to equity as a reduction in issued capital. Goodwill of $1,036 million includes the acquired workforces and future growth opportunities.

AASB 3 Business Combinations allows a measurement period after a business combination to provide the acquirer a reasonable time to obtain the information necessary to identify and measure all of the various components of the business combination as of the acquisition date. The period cannot exceed one year from the acquisition date.

(B) INVESTMENTS IN CONTROLLED ENTITIES

Digital Home Loans Pty Limited

On 30 June 2017, Domain Holdings Australia Pty Limited invested in the newly incorporated Digital Home Loans Pty Limited. Total consideration was $5.4 million for a 60% controlling holding. The investment in Digital Home Loans is classified as a subsidiary and is consolidated into the group results and financial position. Non controlling interest of $3.6 million was recognised at the time of acquisition.

The investment is equal to the net assets being acquired, thus no goodwill was recognised following the acquisition of shares.

Domain Insure Pty Limited

On 31 August 2017, Domain Holdings Australia Pty Limited invested into the newly incorporated Domain Insure Pty Limited. Total consideration was $1.4 million for a 70% controlling holding. The investment in Domain Insure is classified as a subsidiary and is consolidated into the group results and financial position. Non controlling interest of $0.6 million was recognised at the time of acquisition.

The investment is equal to the net assets being acquired, thus no goodwill was recognised following the acquisition of shares.

	Note	24 December 2017 $'000	25 June 2017 $'000

7. Investments accounted for using the equity method

	Note	24 December 2017 $'000	25 June 2017 $'000
Shares in associates	(A)	**13,082**	13,680
Shares in joint ventures	(A)	**3,251**	3,343
Total investments accounted for using the equity method		**16,333**	17,023

(A) INTERESTS IN ASSOCIATES & JOINT VENTURES

Name of company	Category	Principal activity	Place of incorporation	Ownership interest Dec 2017	Dec 2016
Oneflare Pty Ltd	Associate	Home services marketplace	Australia	**35.0%**	35.0%
Homepass Pty Ltd (i)	Joint Venture	Real estate agent services application	Australia	**33.8%**	33.8%

(i) This investment is classified as a joint venture, rather than an associate, as all significant decisions require unanimous consent.

(B) SHARE OF ASSOCIATES' AND JOINT VENTURES' LOSSES

	24 December 2017 $'000	25 December 2016 $'000
Revenues	**1,222**	1,587
Expenses	**(2,220)**	(2,341)
Net (loss) before income tax benefit	**(998)**	(754)
Income tax benefit	**308**	282
Net (loss) after income tax	**(690)**	(472)

	24 December 2017 $'000	25 June 2017 $'000

8. Intangible assets

	24 December 2017 $'000	25 June 2017 $'000
Mastheads and tradenames	**282,920**	19,910
Goodwill	**1,196,380**	160,849
Software	**18,146**	3,945
Software (capital works in progress)	**6,829**	-
Customer relationships	**46,238**	48,800
Total intangible assets	**1,550,513**	233,504

The movement in intangibles during the period is due to the acquisitions from business combinations (Note 6) and amortisation.

RECONCILIATIONS

Reconciliations of the carrying amount of each class of intangible at the beginning and end of the current financial period are set out below:

	Note	Mastheads & tradenames $'000	Goodwill $'000	Software $'000	Software Capital Works In Progress $'000	Customer relationships $'000	Total $'000
Period ended 25 June 2017							
Balance at beginning of the financial year		19,910	160,849	3,945	-	48,800	233,504
Additions		-	-	5,866	4,396	-	10,262
Capitalisations from works in progress		-	-	5,866	(5,866)	-	-
Acquisition through business combinations		263,190	1,035,531	6,160	8,299	-	1,313,180
Amortisation		(180)	-	(3,691)	-	(2,562)	(6,433)
At 24 December 2017, net of accumulated amortisation and impairment		282,920	1,196,380	18,146	6,829	46,238	1,550,513
At 24 December 2017							
Cost		284,090	1,196,380	28,439	6,829	60,335	1,576,073
Accumulated amortisation and impairment		(1,170)	-	(10,293)	-	(14,097)	(25,560)
Net carrying amount		282,920	1,196,380	18,146	6,829	46,238	1,550,513

	Note	24 December 2017 $'000	25 June 2017 $'000

9. Interest bearing liabilities

	Note	24 December 2017 $'000	25 June 2017 $'000
Non-current interest bearing liabilities - unsecured			
Bank borrowings	(B)	**164,173**	-
Total non-current interest bearing liabilities		**164,173**	-
NET DEBT			
Cash and cash equivalents		**(24,769)**	(58,292)
Current interest bearing liabilities		**-**	-
Non-current interest bearing liabilities		**164,173**	-
Net debt/(cash)		**139,404**	(58,292)

(A) FINANCING ARRANGEMENTS

The Group net debt, was $139.4 million as at 24 December 2017 (25 June 2017: net cash $58.3 million).

The Group has sufficient unused committed facilities and cash at the reporting date to finance any potential current liabilities that may arise.
The Group has a number of finance facilities which are guaranteed by the Group and are covered by deeds of negative pledge.

(B) BANK BORROWINGS

In November 2017, the Group entered into a $250.0 million syndicated bank facility:

Tranche	Commiittment	Maturity
A	$10 million	3 Years
B	$140 million	3 Years
C	$100 million	4 Years

The interest rate for drawings under this facility is the applicable bank bill rate plus a credit margin.

(C) FAIR VALUE MEASUREMENT

The carrying amounts and fair values of the financial liabilities at reporting date are materially the same.

10. Equity

	24 December 2017 Thousands	25 June 2017 Thousands
Ordinary Shares Issued	574,871	740

Ordinary shares issued and fully paid	Thousands	$'000
At 25 June 2017	740	740
Ordinary Shares Issued post sub-division (740,000 pre sub-division) (i)	135,616	-
Issued in November 2017 - capitalisation of intercompany debt to Fairfax Media Limited		
Shares issued to Fairfax Media Limited (ii)	439,255	1,273,044
Decrease due to transaction costs for issued share capital (net of taxes)	-	(5,003)
At 24 December 2017	**574,871**	**1,268,781**

(i) A share sub-division was effected for existing shares on 21 November 2017 subdividing the 740,000 shares to create an additional 135,616,269 shares.

(ii) Prior to the separation and listing on the ASX the $1,273 million loan payable to Fairfax Media Limited was capitalised and 439,254,795 shares issued to Fairfax Media Limited.

11. Dividends paid and proposed

	24 December 2017 $'000	25 December 2016 $'000
ORDINARY SHARES		
Dividend:		
2018: Nil	-	-
2017: Nil	-	-
Total dividends paid	-	-

DIVIDENDS PROPOSED AND NOT RECOGNISED AS A LIABILITY

Since 24 December 2017, the directors have declared a partially franked interim dividend of 4.0 cents per fully paid ordinary share. The aggregate amount of the interim dividend to be paid on 12 March 2018 out of the profits, but not recognised as a liability at the end of the period is expected to be $22.994 million.

12. Earnings per share

	24 December 2017 ¢ per share	25 December 2016 ¢ per share
Basic earnings per share		
Net (loss)/profit attributable to owners of the parent	**(1.56)**	12.48
Diluted earnings per share		
Net (loss)/profit attributable to owners of the parent	**(1.56)**	12.48

	24 December 2017 $'000	25 December 2016 $'000
Earnings reconciliation - basic		
Net (loss)/profit attributable to owners of the parent	**(3,351)**	16,925
Earnings reconciliation - diluted		
Net (loss)/profit attributable to owners of the parent	**(3,351)**	16,925

	24 December 2017 Number	25 December 2016 Number
Weighted average number of ordinary shares used in calculating basic EPS (i)	**215,261,069**	135,616,000
Weighted average number of ordinary shares used in calculating diluted EPS	**215,261,069**	135,616,000

(i) The weighted average number of ordinary shares has been calculated on the assumption that the sub-division of shares (Note 10) has always been effective. This approach is also applied to the calculation of the prior period calculation.

13. Commitments and contingencies

(A) OPERATING LEASE COMMITMENTS - GROUP AS LESSEE

The Group has entered into commercial office leases. Future minimum rentals payable under non-cancellable operating leases as at the period end are as follows:

	24 December 2017 $'000	25 June 2017 $'000
Within one year	**5,742**	4,871
Later than one year and not later than five years	**36,403**	35,425
Later than five years	**7,706**	10,815
Total operating lease commitments	**49,851**	51,111

Non-cancellable leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases can be renegotiated. The leases have remaining terms of between 2 and 6 years and usually include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

(B) RECEIVABLES UNDER SUBLEASES

The Group has entered into commercial subleases on office premises.
Future minimum rentals receivable under non-cancellable operating leases as at the period end are as follows:

	24 December 2017 $'000	25 June 2017 $'000
Within one year	**998**	978
Later than one year and not later than five years	**422**	930
Total operating lease commitments	**1,420**	1,908

(C) CAPITAL COMMITMENTS

At 24 December 2017, the Group does not have any material capital commitments.

(D) GUARANTEES

Under the terms of ASIC Corporations Instrument 2016/785, the Company and certain controlled entities, have guaranteed any deficiency of funds if any entity subject to the class order is wound-up. No such deficiency exists at reporting date.

14. Events subsequent to reporting date

(A) REVIEW PROPERTY PTY LTD - ACQUISITION

Domain has proposed to acquire the outstanding 50% of issued shares in Review Property Pty Ltd (Review Property Co), an entity associated with the Residential Digital Agent Ownership Model in Victoria.

Domain has agreed the material commercial terms with key Review Property Co shareholders in relation to this transaction. If the proposed transaction proceeds, Domain will hold all the issued shares in Review Property Co.

The expected consideration for the proposed transaction is $36.0 million in Domain shares, based on projected performance and a valuation of Review Property Co of $72.0 million.

Part of the consideration is contingent on the future financial performance of Review Property Co, and will be paid in three tranches:

- completion payment of approximately $18.0 million, substantially paid in Domain Shares (completion is targeted to occur late February 2018);
- second payment early in 2019, in the range of $0.0 million to approximately $11.0 million of Domain Shares, subject to the EBITDA result of Review Property Co in calendar year 2018; and
- third payment early in 2020, in the range of $0.0 million to approximately $11.0 million of Domain Shares, subject to the EBITDA result of Review Property Co in calendar year 2019.

Other relevant points are:

- The maximum consideration for the proposed transaction is approximately $40.0 million worth of Domain shares.
- Each tranche of Domain Shares will be subject to a holding lock period of maximum 4.5 years from the time of issue, where shares may be released from the holding lock sooner subject to the holder meeting certain criteria including ongoing advertising commitments.
- Review PropertyCo is currently a controlled entity and its earnings are fully consolidated by Domain.
- The non-binding transaction terms are agreed in principle with key shareholders and are subject to change.
- The transaction was approved at the Board Meeting on 15 February 2018 and is subject to final negotiation of acceptable long form legal documentation.

(B) CHIEF EXECUTIVE OFFICER CHANGES

On 22 January 2018, Antony Catalano the Chief Executive Officer and Managing Director resigned. Nick Falloon, the Chairman, was appointed on 22 January 2018 as executive chairman.

15. Related parties and entities

(A) ULTIMATE PARENT

The ultimate parent of the Group is Fairfax Media Limited which is based and listed in Australia.

(B) CONTROLLED ENTITIES

For a list of the controlled entities and businesses acquired during the period refer to Note 6.

(C) KEY MANAGEMENT PERSONNEL

Transactions with Director-related entities

A number of Directors of Domain Holdings Australia Limited also hold directorships with other corporations which provide and receive goods or services to and from the Domain Group in the ordinary course of business on normal terms and conditions. None of these Directors derive any direct personal benefit from the transactions between the Domain Group and these corporations.

Transactions were entered into during the period with the Directors of Domain Holdings Australia Limited and its controlled entities or with Director-related entities, which:

- occurred within a normal employee, customer or supplier relationship on terms and conditions no more favourable than those which it is reasonable to expect would have been adopted if dealing with the Director or Director-related entity at arm's length in the same circumstances;
- do not have the potential to adversely affect decisions about the allocation of scarce resources or discharge the responsibility of the Directors; or
- are minor or domestic in nature.

(D) TRANSACTIONS WITH RELATED PARTIES

Transactions ocurred with related parties, Fairfax Media Limited on normal market terms and conditions. They consisted of sales (advertising and marketing services) of $13.3m and purchases (printing, distribution and corporate services) of $6.5m. At the end of the financial period there were amounts owing to Fairfax Media Limited of $2.6m.

Directors' Declaration

In accordance with a resolution of the directors of Domain Holdings Australia (the Company), we state that:

In the opinion of the directors:

(a) the financial statements and notes of the consolidated entity set out on pages 8 to 36 are in accordance with the *Corporations Act 2001* , including:

- (i) giving a true and fair view of the financial position as at 24 December 2017 and the performance for the half year ended on that date of the consolidated entity; and
- (ii) complying with 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.

On behalf of the Board

Nick Falloon
Executive Chairman

Geoff Kleemann
Non-Executive Director

Sydney
19 February 2018

Building a better working world

Ernst & Young
200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

Independent Auditor's Review Report to the Members of Domain Holdings Australia Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Domain Holdings Australia Limited (the Company) and its subsidiaries (collectively the Group), which comprises the statement of financial position as at 24 December 2017, the statement of comprehensive income, statement of changes in equity and 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 24 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 half-year 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 half-year 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 half-year 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 24 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 Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year 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

Ernst & Young

Douglas Bain
Partner
Sydney
19 February 2018