2018 Annual Report

Domain Holdings Australia Limited

Domain

Contents

Domain is a leading Australian real estate media and technology services business. Our purpose is to inform, inspire and connect people throughout the property lifecycle.

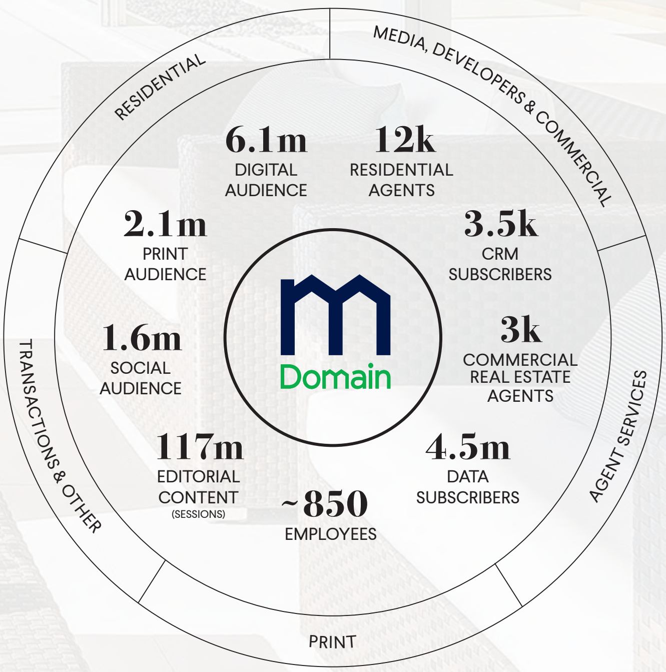
Key assets at the core of the Domain ecosystem include large audiences across digital, print and social - driven by listings strength and rich and deeply engaging editorial content.

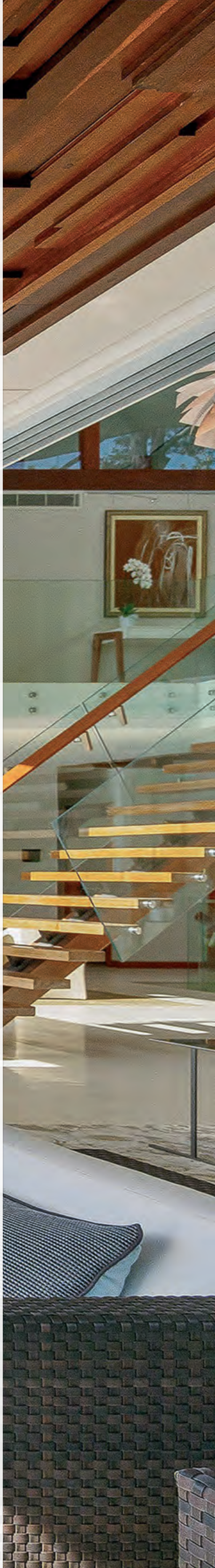
Domain has strong relationships across residential and commercial agents, and a large base of subscribers of property data and customer relationship management services.

The ecosystem drives performance across five revenue streams: Residential; Media, Developers and Commercial; Agent Services; Transactions and Other; and Print.

Our hundreds of talented, highly-innovative and passionate people bring Domain to life every day.

Domain was listed on the Australian Securities Exchange in November 2017 following the separation from Fairfax Media, which has a 60% shareholding in our business.





BUSINESS PERFORMANCE

For the 2018 financial year, on a pro forma basis, Domain delivered strong digital revenue growth of 20% and digital EBITDA growth of 17%, with a pleasing performance across established and new businesses. The result demonstrates the strength of Domain as a separately listed company and the continued success of its strategy.

Residential

Residential includes 'for sale' and rental property listings and editorial across desktop, mobile and social.

Residential revenue increased around 20%, notwithstanding a mixed environment for listings nationally. Yield increases and higher depth product penetration supported a 24% increase in Residential depth revenue which was the key driver of revenue growth. Domain has achieved effective parity in agent and listings penetration, supporting the expansion into new geographic markets such as Queensland. Domain has a large and growing mobile audience, underpinned by listings parity, quality editorial content and a number of key marketing initiatives. Total app downloads increased around 17% to more than 6.5 million. Mobile enquiries increased 21% demonstrating the value Domain is delivering to agents and providing future yield opportunity.

19.9%

REVENUE GROWTH

FY18: 172.5

FY17: 143.9

48%

REVENUE AS % OF TOTAL

Media, Developers & Commercial

Media includes digital display advertising solutions. Developers captures advertising revenue from residential property developments. Commercial operates the commercial property listings portal commercialrealestate.com.au (CRE).

Revenue increased 11%, with varying market dynamics across the three verticals. Developers and Commercial achieved market share gains, with CRE benefiting from strong gains in audience and leads. Core CRE enquiries increased 37%. Developer enquiries increased 41%, a pleasing result amid a mixed market backdrop. Media operated in a challenging revenue environment for digital display advertising.

11.2%

REVENUE GROWTH

FY18: 54.1

FY17: 48.6

15%

REVENUE AS % OF TOTAL

Note: Revenue numbers pro-forma. Domain separated from Fairfax Media Limited on 22 November 2017. Pro forma reflects financial results on a separated basis for the full 12 months.

The result demonstrates the strength of Domain as a separately listed company and the ongoing success of its strategy.

Agent Services

Agent Services includes leading real estate customer relationship management platform MyDesktop; Pricefinder and Australian Property Monitors comprehensive data, insights and reporting tools for the property industry; and 34% owned open-for-inspection app Homepass.

Revenue increased 9% underpinned by subscriber growth and continued investment to enrich the end-user agent experience, along with yield increases. All three businesses delivered growth in subscribers. Product enhancements include increased functionality to agents 'on the move' and improved property data intelligence tools for agents via the new Pricefinder app. The business is benefiting from bundling across the property cloud suite of MyDesktop, Homepass and Pricefinder.

9.2%
REVENUE GROWTH ▲
FY18: 27.9
FY17: 25.6

8%
REVENUE AS % OF TOTAL

Transactions & Other

Transactions includes 50% owned residential utilities product comparison service Compare & Connect, 60% owned home loan broking joint venture Domain Loan Finder, and 70% owned insurance services joint venture Domain Insure.

Transactions revenue increased around 75% reflecting strong growth from existing business Compare & Connect and early revenue from emerging businesses Domain Loan Finder, which launched in July 2017, and Domain Insure, which launched in January 2018. During the year Compare & Connect delivered strong growth in connections volumes. Home loans, insurance services and utilities connections are very large markets adjacent to the core listings business where Domain can leverage its audience and trusted brand to grow transactions revenues.

74.5%
REVENUE GROWTH ▲
FY18: 24.4
FY17: 14.0

7%
REVENUE AS % OF TOTAL

Print

Print includes Domain magazines and other content in Australia's premier metropolitan dailies *The Sydney Morning Herald*, *The Age* and *The Australian Financial Review*; premium lifestyle and property listings magazine *Domain Review* focused on affluent suburbs in Melbourne; and the *Star Weekly* titles in Melbourne's western and northern suburbs.

Print revenue declined around 13% reflecting ongoing structural shifts to digital, partially offset by the launch of the Domain glossy magazine format. Cost initiatives contributed to a 15% reduction in expenses which supported margin gains. Print continues to deliver strategic value by attracting valuable and passive buyers from an aspirational and lifestyle audience, as well as promoting the Domain brand to consumers in key markets. Print provides opportunities for bundling with premium digital products to enhance results.

-12.6%
REVENUE GROWTH ▼
FY18: 77.1
FY17: 88.3

22%
REVENUE AS % OF TOTAL

> **"Yield increases and higher depth product penetration supported a 24% increase in Residential depth revenue."**

A MESSAGE FROM THE EXECUTIVE CHAIRMAN

Nick Falloon

NICK FALLOON

EXECUTIVE CHAIRMAN

Domain is a leading Australian real estate and media services business with a history stretching back more than 20 years. At the core of Domain is its large audiences across digital, print and social; strong relationships with real estate agents; data and insights; and world-class product innovation delivering compelling product and user experiences.

Thank you for your support as one of our shareholders. I am pleased to be able to share with you Domain's first standalone result as a separate ASX-listed company. Pro forma earnings before interest, tax, depreciation and amortisation (EBITDA) of $115.7 million increased 12.5% for the 2018 financial year. The underlying strength of Domain is proof the Company's mission to inform, inspire and connect people throughout the property lifecycle is the right course.

The listing of Domain in November 2017 was a tremendous milestone. It was the culmination of the dedication, hard work and support of many from Domain and Fairfax Media, which holds a 60% shareholding. Domain welcomes the proposed merger of Fairfax Media with Nine Entertainment Co, announced in July 2018, subject to approvals. We only see considerable upside for Domain through the additional marketing and audience reach of the combined Fairfax/Nine businesses.

Since stepping into the role as Executive Chairman in January 2018, it has been an honour to lead Domain's talented team focused on delivering our strategy and objectives to drive the performance of the business.

We were thrilled to announce the appointment of Jason Pellegrino as our new Managing Director and Chief Executive Officer. The Domain Board ran a comprehensive global search for the role attracting a strong field of international and local candidates. After Jason joins in late August 2018, I will resume my role as Non-Executive Chairman.

Jason's deep digital and sales experience, coupled with his strategic, operational and product technology know-how makes him the logical choice to lead the business. Jason joins us from Google where he was Managing Director Australia and New Zealand since May 2016 and a member of the Asia-Pacific regional leadership team. He had been with Google since 2008.

Jason's leadership acumen and track record for inspiring and driving performance at Google will be great for Domain, and our many talented people, as we enter our exciting next stage of growth.

FINANCIAL PERFORMANCE

For the 2018 financial year, Domain delivered pro forma total revenue growth of 11.5% to $357.3 million. This is a reflection of a strong performance of digital, somewhat offset by ongoing structural challenges in print.

Pro forma expenses increased 11.1% to $240.2 million, reflecting investment in staff, property and new transactions businesses. We remain committed to driving the growth of our core business, disciplined investment to expand into strategically-aligned adjacencies, while continuing to ensure we deliver efficiencies by optimising our operations and portfolio.

Pro forma EBITDA increased 12.5% to $115.7 million. Pro forma earnings before interest and tax (EBIT) increased 3.9% to $89.5 million as a result of higher depreciation and amortisation expense. This related to investment in five new office premises across Australia and increased expenditure on product development.

Pro forma net profit after tax of $52.9 million was 7.7% higher. Domain reported a statutory net loss of $6.2 million after taking into account significant items.

The immense value Domain delivers consumers and agents is supported by its data, analytics and insights, which drive revenue.

These relate to the exit of our early-stage investment in Beevo; revaluation of our Oneflare investment; the rebranding of *The Weekly Review* print titles to *Domain Review*, and restructuring charges. There was also the impact on the financials of the timing of the separation.

Pro forma earnings per share (EPS) was 9.2 cents and total dividends were 8 cents per share, partially franked.

Domain maintains a strong balance sheet with net debt of $126.5 million which represents a leverage ratio of 1.1x pro forma EBITDA.

BUSINESS PERFORMANCE

Domain's highly compelling consumer and agent experiences are the key driver of business performance, underpinned by having virtually all property listings; a highly-popular property app; quality and trusted content; product innovation leadership, and a suite of targeted property services.

Domain is in great shape with strong underlying momentum across its five revenue segments: Residential; Media, Developers & Commercial; Agent Services; Transactions & Other; and Print.

During the year, Domain's key achievements included:

- Continued expansion in relative market share to 95%+ of listings and more than 90%+ of agents;
- Continued strong growth in Domain app downloads to more than 6.5 million, an increase of 17% (58% of Domain's app users do not use the competitor app)[1];
- Residential mobile enquiry growth of 21% and core Commercial Real Estate enquiry growth of 37% from our large premium audiences;
- Around 17% growth in core digital revenue, underpinned by 24% growth in Residential depth and strong Commercial and Developer revenue;
- The launch of Domain Loan Finder and Domain Insure, with a 75% increase in Transactions revenue from existing and new businesses.

The immense value Domain delivers consumers and agents is supported by its data, analytics and insights, which drive revenue through higher depth penetration and pricing, subscriptions, agent services, media and transactions.

Residential revenue increased 20% to $172.5 million supported by yield increases and higher depth product penetration and related depth revenue. These offset a mixed national market environment for listings, with Canberra ahead of last year, modest growth in Sydney, and some weakness in Melbourne, Brisbane and Perth.

During the year, Domain acquired substantially all the shares it did not already own in Review Property Pty Ltd with

1. Domain app audiences who do not use the realestate.com.au property app, iOS and Android average, App Annie, March 2018.

consideration paid in Domain shares to agent partners in Victoria. The new arrangements strengthen agents' alignment with the Domain ecosystem.

Domain is taking advantage of significant opportunities to continue to grow depth in NSW; implementing new sales initiatives to drive improved depth performance in Victoria - particularly in key suburbs; and growing depth penetration in emerging markets such as Queensland.

Media, Developers and Commercial revenue increased 11%. The market dynamics varied across the three verticals. Developers and Commercial achieved market share gains in the year, reflecting strong underlying performance of the businesses amid a softening market in the second half. Media operates in a challenging revenue environment for digital advertising constrained by the dominance of global giants Facebook and Google. Domain has streamlined its digital media sales channels by shifting to a fully programmatic advertising offering. This best positions Domain to meet future client needs and allows our advertisers to leverage rich data and insights. The Developer market operated with a mixed backdrop with strong performance from House & Land packages but a more challenging environment for off-the-plan apartment sales. The Commercial business delivered continued strong growth reflecting market share gains in audience and enquiries.

Agent Services revenue increased 9% underpinned by subscriber growth, yield increases and bundling across the property cloud suite of MyDesktop, Homepass and

Print continues to deliver strategic value by attracting valuable and passive buyers from aspirational and lifestyle audiences.

Pricefinder. All three businesses delivered growth in subscribers following investment to enrich the end-user agent experience.

Transactions & Other revenue increased 75%. Domain has partnered with specialists to operate Domain Loan Finder, Domain Insure and Compare & Connect. We have exited our early-stage investment in Beevo and reduced the carrying value of Oneflare to focus on our priority markets of home loans, insurance services and residential utilities connections. These large markets are adjacent to our core listings business and are strategically well placed to leverage Domain's core audience and trusted brand to significantly grow transactions revenue, predominantly taking the form of commissions. The revenue performance reflected strong growth from Compare & Connect and early revenue from Domain Loan Finder which launched in July 2017 and Domain Insure which launched in January 2018.

Print revenues declined 12.6% reflecting the ongoing structural shifts to digital, somewhat offset by the launch of the Domain glossy magazine format. The rebranding of *The Weekly Review* to *Domain Review* aligns the magazine with the Domain brand and is expected to support core digital audience growth. Print continues to deliver strategic value by attracting valuable and passive buyers from aspirational and lifestyle audiences, as well as promoting the Domain brand to consumers in key markets. Print also provides opportunities

$357.3m

PRO-FORMA REVENUE

$115.7m

PRO-FORMA EBITDA

$52.9m

PRO-FORMA NET PROFIT AFTER TAX

Domain is making smart investments in brand and marketing initiatives to drive business performance.

9.2¢

PRO-FORMA EARNINGS PER SHARE

8¢

TOTAL DIVIDEND PER SHARE

1.1x

NET DEBT TO EBITDA

for bundling with premium digital products to enhance results. Cost initiatives contributed to a 15% reduction in expenses year-on-year as a result of printing and distribution efficiencies with strong margin gains supporting EBITDA growth in the second half.

Domain is making smart investments in brand and marketing initiatives to drive business performance. This includes above the line brand marketing including extensive outdoor advertising, sponsorships such as popular TV show *The Block*, and our recently announced multi-year Platinum Partnership with Cricket Australia as presenting partner of Men's Test Cricket.

OUR COMPANY

We are pleased with the performance of Domain in our first year as a separately listed entity. Our success is a credit to the hundreds of talented, highly innovative and passionate people who bring Domain to life every day.

In recognition of our listing milestone, in June 2018 the Company granted eligible employees $1,000 worth of Domain shares subject to a three-year holding requirement. This forms part of Domain's talent, reward and recognition initiatives and underlines our efforts to keep the very best people at Domain and focused on driving the Company's success into the future.

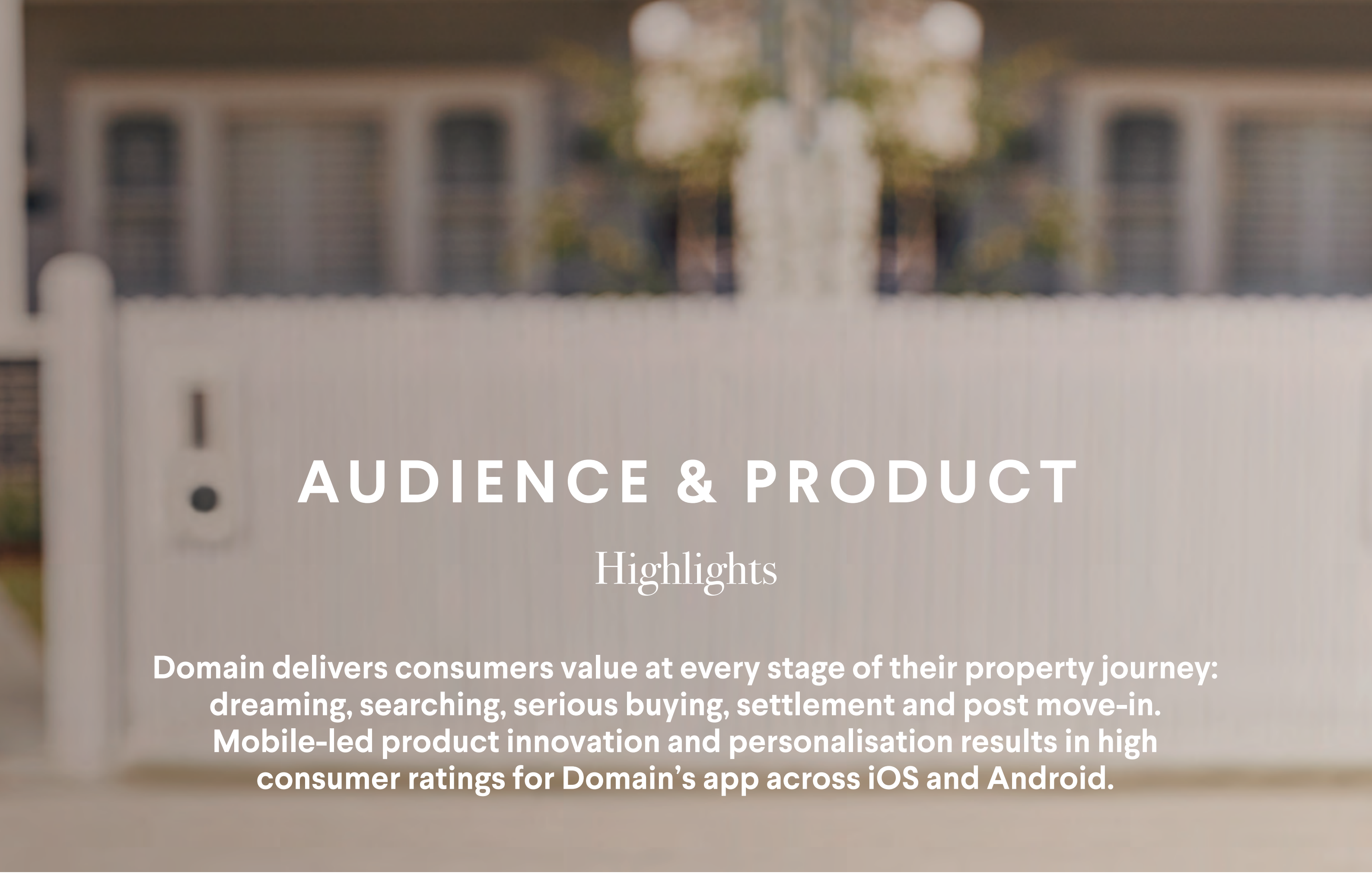
During the year the Board conducted a review of the Domain working environment. Overall the findings reflect a culture of innovation and progress. There were a few very specific matters identified that were not consistent with our way of working, and these matters have been addressed. Our people are highly supportive of the Domain mission and work tirelessly to make Domain a positive, safe and welcoming workplace. We are building on our culture for the future through initiatives to be progressively implemented in the ordinary course of business.

I would like to take this opportunity to thank each of my fellow Board members for the contributions they have made to Domain. Shareholders benefit greatly from their expertise and support. Your Board looks forward to meeting as many shareholders as possible at our inaugural Annual General Meeting to be held in our Sydney office on 31 October 2018.

On behalf of the Board, and in my role as Executive Chairman, I would like to thank all of our people for their dedication and commitment in what has been a truly extraordinary year of change and progress for our business. Our people are what make Domain great.

Domain has a strong foundation for continued growth. We lead the way in mobile-centric product innovation and are laser focused on delivering the very best consumer and agent experiences possible - now and into the future. Everyone at Domain is unrelenting in our mission. m

Nick Falloon
Executive Chairman



AUDIENCE & PRODUCT

Highlights

Domain delivers consumers value at every stage of their property journey: dreaming, searching, serious buying, settlement and post move-in. Mobile-led product innovation and personalisation results in high consumer ratings for Domain's app across iOS and Android.

6.1m
MONTHLY DIGITAL AUDIENCES

2.1m
MONTHLY PRINT AUDIENCES

1.6m
COMBINED SOCIAL FOLLOWERS

Our products are impressive in form and function. Combined with effective listings parity and deeply engaging editorial, they attract large and highly valuable audiences. We connect property hunters with their dream homes.

AUDIENCE STRENGTH

Domain reaches large and highly-engaged audiences across digital, print and social platforms:

- 6.1 million monthly digital audiences[1]
- 2.1 million monthly print audiences[2]
- 1.6 million combined social followers[3]

Domain app downloads have doubled over the past three years to reach more than 6.5 million. 58% of Domain's app users do not use the competitor app[4].

Editorial delivered 117 million website visits during the year, underlining the strength of Domain's quality journalism and content and its role as the trusted voice of Australia's property obsession.

Domain's strategic relationship with Fairfax Media provides powerful marketing amplification channels across print and digital, particularly via the Dream Homes placement on key metropolitan titles which supports an impressive weekly masthead reach of 2.5 million.

MOBILE PRODUCT INNOVATION LEADERSHIP

Mobile is at the very heart of Domain's strategy with property search being the ultimate mobile pursuit. The Domain team is focused on developing compelling products and user experiences. Personalisation tools benefit consumers by leveraging relevant data and insights to deliver valuable user experiences.

Domain empowers consumers with highly useful tools and relevant insights that add immense value

1. Nielsen Digital Content Ratings, Domain Media Unique Audience, May 2018, P2+, PC, Smartphone and Tablet, Text.
2. emma™ conducted by Ipsos MediaCT, people 14+ for the 12 months ending February 2018.
3. Domain Group combined social followers as at 30 June 2018.
4. Domain app audiences who do not use the Realestate.com.au property app, iOS and Android average, App Annie, March 2018.

to their property search. During the year a new Domain Inspection Planner was launched, providing an easy-to-use schedule of inspections and the ability to rate and keep track of favourite properties; the Contract Request feature was added which allows active buyers to easily request contract details from agents; and building profiles and augmented reality brought a new dimension to Commercial Real Estate.

These build on other first-to-market product innovations including School Catchment Zones, push notifications, and Home Price Guide which provides property valuation estimates across the Australian property market.

The expansion into new product adjacencies - such as home loans through Domain Loan Finder, insurance services through Domain Insure, and residential utilities connections through Compare & Connect - further meet the needs of consumers and add value at relevant stages of their property journeys.

Domain is turbocharging the agent experience through product innovation to integrate with and support real-estate agents' daily activities. Examples include a suite of depth listings to maximise the exposure and appeal of listed properties, rich market data and insights via Pricefinder, customer relationship management tools such as MyDesktop, and the open for inspection app Homepass. Domain puts powerful market insights into the hands of agents, providing them with an edge to drive their sales and campaign performance for clients.

Domain's mobile products and the value they deliver consumers are at the centre of our marketing and brand campaigns. Consumers are not only taking notice, they are taking action, with strong gains in average monthly app users over the past four years.

117m
EDITORIAL WEBSITE VISITS

6.5m
DOMAIN APP DOWNLOADS

58%
DOMAIN'S EXCLUSIVE APP AUDIENCE

GOOD & GREEN

Corporate Social Responsibility

Domain is committed to being 'Good & Green' by meeting and leading standards of corporate social responsibility (CSR) and sustainability across all aspects of our business - from our products and services, to staff engagement and the connections we have with our communities.

Domain's People and Culture Board Sub-Committee oversees CSR and sustainability, including environmental reporting and performance, in line with the Committee's Charter. Our corporate governance framework, policies and practices are described in detail in the Annual Report.

Upon becoming a separate ASX-listed business in November 2017, we began developing a full CSR agenda and program including setting targets that will support our commitment to CSR. This includes consideration of our environment; community; people and shareholders.

OUR ENVIRONMENT

Domain is committed to positive environmental and sustainability outcomes. We seek continuous improvement of our environmental sustainability, focusing on major impact areas: energy, carbon, water and waste reduction. We encourage staff engagement on environmental and sustainability matters and use our audience reach and platform as a leading Australian brand to engage our communities on environmental and sustainability initiatives and programs.

Domain's Environmental Policy sets out our commitment to managing and improving environmental performance across all business activities. We monitor, measure and report on the effectiveness of sustainable business practices across the business.

In the 2018 financial year, Domain has not received or been subject to any environmental breaches, improvement notices, fines or non-compliance notices from any regulatory bodies; and there were no environmental accidents as a result of business operations. Domain is participating in the Carbon Disclosure Project (CDP) program in 2018.

Prior to becoming a separate ASX-listed entity, Domain was a Fairfax Media Limited business. Domain's NGERS (National Greenhouse Energy Reporting Scheme) performance is reported as part of the Fairfax Media Limited disclosure in its 2018 Annual Report. Domain will report its standalone environmental performance in its 2019 Annual Report.

OUR COMMUNITY

Domain is an active community participant through our people, products, services and public affairs. We put our consumers and customers at the heart of our business. We respect peoples' rights - which includes considerations of personal data, privacy and data security - and reinforce our principles through our culture and values and positive people practices. We regularly review our privacy policy and data

security measures to ensure they are in line with contemporary standards and expectations. We monitor international trends relating to data protection and are responsive to how these may influence Australian data protection and privacy regulations in the future. As a Company, we share the passions and interests of our communities and champion good causes we are aligned with. We influence change for good and social progress including via financial and non-financial initiatives, such as employee engagement, volunteering, charity and fundraising, and sponsorship.

OUR PEOPLE

We are committed to helping people thrive, personally and professionally. Great people make our workplace a great place to work. We are committed to ensuring our people have the technology, skills, training and professional environment to be their best. Domain's culture and values are embodied and reinforced across all areas of the business, including in our approaches to safety, diversity and inclusion, staff engagement and welfare. Further detail on gender, diversity and inclusion is disclosed in the Corporate Governance section of the Annual Report. Domain provides holistic approaches to staff health and wellbeing - including a focus on mental and physical health - in turn reducing injuries, lost time and employee turnover. For 2019, Domain will report on safety metrics to drive performance improvements and promote accountability.

OUR SHAREHOLDERS

Domain is committed to its financial viability and sustainability to deliver long-term profitability and value to our shareholders. Strengthening our business occurs through revenue growth, product innovation, cost efficiency and investment. Profitability provides greater shareholder return, increases the ability to improve services to customers, supports availability of cash for future investment opportunities, and delivers long-term business sustainability including job security for employees and suppliers.

+ HIGHLIGHTS

+ Editorial content sparked conversations on environmental topics such as how to make your home achieve an eight-star energy rating; alternative materials to build homes; and reducing the use of plastic at home.

+ Community causes such as homelessness, housing affordability, transport and public infrastructure were agenda-setting topics canvassed by Domain editorial.

+ Raised $30,000 in partnership with UnLtd to support the Musicians Making a Difference cause which works with disadvantaged youths in Sydney.

+ Supported and provided prize for WipeOut Dementia charity at Colliers International event.

+ "Build for a Cure 2017" was supported via Domain's editorial reach to drive donations and promote the sale of a house to raise funds for children's cancer research.

+ Updated Parental Leave Policy with improved entitlements to better meet the needs of working parents and their families.

+ In FY18, Domain delivered pro forma net profit of $52.9 million, up 7.7%, with earnings per share of 9.2 cents. Pro forma EBITDA of $115.7 million was achieved from revenue of $357.3 million.

TABLE OF CONTENTS

Appendix 4E and Annual Financial Report

Board of Directors

NICK FALLOON

EXECUTIVE CHAIRMAN

Mr Falloon became Domain's Executive Chairman in January 2018. He was previously the company's Chairman and Non-Executive Director.

Mr Falloon is the current Chairman of the Fairfax Media Board, and has had 30 years' experience in the media industry, 19 years working for the Packer owned media interests from 1982 until 2001.

Mr Falloon served as Chief Executive Officer of Publishing and Broadcasting Limited from 1998 to 2001 and before that as Chief Executive Officer of Enterprises and Group Financial Director. This experience provided a strong background in television, pay TV, magazines, radio and the internet. From 2002, Mr Falloon spent nine years as Executive Chairman and CEO of Ten Network Holdings.

Mr Falloon holds a Bachelor of Management Studies (BMS) from Waikato University in New Zealand.

GREG ELLIS

INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr Ellis has been involved in the digital sector for the past 15 years. During that time he has held a variety of senior executive roles in Australia and overseas.

Most recently in Australia he was the Chief Executive Officer and Managing Director of REA Group from 2008 to 2014. He is currently the Chief Executive Officer of Scout24, a Frankfurt Stock Exchange-listed online classifieds business. He was previously a Non-Executive Director of Sportsbet Pty Ltd.

Mr Ellis holds a Bachelor of Business Management from Queensland University of Technology.

GEOFF KLEEMANN

INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr Kleemann commenced his career at Deloitte, and subsequently completed approximately 20 years as a senior executive in a listed environment, as Chief Financial Officer for Crown Limited, Publishing and Broadcasting Limited, Woolworths Limited and Pioneer International Limited. He is currently a Non-Executive Director of Investa Listed Funds Management Limited, the responsible entity for Investa Office Fund and the NSW Telco Authority.

Mr Kleemann was previously Non-Executive Director and Chair of the Audit Committee of Asciano Limited from 2009 to 2016, and Non-Executive Director and Chair of the Audit Committee of Broadspectrum Limited from 2014 to 2016.

Mr Kleemann is a member of the Institute of Chartered Accountants.

Board of Directors

DIANA EILERT

INDEPENDENT NON-EXECUTIVE DIRECTOR

Ms Eilert is currently a Non-Executive Director of ASX-listed companies Super Retail Group Limited, Navitas Limited and Elders Limited, and has previously been a Non-Executive director of REA Group Ltd, Veda Group Limited, Onthehouse Holdings Ltd and OurDeal Pty Ltd.

Ms Eilert's senior executive career includes roles as Head of Strategy and Corporate Development for News Limited and Group Executive for Suncorp's entire insurance business and subsequently Group Executive for Technology, People and Marketing. She spent 10 years with Citibank, and held roles including Head of Credit Risk Policy, running the Mortgage business and also Lending Operations for Australia and New Zealand. Ms Eilert was also a Partner with IBM.

Ms Eilert holds a Bachelor of Science (Pure Mathematics) from The University of Sydney and a Master of Commerce from The University of New South Wales.

GAIL HAMBLY

NON-EXECUTIVE DIRECTOR

Ms Hambly is Group General Counsel and Company Secretary of Fairfax Media. She has over 20 years' experience as a senior media executive including responsibility for legal services, government and corporate relations, internal audit and risk. She has been deeply involved in the growth and development of Domain. From 2011 to 2016, she was a Director of Trade Me Limited, a dual ASX and New Zealand Exchange-listed company whose businesses include one of the major real estate listing sites in New Zealand as well as other online businesses.

Ms Hambly holds a degree in Law from The University of New South Wales and degrees in Economics and Science from The University of Sydney.

PATRICK ALLAWAY

NON-EXECUTIVE DIRECTOR

Mr Allaway has senior executive and non-executive Board experience in large multi-national companies across finance, retail, wholesale, and media.

Mr Allaway was previously Managing Director at Swiss Bank Corporation (now UBS) and a member of the global Investment Bank Executive Board based in London and Zurich. Prior to joining Swiss Bank Mr Allaway worked at Citibank in Sydney, London and New York.

Mr Allaway is a former Non-Executive Director of Macquarie Goodman Group (now Goodman Group) and Metcash Limited. Mr Allaway is currently a Non-Executive Director of Fairfax Media, Woolworths South Africa, David Jones and Country Road Group.

Mr Allaway holds a Bachelor of Arts/ Law from The University of Sydney.

Directors' report

The Board of Directors presents its report together with the financial report of Domain Holdings Australia Limited (**Domain** or the **Company**) and of the consolidated entity, being the Company and its controlled entities for the period ended 24 June 2018 and the auditor's report thereon.

Directors

The Directors of the Company at any time during the financial year up to the date of this report are as follows.

Nick Falloon
Non-Executive Director and Chairman/Executive Chairman*
Appointed 16 November 2017
*Appointed Executive Chairman on 22 January 2018

Patrick Allaway
Non-Executive Director
Appointed 16 November 2017

Diana Eilert
Non-Executive Independent Director
Appointed 16 November 2017

Greg Ellis
Non-Executive Independent Director
Appointed 16 November 2017

Gail Hambly
Non-Executive Director
Appointed 2 October 2014

Geoff Kleemann
Non-Executive Independent Director
Appointed 16 November 2017

Antony Catalano
Former Managing Director
Appointed 16 November 2017
Resigned 22 January 2018

David Housego
Former Executive Director
Appointed 2 October 2014
Resigned 16 November 2017

Greg Hywood
Former Executive Director
Appointed 8 September 2017
Resigned 16 November 2017

A profile of each Director holding office at the date of this report is included in the Board of Directors section on page 15 and 16 of this report.

Directors' report

Company Secretary

Catriona McGregor is Group General Counsel and Company Secretary of Domain. She is responsible for legal and regulatory matters across the Domain Group. She is also Domain's Privacy Officer. Catriona has a law degree with Honours and a diploma in legal practice from the University of Glasgow, Scotland and she has also studied law at the University of Tilburg in the Netherlands and the University of Sydney. She is dual-qualified as a solicitor in the UK and NSW and is admitted to the Supreme Court of New South Wales. Catriona is a registered notary public in Scotland and is a member of the Association of Corporate Counsel Australia.

Corporate structure

Domain Holdings Australia Limited is a public company limited by shares that is incorporated and domiciled in Australia.

Principal activities

Domain is a real estate media and technology services business focused on the Australian property market.

The business offers residential and commercial property marketing services via its listings portals on desktop and mobile, and via social media and print magazines.

Domain also provides media and lead-generation solutions for advertisers looking to promote their products and services to consumers. Domain creates property market content to engage consumers and support audience growth.

In addition to operating residential and commercial real estate portals, Domain provides data and technology services to real estate agencies through customer relationship management (CRM) services, property data subscriptions and research, and property inspection management tools.

Through a series of investments in recent years, Domain has expanded its offerings to include other transactional services available to consumers at different points in the property lifecycle, including home loan and insurance brokerage, residential utilities product comparison and connection.

Consolidated result

The loss attributable to the consolidated entity for the financial year was $6.2m (2017 profit $30.3m).

Dividends

An interim partially franked dividend of 4.0 cents per ordinary share was paid on 12 March 2018 in respect of the half year ended 24 December 2017.

Since the end of the financial year, the Directors have resolved to pay a dividend of 4 cents per fully paid ordinary share, 70% franked, at the corporate tax rate of 30%.This dividend is payable on 4 September 2018.

Review of operations

Prior to 29 October 2017, Domain Holdings Australia Limited owned the interests in the Domain entities acquired in the last five years including Metro Media Publishing, All Homes, MyDesktop, 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*, was spread across various entities within Fairfax Media Limited consolidated group.

On 29 October 2017 Doman acquired the legacy Domain-related assets and liabilities from relevant entities within the Fairfax consolidated group for consideration of $1,279 million. The acquisition is treated as a business combination with Domain recognising the fair value of the net assets acquired on that date. This means the financial report reflects:

- Comparative financial information of Domain;
- The results of Domain 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 Domain in relation to Domain expenses. This resulted in $36 million of expenses being recognised within Domain in the current period that were not incurred in the comparative income statement. On 22 November 2017 Domain separated from Fairfax, following the listing on the ASX on 16 November 2017.

Revenue and income for the Domain Group was higher than the prior year at $286.6 million (2017: $139.3 million). After adjusting for significant items of $29.6 million expense (2017: $0.3 million expense) the Domain Group generated a net profit after tax attributable to members of $23.5 million (2017 Profit: $30.6 million). Earnings per share were 5.92 cents (2017: profit of 22.53 cents).

Further information is provided in the Management Discussion and Analysis Report.

Directors' report

Significant changes in the state of affairs

Significant changes in the state of affairs of the consolidated entity during the financial year were as follows:

- On 22 January 2018, Antony Catalano (Chief Executive Officer and Managing Director) resigned. On the same date Nick Falloon became Executive Chairman.
- On 3 July 2018 Domain announced the appointment of Jason Pellegrino as Managing Director and Chief Executive Officer, effective 27 August 2018.
- On 28 February 2018, Domain (through a wholly-owned subsidiary) completed the acquisition of an additional 48.5% of the issued shares in Review Property Pty Limited (Review Property). Until completion of the transaction, Review Property had been associated with Domain's Residential Digital Agent Ownership Model (AOM) in Victoria.

  As a result of the transaction, Domain now controls more than 98% of the shares in Review Property.
- On 30 June 2017, Domain co-invested with Auscred Pty Ltd (Lendi), into Digital Home Loans Pty Limited (Domain Loan Finder) taking a controlling 60% holding for $5.4 million. Digital Home Loans Pty Limited is consolidated in the financial results of Domain.
- On 31 August 2017, Domain co-invested, with Envest Pty Ltd and Tony Mitchell, into Domain Insure Pty Limited (Domain Insure) taking a 70% holding for $1.4 million. Domain Insure Pty Limited is consolidated in the financial results of Domain.

Likely developments and expected results

The consolidated entity's prospects and strategic direction are discussed in the Management Discussion and Analysis Report on page 42 of the Annual Report.

Further information about likely developments in the operations of the consolidated entity and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the consolidated entity.

Environmental regulation and performance

In the 2018 financial year, Domain has not received or been subject to any environmental breaches, improvement notices, fines or non-compliance notices from any regulatory bodies; and there were no environmental accidents as a result of business operations.

Domain is participating in Carbon Disclosure Project (CDP) program in 2018.

Prior to becoming a separate ASX-listed entity Domain was a Fairfax Media Limited business. Domain's NGERS (National Greenhouse Energy Reporting Scheme) performance is reported as part of the Fairfax Media Limited disclosure in its 2018 Annual Report. Domain will report its standalone environmental performance in its 2019 Annual Report.

Remuneration report

A remuneration report is set out pages 22-34 of the Annual Report and forms part of this Directors' Report.

	MEETINGS*							
	BOARD MEETING		AUDIT AND RISK		NOMINATIONS		PEOPLE AND CULTURE	
DIRECTORS	NO. HELD	NO. ATTENDED	NO. HELD	NO. ATTENDED**	NO. HELD	NO. ATTENDED**	NO. HELD	NO. ATTENDED**
Nick Falloon	5	5	-	-	1	1	2	2
Patrick Allaway	5	5	2	2	-	-	-	-
Diana Eilert	5	5	2	2	1	1	2	2
Greg Ellis	5	5	-	-	-	-	-	-
Gail Hambly	5	5	-	-	-	-	-	-
Geoff Kleemann	5	5	2	2	1	1	2	2
Antony Catalano***	1	1	-	-	-	-	-	-

* The number of meetings held refers to the number of meetings held while the Director was a member of the Board or Committee.
** Several directors attended meetings as an invitee of the Committee, rather than as a member.
*** Mr Catalano resigned on 22 January 2018

Directors' report

Directors' interests

The relevant interest of each Director in the equity of the Company and related bodies corporate as at the date of this report are disclosed in the remuneration report.

Directors' meetings

The table below shows the number of Board and Committee meetings held from 16 November 2017 when the Company listed to the end of the financial year and the number attended by each Director or Committee member.

Indemnification and insurance of officers

The Directors of the Company and such other officers as the Directors determine, are entitled to receive the benefit of an indemnity contained in the Constitution of the Company to the extent allowed by the *Corporations Act 2001* (Cth), including against liabilities incurred by them in their respective capacities in successfully defending proceedings against them.

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

Each Director has entered into a Deed of Access, Disclosure, Insurance and Indemnity which provides for indemnity by the Company against liability as a Director to the extent allowed by the law.

Indemnification of auditors

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

No officers are former auditors

No officer of the consolidated entity has been a partner of an audit firm or a Director of an audit company that is the auditor of the Company and the consolidated entity for the financial year.

Non-audit services

Under its Charter of Audit Independence, the Company may employ the auditor to provide services additional to statutory audit duties where the type of work performed and the fees for services do not impact on the actual or perceived independence of the auditor.

Details of the amounts paid or payable to the auditor, Ernst & Young, for non-audit services provided during the financial year are set out below. Details of amounts paid or payable for audit services are set out in Note 23 to the financial statements.

The Board of Directors has received advice from the Audit and Risk Committee and is satisfied that the provision of the non-audit services did not compromise the auditor independence requirements of the Corporations Act 2001 because none of the services undermine the general principles relating to auditor independence as set out in Professional Statement F1, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risk and rewards.

A copy of the auditor's independence declaration under section 307C of the Corporations Act 2001 follows this report.

During the financial year, Ernst & Young received or were due to receive the following amounts for the provision of non-audit services:

Subsidiary companies, other audits and other assurance services required by contract or regulatory or other bodies:

- Australia Nil

Non-assurance services:

- Australia Nil

Rounding

The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the Directors' Report. Amounts contained in the Directors' Report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Signed on behalf of the Directors in accordance with a resolution of the Directors.

Nick Falloon
Executive Chairman

13 August 2018

Auditor's independence declaration

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

As lead auditor for the audit of Domain Holdings Australia Limited for the financial period ended 24 June 2018, I declare to the best of my knowledge and belief, there have been:

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

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

This declaration is in respect of Domain Holdings Australia Limited and the entities it controlled during the financial period.

Ernst & Young

Ernst & Young

Douglas Bain
Partner
13 August 2018

Remuneration report

Dear Shareholders,

Thank you for your support of Domain. I am pleased to present our first remuneration report.

Our remuneration principles aim to attract and retain talented people who will deliver long-term shareholder value.

Our executive incentive scheme is aligned with shareholders' interests. Exectives are eligible for both short term and long term incentives. The short term incentives are awarded on revenue and profit growth, with a smaller element on delivery of strategic objectives. The long term incentives are awarded as options which only vest on meeting Total Shareholder Return (TSR) targets.

The Board has determined that Domain's key management personnel to be limited to the Board of Directors, Chief Executive Officer and Chief Financial Officer.

Diana Eilert
Chair of the People and Culture Committee

Remuneration report (audited)

The Remuneration Report contains the following sections:

Remuneration report (audited)

1. Introduction

This report forms part of the Company's FY18 Directors' Report and sets out the Domain Group's remuneration arrangements for Key Management Personnel (KMP) in accordance with the requirements of the *Corporations Act 2001* and its regulations.

2. Key Management Personnel (KMP)

The Board has established a People and Culture Committee (P&C Committee) which provides advice on remuneration, incentive policies and practices, as well as specific recommendations on remuneration and terms of employment for the Executive Chairman, CEO, CFO and Non-Executive Directors (jointly known as KMP).

KMP is comprised of Board Directors and members of the senior leadership team who have the authority and responsibility for planning, directing and controlling the activities of Domain Group.

The KMP for the financial year are set out in Table 2.1.

2.1 KMP FY18

	ROLE
Nick Falloon[i]	Executive Chairman
Antony Catalano[ii]	Chief Executive Officer
Rob Doyle	Chief Financial Officer
NON-EXECUTIVE DIRECTORS	
Diana Eilert[iii]	Independent Non-Executive Director
Greg Ellis[iii]	Independent Non-Executive Director
Geoff Kleemann[iii]	Independent Non-Executive Director
Patrick Allaway[iii]	Non-Executive Director
Gail Hambly[iv]	Non-Executive Director

(i) Appointed Chairman 16 November 2017 and then Executive Chairman 22 January 2018 whilst a global search for a replacement CEO was being conducted.
(ii) CEO on listing 16 November 2017 and later resigned 22 January 2018.
(iii) Appointed to the Board 16 November 2017.
(iv) Appointed to the Board 2 October 2014.

2.2 Change in KMP

Domain announced on 22 January 2018 that Antony Catalano had resigned as CEO, effective immediately on 22 January 2018. Nick Falloon was appointed by the Board to act as Executive Chairman, effective from 22 January 2018, whilst the global search for a new CEO was conducted.

Domain announced on 3 July 2018 that Jason Pellegrino had been appointed to Domain as Managing Director and Chief Executive Officer (CEO), effective 27 August 2018. Jason Pellegrino is considered as a KMP however, FY18 disclosures are not applicable. FY19 Remuneration information for Jason Pellegrino has been included. Any long term incentives are subject to shareholder approval.

3. People and culture committee

The P&C Committee has oversight of the remuneration and employment terms of Domain KMP and senior leadership. This is achieved through setting appropriate governance principles and strategies that support the achievement of the Company's overall strategies.

The governance principles of the P&C Committee are:

- To ensure the Company's remuneration structures are equitable and aligned with the long-term interests of the Company and its shareholders and follow relevant Company policies;
- To attract and retain skilled executives;
- To structure short and long-term incentives that are challenging and linked to the creation of sustainable shareholder returns;
- To ensure any termination benefits are justified and appropriate;
- In the discharge of the P&C Committee's responsibilities, no senior leader should be directly involved in determining their own remuneration; and
- The P&C Committee will have regard to all legal and regulatory requirements, including any necessary shareholder approvals.

In regards to remuneration the P&C Committee approves major changes and developments in the remuneration policies, superannuation arrangements, personnel practices, and industrial relations strategies for the Company. List of activities include:

- Review and recommend to the Board arrangements for the CEO and the CEO's direct reports, including contract terms, annual remuneration and participation in the Company's short and long term incentive plans.
- Review and approve the short and long-term incentive performance targets and bonus payments for the CEO and the CEO's direct reports.
- Review and recommend to the Board major changes and developments in relation to the Company's employee equity incentive plans. Also, oversee the operation of employee equity incentive plans.
- Review and recommend to the Board the remuneration arrangements for the Non-Executive Directors of the Board, including fees, travel and other benefits.
- Approve the appointment of remuneration consultants for the purposes of the *Corporations Act 2001* (Cth).
- Take appropriate action to ensure that the Committee, the Board and management have sufficient information and external advice available to them to ensure informed decision-making regarding remuneration.
- Monitor and review the Company's employee relations strategy including compliance with awards and agreements.

The members of P&C Committee during 2018 were:
- Diana Eilert (Chair)
- Nick Falloon
- Geoff Kleemann

Other Non-Executive Directors, CEO, CFO, Group General Counsel and Company Secretary, Group Director Employee Experience and Head of Employee Rewards and Systems attend P&C Committee meetings as invitees except when their own performance or remuneration arrangements are being discussed.

4. Linking Executive remuneration to performance

Domain uses the EIP to focus the executives on achieving annual performance objectives, which are based on Key Performance Indicators (KPIs). KPIs are mainly centred on creating sustainable shareholder value. Performance is assessed against financial and non-financial objectives. The financial performance is assessed against Revenue and EBITDA objectives being achieved.

In addition to the use of the EIP, Domain uses the LTI to align executive remuneration with shareholder returns. The awards under the LTI have a three year performance period to provide long-term alignment with the interests of Domain's shareholders. Performance is measured using the absolute total shareholder return (TSR) over a three year period (FY18 over two and a half year period).

Remuneration report (audited)

5. Remuneration principles and framework

The remuneration of KMP is reviewed annually. In making awards, the P&C Committee considers general economic conditions, market rates of remuneration and, in making awards, the Company's financial performance, and individual performance.

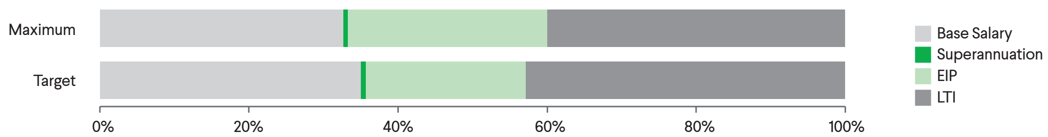
Our remuneration is comprised of three components which provides a mix of fixed, short and long-term components:

1. Total Package Value (TPV): defined as base salary + fixed allowances + superannuation;
2. Executive Incentive Plan (EIP): the name of our short term incentives for KMP and the direct reports to the CEO; and
3. Options (LTI): our long-term incentive plan.

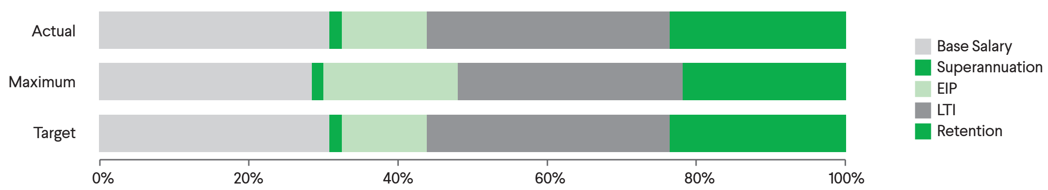
Each component of our remuneration is designed to deliver value to the Company and its shareholders. Our incentives have a balance of financial and non-financial measures to ensure the Company targets are met and delivered. These measures consist of a blend of calculated and discretionary objectives to ensure the P&C Committee has the ability to align outcomes with the Company performance and shareholder value.

Remuneration at risk

The remuneration at risk for Jason Pellegrino the CEO is illustrated below: maximum 66% of remuneration is at risk. Jason Pellegrino was appointed post FY18 and therefore no Actual illustration is provided.



The remuneration at risk for Rob Doyle the CFO is illustrated below: maximum 70% of remuneration is at risk.



Remuneration report (audited)

6. Executive Incentive Plan for FY18 (EIP)

Annual performance is remunerated through the EIP and performance is assessed against financial and non-financial criteria:

- 70% of EIP as corporate (the Company) performance against Revenue and EBITDA targets split as follows:
  - 35% Revenue; and
  - 35% EBITDA.
- 30% of EIP as business and individual performance against a set of agreed individual KPIs.

The EIP is designed to ensure that the senior leaders are focused on achieving growth and profit targets of the Company. Revenue and EBITDA are aligned with shareholders interests as this is the financial measures that the Company is assessed by. To ensure that the Company is achieving the non-financial objectives, individual KPIs are used to focus individuals on critical non financial areas.

Awards under the incentive are as follows:

	ON TARGET INCENTIVE	MAXIMUM INCENTIVE
CEO	60% of TPV	80% of TPV
CFO	35% of TPV	60% of TPV

6.1 EIP Outline

	EIP		ACHIEVEMENT	
COMPONENT	MEASURE	WEIGHTING	TARGET (ON PLAN)	MAXIMUM
Corporate	Achieve Domain Group EBITDA	35%	Budget	Budget +5%
	Achieve Domain Group Revenue	35%	Budget	Budget +5%
Business Unit	Individually assigned	30%	Delivery of measure	Discretion approved by Board
Strategic/Personal	Individually assigned		Delivery of measure	Discretion approved by Board

6.2 FY18 EIP Outcomes

In FY18 the majority of KMP incentive opportunity was tied to the financial objectives of EBITDA and revenue targets (70%) and a smaller portion comprised of non-financial objectives (30%) to drive performance of key business outcomes in our business plan.

The outcomes of the incentive align with the outcome of the financial performance for the Company where EBITDA exceeded the on plan target and Revenue fell marginally short of the on plan target. The individually assigned Business Unit and Strategic/Personal measure was achieved and exceeded.

	ON TARGET INCENTIVE	MAXIMUM INCENTIVE	INCENTIVE EARNED	INCENTIVE FORFEITED	% OF INCENTIVE EARNED	% OF INCENTIVE FORFEITED
Antony Catalano (a)	$720,000	$960,000	$0	$960,000	0%	100%
Rob Doyle (b)	$83,125	$142,500	$83,125	$59,375	58%	42%
Total	**$803,125**	**$1,102,500**	**$83,125**	**$1,019,375**	**8%**	**92%**

(a) A Catalano resigned on 22 January 2018, forfeiting incentives.
(b) R Doyle appointed 16 November 2017, eligible for 6 months of incentive award.

No incentive payments are made to the Executive Chairman and Non-Executive Directors.

7. Executive remuneration and equity granted FY18

7.1 LTI

The LTI is an annual allocation of options of Company shares. Long-term performance is determined by performance hurdles based on the absolute TSR over a three year period (2.5 years for the FY18 grant).

Each option entitles the Executive to one ordinary share in the capital of the Company subject to the achievement of the vesting criteria described in the vesting schedule and payment of the exercise price.

The options are personal to the Executive and are held in his or her own name and are not transferable either legally or beneficially to any other person or entity nor may the Executive permit any encumbrance or other third party interest over the options whether directly or indirectly.

The exercise price of each option is the VWAP of the Company's shares over the 5 trading days before the opening period and the 5 trading days after, inclusive of the results announcement (30 day period during the opening period for A Catalano as the opening period included the listing date of the Company).

The performance period for the testing of whether the options will vest is between the grant date and 30 June of the vesting year (30 June 2020 for the FY18 grant). The percentage of options that vest and become exerciseable, (if any), will be determined by the Board with reference to the vesting schedule.

ABSOLUTE TSR OVER THE PERFORMANCE PERIOD	% OF OPTIONS THAT BECOME EXERCISEABLE
Less than 10% CAGR	Nil
10% CAGR (threshold performance)	20%
Between 10% and 15% CAGR	Straight line pro rata vesting between 20% and 40%
15% CAGR	40%
Between 15% and 20% CAGR	Straight line pro rata vesting between 40% and 70%
20% CAGR	70%
Between 20% CAGR and 25% CAGR	Straight line pro rata vesting between 70% and 100%
25% CAGR or above	100%

The absolute TSR for the performance period is calculated using the following determination of the relevant opening and closing share prices:

- The VWAP of the Company's shares over the 5 trading days before the opening period and the 5 trading days after, inclusive of the results announcement (30 day period during the opening period for A Catalano as the opening period included the listing date of the Company); and
- The VWAP of the Company's shares over the 30 day period up to and including 30 June 2020.

The Board will also take into account any dividends (or other distributions) paid on the Company's shares during the performance period in calculating the absolute TSR.

The Board retains the discretion to deem vesting criteria as met or not met if vesting would otherwise only occur as a result of extraneous factors.

If any options remain unvested after notification to the Executive following the end of the performance period, such options will lapse immediately. In the event of employment termination all unvested options will lapse.

7.2 Retention

To ensure that the Executive and leadership team are retained for the initial period after the Company listed on the ASX, the Company made a one off share grant of restricted shares. There are no plans to issue further retention restricted shares (Retention). The Retention shares are held by the Domain Employee Share Plan Trust until the restriction period has ended, being 17 November 2019. The allocation price of the Retention was set using the five trading day VWAP on 20 to 25 February 2018 at a price of $3.0857. There are no performance hurdles put in place for Retention and vesting will occur on 17 November 2019. Rentention is forfeited if the KMP or leadership team member ceases employment with the Company.

Remuneration report (audited)

7. Executive remuneration and equity granted FY18 (cont'd)

7.3 Remuneration of Executives

Table below sets out details of Executive remuneration during FY18 (AUD), since listing (16 November 2017). The details of remuneration for Nick Falloon is provided in the Remuneration of Non-Executive Director's section.

	(a)	BASE SALARY & OTHER BENEFITS (d)	CASH PAYMENTS/ BONUS	SUPER-ANNUATION	LONG SERVICE LEAVE EXPENSE	TOTAL EXCLUDING SHARES/ RIGHTS	VALUE OF SHARES/ RIGHTS	TOTAL INCLUDING SHARES/ RIGHTS
A Catalano CEO (b)	**2018**	**$178,526**	**$0**	**$5,575**	**$41,448**	**$225,549**	**$0**	**$225,549**
R Doyle CFO (c)	**2018**	**$247,904**	**$83,125**	**$19,860**	**$7,131**	**$358,020**	**$25,586**	**$383,606**
Total	**2018**	**$426,430**	**$83,125**	**$25,435**	**$48,579**	**$583,569**	**$25,586**	**$609,155**

(a) Figures provided are since listing on 16 November 2017 and as such no 2017 data is provided.
(b) A Catalano CEO on listing on 16 November 2017 and resigned on 22 January 2018.
(c) R Doyle appointed CFO on 16 November 2017 and his EIP relates to 6 months.
(d) Other Benefits includes salary sacrifice agreements for Novated lease agreements and car parking.
In addition for A Catalano Other Benefits includes outstanding annual leave payment related to his resignation.

7.4 Equity Granted to Executives During FY18

	GRANT DATE	VESTING DATE	EXPIRY DATE	FACE VALUE AT GRANT[a]	ALLOCATION PRICE	OPTIONS GRANTED
A Catalano						
LTI	02.11.2017	30.06.2021	31.12.2023	$5,040,000 (b)	$3.5467	4,267,209 (b)
R Doyle						
LTI	27.03.2018	30.06.2020	31.12.2023	$474,999	$3.0000	527,777

(a) Face value at grant for LTI is calculated by the value of each option at grant multiplied by the number of shares granted. For the 2 November 2017 LTI grant the option value was $1.1811 per option, which is 33% of the allocation price round to four decimal places. For the 27 March 2018 LTI grant the option value was $0.90 per option, which is 30% of the allocation price rounded down.
(b) A Catalano resigned on 22 January 2018 forfeiting his share rights.

	GRANT DATE	VESTING DATE	EXPIRY DATE	FACE VALUE AT GRANT[a]	ALLOCATION PRICE	SHARES GRANTED
A Catalano						
Retention	-	-	-	-	-	-
R Doyle						
Retention	29.09.2017	17.11.2019	-	$345,000	$3.0857	111,806

(a) Face value at grant for Retention is calculated by multiplying the allocation price by the number of shares granted.

Remuneration report (audited)

8. Executive service agreements

The remuneration and other terms of employment for the Executives are set out in written service agreements. These service agreements are unlimited in term but may be terminated by written notice by either party or by the Company making payment in lieu of notice. They may also be terminated with cause as set out below.

Each agreement sets out the fixed remuneration, performance related incentive opportunities, termination rights and obligations, and post employment restraints including non-compete clauses.

The Company may terminate the employment of the Executive without notice and without payment in lieu of notice in some circumstances, including if the executive commits an act of serious misconduct or a material breach of the Executive service agreement or is charged with any criminal offence which, in the reasonable opinion of the Company, may embarrass or bring the Company into disrepute.

The Company may terminate the employment of the Executive at any time by giving the Executive notice of termination or payment in lieu of such notice. The amount of notice required from the Company in these circumstances is set out in the table below. If the Company elects to make payment in lieu of all or part of the required notice, the payment is calculated on the basis of fixed remuneration excluding bonuses and non-cash incentives.

Also set out in the table below is the notice that the Executive is required to give:

	NOTICE TO THE COMPANY	NOTICE FROM THE COMPANY	POST-EMPLOYMENT RESTRAINT
CEO	6 months	12 months	12 months
CFO	12 weeks	12 weeks	12 months

The senior leadership of the Company (direct reports to the CEO) primarily have a notice period from either party of 12 weeks and a 12 month post-employment restraint. Some of the senior leadership have extended terms.

Remuneration report (audited)

9. Executive shareholdings

Executive shareholdings as at 24 June 2018 are set out below:

9.1 Shares held by Executives

NAME	BALANCE ON LISTING DATE 16 NOVEMBER 2017 (a)	BALANCE AT 22 NOVEMBER 2017 (b)	ACQUISITIONS	DISPOSALS	BALANCE AT 24 JUNE 2018
A Catalano	0	611,335	0	561,090	50,245
R Doyle	0	0	0	0	0
Total	**0**	**611,335**	**0**	**561,090**	**50,245**

(a) Since listing on ASX 16 November 2017.
(b) As part of the ASX listing of the Company, eligible Fairfax shareholders received, on 22 November 2017, 1 Company share for every 10 Fairfax Media Shares held at the Scheme Record Date (7pm on 17 November 2017).

9.2 Rights over shares held by the Executives

	BALANCE AS AT 16 NOV 2017 (a)	GRANTED AS REMUNERATION	EXERCISED DURING THE YEAR	FORFEITED DURING THE YEAR	OTHER MOVEMENT	BALANCE AT 24 JUNE 2018
A Catalano (b)	0	4,267,209	0	4,267,209	0	0
R Doyle (c)	0	639,583	0	0	0	639,583
Total	**0**	**4,906,792**	**0**	**4,267,209**	**0**	**639,583**

(a) Figures provided are since listing 16 November 2017 and as such no 2017 data is provided.
(b) A Catalano was CEO on listing on 16 November 2017 and resigned on 22 January 2018 forfeiting his share rights.
(c) R Doyle appointed CFO on 16 November 2017.

Remuneration report (audited)

10. Remuneration of Non-Executive Directors

Under the Domain Constitution, the aggregate remuneration of Non-Executive Directors is set by resolution of shareholders. The annual maximum aggregated amount is $1.5 million, inclusive of superannuation and exclusive of reimbursement of expenses. The maximum aggregate remuneration amount has been set to enable the appointment of additional Non-Executive Directors, if required. Within this limit, the Board annually reviews Non-Executive Directors' remuneration with advice from the P&C Committee. The Board also considers survey data on Non-Executive Directors' fees paid by comparable companies, and any independent expert advice commissioned.

Executive Directors are remunerated outside the maximum aggregate fee amount.

Board and Committee fees payable as at the date of this report are as follows::

FEES	
Chairman's Fee	$250,000
Director's Fee	$110,000
Additional Fees	
Chair of the Audit & Risk Committee	$25,000
Audit & Risk Committee supplementary fee	$18,000
Chair of the People and Culture Committee	$20,000
People and Culture Committee supplementary fee	$15,000
Chair of the Nominations Committee	$0
Nominations Committee supplementary fee	$0

The Chairman does not receive Committee fees.

The Executive Chairman received a daily rate of $4,300 for days worked on Company matters, effective from his appointment on 22 January 2018. The daily rate is paid in addition to the amount that is currently paid per year for the Non-Executive Chairman role. The daily rate fee has been determined by taking the daily equivalent of the former CEO annual fixed remuneration of $1,200,000, and deducting the annual amount of the Non-Executive Chairman fee. The Executive Chairman does not receive any incentive based payments. The Executive Chairman daily rate will cease on 27 August 2018, the start date of Jason Pellegrino as CEO. The Executive Chairman will resume as Non-Executive Chairman effective 27 August 2018.

Gail Hambly is an executive of Fairfax Media and is a nominated representative of Fairfax Media on the Company Board. Gail Hambly does not receive Non-Executive Director fees

Retirement Benefits for Non-Executive Directors

Other than superannuation contributions made on behalf of Non-Executive Directors in accordance with statutory requirements, Non-Executive Directors are not entitled to any retirement benefits.

Remuneration report (audited)

10. Remuneration of Non-Executive Directors (cont'd)

10.1 Non-Executive Directors' Fees

The following table outlines fees paid to Non-Executive Directors during the financial year since listing 16 November 2017.

NON-EXECUTIVE DIRECTOR	(a)	NON-EXECUTIVE DIRECTOR FEES	OTHER FEES (b)	SUPERANNUATION	TOTAL
Diana Eilert	**2018**	$81,946	-	$7,785	$89,731
Greg Ellis	**2018**	$62,592	-	$5,946	$68,538
Nick Falloon	**2018**	$142,255	$290,250 (b)	$13,514	$446,019
Geoff Kleemann	**2018**	$82,964	-	$7,882	$90,846
Patrick Allaway	**2018**	$71,760	-	$6,817	$78,577
Gail Hambly	**2018**	$0 (c)	-	$0 (c)	$0 (c)
Directors	**2018**	**$441,517**	**$290,250**	**$41,944**	**$773,711**

(a) Non-Executive Director fees are since listing 16 November 2017 and as such no 2017 data is provided.
(b) Other fees paid to Nick Falloon are in relation to time as Executive Chairman, a total of 67.5 days were paid for these duties at a rate of $4,300 per day.
(c) Gail Hambly is an executive of Fairfax Media and is a nominated representative of Fairfax Media on the Company Board. Gail Hambly does not receive Non-Executive Director fees.

10.2 Non-Executive Directors Shareholdings

The number of ordinary shares in the Company held during FY18 by each Non-Executive Director, including their personally related parties, is set out below. No shares were granted during the period as remuneration.

	BALANCE ON LISTING DATE 16 NOVEMBER 2017 (a)	BALANCE AS AT 22 NOV 2017 (b)	ACQUISITIONS	DISPOSALS	BALANCE AT 24 JUNE 2018
Diana Eilert	0	0	15,400	0	15,400
Greg Ellis	0	0	0	0	0
Nick Falloon	0	51,239	0	0	51,239
Geoff Kleemann	0	10,000	30,000	0	40,000
Patrick Allaway	0	12,000	20,000	0	32,000
Gail Hambly	0	35,086	0	0	35,086
Total	**0**	**108,325**	**65,400**	**0**	**173,725**

(a) Since listing on ASX 16 November 2017.
(b) As part of the ASX listing of the Company, eligible Fairfax shareholders received, on 22 November 2017, one Company share for every 10 Fairfax Media Shares held at the Scheme Record Date (7pm on the 17 November 2017).

Remuneration report (audited)

11. Loans to KMP

There were no loans made to Directors of Domain Group or to other KMP, including their personally related parties, during FY18 (FY17: nil/not applicable).

12. Financial performance of the company in key shareholder value measures

The pro forma financial performance of the Company in key shareholder value measures. Note: pro forma financial results provide a view of the financials as if the Company had been a separately listed entity for the entire FY18.

		FY18
Revenue	$m	357.3
EBITDA	$m	115.7
Net profit attributable to members of the company	$m	52.9
Earnings per share	Cents	9.17
Total Shareholder Return (TSR)	%	8.727
Opening share price (on listing on ASX 16 November 2017)	$	3.80
Closing share price (at financial year end date)	$	3.22

Note: Total shareholder return (TSR) is calculated from 1 January 2018 to align with LTIP performance period.

Corporate governance

Domain's corporate governance framework

The Domain Board is committed to operating Domain Holdings Australia Limited with good corporate governance. Accordingly, the Board has adopted corporate governance policies and procedures which are aimed at supporting responsible management and conduct of the business.

This statement sets out the key features of the framework that Domain has in place to achieve good corporate governance outcomes and reports Domain's practices and procedures during the reporting period against the recommendations of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (3rd Edition) (ASX Recommendations).

Domain listed on the Australian Securities Exchange (ASX) on 16 November 2017 (Listing Date). The relevant reporting period for this Corporate Governance Statement is from the Listing Date when the ASX Recommendations commenced their application for Domain until the end of Domain's financial year, which for FY18 was 24 June 2018. The statement is current as at 13 August 2018 and has been approved by the Board.

Domain adopted a number of new Charters and policies, both immediately prior to Listing and during the reporting period, as detailed in this corporate governance statement. More information about Domain's Corporate Governance and copies of Domain's Constitution, Board Charter, Board Committee Charters, Securities Trading Policy, Continuous Disclosure Policy, Code of Conduct and Diversity and Inclusion guidelines are available at **shareholders.domain.com.au**.

Investors can also find information on the company, including financial statements, investor presentations and ASX announcements, in the Domain Shareholder Centre at **shareholders.domain.com.au.**

Board of Directors

Details of the directors on the Domain Board and the Committees that they were members of during FY18 are set out in the Board of Directors section on pages 15 - 16 of the Annual Report and the Directors' Report on page 19 of the Annual Report.

The qualifications, experience and other details of each member of the Board are set out in the Directors Report on pages 15 and 16 of the Annual Report.

The number of Board and Committee meetings held during FY18 and each Director's attendance at the meetings are set out in the Directors Report on page 19 of the Annual Report.

Role of the board and delegation of authority

Overview of the Role of the Board

The Board Charter sets out the Board's role, its composition, and the way it exercises its powers and responsibilities having regard to principles of good corporate governance.

The Board's role is to:

- Represent and serve the interests of shareholders by overseeing Domain's strategies, policies and performance
- Protect and optimise company performance and build sustainable value for shareholders within a framework of effective controls that enable risk to be assessed and managed
- Set, review and monitor compliance with Domain's culture and governance framework
- Monitor that shareholders are kept informed of Domain's performance

The Board's responsibilities include:

- Appointing the CEO and evaluating the CEO's performance and remuneration
- Monitoring corporate performance and implementation of strategy and policy
- Approving major capital expenditure, acquisitions and sales
- Overseeing capital management, including approving dividend payments
- Monitoring and reviewing management processes for financial and other reporting
- Approving financial reports, profit forecasts and ASX Listing Rule reports
- Evaluating the performance of the Board and its Committees and individual directors

Corporate governance

Delegation to Committees and to Management

The Board establishes Committees to streamline the discharge of its responsibilities. The three standing Board Committees that have been established are the Audit and Risk Committee, the People and Culture Committee and the Nomination Committee. Further details are set out on pages 38 and 39 of this Corporate Governance Statement.

The Board delegates day to day operations to the management team, which consists of the CEO (currently the Chairman acting in the interim role of Executive Chairman) and other senior executives who have been delegated specific duties and responsibilities.

The Directors and independence

The Board of Directors section on pages 15 and 16 of the Annual Report gives details of the Directors and their experience.

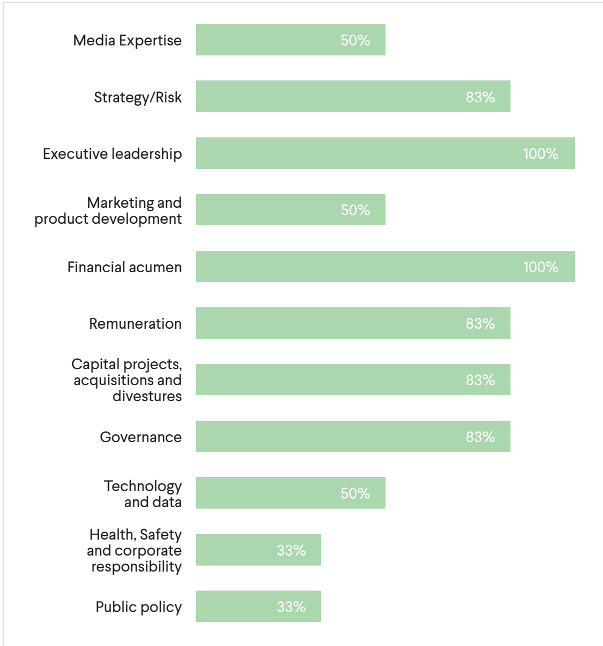
At the Listing Date, Domain had seven Directors. Following Mr Catalano's resignation on 22 January 2018 and until the end of the reporting period, there were six Directors on the Board. Three of the Directors were nominated by Fairfax Media Limited (Mr Falloon, Mr Allaway and Ms Hambly) and accordingly, they are non-independent Directors. Mr Falloon and Mr Allaway are also directors of Fairfax and Ms Hambly is an executive of Fairfax. The other three Directors (Ms Eilert, Mr Ellis and Mr Kleemann) are independent Directors. Domain announced on 3 July 2018 that Mr Jason Pellegrino had been appointed as the new CEO and Managing Director of Domain with effect from 27 August 2018 which will increase the Board to seven again.

Whilst not in line with the ASX Recommendation that a majority of Directors should be independent, the Board considers the current mix of independent and non-independent Directors to be appropriate and reflects Fairfax's majority shareholding in Domain. The independent Directors were identified and selected through an external search process.

Board skills

The Directors each bring to the Board a valuable depth of knowledge and experience. Domain's Directors represent a cross-section of industries and bring a diverse range of skills including strong financial, risk and commercial expertise.

The following chart sets out the skills, experience and diversity of the Directors on the Board. Percentages are determined as at the date of this Statement.



NOTES

Media expertise - Expertise and experience in the media industry at a senior level.

Strategy/Risk - Expertise at a senior executive level in the development and implementation of strategic plans and risk management to deliver investor returns over time.

Executive leadership - Experienced and successful leadership at a senior executive level of large organisations.

Marketing and product development - Expertise and senior executive experience in marketing and new media marketing metrics and tools.

Financial acumen - Expertise at a senior executive level in understanding financial accounting and reporting, corporate finance and internal financial controls, including an ability to probe the adequacies of financial and risk controls.

Remuneration - Expertise in remuneration design to drive business success at a senior executive level.

Capital projects, acquisitions and divestitures - Experience in evaluating and implementing projects involving large-scale financial commitments, investment horizons and major transactions.

Governance - Knowledge and experience of high standards of corporate governance, including ASX Listing Rules and practices.

Technology and data - Expertise and experience in the adoption of new technology and technology projects and in the use of data and data analytics to drive successful sales, marketing and business development.

Health, safety and corporate responsibility - Expertise related to workplace health and safety, environmental, community and social responsibility.

Public policy - Experience in public and regulatory policy, including how it affects business.

Corporate governance

Director appointment, rotation and succession planning

The Nomination Committee will assist the Board when appointing new Directors and when considering the re-election of existing Directors. Under the Nomination Committee Charter, candidates must demonstrate they have the skills, experience, expertise and personal qualities that will best complement Board effectiveness and promote Board diversity. They must also show they can provide the necessary time and commitment, and meet any independence requirements. All potential Directors are subject to appropriate background checks.

Domain has a program for inducting new Directors, and each new Director receives an induction pack with the key corporate governance policies and charters of the Company. All new Directors receive an appointment letter setting out the terms of their appointment.

Domain's first Annual General Meeting will be held on 31 October 2018. In accordance with Domain's constitution, each of the Directors (other than Jason Pellegrino who will be the Managing Director at that time) will stand for re-election at the Annual General Meeting. The Company will provide shareholders with information material to their decision as to whether to re-elect each of the Directors.

The Nominations Committee will assist the Board to ensure that processes are in place to support director's ongoing education and to ensure Director's maintain the skills and knowledge needed to perform their role as a Director effectively.

Evaluation of Board, Committees and Directors

The Board intends to conduct a review of the Board's structure, composition and performance within 12 months after listing on ASX. This will include a review of the performance of individual Directors, the performance of the Board as a whole and of each Committee and Committee member. The Nomination Committee will assist the Board with this evaluation process.

Given that there were only 7 months between the Listing Date and the end of the reporting period, Domain did not review the performance of the Board as a whole or of its Directors individually during the reporting period.

Board Chair and CEO

The Board appoints the Chair, who represents the Board to the shareholders and communicates the Board's position.

Domain's Chair is Mr Nick Falloon. Mr Falloon is also Chairman of Fairfax Media Limited, a substantial shareholder of Domain, and accordingly is not considered an independent Director. Whilst not following the ASX Recommendation that the Chair should be an independent Director, the Board considers Mr Falloon to be the most appropriate person to lead the Domain Board, given his expertise and experience.

Following the resignation of Domain's former CEO on 22 January 2018, Mr Falloon was appointed as Domain's Executive Chairman on an interim basis while Domain conducted a local and international search for a new CEO. In the role as Executive Chairman, Mr Falloon is responsible for the Company's day to day management, its financial performance and administration. Jason Pellegrino, Domain's newly appointed CEO, will assume responsibility of these matters with effect from 27 August 2018.

The Board determined that it was in Domain's best interests for Mr Falloon to be both Chair and an Executive for the interim period because the Board considered this to be the most effective way to ensure Domain continued to pursue the strategies set by the Board. For this reason, and during the interim period only, Domain has not followed the ASX Recommendation that the same person should not be both Chair and CEO. With the appointment of Jason Pellegrino as CEO from 27 August 2018, Mr Falloon will step down from the executive role and will be once again a non-executive Chair.

The Board is comfortable that Mr Falloon brings objective and independent judgement to all of the Board's deliberations. However, Mr Geoff Kleemann, an independent Non-Executive Director, has been appointed by the Board to act as the Chair in relation to any matters where Mr Falloon may be conflicted as a result of his executive duties or as a result of his position as Chairman of Fairfax Media Limited.

Corporate governance

Senior Management

During the reporting period, the senior management team consisted of the CEO/Executive Chairman, and other senior executives who have been delegated management functions by the CEO/Executive Chairman. The management team implements strategic objectives, plans and budgets approved by the Board, and identifies and manages risks within Domain's risk framework. The senior management team are leaders within the business, and they drive the Domain business and implementation of its key objectives. The senior management team is accountable to the Board, and must give the Board sufficient information to enable the Board to understand relevant risks and to discharge its duties effectively.

Domain's senior executives are employed under individual executive service agreements. Some senior executives were previously employed by Fairfax and transferred their employment to Domain in October 2017 in advance of separation from Fairfax. Others senior executives were appointed after the Listing Date.

Domain operates a regular 'check-in' process to enable employees and managers to provide regular feedback and discuss performance throughout the year. The senior executive's performance is also evaluated every 12 months against key performance criteria. The review is conducted by the executive to whom they report and usually occurs after the end of each financial reporting year in respect of the previous financial year. The first senior executive reviews for Domain, following listing on the ASX will occur shortly after the end of the reporting period and the financial results are announced.

Domain's new CEO, Mr Pellegrino, will be set key performance criteria when he commences in his role and his performance review will be undertaken by the Chair, in consultation with the other members of the Board.

The Company Secretary

The Company Secretary is appointed by the Board and is accountable to the Board through the Chair. The Company Secretary is responsible for the coordination of all Board business, for communication with regulatory bodies, and is accountable to the Board on all matters relating to the proper functioning of the Board.

At the Listing Date, Ms Gail Hambly was the Company Secretary and Ms Alethea Lee was assistant Company Secretary. Ms Catriona McGregor was appointed as Group General Counsel and Company Secretary on 11 December 2017 and Ms Hambly resigned as Company Secretary with effect from that same date. Ms Lee resigned as Company Secretary on 25 June 2018.

The qualifications and experience of the Company Secretary are set out in the Directors Report on page 18 of the Annual Report.

Board Committees

Details of the membership of each of the Board Committees, the number of times each Committee has met during the reporting period, and how many meetings each member has attended is set out in the Directors Report on page 19 of the Annual Report.

Audit and Risk Committee

The Audit and Risk Committee has been in place throughout the reporting period. It is responsible for:

- Overseeing Domain's relationship with the external auditor and the audit function generally
- Overseeing the preparation of the financial statements and reports
- Overseeing the Company's financial controls and systems
- In conjunction with the People and Culture Committee, overseeing the identification and management of risk.

All three members of the Audit and Risk Committee are non-executive Directors. A majority of the members of the Committee are independent Directors. The Chair is independent and has relevant financial and risk expertise having operated as Chief Financial Officer and Chair of the audit committee for a number of listed entities.

People and Culture Committee

The People and Culture Committee has been in place throughout the reporting period and is responsible for overseeing the development of Domain's employee experience strategies to support the Company. Domain does not have a separate Remuneration Committee but the People and Culture Committee is responsible for reviewing remuneration as detailed below.

The People and Culture Committee's responsibilities include:

- Approving major changes and developments in remuneration and personnel practices and strategies for the Domain Group, including remuneration for the CEO, the CEO's direct reports and Non-Executive Directors, Domain's employee equity incentive plans and employee relations strategy.
- Monitoring and reviewing Domain's strategies and process to promote a safe and positive working culture.
- Approving whistleblowing and bullying and harassment policies.
- Approving policies and procedures related to senior management recruitment, retention, performance assessment and termination.

The Committee comprises three Non-Executive Directors, a majority of whom are independent, with an independent Director as Chair.

Corporate governance

Nomination Committee

The roles and responsibilities of the Nomination Committee are set out in the Nomination Committee Charter. In the period following listing on the ASX, the Board fulfilled the relevant responsibilities of the Nomination Committee. The Board felt this was appropriate given the Company was newly listed and all of the Directors (other than Ms Hambly) were appointed with effect from the Listing Date.

The Nomination Committee was formally established and members were appointed to that Committee in June 2018. Two of the Committee's three members are independent Directors, including the Chair.

The Nomination Committee assists the Board to ensure the Board is comprised of Directors with a broad mix of skills, expertise, experience and diversity. It makes recommendations to the Board on the Board's size, composition, and the criteria for nomination as a Director. The Nomination Committee assists the Board to evaluate the performance of the Board as a whole, its Committees, and individual Directors. It also ensures there are adequate processes to support Director induction and education, and to review their effectiveness.

Code of conduct

All Directors, managers and employees are required to act honestly and with integrity, and in accordance with the Domain Code of Conduct.

The Code of Conduct summarises the way Domain employees and Directors are expected to conduct themselves. It aims to uphold the highest ethical standards and to ensure the business is conducted with honesty, trust and integrity, and in accordance with all applicable laws. The Code sets out the responsibility of individuals for reporting Code breaches. In addition, Domain provides employees with access to a Whistleblower Hotline, which is externally managed.

In the period immediately post separation from Fairfax, Domain and its employees continued to operate under a number of Fairfax Group policies including the Fairfax Code of Conduct. Domain adopted its own, substantially similar, Code of Conduct in June 2018. All employees and Directors were given access to the Fairfax Group Code of Conduct and associated policies during the interim period. At all times, employees were made aware of the high ethical standards that were expected of them.

Supporting the Code of Conduct is the Company's range of guidelines and policies. These policies are posted on an intranet site accessible to employees and the key policies are communicated to employees at the time of employment and are reinforced by training programs. The Code of Conduct is to be read in conjunction with the other Domain policies.

Diversity and inclusion

Domain is committed to creating a workplace that is fair and inclusive and reflects the diversity of the communities in which it operates. Domain values, respects and encourages diversity of Board members, employees, customers and suppliers. Diversity includes differences in age, cultural background, disability, ethnicity, family responsibilities, gender, language, marital status, religious belief and sexual orientation.

The People and Culture Committee oversees the implementation of Domain's diversity and inclusion policy and the achievement of its goals. Domain currently has in place, and is continuing to work on, policies that support gender equality in recruitment, retention, performance management, promotions and talent identification.

Domain recognises the importance of setting measurable objectives to achieve diversity. Domain's Diversity and Inclusion Guidelines provide that Domain will set objectives and these will be reviewed and updated every twelve months. The Board, with support from the People and Cultural Committee, is in the process of setting measurable objectives and will report against them next year.

Domain operated under the Fairfax Group Diversity guidelines immediately after separation and adopted its own Diversity and Inclusion guidelines in March 2018. These guidelines create the framework within which Domain promotes diversity and inclusion. Domain will be conducting diversity training for employees in FY19.

The Company recognises that each employee brings their own unique capabilities, experiences and characteristics to their work, and values such diversity at all levels of the Company. Encouraging diversity and inclusion broadens the pool for the recruitment of talented employees, enhances retention and supports innovation. Increasing this focus will assist the Company to improve its financial performance and achieve its strategic objectives.

Domain complies with the Workplace Gender Equality Act 2012, and its 2017-2018 Public Report under the Act is available at **shareholders.domain.com.au**.

As at 31 March 2018, the Company's workforce gender demographics were:

- Proportion of women who are Directors on the board 33%
- Proportion of women who are in senior management 35%
- Proportion of women across organisation 50%

Corporate governance

Remuneration

The Remuneration Report from page 23 describes the Company's remuneration policies and practices for Non-Executive Directors, the CEO and other senior executives, and their remuneration during FY18.

Risk management

The Board and the Audit and Risk Committee together oversee and monitor Domain's risk framework. The Board, with the support of the Audit and Risk Committee, has commenced the assessment of the risk appetite and risk management framework. This assessment has not yet been completed but it is intended that it will be concluded within the first 12 months from listing. The Board will continue to undertake assessments of Domain's risk framework at least annually going forward to ensure it continues to be sound.

Management reports to the Audit and Risk Committee on risks and risk management processes and these are also considered in the context of business planning, budgeting, forecasting, reporting and performance management processes.

As part of a transitional arrangement immediately post-separation from Fairfax, Domain has used the Fairfax Group internal audit function during the reporting period to identify and evaluate risks within certain parts of the Domain business. Domain will continue to evaluate its risk management and internal control processes in FY19.

Domain considers that the emergence of significant new competitors or new disruptive technologies could be a risk that materially impacts its existing model.

Declarations from the Executive Chairman and Chief Financial Officer

The Board has received written declarations from the Executive Chairman and the Chief Financial Officer (CFO) in relation to the half-year and full-year that in their opinion:

(a) the financial statements and associated notes comply in all material respects with the accounting standards as required by the *Corporations Act 2001* (Cth);

(b) the financial statements and associated notes give a true and fair view, in all material respects, of the financial position as at the end of the financial period and performance of the Company and Consolidated Entity for the period then ended as required by the Corporations Act;

(c) the financial records of the Company have been properly maintained in accordance with the Corporations Act; and

(d) the statements made above are founded on a sound system of financial risk management and internal compliance and control, which is operating effectively.

These declarations to the Board by the Executive Chairman and CFO have been formed on the basis of the Group having an internal system of risk identification and management which is underpinned by the requirement for appropriate senior executives to provide a signed letter of representation addressed to the Executive Chairman and CFO verifying material issues relating to the executive's areas of responsibility and disclosing factors that may have a material effect on the financial results or operations of the Domain Group.

Corporate governance

Role of the auditor and audit independence

The Company's auditor audits Domain's full-year financial statements. The Audit and Risk Committee assists the Board by overseeing Domain's relationship with the external auditor. The Committee reviews the performance, independence and objectivity of the external auditor. It also monitors compliance with the Company's External Audit Policy and Charter of Audit Independence, which are attached to the Audit and Risk Committee Charter. The Charter of Audit Independence provides a framework for the Board and management to ensure that the external auditor is independent and seen to be independent. The purpose of an independent statutory audit is to provide shareholders with reliable and clear financial reports on which to base investment decisions.

The Charter sets out key commitments by the Board and procedures to be followed by the Audit and Risk Committee and management that aim to set a proper framework of audit independence.

The external auditor will attend Domain's AGM and is available to answer questions relevant to the audit.

Continuous disclosure policy

Domain is committed to complying with its disclosure obligations under the Corporations Act and the ASX Listing Rules to keep the market fully informed of information which may have a material effect on the price or value of Domain's securities.

Domain adopted a Continuous Disclosure Policy in June 2018 which establishes procedures to ensure that Domain fulfils its obligations in relation to the timely disclosure of material price-sensitive information. Prior to the adoption of the formal Policy, internal processes and procedures were in place from listing to ensure Domain complied with its obligations.

Shareholder communications and investor relations program

The Company operates an investor relations program that facilitates two-way communications with investors.

Shareholders have the option to receive electronic communications from Domain, and send communications to Domain and its share registry.

To ensure shareholders have access to relevant information, Domain puts Company announcements, analyst and investor briefings, financial results and other relevant information on its website at **shareholders.domain.com.au**.

Domain will also make available on its website the full text of Notices of Meetings and explanatory materials for each Annual General Meeting. The Chair's and the CEO's addresses, proxy counts and results of shareholder resolutions for each Annual General Meeting will also be posted on the website as soon as practicable after their release to ASX.

At its first AGM in October 2018, and at subsequent AGMs, shareholders will be encouraged to ask questions and be given a reasonable opportunity to comment on matters relevant to the Company. The external auditor will be available to answer shareholder questions about the audit and the Auditor's Report.

Trading in company securities

Domain's Securities Trading Policy regulates dealings in Domain or Fairfax Media securities by Directors, the Company Secretary, employees who report directly to the CEO and certain other designated employees (collectively Designated People) to ensure that trading only occurs when the market is fully informed. The Policy sets out closed periods when no trading is to be undertaken by Designated People except in exceptional circumstances with prior written clearance.

At all other times, Designated People cannot trade without authorisation. Designated People are also prohibited from short selling, from engaging in short term or speculative trading, or from trading in derivatives the value of which is based on Domain or Fairfax Media share value.

The Policy also prohibits any employees from entering into any financial transactions that operate to limit the employee's exposure to economic risk from unvested Domain securities that have been allocated to that employee as part of their remuneration. If employees breach this prohibition, they face disciplinary sanctions.

Management discussion and analysis report

Trading overview

On 29 October 2017 Domain acquired the legacy Domain related assets and liabilities from relevant entities within the Fairfax consolidated group, the "business transfer". See the Directors report "Review of Operations" for further information on the business transfer. For the financial year ended 24 June 2018, Domain Holdings Australia Limited ("Domain") reported a statutory net loss after tax attributable to members of the Company of $6.2 million.

Operating earnings before interest, tax, depreciation and amortisation (EBITDA) (excluding significant items) of $69.6 million was 13% above last year.

SEGMENT

Core Digital

EBITDA (excluding significant items) of $61.8 million is up 35% from prior year, reflecting the impact of the business transfer.

Revenue of $194.7 million is up 187% from prior year, reflecting the impact of the business transfer.

Expenses (excluding significant items) of $132.8 million are 508% up from prior year, reflecting the impact of the business transfer.

Transactions and Other (Digital)

EBITDA (excluding significant items) is a loss of $(2.7) million compared with a loss of $(0.7) million in the prior year, reflecting the continued investment in the early stage businesses of Domain Loan Finder and Domain Insure.

Revenue of $24.4 million is up 74% from the prior year, driven by strong revenue growth in Compare and Connect, and revenue contribution from Domain Loan Finder and Domain Insure.

Expenses (excluding significant items) of $25.9 million are up 89% from last year, predominately in line with the strong revenue growth in Compare and Connect and reflecting the launch of new transactions businesses.

Print

EBITDA (excluding significant items) of $14.6 million is down 22% from prior year primarily reflecting the impact of the business transfer and the impact of revenue declines.

Revenue of $66.3 million increased 15% on the prior year, reflecting the impact of the business transfer, offset by continuing structural shift to digital revenue.

Expenses (excluding significant items) of $51.7 million is up 33% due to the impact of the business transfer offset by savings in print, production and distribution costs.

Financial position

Operating earnings before interest and tax (EBIT) (excluding significant items) of $49.3 million is down 6% on the prior year. Depreciation and amortisation of $20.4 million is up 125% on the prior year reflecting the impact of the business transfer.

The 2018 financial year recorded significant items amounting to a loss net of tax attributable to members of the Company totalling $29.6 million. This included an impairment of intangibles and investments of $26.9 million, predominately relating to the Print and Transactions segments. The restructuring and redundancy costs of $4.6 million are mainly related to the business transfer and separation.

Non–controlling interest of $5.3 million relates to the minority interests in joint ventures (Domain Loan Finder, Domain Insure and Compare and Connect) as well as minority interests in the Domain agent ownership model.

Net cash inflow from operating activities was $46 million, down 27% from the prior year. Net cash outflow on capital expenditure was $20.4 million. Dividends of $29.9 million were paid to Domain shareholders and in respect of non-controlling interests in subsidiaries. Cash and cash equivalents of $60.8 million was up 4% on the prior year.

Net assets as at 24 June 2018 of $1,333 million have increased by 1,112% predominantly due to goodwill arising on acquisition of the Domain business.

Net debt was $126.5 million at 24 June 2018.

The statutory result is not representative of the underlying performance of the business. 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 results in the Investor Presentation and commentary presented by the Domain Management team provide a reconciliation of the reported 4E Statutory numbers to the more meaningful proforma trading performance excluding significant items.

Consolidated statement of profit or loss and other comprehensive income

Domain Holdings Australia Limited and Controlled Entities for the period ended 24 June 2018

	NOTE	24 JUNE 2018 $'000	25 JUNE 2017 $'000
Revenue from operations	2(A)	285,359	139,262
Other revenue and income	2(B)	1,422	46
Total revenue and income		**286,781**	139,308
Share of net losses of associates and joint ventures	7	(1,393)	(1,206)
Expenses from operations excluding depreciation, amortisation and finance costs	3(A)	(251,605)	(76,869)
Depreciation and amortisation	3(B)	(20,380)	(9,047)
Finance costs	3(C)	(4,831)	(2)
Net profit from operations before income tax expense		**8,572**	52,184
Income tax expense	21	(11,321)	(15,356)
Net (loss)/profit from operations after income tax expense		**(2,749)**	36,828
Other comprehensive (loss)/income for the period		-	-
Total comprehensive (loss)/income for the period		**(2,749)**	36,828
Net (loss)/profit is attributable to:			
Non-controlling interest		3,404	6,575
Owners of the parent		(6,153)	30,253
		(2,749)	36,828
Total comprehensive (loss)/income is attributable to:			
Non-controlling interest		3,404	6,575
Owners of the parent		(6,153)	30,253
		(2,749)	36,828
Earnings per share (cents)			
Basic earnings per share (cents)	17	(1.55)	22.31
Diluted earnings per share (cents)	17	(1.55)	22.31

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying Notes.

Consolidated balance sheet

Domain Holdings Australia Limited and Controlled Entities as at 24 June 2018

	NOTE	24 JUNE 2018 $'000	25 JUNE 2017 $'000
CURRENT ASSETS			
Cash and cash equivalents	24	60,832	58,292
Trade and other receivables	10	62,798	26,970
Total current assets		**123,630**	85,262
NON-CURRENT ASSETS			
Investments accounted for using the equity method	7	3,378	17,023
Intangible assets	8	1,534,654	233,504
Property, plant and equipment	13	23,401	1,043
Deferred tax assets	21	-	953
Total non-current assets		**1,561,433**	252,523
Total assets		**1,685,063**	337,785
CURRENT LIABILITIES			
Payables - related parties		1,176	169,713
Payables	11	33,918	28,832
Provisions	12	17,907	937
Current tax liabilities		13,880	10,248
Total current liabilities		**66,881**	209,730
NON-CURRENT LIABILITIES			
Interest bearing liabilities	9	187,318	-
Provisions	12	15,685	892
Deferred tax liabilities	21	81,727	17,267
Total non-current liabilities		**284,730**	18,159
Total liabilities		**351,611**	227,889
Net assets		**1,333,452**	109,896
EQUITY			
Contributed equity	15	1,283,377	740
Reserves	15	(38,915)	(8,428)
Retained profits		78,195	107,343
Total parent entity interest		**1,322,657**	99,655
Non-controlling interest		10,795	10,241
Total equity		**1,333,452**	109,896

The above Consolidated Balance Sheet should be read in conjunction with the accompanying Notes.

Consolidated cash flow statement

Domain Holdings Australia Limited and Controlled Entities for the period ended 24 June 2018

	NOTE	24 JUNE 2018 $'000	25 JUNE 2017 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (inclusive of GST)		303,462	156,292
Payments to suppliers and employees (inclusive of GST)		(240,799)	(84,333)
Interest received		164	46
Finance costs paid		(3,502)	(3)
Net income taxes paid		(13,350)	(8,594)
Net cash inflow from operating activities	**24**	**45,975**	63,408
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for purchase of controlled entities (net of cash acquired)		-	(1,150)
Payment for property, plant and equipment and software		(20,435)	(9,700)
Net cash (outflow) from investing activities		**(20,435)**	(10,850)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment for purchase of non-controlling interest in subsidiaries		(457)	-
Proceeds from borrowings		188,000	-
Proceeds from issue of shares by subsidiary with non-controlling shareholder		2,335	-
Repayment of borrowings to Fairfax Media Limited		(174,601)	(6,738)
Transaction costs on issue of shares		(7,539)	-
Dividends paid to shareholders		(22,995)	-
Dividends paid to non-controlling interests in subsidiaries		(6,893)	(8,250)
Payment of facility fees		(850)	-
Net cash (outflow) from financing activities		**(23,000)**	(14,988)
NET INCREASE IN CASH AND CASH EQUIVALENTS HELD		2,540	37,570
Cash and cash equivalents at the beginning of the financial period	24	58,292	20,722
Cash and cash equivalents at end of the financial period	**24**	**60,832**	58,292

The above Consolidated Cash Flow Statement should be read in conjunction with the accompanying Notes.

Consolidated statement of changes in equity

Domain Holdings Australia Limited and Controlled Entities for the period ended 24 June 2018

		RESERVES					
	CONTRIBUTED EQUITY $'000	OTHER RESERVES $'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**	**(8,428)**	**-**	**(8,428)**	**107,343**	**10,241**	**109,896**
Profit/(loss) for the period	-	-	-	-	(6,153)	3,404	(2,749)
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive (loss)/income for the period	**-**	**-**	**-**	**-**	**(6,153)**	**3,404**	**(2,749)**
Transactions with owners in their capacity as owners:							
Issue of Share Capital (net of issue costs)	1,285,137	-	-	-	-	-	1,285,137
Unvested employee incentive shares	(2,500)	-	-	-	-	-	(2,500)
Parent Contributed Equity	-	2,500	-	2,500	-	-	2,500
Dividends paid to shareholders	-	-	-	-	(22,995)	-	(22,995)
Dividends paid to non-controlling interests in subsidiaries	-	-	-	-	-	(6,914)	(6,914)
Recognition of non-controlling interest in subsidiaries	-	-	-	-	-	4,177	4,177
Derecognition of non-controlling interest in subsidiaries	-	(33,811)	-	(33,811)	-	(113)	(33,924)
Share-based payments, net of tax	-	-	824	824	-	-	824
Total transactions with owners	**1,282,637**	**(31,311)**	**824**	**(30,487)**	**(22,995)**	**(2,850)**	**1,226,305**
BALANCE AT 24 JUNE 2018	**1,283,377**	**(39,739)**	**824**	**(38,915)**	**78,195**	**10,795**	**1,333,452**

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

Consolidated statement of changes in equity

Domain Holdings Australia Limited and Controlled Entities period ended 24 June 2018

		RESERVES				
	CONTRIBUTED EQUITY $'000	OTHER RESERVES $'000	TOTAL RESERVES $'000	RETAINED PROFITS $'000	NON-CONTROLLING INTEREST $'000	TOTAL EQUITY $'000
BALANCE AT 26 JUNE 2016	**740**	**(4,484)**	**(4,484)**	**77,090**	**4,524**	**77,870**
Profit for the period	-	-	-	30,253	6,575	36,828
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period	**-**	**-**	**-**	**30,253**	**6,575**	**36,828**
Transactions with owners in their capacity as owners:						
Dividends paid to non-controlling interests in subsidiaries	-	-	-	-	(6,752)	(6,752)
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)**	**-**	**(858)**	**(4,802)**
BALANCE AT 25 JUNE 2017	**740**	**(8,428)**	**(8,428)**	**107,343**	**10,241**	**109,896**

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

Notes to the financial statements

Domain Holdings Australia Limited and Controlled Entities for the period ended 24 June 2018

1. Summary of significant accounting policies.

(A) Corporate information

Domain Holdings Australia Limited (the Company) is a for profit company limited by shares incorporated and domiciled in Australia, the shares are publicly traded on the Australian Securities Exchange ('ASX'). The financial report includes the consolidated entity consisting of Domain Holdings Australia Limited and its controlled entities. The ultimate parent of Domain Holdings Australia Limited is Fairfax Media Limited.

The Group is principally engaged in the provision of digital real estate classified advertising services. The Group's principal place of business is Pyrmont, Australia. Further information on the nature of the operations and principal activities of the Group is provided in the Directors' Report. Information on the Group's structure is provided in Note 20. Information on other related party relationships of the Group is provided in Note 20.

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 periods presented. No new accounting standards have been adopted during the period.

(B) Basis of preparation

This financial report is for the 52 weeks from 26 June 2017 to 24 June 2018 (2017: the 52 weeks from 27 June 2016 to 25 June2017). Reference in this report to 'period' is to the period 26 June 2017 to 24 June 2018 (2017: 27 June 2016 to 25 June 2017).

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

- in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board;
- the financial report also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board; and
- on a historical cost basis except as disclosed in Note 14.

(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 annual 24 June 2018 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 ("AASB 9")

The Group must apply *AASB 9 Financial Instruments* for the year ending 30 June 2019. *AASB 9* replaces *AASB 139 Financial Instruments*:

Recognition and Measurement and includes revised guidance on classification and measurement, impairment and hedge accounting of financial instruments.

Classification & measurement

The Group does not expect any material impact on its balance sheet or equity on applying the classification and measurement requirements of *AASB 9*.

Impairment

Based on a preliminary analysis the impact for the group of new requirements on the recognition of expected credit losses is not expected to have a material impact on the balance sheet or income statement of the Group.

AASB 15 Revenue from Contracts with Customers ("AASB 15")

The Group must apply *AASB 15 Revenue from Contracts with Customers* for the year ending 30 June 2019. 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.

Based on a preliminary analysis it is currently expected that the adoption of *AASB 15* will not have a material impact on the amounts reported in the financial report of the Group in the year ending 30 June 2019.

AASB 16 Leases ("AASB 16")

The Group must apply from *AASB 16 Leases* for the year ending 30 June 2020. *AASB 16* provides a new lessee accounting model which requires a lessee to recognise right-of-use assets and corresponding lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. The standard also includes disclosure requirements. The Group has not yet completed its assessment of what adjustments will be required on the adoption of *AASB 16*.

1. Summary of significant accounting policies (cont'd)

(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.

(iii) Currency of presentation

All amounts are expressed in Australian dollars, which is the consolidated entity's presentation currency. Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency).

(C) Significant judgements and estimates

The carrying amounts of certain assets and liabilities are determined based on estimates and assumptions of future events. The key estimates and assumptions which are material to the financial report are found in the following notes:

- Note 6: Business combinations, acquisitions, disposals and investments in controlled entities
- Note 8: Intangible assets
- Note 12: Provisions
- Note 21: Taxation
- Note 22: Employee entitlements

(D) Principles of consolidation

(i) 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. Intercompany transactions, balances and unrealised gains on transactions between Group entities are eliminated.

(ii) 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.

Notes to the financial statements: Key numbers

Domain Holdings Australia Limited and Controlled Entities for the period ended 24 June 2018

2. Revenues

	24 JUNE 2018 $'000	25 JUNE 2017 $'000
(A) REVENUE FROM OPERATIONS		
Revenue from operations	285,359	139,262
(B) OTHER REVENUE AND INCOME		
Interest income	164	46
Rental income	1,154	-
Other	104	-
Total other revenue and income	**1,422**	46
Total revenue and income	**286,781**	139,308

Accounting Policy

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms and excluding taxes or duty.

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 and discounts which are recognised when they can be reliably measured.

Listing services

Revenue from the provision of property listings on digital and print platforms is recognised over the period the listing is placed.

Subscription services

Subscription revenues are recognised on a straight-line basis over the contract period.

Advertising services

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.

Commission income

Revenue from commission is recognised on an accruals basis in accordance with the substance of the relevant agreement.

Interest income

Interest income is recognised as it accrues based on the effective yield of the financial asset.

Rental income

Rental income arising from operating leases on leased properties is accounted for on a straight-line basis over the lease terms and is included in other income in the statement of profit or loss.

3. Expenses

	NOTE	24 JUNE 2018 $'000	25 JUNE 2017 $'000
(A) EXPENSES FROM OPERATIONS EXCLUDING DEPRECIATION, AMORTISATION AND FINANCE COSTS			
Staff and employee related costs		74,523	31,093
Production and distribution costs		46,259	29,839
Promotions		40,280	3,982
Rent and outgoings		8,836	2,007
IT and communication costs		14,221	2,818
Fringe benefits tax, travel and entertainment		4,319	826
Restructuring charges	4	6,429	434
Impairment of intangibles and investments	4	29,602	-
Commissions		15,156	2,791
Other		11,980	3,079
Total expenses from operations excluding depreciation, amortisation and finance costs		**251,605**	76,869
(B) DEPRECIATION AND AMORTISATION			
Depreciation of plant and equipment		1,630	1,852
Depreciation of leasehold buildings and improvements		1,789	814
Amortisation of software		11,707	1,676
Amortisation of customer relationships and tradenames		5,254	4,705
Total depreciation and amortisation		**20,380**	9,047
(C) FINANCE COSTS			
External parties borrowing costs and unwinding of discount on contingent consideration		4,831	2
(D) OTHER EXPENSE DISCLOSURES			
Operating lease rental expense		7,397	1,513
Share-based payment expense		1,504	-

Accounting Policy

Borrowing costs include interest, amortisation of discounts or premiums relating to borrowings and contingent consideration, amortisation of ancillary costs incurred in connection with arrangement of borrowings.

Notes to the financial statements: Key numbers

Domain Holdings Australia Limited and Controlled Entities for the period ended 24 June 2018

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 JUNE 2018 $'000	25 JUNE 2017 $'000
IMPAIRMENT OF INTANGIBLES AND INVESTMENTS - COMPRISING:		
Impairment of intangibles and investments(i)	(29,602)	-
Income tax benefit	2,739	-
Impairment of intangibles and investments, net of tax	**(26,863)**	-
RESTRUCTURING CHARGES - COMPRISING:		
Restructuring charges(ii)	(6,429)	(434)
Income tax benefit	1,799	131
Restructuring charges, net of tax	**(4,630)**	(303)
Net significant items after income tax	**(31,493)**	(303)

(i) Impairments to mastheads of $11.9 million, goodwill of $4.7 million (refer to Note 8), equity accounted investments of $12.3 million and other assets of $0.7 million were recognised due to the following:

- rebranding of *The Weekly Review*
- decisions to exit certain businesses during the period
- deterioration in the value of investments due to declines in markets in which they operate

These changes led to a re-assessment of the carrying value of the relevant assets to ensure the carrying value does not exceed the assets recoverable amount. Where the recoverable amount was determined to be less than the carrying value an impairment charge has been recognised in the period.

(ii) Restructuring charges of $6.4 million pre-tax relate to one-time separation costs including stamp duty and initial listing fees, and costs associated with the restructure of the Media business.

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, residential and commercial utilities connections, home loans, insurance and trade services.
Print	Real estate newspaper and magazine publishing.
Corporate	Comprises corporate entity results not included in the segments above.

5. Segment reporting (cont'd)

(B) Results by operating segment

The segment information provided to the Board of Directors, CEO and CFO for the reportable segments for the period ended 24 June 2018 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
24 JUNE 2018					
Core Digital	194,707	-	194,707	(174)	61,780
Transactions and Other (Digital)	24,398	-	24,398	(1,219)	(2,685)
Print	66,254	-	66,254	-	14,570
Corporate	1,258	-	1,258	-	(4,015)
Total for the Group	286,617	-	**286,617**	(1,393)	**69,650**
25 JUNE 2017					
Core Digital	67,890	-	67,890	(222)	45,846
Transactions and Other (Digital)	13,985	-	13,985	(984)	(670)
Print	57,387	-	57,387	-	18,608
Corporate	-	-	-	-	(2,163)
Total for the Group	139,262	-	**139,262**	(1,206)	**61,621**

(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 JUNE 2018 $'000	25 JUNE 2017 $'000
UNDERLYING EBITDA FOR CONTINUING OPERATIONS	69,650	61,621
Significant items	(36,031)	(434)
Depreciation and amortisation	(20,380)	(9,047)
Interest income	164	46
Finance costs	(4,831)	(2)
Reported net profit before tax	**8,572**	52,184

A summary of significant items by operating segments is provided for the period ended 24 June 2018 and 25 June 2017.

5. Segment reporting (cont'd)

	IMPAIRMENT OF INTANGIBLES AND INVESTMENTS $'000	RESTRUCTURING AND REDUNDANCY CHARGES $'000	TOTAL $'000
24 JUNE 2018			
Core Digital	-	-	-
Transactions and Other (Digital)	(13,699)	-	(13,699)
Print	(15,470)	-	(15,470)
Corporate	(433)	(6,429)	(6,862)
Consolidated entity	(29,602)	(6,429)	**(36,031)**
25 JUNE 2017			
Core Digital	-	-	-
Transactions and Other (Digital)	-	-	-
Print	-	-	-
Corporate	-	(434)	(434)
Consolidated entity	-	(434)	**(434)**

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.

Accounting Policy

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.

Notes to the financial statements: Group structure

Domain Holdings Australia Limited and Controlled Entities for the period ended 24 June 2018

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

(A) Acquisitions

The Group gained control over the following businesses during the period:

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 number of businesses.

Businesses of Domain

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.

	FAIR VALUE RECOGNISED ON ACQUISITION $'000
CURRENT ASSETS	
Trade and other receivables	40,527
Total current assets	**40,527**
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	**351,737**
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	**242,804**
Goodwill arising on acquisition	1,036,351
Total identifiable net assets and goodwill attributable to the Group	**1,279,155**
PURCHASE CONSIDERATION	
Intercompany loan	1,279,155
Total purchase consideration	**1,279,155**

Notes to the financial statements: Group structure

Domain Holdings Australia Limited and Controlled Entities for the period ended 24 June 2018

6. Business combinations, acquisitions, disposals and investments in controlled entities (cont'd)

From the date of acquisition, the acquired businesses contributed $133.9 million of revenue and $22.1 million to net profit before tax from continuing operations of the Group. If the acquisition had taken place at the beginning of the financial period, the Group's revenue and profit before tax from continuing operations would have been $357.3 million and $45.9 million respectively.

On 29 October 2017 Domain Holdings Australia Limited acquired the legacy businesses of Domain from various subsidiaries of Fairfax Media Limited for consideration of $1,279 million. Transaction costs of $6.4 million are included in other expenses (and disclosed as significant items in Notes 3, 4 & 5). 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.

Review Property Pty Limited

On 28 February 2018, an additional 48% ownership interest (2017: 50%) was acquired in Review Property Pty Limited (Review Property). Prior to this, Domain had control of Review Property and fully consolidated its assets and liabilities. This transaction was accounted for as a transaction with non-controlling interests.

The consideration for the acquisition is to be paid in three tranches with two of the three being contingent on the future financial performance of Review Property Pty Limited.

The first tranche payment of $17,828,214 was settled on 28 February 2018 and comprised 5,623,734 DHG shares and a cash payment of $0.5 million respectively. Tranches two and three are due to be settled in February 2019 and February 2020 respectively. The maximum consideration for the transaction across the three tranches is approximately $40.0 million worth of Domain shares. The expected consideration for the proposed transaction is $36.0 million in Domain shares, based on projected performance and a valuation of Review Property of $72.0 million.

The contingent consideration for tranches two and three is recognised as a financial liability on the balance sheet and is measured at fair value through the profit and loss. 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. The minimum time period for all of a seller's shares in a tranche to be released from holding lock is two years.

Although the further tranche payments will be settled in shares, it is recognised in accordance with *AASB 132 Financial Instruments: Presentation* as a financial liability as the number of shares to be paid is variable, based upon the post acquisition performance of Review Property.

Notes to the financial statements: Group structure

Domain Holdings Australia Limited and Controlled Entities for the period ended 24 June 2018

6. Business combinations, acquisitions, disposals and investments in controlled entities (cont'd)

Accounting Policy

(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 (deemed to be a liability) are recognised in accordance with *AASB 139 Financial Instruments: Recognition and Measurement* in the income statement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(ii) Business combinations - Businesses of Domain acquisition

The acquisition of the businesses of Domain from Fairfax Media Limited has been identified as a common control transaction as Fairfax Media Limited continues to control the related businesses following the acquisition by Domain Holdings Australia Limited. Management has applied 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.

(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. A 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. A non controlling interest of $0.6 million was recognised at the time of acquisition. Domain Insure is authorised to promote and arrange insurance as agent for the issuer. The investment is equal to the net assets being acquired, thus no goodwill was recognised following the acquisition of shares.

7. Investments accounted for using the equity method

	NOTE	24 JUNE 2018 $'000	25 JUNE 2017 $'000
Shares in associates	(A)	208	13,680
Shares in joint ventures	(A)	3,170	3,343
Total investments accounted for using the equity method		**3,378**	17,023

(A) Interests in associates and joint ventures

				OWNERSHIP INTEREST	
NAME OF COMPANY	CATEGORY	PRINCIPAL ACTIVITY	PLACE OF INCORPORATION	24 JUNE 2018	25 JUNE 2017
Oneflare Pty Ltd[(i)]	Associate	Home services marketplace	Australia	26.8%	35.0%
Homepass Pty Ltd[(ii)]	Joint Venture	Real estate agent services application	Australia	33.8%	33.8%

(i) The investment in Oneflare was impaired by $12.3 million during the period, refer to Note 4.
(ii) 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 JUNE 2018 $'000	25 JUNE 2017 $'000
Revenues	6,715	9,302
Expenses	(12,810)	(15,045)
Net (loss) before income tax benefit	(6,095)	(5,743)
Income tax benefit	1,828	1,723
Net (loss) after income tax	**(4,267)**	(4,020)
Group's share of loss for the year	**(1,393)**	(1,206)

(C) Share of associates' and joint ventures' assets and liabilities

	24 JUNE 2018 $'000	25 JUNE 2017 $'000
Current assets	5,680	3,027
Non-current assets	1,397	600
Total assets	**7,077**	3,627
Current liabilities	2,568	759
Non-current liabilities	5,779	5,600
Total liabilities	**8,347**	6,359
Net liabilities	**(1,270)**	(2,732)
Equity	**(1,270)**	(2,732)
Group's share in equity	**(671)**	(901)

The associate and joint venture had no contingent liabilities or capital commitments as at 24 June 2018 or 25 June 2017.

Notes to the financial statements: Group structure

Domain Holdings Australia Limited and Controlled Entities for the period ended 24 June 2018

7. Investments accounted for using the equity method (cont'd)

Accounting Policy

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.

Impairment of Assets

Investments accounted for using the equity method are tested for impairment at each reporting date where there is an indication that the asset may be impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Notes to the financial statements: Operating assets and liabilities

Domain Holdings Australia Limited and Controlled Entities for the period ended 24 June 2018

8. Intangible assets

	24 JUNE 2018 $'000	25 JUNE 2017 $'000
Brands, mastheads and tradenames	270,900	19,910
Goodwill	1,192,522	160,849
Software	20,071	3,945
Software (capital works in progress)	7,255	-
Customer relationships	43,906	48,800
Total intangible assets	**1,534,654**	**233,504**

The movement in intangibles during the year is primarily 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:

	BRANDS, MASTHEADS & TRADENAMES $'000	GOODWILL $'000	SOFTWARE $'000	SOFTWARE (CAPITAL WORKS IN PROGRESS) $'000	CUSTOMER RELATIONSHIPS $'000	TOTAL $'000
25 JUNE 2017						
Balance at beginning of the financial year	20,270	154,536	3,686	110	52,319	230,921
Additions	-	-	1,509	-	-	1,509
Capitalisations from works in progress	-	-	110	(110)	-	-
Acquisition through business combinations	-	6,313	316	-	825	7,454
Amortisation	(360)	-	(1,676)	-	(4,344)	(6,380)
At 25 June 2017, net of accumulated amortisation and impairment	19,910	160,849	3,945	-	48,800	**233,504**
AT 25 JUNE 2017						
Cost	20,900	160,849	7,074	-	60,725	249,548
Accumulated amortisation and impairment	(990)	-	(3,129)	-	(11,925)	(16,044)
Net carrying amount	19,910	160,849	3,945	-	48,800	**233,504**

Notes to the financial statements: Operating assets and liabilities

Domain Holdings Australia Limited and Controlled Entities for the period ended 24 June 2018

8. Intangible assets (cont'd)

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	BRANDS, MASTHEADS & TRADENAMES $'000	GOODWILL $'000	SOFTWARE $'000	SOFTWARE (CAPITAL WORKS IN PROGRESS) $'000	CUSTOMER RELATIONSHIPS $'000	TOTAL $'000
24 JUNE 2018							
Balance at beginning of the financial year		19,910	160,849	3,945	-	48,800	233,504
Additions		60	-	6,631	13,998	-	20,689
Capitalisations from works in progress		-	-	7,429	(7,429)	-	-
Acquisition through business combinations		263,190	1,036,351	13,773	686	-	1,314,000
Impairment (i) (ii)	4	(11,900)	(4,678)	-	-	-	(16,578)
Amortisation		(360)	-	(11,707)	-	(4,894)	(16,961)
At 24 June 2018, net of accumulated amortisation and impairment		270,900	1,192,522	20,071	7,255	43,906	**1,534,654**
AT 24 JUNE 2018							
Cost		284,150	1,197,200	34,905	7,255	60,726	1,584,236
Accumulated amortisation and impairment		(13,250)	(4,678)	(14,834)	-	(16,820)	(49,582)
Net carrying amount		270,900	1,192,522	20,071	7,255	43,906	**1,534,654**

(i) The masthead impairment charge recognised during the period was triggered by the rebranding of The Weekly Review to Domain Review. In 2016 a deferred tax liability was recognised with a corresponding goodwill asset due to the IFRIC clarification. Upon impairment of the mastheads, the deferred tax liability was released and the associated goodwill of $3.6 million was also impaired.

(ii) An additional $1.1 million of goodwill was impaired due to the decisions to exit certain other businesses.

(A) Impairment testing of indefinite lived intangible assets

Following the separation of Domain Holdings Australia Limited from Fairfax Media Limited on 29 October 2017, a reallocation of Goodwill and intangible assets with indefinite useful lives was performed between the CGUs identified.

The Group performed its annual impairment test in June 2018. The Group considers the relationship between its market capitalisation and its book value, among other factors when reviewing for indicators of impairment.

ALLOCATION TO CGU GROUPS	OPERATING SEGMENT	GOODWILL $'000	BRANDS & TRADENAMES $'000	SOFTWARE $'000	CUSTOMER RELATIONSHIPS $'000	TOTAL $'000
Domain Digital	Core Digital	1,154,811	263,250	19,502	32,430	1,469,993
Allhomes	Core Digital	35,091	7,650	-	11,200	53,941
Residential Connections	Transaction Services	2,620	-	430	276	3,326
		1,192,522	270,900	19,932	43,906	**1,527,260**

8. Intangible assets (cont'd)

The recoverable amount of the Group's CGUs are determined based on fair value less costs of disposal, using a discounted cash flow methodology. The cash flow projections are based on the following assumptions:

ASSUMPTION	APPROACH – DOMAIN DIGITAL	APPROACH – ALLHOMES
Year 1 to 3 cash flows	Based on board approved annual budget and strategic plan	
Year 4 to 5 cash flows (Allhomes) Year 4 to 10 cash flows (Domain Digital)	Revenue growth is assumed in the digital business based on the market maturity - these assumptions are in line with industry trends and management's expectation of market development. Management forecasts the operating costs based on the current structure of the business and does not reflect any future restructurings or cost saving measures.	Gradual decline in revenue growth assumed as the CGU achieves a mature steady state.
Terminal growth rate	These rates are consistent with industry specific forecasts in which the CGU operates	
Discount rate	Reflects current market assessment of the time value of money and the risks specific to the relevant market in which the CGU operates	

Each of the above factors is subject to significant judgement about future economic conditions and the ongoing structure of the digital real estate advertising industry. The Directors have applied their best estimates to each of the variables and cannot warrant their outcome.

The terminal growth rates and post tax discount rates for the above CGUs are as follow:

ASSUMPTION	DOMAIN DIGITAL	ALLHOMES
Terminal growth rate	2.5%	2.5%
Discount rate	10.5%	10.5%

Significant estimate: Impact of possible changes in key assumptions

(i) Domain Digital

If the post tax discount rate applied to the cash flow projections of this CGU had been 0.92% higher than management's estimates (11.42% instead of 10.5%), the headroom would reduce to nil. If the forecast EBITDA margin is reduced by 4.65% from the next financial year compared to management's estimate, the headroom would reduce to nil. Similarly, if the Group's terminal growth rate is 1.4% lower than management's estimate (1.1% instead of 2.5%) as at 24 June 2018, headroom would reduce to nil.

(ii) Allhomes

Adjusting the cashflow forecasts and discount rate for the above key assumptions which are reasonably possible, would not result in an impairment and therefore management has concluded that no reasonable possible change in the key assumptions would result in an impairment with respect to these CGUs.

8. Intangible assets (cont'd)

Accounting Policy

Brands, mastheads and tradenames

The Group's brands, mastheads and tradenames operate in established markets with limited licence conditions and are expected to continue to compliment the Group's new media initiatives. On this basis, the Directors have determined that the majority of brands, 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 and are amortised using a straight-line method over twenty years.

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.

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.

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.

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 in June each year.

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 post-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.

Notes to the financial statements: Operating assets and liabilities

Domain Holdings Australia Limited and Controlled Entities for the period ended 24 June 2018

9. Interest bearing liabilities

	NOTE	24 JUNE 2018 $'000	25 JUNE 2017 $'000
NON-CURRENT INTEREST BEARING LIABILITIES - UNSECURED			
Bank borrowings	(B)	187,318	-
Total non-current interest bearing liabilities		**187,318**	-
NET DEBT			
Cash and cash equivalents	14	(60,832)	(58,292)
Current interest bearing liabilities		-	-
Non-current interest bearing liabilities		187,318	-
Net debt/(cash)		**126,486**	(58,292)

(A) Financing arrangements

The Group net debt was $126.5 million as at 24 June 2018 (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.

(B) Bank borrowings

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

TRANCHE	COMMITMENT	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 (BBSW) plus the relevant credit margin. At 24 June 2018 the Group had drawn $188 million of the total available facility with $62 million unused credit facilities.

(C) Fair value measurement

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

Accounting Policy

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.

Notes to the financial statements: Operating assets and liabilities

Domain Holdings Australia Limited and Controlled Entities for the period ended 24 June 2018

10. Receivables

	24 JUNE 2018 $'000	25 JUNE 2017 $'000
CURRENT		
Trade debtors*	61,088	10,484
Provision for doubtful debts	(1,058)	(83)
	60,030	**10,401**
Prepayments	2,169	517
GST Receivable	-	14,398
Other	599	1,654
Total current receivables	**62,798**	26,970

* Trade debtors are non-interest bearing and are generally on 14 to 45 day terms.

Impaired trade debtors

As at 24 June 2018, trade debtors of the Group with a nominal value of $1.1 million (2017: $0.1 million) were impaired and provided for. No individual amount within the provision for doubtful debts is material. Refer to Note 14(C) for the factors considered in determining whether trade debtors are impaired.

An analysis of trade debtors that are not considered impaired is as follows:

	24 JUNE 2018 $'000	25 JUNE 2017 $'000
Neither due nor impaired	36,037	7,750
Past due 0 - 30 days	19,572	1,735
Past due 31 - 60 days	3,958	431
Past 60 days	463	485
	60,030	10,401

Based on the credit history of the trade debtors, it is expected that these amounts will be received.

Movements in the provision for doubtful debts are as follows:

	24 JUNE 2018 $'000	25 JUNE 2017 $'000
Balance at the beginning of the period	(83)	(281)
Additional provisions	(1,199)	(16)
Receivables written off as uncollectible	222	39
Other	2	175
Balance at the end of the period	**(1,058)**	(83)

Accounting Policy

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost which is the original invoice amount less an allowance for any uncollectible amount. Collectability of trade receivables is reviewed on an ongoing basis and a provision for doubtful debts is recognised when there is objective evidence that the Group will not be able to collect the debts.

Notes to the financial statements: Operating assets and liabilities

Domain Holdings Australia Limited and Controlled Entities for the period ended 24 June 2018

11. Payables

	24 JUNE 2018 $'000	25 JUNE 2017 $'000
Trade and other payables*	23,990	27,196
Income in advance	9,240	1,636
Interest payable	688	-
Total current payables	**33,918**	28,832

* Trade payables are non-interest bearing and are generally on 30 day terms.

Accounting Policy

(i) Trade and other payables

Liabilities for trade creditors and other amounts are carried at amortised cost which is the fair value of the consideration to be paid in the future for goods and services received.

(ii) Income in Advance

Revenue is recognised on an accruals basis in accordance with the substance of the relevant agreement. When cash is received for services not yet provided this income is deferred until the services have been fully performed. This income is recognised as a liabiltity on the balance sheet to reflect the future obligations of the Group.

12. Provisions

	24 JUNE 2018 $'000	25 JUNE 2017 $'000
CURRENT		
Employee benefits	6,114	540
Restructuring and redundancy	1,088	-
Property	2,058	395
Contingent consideration	8,624	-
Other	23	2
Total current provisions	**17,907**	937
NON-CURRENT		
Employee benefits	1,156	72
Property	6,444	820
Contingent consideration	8,085	-
Total non-current provisions	**15,685**	892

Notes to the financial statements: Operating assets and liabilities

Domain Holdings Australia Limited and Controlled Entities for the period ended 24 June 2018

12. Provisions (cont'd)

Reconciliation

Reconciliations of the carrying amount of each class of provision, other than employee benefits, during the financial year are set out below:

	RESTRUCTURING & REDUNDANCY $000	PROPERTY $'000	CONTINGENT CONSIDERATION (NOTE 6) $'000	OTHER $'000
24 JUNE 2018				
Balance at beginning of the financial year	-	1,215	-	2
Acquired through business transfer	-	5,224	-	-
Additional provision	-	9,839	-	39
Arising during the year	1,088	-	16,371	-
Utilised	-	(7,776)	-	(18)
Unwinding of discount	-	-	338	-
Balance at end of the period	**1,088**	**8,502**	**16,709**	**23**
AT 24 JUNE 2018				
Current	1,088	2,058	8,624	23
Non-current	-	6,444	8,085	-
Total provisions, excluding employee benefits	**1,088**	**8,502**	**16,709**	**23**

12. Provisions (cont'd)

Accounting Policy

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 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.

(iv) Contingent consideration

Contingent consideration to be transferred by the acquirer on business combinations is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration (deemed to be a liability) are recognised in accordance with AASB 139 in the income statement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Notes to the financial statements: Operating assets and liabilities

Domain Holdings Australia Limited and Controlled Entities for the period ended 24 June 2018

13. Property, plant and equipment

	24 JUNE 2018 $'000	25 JUNE 2017 $'000
LEASEHOLD BUILDINGS AND IMPROVEMENTS		
At cost	17,989	1,426
Accumulated depreciation and impairment	(2,772)	(979)
Total leasehold buildings and improvements	**15,217**	447
PLANT AND EQUIPMENT		
At cost	13,111	3,098
Accumulated depreciation and impairment	(4,927)	(2,502)
Total plant and equipment	**8,184**	596
Total property, plant and equipment	**23,401**	1,043

Notes to the financial statements: Operating assets and liabilities

Domain Holdings Australia Limited and Controlled Entities for the period ended 24 June 2018

13. Property, plant and equipment (cont'd)

Reconciliations

Reconciliations of the carrying amount of each class of property, plant and equipment during the financial year are set out below::

	NOTE	LEASEHOLD BUILDINGS AND IMPROVEMENTS '$000	PLANT AND EQUIPMENT $'000	TOTAL $'000
AT 26 JUNE 2016				
At cost		232	1,818	**2,050**
Accumulated depreciation and impairment		(165)	(650)	**(815)**
Net carrying amount		67	1,168	**1,235**
PERIOD ENDED 25 JUNE 2017				
Balance at beginning of financial year		67	1,168	**1,235**
Additions		1,194	1,407	**2,601**
Disposals		-	(127)	**(127)**
Depreciation	3(B)	(814)	(1,852)	**(2,666)**
At 25 June 2017, net of accumulated depreciation and impairment		447	596	**1,043**
AT 25 JUNE 2017				
At cost		1,426	3,098	4,524
Accumulated depreciation and impairment		(979)	(2,502)	(3,481)
Net carrying amount		447	596	**1,043**
PERIOD ENDED 24 JUNE 2018				
Balance at beginning of financial year		447	596	1,043
Additions		159	207	366
Acquisition through business combinations		16,545	9,848	26,393
Disposals		(145)	(837)	(982)
Depreciation	3(B)	(1,789)	(1,630)	(3,419)
At 24 June 2018, net of accumulated depreciation and impairment		15,217	8,184	**23,401**
AT 24 JUNE 2018				
At cost		17,989	13,111	31,100
Accumulated depreciation and impairment		(2,772)	(4,927)	(7,699)
Net carrying amount		15,217	8,184	**23,401**

Notes to the financial statements: Operating assets and liabilities

Domain Holdings Australia Limited and Controlled Entities for the period ended 24 June 2018

13. Property, plant and equipment (cont'd)

Accounting Policy

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.

Recoverable amount

All items of 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.

Depreciation and amortisation

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

Leasehold buildings & improvements	over the lease term; currently up to 7 years
Plant and 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.

14. Financial and capital risk management

Financial Risk Management

The Group's principal financial instruments comprise of cash, short term deposits and bank loans. The main purpose of these financial instruments is to manage liquidity and to raise finance for the Group's operations. The Group has various other financial instruments, such as trade and other receivables and trade and other payables, which arise directly from its operations. The Group's risk management activities for interest rate and foreign exchange exposures are carried out centrally by Domain Group Treasury department.

Capital Risk Management

The capital structure of Group entities is monitored using the net debt to EBITDA (earnings before interest, tax, depreciation and amortisation) ratio. The ratio is calculated as net debt divided by underlying EBITDA. Net debt is calculated as total interest bearing liabilities less cash and cash equivalents.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, buy back shareholder equity, issue new shares, sell assets or reduce debt. The Group manages the capital structure to ensure:

- sufficient finance capacity for the business is maintained at a reasonable cost;
- sufficient funds are available for the business to implement its capital expenditure and business acquisition strategies; and
- all financial covenants are complied with.

Risk factors

The key financial risk factors, including market risk, that arise from the Group's activities, including the Group's policies for managing these risks are outlined below.

(A) Interest rate risk

Interest rate risk refers to the risks that the value of a financial instrument or future cash flows associated with the instrument will fluctuate due to movements in market interest rates.

Interest rate risk arises from interest bearing financial assets and liabilities that the Group utilises. Non-derivative interest bearing assets are predominantly short term liquid assets. The Group's borrowings which have a variable interest rate attached give rise to cash flow interest rate risk.

The Group's risk management policy for interest rate risk seeks to reduce the effects of interest rate movements on its asset and liability portfolio.

The Group may use a variety of derivatives to best manage the risk. The Group currently has no interest rate hedges in place.

A reasonably possible change in interest rates would not have a material impact on the finance costs incurred by the Group.

Notes to the financial statements: Capital structure and financial costs

Domain Holdings Australia Limited and Controlled Entities for the period ended 24 June 2018

14. Financial and capital risk management (cont'd)

At reporting date, the Group had the following exposure to interest rate risks:

	FLOATING RATE $'000	FIXED RATE $'000	NON-INTEREST BEARING $'000	TOTAL $'000
AS AT 24 JUNE 2018				
Cash and cash equivalents	60,832	-	-	60,832
Trade and other receivables	-	-	62,798	62,798
Total financial assets	**60,832**	**-**	**62,798**	**123,630**
Related party payables	-	-	(1,176)	(1,176)
Payables	-	-	(33,918)	(33,918)
Contingent consideration	(16,709)	-	-	(16,709)
Bank borrowings and loans	(187,318)	-	-	(187,318)
Total financial liabilities	**(204,027)**	**-**	**(35,094)**	**(239,121)**
Total interest bearing liabilities	**(204,027)**	**-**	**-**	**(204,027)**
Net exposure to cash flow interest rate risk	**(143,195)**	**-**	**-**	**(143,195)**
AS AT 25 JUNE 2017				
Cash and cash equivalents	58,292	-	-	58,292
Trade and other receivables	-	-	26,970	26,970
Total financial assets	**58,292**	**-**	**26,970**	**85,262**
Related party payables	-	-	(169,713)	(169,713)
Payables	-	-	(28,832)	(28,832)
Bank borrowings and loans	-	-	-	-
Total financial liabilities	**-**	**-**	**(198,545)**	**(198,545)**
Total interest bearing liabilities	**-**	**-**	**-**	**-**
Net exposure to cash flow interest rate risk	**58,292**	**-**	**-**	**58,292**

(B) Foreign currency risk

Foreign currency risk refers to the risk that the value or the cash flows arising from a financial commitment, or recognised asset or liability will fluctuate due to changes in foreign currency rates. The Group's foreign currency exchange risk arises primarily from firm commitments and/or highly probable forecast commitments and/or highly probable forecast transactions for receipts and payments settled in foreign currencies and prices dependent on foreign currencies respectively. None of these are material to the group on an individual nor collective basis hence foreign currency risk is not considered to be a key risk. The Group is exposed to foreign exchange risk from various immaterial currency exposures, primarily with respect to United States Dollars and New Zealand Dollars. The Group currently has no foreign currency hedges in place.

(C) Credit risk

Credit risk is the risk that a contracting entity will not complete its obligations under a financial instrument and cause the Group to make a financial loss. The Group has exposure to credit risk on all financial assets included in the Group's Balance Sheet. To help manage this risk, the Group:

- has a policy for establishing credit limits for the entities it deals with;
- may require collateral where appropriate; and
- manages exposures to individual entities it transacts with (through a system of credit limits).

14. Financial and capital risk management (cont'd)

For credit purposes, there is only a credit risk where the contracting entity is liable to pay the Group in the event of a closeout. The Group has policies that limit the amount of credit exposure to any financial institution. Derivative counterparties and cash transactions are limited to financial institutions that meet minimum credit rating criteria in accordance with the Group's policy requirements. At 24 June 2018 counterparty credit risk was limited to financial institutions with S&P credit ratings ranging from -AA to A.

The Group's credit risk is mainly concentrated across a number of customers and financial institutions. The Group does not have any significant credit risk exposure to a single or group of customers or individual institutions. Financial assets are considered impaired where there is objective evidence that the Group will not be able to collect all amounts due according to the original trade and other receivable terms. Factors considered when determining if an impairment exists include ageing and timing of expected receipts and the credit worthiness of counterparties. A provision for doubtful debts is created for the difference between the assets carrying value and the present value of estimated future cash flows. The Group's trading terms do not generally include the requirement for customers to provide collateral as security for financial assets.

Refer to Note 10 for an ageing analysis of trade receivables and the movement in the provision for doubtful debts. All other financial assets are not impaired and are not past due. Based on the credit history of these classes, it is expected that these amounts will be received when due.

D) Liquidity risk

Liquidity risk is the risk that the Group cannot meet its financial commitments as and when they fall due.

To help reduce this risk the Group:

- has liquidity management which targets a minimum level of committed facilities and cash relative to EBITDA;
- has readily accessible funding arrangements in place; and
- staggers maturities of financial instruments.

Refer to Note 9(B) for details of the Group's unused credit facilities at 24 June 2018.

The contractual maturity of the Group's fixed rate financial liabilities are shown in the tables below. The amounts represent the future undiscounted principal and interest cash flows and therefore may not equate to the values disclosed in the balance sheet.

	1 YEAR OR LESS $'000	1 TO 2 YEARS $'000	2 TO 5 YEARS $'000	MORE THAN 5 YEARS $'000
AS AT 24 JUNE 2018				
Nominal cash flows				
Bank borrowings and loans	(7,859)	(7,869)	(193,842)	-
Total	**(7,859)**	**(7,869)**	**(193,842)**	**-**
AS AT 25 JUNE 2017				
Nominal cash flows				
Bank borrowings and loans	-	-	-	-
Total	**-**	**-**	**-**	**-**

E) Fair value

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

Notes to the financial statements: Capital structure and financial costs

Domain Holdings Australia Limited and Controlled Entities for the period ended 24 June 2018

15. Equity

	NOTE	24 JUNE 2018 $'000	25 JUNE 2017 $'000
ORDINARY SHARES			
580,494,798 ordinary shares authorised and fully paid (2017: 740,000)	(A)	1,285,877	740
UNVESTED EMPLOYEE INCENTIVE SHARES			
783,126 unvested employee incentive shares (2017: nil)	(B)	(2,500)	-
AT 24 JUNE 2018		**1,283,377**	740

Reconciliations

Movements for each class of contributed equity, by number of shares and dollar value, are set out below:

	24 JUNE 2018 NO. OF SHARES	25 JUNE 2017 NO. OF SHARES	24 JUNE 2018 $'000	25 JUNE 2017 $'000
(A) ORDINARY SHARES				
Balance at beginning of the financial year	740,000	740,000	740	740
Share sub-division(i)	134,876,269	-	-	-
Shares issued to Fairfax Media Limited(ii)	439,254,795	-	1,273,044	-
Transaction costs for issued share capital (net of taxes)	-	-	(5,003)	-
Shares issued to owners of Review Property Pty Limited(iii)	5,623,734	-	17,096	-
Balance at end of the financial year	**580,494,798**	740,000	**1,285,877**	740

(i) A share sub-division was effected for existing shares on 21 November 2017.
(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.
(iii) On 28 February 2018 an additional 5,623,734 shares were issued to the owners of Review Property Pty Limited to settle Tranche 1 of the acquisition consideration.

	24 JUNE 2018 NO. OF SHARES	25 JUNE 2017 NO. OF SHARES	24 JUNE 2018 $'000	25 JUNE 2017 $'000
(B) UNVESTED EMPLOYEE INCENTIVE SHARES				
Balance at beginning of the financial year	-	-	-	-
Shares acquired(i)	(783,126)	-	(2,500)	-
Balance at end of the financial year	(783,126)	-	(2,500)	-
Total contributed equity	**579,711,672**	740,000	**1,283,377**	740

(i) In April 2018, shares were purchased on-market by Fairfax Media Limited to satisfy future share issuances under employee remuneration plans. These shares are being held in Trust until vesting of the Executive Retention Plan. Refer to Note 22 for further details.

15. Equity (cont'd)

Accounting Policy

(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.

Reserves

	NOTE	24 JUNE 2018 $'000	25 JUNE 2017 $'000
Other reserves	(A)	(39,739)	(8,428)
Share-based payment reserve	(B)	824	-
Total reserves		**(38,915)**	(8,428)
(A) OTHER RESERVES			
Balance at beginning of the financial year		(8,428)	(4,484)
Acquisition of non-controlling interest[(i)]		(33,811)	(3,944)
Parent contributed equity reserve[(ii)]		2,500	-
Balance at end of the financial year		**(39,739)**	(8,428)

(i) Transactions involving non-controlling interests that do not result in the loss of control for Domain are recorded in the acquisition reserve. The acquisition reserve records the difference between the value of the non-controlling interest and the consideration.

(ii) The Parent contributed equity reserve is Fairfax Media Limited's funding of the shares for the Executive Retention Plan. Refer to Note 22 for further details.

(B) SHARE-BASED PAYMENT RESERVE			
Balance at beginning of the financial year		-	-
Release of employee incentive shares		-	-
Share-based payment expense, net of tax		824	-
Balance at end of the financial year		**824**	-

The share-based payment reserve is used to recognise the value of equity-settled share-based payments provided to employees, including key management personnel, as part of their remuneration. Refer to Note 22 for further details.

Notes to the financial statements: Capital structure and financial costs

Domain Holdings Australia Limited and Controlled Entities for the period ended 24 June 2018

16. Dividends paid and proposed

	CONSOLIDATED 24 JUNE 2018 $'000	CONSOLIDATED 25 JUNE 2017 $'000	COMPANY 24 JUNE 2018 $'000	COMPANY 25 JUNE 2017 $'000
(A) ORDINARY SHARES				
Interim 2018 dividend: partly franked 4.0 cents - paid 12 March 2018	**22,995**	-	**22,995**	-
Total dividends paid	**22,995**	-	**22,995**	-

(B) DIVIDENDS PROPOSED AND NOT RECOGNISED AS A LIABILITY

Since reporting date the Directors have resolved to pay a dividend of 4.0 cents per fully paid ordinary share, 70% franked at the corporate tax rate of 30%. The aggregate amount of the dividend to be paid on 4 September 2018 out of profits, but not recognised as a liability at the end of the year, is expected to be $23.22 million.

	COMPANY 24 JUNE 2018 $'000	COMPANY 25 JUNE 2017 $'000
(C) FRANKED DIVIDENDS		
Franking account balance as at reporting date at 30% (2017: 30%)	4,501	-
Franking debits that will arise from the payment of dividends	(6,966)	-
Franking credits that will arise from the payment of income tax payable balances as at the end of the financial year	10,056	-
Total franking credits available for subsequent financial years based on a tax rate of 30%	**7,591**	-

Notes to the financial statements: Capital structure and financial costs

Domain Holdings Australia Limited and Controlled Entities for the period ended 24 June 2018

17. Earnings per share

	24 JUNE 2018 ¢ PER SHARE	25 JUNE 2017 ¢ PER SHARE
BASIC EARNINGS PER SHARE	**(1.55)**	22.31
DILUTED EARNINGS PER SHARE	**(1.55)**	22.31

	24 JUNE 2018 $'000	25 JUNE 2017 $'000
EARNINGS RECONCILIATION - BASIC		
Net (loss)/profit attributable to owners of the parent	(6,153)	30,253
EARNINGS RECONCILIATION - DILUTED		
Net (loss)/profit attributable to owners of the parent	(6,153)	30,253

	24 JUNE 2018 NUMBER	25 JUNE 2017 NUMBER
Weighted average number of ordinary shares used in calculating basic EPS and diluted EPS(i) (ii)	**396,858,024**	135,616,000

(i) The weighted average number of ordinary shares has been calculated on the assumption that the sub-division of shares (Note 15) has always been effective. This approach is also applied to the calculation of the prior period basic and diluted EPS.
(ii) Due to the statutory loss for the period, 3.8 million of incremental shares are excluded because the effect would be antidilutive.

Accounting Policy

(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.

Notes to the financial statements: Unrecognised items

Domain Holdings Australia Limited and Controlled Entities for the period ended 24 June 2018

18. 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 JUNE 2018 $'000	25 JUNE 2017 $'000
Within one year	7,458	4,871
Later than one year and not later than five years	40,634	35,425
Later than five years	2,469	10,815
Total operating lease commitments	**50,561**	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 JUNE 2018 $'000	25 JUNE 2017 $'000
Within one year	1,081	978
Later than one year and not later than five years	-	930
Total receivables under subleases	**1,081**	1,908

(C) Capital commitments

At 24 June 2018, the Group does not have any material capital commitments (2017: Nil).

Accounting Policy

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.

Notes to the financial statements: Unrecognised items

Domain Holdings Australia Limited and Controlled Entities for the period ended 24 June 2018

19. Events subsequent to reporting date

(A) Merger of Fairfax Media Limited and Nine Entertainment

On 26 July 2018, Fairfax Media Limited (the ultimate parent entity) entered into a Scheme Implementation Agreement to merge with Nine Entertainment Co Holdings Limited (Nine). The proposed transaction will, subject to required approvals, be implemented by Nine acquiring all Fairfax Media Limited shares under a Scheme of Arrangement. Following completion, Nine shareholders will own 51.1% of the combined entity with Fairfax shareholders owning the remaining 48.9%.

Notes to the financial statements: Other

Domain Holdings Australia Limited and Controlled Entities for the period ended 24 June 2018

20. 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

Interests in controlled entities are set out in (F) in this Note.

(C) Key management personnel

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.

Compensation of key management personnel of the Group

	24 JUNE 2018 $'000	25 JUNE 2017 $'000
Short-term benefits	1,824,980	-
Long-term benefits	64,685	-
Share-based payment	92,505	-
Total compensation paid to key management personnel	**1,982,170**	-

The amounts disclosed in the table are the amounts recognised as an expense during the reporting period related to key management personnel.

Interests held by key management personnel under employee share plans

Shares and share options held by key management personnel under the Long Term Equity based Incentive Plan and the Executive Retention Plan to purchase ordinary shares have the following expiry dates and exercise prices:

ISSUE DATE	EXPIRY DATE	EXERCISE PRICE $	24 JUNE 2018 NUMBER OUSTANDING	25 JUNE 2017 NUMBER OUTSTANDING
2018 (Options under Long Term Equity Based Incentive Plan)	(i)	3.0	527,777	-
2018 (Shares under Executive Retention Plan)	(ii)	0.0	111,806	-
Total			**639,583**	-

(i) Share options expire six months from the date that the options vest. Refer to details of Long Term Incentive Plan in Section 5 of the Remuneration Report.

(ii) The shares vest two years after the listing date of Domain Holdings Australia Limited. Refer to details of Executive Retention Plan in Section 5 of the Remuneration Report.

Notes to the financial statements: Other

Domain Holdings Australia Limited and Controlled Entities for the period ended 24 June 2018

20. Related parties and entities (cont'd)

(D) Transactions with related parties

The following transactions occurred with related parties on normal market terms and conditions:

	SALES TO RELATED PARTIES $'000	PURCHASES FROM RELATED PARTIES $'000	AMOUNT OWED BY RELATED PARTIES $'000	AMOUNT OWED TO RELATED PARTIES $'000
PARENT COMPANY				
24 June 2018	18,003	(20,061)	-	1,176
25 June 2017	43,495	(23,937)	-	208,816
ASSOCIATES & JOINT VENTURES				
24 June 2018	-	(726)	-	46
25 June 2017	-	-	-	-

Accounting Policy

Amounts payable to related parties are carried at amortised cost and interest payable is recognised on an accruals basis.

Notes to the financial statements: Other

Domain Holdings Australia Limited and Controlled Entities for the period ended 24 June 2018

20. Related parties and entities (cont'd)

(E) Parent entity information

The following disclosures relate to Domain Holdings Australia Limited as an individual entity, being the ultimate parent entity of the Domain group.

	24 JUNE 2018 $'000	25 JUNE 2017 $'000
FINANCIAL POSITION OF PARENT ENTITY		
Current assets	53,561	786
Total assets	1,655,249	237,961
Current liabilities	(275,581)	(241,672)
Total liabilities	(360,563)	(242,365)
Net Assets/(Liabilities)	**1,294,686**	(4,404)
TOTAL EQUITY OF PARENT ENTITY		
Contributed equity	1,283,653	740
Reserves	3,322	-
Profit reserve	12,855	-
Retained losses	(5,144)	(5,144)
Total equity	**1,294,686**	(4,404)
RESULT OF PARENT ENTITY		
Profit/(loss) for the period	35,849	(6,162)
Other comprehensive income	-	-
Total comprehensive income/(loss) for the period	**35,849**	(6,162)

Domain Holdings Australia Limited has entered into a Deed of Cross Guarantee with the effect that the Company guarantees debts in respect of its subsidiaries within the Closed Group. Further details regarding the deed are set out in (G) in this Note.

Notes to the financial statements: Other

Domain Holdings Australia Limited and Controlled Entities for the period ended 24 June 2018

20. Related parties and entities (cont'd)

(F) Controlled entities

The following entities were controlled as at the end of the financial period:

	NOTES	COUNTRY OF INCORPORATION	OWNERSHIP INTEREST 24 JUNE 2018 %	OWNERSHIP INTEREST 25 JUNE 2017 %
Domain Holdings Australia Limited	(a)	Australia		
CONTROLLED ENTITIES				
Domain Operations Pty Ltd	(a)	Australia	100.00	100.00
Alldata Australia Pty Ltd	(a)	Australia	100.00	100.00
Allhomes Pty Ltd	(a)	Australia	100.00	100.00
Australian Property Monitors Pty Ltd	(a)	Australia	100.00	100.00
Commerce Australia Pty Ltd	(a)	Australia	100.00	100.00
Residential Connections Pty Ltd		Australia	50.00	50.00
Commercial Real Estate Holdings Pty Ltd	(a)	Australia	100.00	100.00
Commercial Real Estate Media Pty Ltd		Australia	78.26	78.26
Commercial Real Estate Media Nominees Pty Ltd		Australia	100.00	100.00
Beevo Pty Ltd		Australia	50.00	50.00
Domain Group Finance Pty Ltd	(a)	Australia	100.00	100.00
Property Data Solutions Pty Ltd	(a)	Australia	100.00	100.00
Mapshed Pty Ltd	(a)	Australia	100.00	100.00
Digital Home Loans Pty Ltd		Australia	60.00	n/a
Domain Insure Pty Ltd		Australia	70.00	n/a
MMP Holdings Pty Ltd	(a)	Australia	100.00	100.00
Metro Media Services Pty Ltd	(a)	Australia	100.00	100.00
Metro Media Publishing Pty Ltd		Australia	92.00	92.00
MMP (DVH) Pty Ltd		Australia	63.00	63.00
MMP Bayside Pty Ltd		Australia	78.00	78.00
Review Property Pty Ltd		Australia	98.00	50.00
MMP Eastern Pty Ltd		Australia	70.00	70.00
MMP Moonee Valley Pty Ltd		Australia	70.00	70.00
MMP (Melbourne Times) Pty Ltd		Australia	70.00	70.00
MMP Greater Geelong Pty Ltd		Australia	48.25	48.25
MMP (CGE) Pty Ltd		Australia	100.00	100.00
MMP Community Network Pty Ltd	(a)	Australia	100.00	100.00
MMP Star Pty Ltd		Australia	67.00	67.00
Network Classifieds Pty Ltd		Australia	67.00	67.00
National Real Estate Media Pty Ltd	(a)	Australia	100.00	100.00
National Real Estate Nominees Pty Ltd		Australia	100.00	100.00
South Australia Real Estate Media Pty Ltd		Australia	68.00	68.00
Western Australia Real Estate Media Pty Ltd		Australia	69.00	69.00
New South Wales Real Estate Media Pty Ltd		Australia	71.00	71.00
Northern Territory Real Estate Media Pty Ltd		Australia	75.00	75.00
Queensland Real Estate Media Pty Ltd		Australia	71.00	71.00
Tasmania Real Estate Media Pty Ltd		Australia	75.00	75.00
ACT Real Estate Media Pty Ltd		Australia	100.00	100.00
NON-CONTROLLED ENTITIES (EQUITY ACCOUNTED)				
Oneflare Pty Ltd		Australia	26.77	35.00
Homepass Pty Ltd		Australia	33.80	33.80

Notes to the financial statements: Other

Domain Holdings Australia Limited and Controlled Entities for the period ended 24 June 2018

20. Related parties and entities (cont'd)

(a) The Company and the controlled entities incorporated within Australia are party to Corporations Instrument 2016/785 issued by the Australian Securities & Investment Commission. These entities have entered into a Deed of Cross Guarantee dated June 2007 (as varied from time to time) under which each entity guarantees the debts of the others. These companies represent a 'Closed Group' for the purposes of the Corporations Instrument and there are no other members of the 'Extended Closed Group'. Under the Corporations Instrument, these entities have been relieved from the requirements of the *Corporations Act 2001* with regard to the preparation, audit and publication of accounts.

(G) Deed of cross guarantee

Domain Holdings Australia Limited and certain wholly-owned entities (the 'Closed Group') identified at (F) in this Note are parties to a Deed of Cross Guarantee under ASIC Corporations Instrument 2016/785. Pursuant to the requirements of that Corporations Instrument, a summarised consolidated balance sheet as at 24 June 2018 and consolidated income statement for the period ended 24 June 2018, comprising the members of the Closed Group after eliminating all transactions between members are set out below:

Balance sheet

	24 JUNE 2018 $'000	25 JUNE 2017 $'000
CURRENT ASSETS		
Cash and cash equivalents	50,317	53,832
Trade and other receivables	68,404	19,703
Total current assets	**118,721**	73,535
NON-CURRENT ASSETS		
Investments accounted for using the equity method	3,378	17,023
Shares in controlled entities	52,101	-
Available for sale investments	-	370
Intangible assets	1,531,880	231,380
Property, plant and equipment	23,053	28,151
Deferred tax assets	10,727	849
Total non-current assets	**1,621,139**	277,773
Total assets	**1,739,860**	351,308
CURRENT LIABILITIES		
Payables	64,586	237,816
Provisions	16,859	444
Current tax liabilities	10,056	1,762
Total current liabilities	**91,501**	240,022

Notes to the financial statements: Other

Domain Holdings Australia Limited and Controlled Entities for the period ended 24 June 2018

20. Related parties and entities (cont'd)

	24 JUNE 2018 $'000	25 JUNE 2017 $'000
NON-CURRENT LIABILITIES		
Interest bearing liabilities	187,318	-
Provisions	15,986	820
Other non-current liabilities	92,530	21,074
Total non-current liabilities	**295,834**	21,894
Total liabilities	**387,335**	261,916
Net assets	**1,352,525**	89,392
EQUITY		
Contributed equity	1,283,653	740
Reserves	(318)	(5,239)
Retained profits	69,190	93,891
Total equity	**1,352,525**	89,392

Income statement

	24 JUNE 2018 $'000	25 JUNE 2017 $'000
Total revenue	184,676	54,976
Share of net losses of associates and joint ventures	(1,393)	(1,206)
Expenses before finance costs	(185,487)	(5,374)
Finance costs	(4,816)	(1)
Net (loss)/profit from operations before income tax expense	**(7,020)**	48,395
Income tax benefit/(expense)	93	(6,190)
Net (loss)/profit from operations after income tax expense	**(6,927)**	42,205

Notes to the financial statements: Other

Domain Holdings Australia Limited and Controlled Entities for the period ended 24 June 2018

21. Taxation

Consolidated income statement

Income tax expense is reconciled to prima facie income tax payable as follows:

	24 JUNE 2018 $'000	25 JUNE 2017 $'000
Net profit before income tax expense	8,572	52,184
Prima facie income tax at 30% (2017: 30%)	2,572	15,655
Tax effect of differences:		
Adjustments in respect of current income tax of previous years	2,203	(1,171)
Share of results of associates and joint ventures	418	362
Share based payments	234	-
Temporary differences not recognised on intangible and other asset write-offs	5,193	-
Non-deductible	290	913
Other	411	(403)
Income tax expense	**11,321**	15,356

The major components of income tax expense in the income statement are:

	24 JUNE 2018 $'000	25 JUNE 2017 $'000
Current income tax expense	15,246	19,438
Deferred income tax (benefit)	(6,128)	(2,911)
Adjustments in respect of current income tax of previous years	2,203	(1,171)
Income tax expense in the income statement	**11,321**	15,356

21. Taxation (cont'd)

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	ASSETS		LIABILITIES		NET ASSETS/(LIABILITIES)	
	24 JUNE 2018 $'000	25 JUNE 2017 $'000	24 JUNE 2018 $'000	25 JUNE 2017 $'000	24 JUNE 2018 $'000	25 JUNE 2017 $'000
Property, plant and equipment	212	471	1,699	1,839	1,911	2,310
Intangible assets	-	-	(94,606)	(19,106)	(94,606)	(19,106)
Provisions	5,291	323	130	-	5,421	323
Payables	3,196	152	-	-	3,196	152
Other	2,351	7	-	-	2,351	7
Gross deferred tax assets/ (liabilities)	**11,050**	953	**(92,777)**	(17,267)	**(81,727)**	(16,314)
Set-off of deferred tax assets/(liabilities)	(11,050)	-	11,050	-	-	-
Net deferred tax assets/ (liabilities)	**-**	953	**(81,727)**	(17,267)	**(81,727)**	(16,314)

Movement in temporary differences during the financial period

	BALANCE 25 JUNE 2017 $'000	RECOGNISED ON ACQUISITION $'000	RECOGNISED IN INCOME $'000	RECOGNISED IN EQUITY $'000	RECOGNISED IN GOODWILL $'000	BALANCE 24 JUNE 2018 $'000
Property, plant and equipment	2,310	-	(399)	-	-	1,911
Intangible assets	(19,106)	(78,957)	4,247	-	(790)	(94,606)
Provisions	323	3,791	1,307	-	-	5,421
Payables	152	2,337	707	-	-	3,196
Other	7	-	266	2,078	-	2,351
	(16,314)	(72,829)	6,128	2,078	(790)	**(81,727)**

Notes to the financial statements: Other

Domain Holdings Australia Limited and Controlled Entities for the period ended 24 June 2018

21. Taxation (cont'd)

	BALANCE 26 JUNE 2016 $'000	RECOGNISED ON ACQUISITION $'000	RECOGNISED IN INCOME $'000	RECOGNISED IN EQUITY $'000	BALANCE 25 JUNE 2017 $'000
Property, plant and equipment	220	2,628	(538)	-	2,310
Intangible assets	(19,160)	-	54	-	(19,106)
Provisions	421	-	(98)	-	323
Payables	2,350	-	(2,198)	-	152
Other	138	-	(131)	-	7
	(16,031)	2,628	(2,911)	-	**(16,314)**

Tax losses and future deductible temporary differences

At 24 June 2018, the Group has no carried forward tax losses that would be available for offset against future taxable income or capital gains.

The Group has no deductible temporary differences for which no deferred tax asset is recognised on the balance sheet (2017: $Nil).

Future assessable temporary differences

At 24 June 2018, there are no material unrecognised future assessable temporary differences associated with the Group's investments in associates or joint ventures, as the Group has no material liability should the associates or joint ventures retained earnings be distributed (2017: Nil).

Accounting Policy

(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.

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.

21. Taxation (cont'd)

Accounting Policy (cont'd)

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 relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

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.

There should be no income tax consequences attached to the payment of dividends in 2018 by the Group to its shareholders.

(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, the entities in the tax consolidated group entered into a tax sharing agreement which, in the opinion of the Directors, limits the joint and several liability of the wholly-owned entities in the case of a default of the head entity, Domain Holdings Australia Limited.

The entities have entered 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 under 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 tax instalments.

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

Notes to the financial statements: Other

Domain Holdings Australia Limited and Controlled Entities for the period ended 24 June 2018

22. Employee entitlements

(a) Number of employees

As at 24 June 2018 the Group employed 761 full-time employees (2017: 32) and 87 part-time and casual employees (2017: 15).

(B) Employee share plans

The company has two employee share plans during the period. The terms of each plan are set out below:

1. Long Term Equity Based Incentive Plan

The Long Term Equity Based Incentive Plan is available to certain permanent employees of the Group.

For 2018, participants in the plan were granted options. The options have a vesting hurdle of absolute total shareholder return over the two and half years from issue with no retest. Options do not carry any dividend or voting rights prior to exercise. Participants are also required to pay $3 per option to convert the options into shares if the vesting criteria are met.

Vesting of the Options granted is subject to achieving an absolute total shareholder return (Absolute TSR) performance hurdle.

The test is based on the compound annual growth rate (CAGR) for the Company's Absolute TSR over the Performance Period.

If the performance hurdle is satisfied, and the Domain Holdings Australia Limited share price at the time is equal to or greater than the exercise price of the Options, the Options will vest and become exercisable.

A Monte Carlo simulation approach is used to value the Awards subject to the Absolute TSR performance conditions. Within the Monte Carlo approach, the underlying stochastic process of Domain Holdings Australia Limited's Absolute TSR is assumed to follow Geometric Brownian motion under a risk-neutral measure and each simulation comprises of the following steps:

- Simulate Absolute TSR performance of Domain Holdings Australia Limited as at the end of the performance period.
- Proportion of Absolute TSR hurdled award vested is calculated based on the vesting schedule.
- Present value of Absolute TSR hurdled award vested is recorded.

2. Executive Retention Plan

The Executive Retention Plan was available to certain permanent employees of the consolidated entity. For 2018, participants were granted shares. The shares have a vesting period of 2 years from listing date (16 November 2017).

Fairfax Media Limited funded the purchase of the shares by providing funding to the Trust. The Trust being established for Employee Share plans. The Trust is controlled by Domain Holdings Australia Limited as the trustee appointed by the Domain Holdings Australia Limited Board and acts under instruction from the Domain Holdings Australia Limited Board; the plan will be settled by Domain Holdings Australia Limited.

If the shares held in trust do not all fully vest then they will be held to be recycled to other new participants and or other new plans.

For further details refer to the Remuneration Report.

Accounting Policy

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 Equity Based 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.

Notes to the financial statements: Other

Domain Holdings Australia Limited and Controlled Entities for the period ended 24 June 2018

23. Remuneration of auditors

During the financial year the following amounts were paid or payable for services provided by the auditor of the Company and its related parties:

	24 JUNE 2018 $	25 JUNE 2017 $
AUDIT SERVICES		
Ernst & Young Australia		
Audit and review of financial reports[i]	603,239	-
Affiliates of Ernst & Young Australia		
Audit and review of financial reports	-	-
Non Ernst & Young audit firm		
Audit and review of financial reports	62,000	77,000
Total audit services	**665,239**	77,000
Total non assurance services	**-**	-
Total remuneration of auditors	**665,239**	77,000

(i) No audit fee was incurred by Domain Holdings Australia Limited in the period ended 25 June 2017 as this was borne by Fairfax Media Limited.

Notes to the financial statements: Other

Domain Holdings Australia Limited and Controlled Entities for the period ended 24 June 2018

24. Notes to the cash flow statement

(A) Reconciliation of net profit after income tax expense to net cash inflow from operating activities

	NOTE	24 JUNE 2018 $'000	25 JUNE 2017 $'000
Net (loss)/profit for the period		(2,749)	36,828
NON-CASH ITEMS			
Depreciation and amortisation	3(B)	20,380	9,047
Share of losses of associates and joint ventures not received as dividends	7(B)	1,393	1,206
Impairment of intangibles and investments	4	29,602	-
Amortisation of borrowing costs		168	-
Share-based payment expense		823	-
Other non-operating (expenses)/income		(3,050)	398
DECREASE/(INCREASE) IN OPERATING ASSETS AND LIABILITIES, NET OF EFFECTS FROM ACQUISITIONS			
Trade receivables		(10,306)	(2,308)
Other receivables		2,062	(1,243)
Payables		(5,529)	10,993
Provisions		11,778	1,725
Tax balances		1,403	6,762
Net cash inflow from operating activities		**45,975**	63,408

(B) Reconciliation of cash and cash equivalents

Reconciliation of cash at end of the financial year (as shown in the Consolidated Cash Flow Statement) to the related items in the financial statements is as follows:

	24 JUNE 2018 $'000	25 JUNE 2017 $'000
Cash on hand and at bank	60,832	58,292
Total cash at end of the financial year	**60,832**	58,292

Accounting Policy

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and other short term investments with original maturities of three months or less that are readily convertible to cash and subject to insignificant risk of changes in value.
Bank overdrafts are shown within interest bearing liabilities in current liabilities on the balance sheet.

Directors' declaration

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

1. In the opinion of the Directors:
   (a) the financial statements and notes of the consolidated entity 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 24 June 2018 and of its performance for the period ended on that date; and
      (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*;
   (b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1;
   (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
   (d) as at the date of this declaration, there are reasonable grounds to believe that the Company and the subsidiaries identified in Note 20 will be able to meet any obligations or liabilities to which they are or may become subject to, by virtue of the Deed of Cross Guarantee between the Company and those subsidiaries.
2. This declaration has been made after receiving the declarations required to be made to the Directors from the Executive Chairman and the Chief Financial Officer in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 24 June 2018.

On behalf of the Board

Nick Falloon
Executive Chairman

Sydney
13 August 2018

Geoff Kleemann
Non-Executive Director

Sydney
13 August 2018

Independent auditor's report to the members of Domain Holdings Australia

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 Report to the Members of Domain Holdings Australia Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Domain Holdings Australia Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 24 June 2018, the consolidated statement of profit and loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the period from 26 June 2017 to 24 June 2018 (the period), notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

a) giving a true and fair view of the consolidated financial position of the Group as at 24 June 2018 and of its consolidated financial performance for the period ended on that date; and

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

Basis for Opinion

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

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

Key Audit Matters

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

Independent auditor's report to the members of Domain Holdings Australia

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

1. Acquisition of Domain Businesses

Why significant	How our audit addressed the key audit matter
As noted within Note 6 to the financial statements, on 29 October 2017 the Group acquired the legacy Domain-related businesses from a number of subsidiaries from within the Fairfax Media Limited group for consideration of $1,279 million in intercompany loans. The acquisition has been treated as a business combination, with the Group recognising the fair value of the assets acquired and liabilities assumed on that date. Accounting for this transaction is complex, requiring the Group to exercise judgement in: • concluding that it should be accounted for as a business combination in accordance with Australian Accounting Standards; • identifying the appropriate accounting acquirer; and • identifying and determining the fair value of the acquired assets and liabilities, specifically intangible assets. As outlined in the disclosure the accounting for the acquisition in the financial report is provisional. This was considered to be a key audit matter due to the magnitude of the acquisition and the judgement involved in accounting for the transaction.	Given that the accounting for the acquisition remains provisional, our audit procedures included the following: ▸ Assessed the Group's conclusion that the acquisition represents a business combination in accordance with Australian Accounting Standards and that the Company is the appropriate acquirer; ▸ Assessed whether the net assets that were separated from the Fairfax Media Limited group were consistent with the terms of the Business Transfer Agreement entered into by the Company and the Fairfax Media Limited group; ▸ With the involvement of our business modelling and valuation specialists we evaluated the purchase price accounting valuation performed by an independent expert for the business combination. This included assessing the competency and qualifications of the independent expert; and ▸ Assessed the adequacy of the related disclosures within the financial report.

Independent auditor's report to the members of Domain Holdings Australia

2 Impairment assessment of goodwill and other intangible assets

Why significant	How our audit addressed the key audit matter
The Group has goodwill and other intangible assets of $1,534 million as at 24 June 2018 representing 91% of total assets. As disclosed within Note 8 to the financial statements, the assessment of the impairment of the Group's goodwill and other intangible assets incorporates significant judgements and estimates, specifically concerning factors such as forecast cashflows, discount rates and terminal growth rates. Additional judgement was required in the determination of the appropriate cash generating units ("CGU's") to be used in the impairment testing and in the allocation of assets to those CGUs. This was considered to be a key audit matter due to the significance of the intangible assets relative to total assets and the judgements and estimates exercised in the impairment testing.	Our audit procedures included the following: ▸ Assessed the Group's determination of the CGUs used in the impairment model, based on our understanding of the Group's businesses and cash inflows. We also considered internal reporting of the Group's results to assess how earnings and goodwill are monitored and reported; ▸ Assessed whether the impairment testing methodology used by the Group met the requirements of Australian Accounting Standards; ▸ Tested the mathematical accuracy of the discounted cash flow models; ▸ Assessed the Group's cash flow forecasts including consideration of the historical accuracy of previous estimates; ▸ Assessed the discount rates, growth rates and the terminal growth rates applied, with involvement from our valuation specialists; ▸ Performed sensitivity analysis on the impairment model; and ▸ Evaluated the adequacy of the impairment disclosures in the financial report, particularly those relating to intangible assets and to judgements and estimates.

Independent auditor's report to the members of Domain Holdings Australia

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

The directors are responsible for the other information. The other information comprises the information included in the Company's 2018 Annual Report, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Independent auditor's report to the members of Domain Holdings Australia

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 22 to 34 of the directors' report for the period ended 24 June 2018.

In our opinion, the Remuneration Report of Domain Holdings Australia Limited for the period ended 24 June 2018, complies with section 300A of the *Corporations Act 2001*.

Independent auditor's report to the members of Domain Holdings Australia

Responsibilities

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

Ernst & Young

Ernst & Young

Douglas Bain
Partner
Sydney
13 August 2018

Shareholder information

Domain Holdings Australia Limited

Information about securities

Each ordinary shareholder has the voting rights set out in rule 6.9 of the Company's Constitution. At a general meeting, each ordinary shareholder present has one vote on a show of hands and one vote for each share held at the Record Time (as defined in the Constitution). A copy of the Constitution is available on the Company's website at **shareholders.domain.com.au**.

There are no other classes of security on issue

The Company's securities are not quoted on any stock exchange other than ASX.

There is no current on-market buy-back of securities.

Number and distribution of holders of securities

The tables below show the number and distribution of holders of ordinary shares as at 9 August 2018, and the number of restricted securities subject to escrow at that date

Number of holders

TOTAL NUMBER OF HOLDERS OF ORDINARY SHARES	**26,447**
NUMBER OF HOLDERS WITH LESS THAN A MARKETABLE PARCEL OF ORDINARY SHARES	**9856**

Distribution of holders

NUMBER OF ORDINARY SHARES	NUMBER OF ORDINARY SHAREHOLDERS
1-1,000	**20,713**
1,001-5,000	**4240**
5,001-10,000	**847**
10,001-100,000	**601**
100,001- and over	**46**

Number of restricted securities subject to escrow

NUMBER OF ORDINARY SHARES SUBJECT TO ESCROW	DATE ESCROW PERIOD ENDS
5,623,734	27 August 2022
215,064	4 June 2021
783,126	17 November 2019

Shareholder information

Domain Holdings Australia Limited

Twenty largest ordinary shareholders

The following table shows the relevant interests in ordinary shares held by the Company's 20 largest shareholders as at 9 August 2018.

RANK		RELEVANT INTEREST OF SHAREHOLDER AND ITS ASSOCIATES	% CAPITAL
1	FAIRFAX MEDIA LIMITED	**258,686,201**	45.00
2	FAIRFAX SPV NO 1 PTY LIMITED	**86,230,689**	15.00
3	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	**65,552,834**	11.40
4	J P MORGAN NOMINEES AUSTRALIA LIMITED	**54,911,220**	9.55
5	CITICORP NOMINEES PTY LIMITED	**24,785,727**	4.31
6	NATIONAL NOMINEES LIMITED	**16,440,572**	2.86
7	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	**14,153,479**	2.46
8	BNP PARIBAS NOMS PTY LTD	**3,023,577**	0.53
9	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	**2,832,751**	0.49
10	BNP PARIBAS NOMINEES PTY LTD	**2,474,795**	0.43
11	UBS NOMINEES PTY LTD	**998,520**	0.17
12	PACIFIC CUSTODIANS PTY LIMITED	**783,126**	0.14
13	CITICORP NOMINEES PTY LIMITED	**635,330**	0.11
14	SANDHURST TRUSTEES LTD	**573,996**	0.10
15	AMP LIFE LIMITED	**556,117**	0.10
16	BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD DRP	**514,980**	0.09
17	WILMAR ENTERPRISES PTY LTD	**500,000**	0.09
18	NATIONAL NOMINEES LIMITED	**376,000**	0.07
19	NEWECONOMY COM AU NOMINEES PTY LIMITED	**341,716**	0.06
20	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	**321,479**	0.06

Substantial shareholder information

Substantial shareholders as shown in substantial shareholder notices received by the Company as at 9 August 2018 are:

SUBSTANTIAL SHAREHOLDER NAME	NUMBER OF SHARES	% HOLDING
Fairfax Media Limited	**344,916,890**	60
FIL Limited	**50,094,227**	8.71

Use of cash and assets after listing

Between the Listing Date and the end of the reporting period, the Company has used the cash and assets readily convertible to cash that it had at the time of admission in a way consistent with its business objectives.

Directory

Domain Holdings Australia

Annual General Meeting

The Annual General Meeting will be held at 10.00am on Wednesday, 31 October 2018:

Ground Floor
Domain Offices
55 Pyrmont Street
Pyrmont, NSW, 2009

Financial calendar 2019

Interim result	February 2019
Final result	August 2019
Annual General Meeting	October 2019

Company secretary

Catriona McGregor

Registered office

1 Darling Island Road
Pyrmont NSW 2009

T: +61 2 9254 3000

Website

Corporate information, the Annual Report, ASX Announcements relating the Company and other investor information can be found on the Company's website at **shareholders.domain.com.au**

Share registry

Link Market Services Limited
Level 12
680 George Street
Sydney NSW 2000

Locked Bag A14
Sydney South NSW 1235

T: +61 1300 554 474 (toll free within Australia)
F: +61 2 9287 0303

registrars@linkmarketservices.com.au
www.linkmarketservices.com.au

Securities Exchange Listing

The Company's ordinary shares are listed on the Australian Securities Exchange as DHG.

Investor Relations

Jolanta Masojada
E: jolanta.masojada@domain.com.au

Media Relations & Corporate Affairs

Brad Hatch
E: brad.hatch@domain.com.au

How to obtain the Annual Report

The Company supports the use of electronic communications in seeking to protect the environment by minimising use of paper. The Company has notified all shareholders that they may elect to receive, free of charge, a copy of the Company's reports for each financial year as a hard copy or as an electronic copy, Each shareholder who has elected to receive a copy of the Company's annual report will receive a copy in the form they have chosen. Shareholders who have not elected to receive a copy of the Company's annual report, can access it at **shareholders.domain.com.au**.

Direct payment to shareholders' accounts

The Company pays dividends by direct deposit to shareholders' bank accounts and does not issue cheques except in exceptional circumstances. Shareholders can obtain a direct deposit form at the Share Registry.

Payments are electronically credited on the dividend date and confirmed by payment advice which is either mailed or sent by email. Shareholders should notify the Share Registry of their tax file number so that dividends can be paid without tax being withheld.

Consolidating Shareholdings

Shareholders who wish to consolidate separate holdings of Domain shares into one account should notify the Share Registry in writing by post or by email.

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Domain

shareholders.domain.com.au