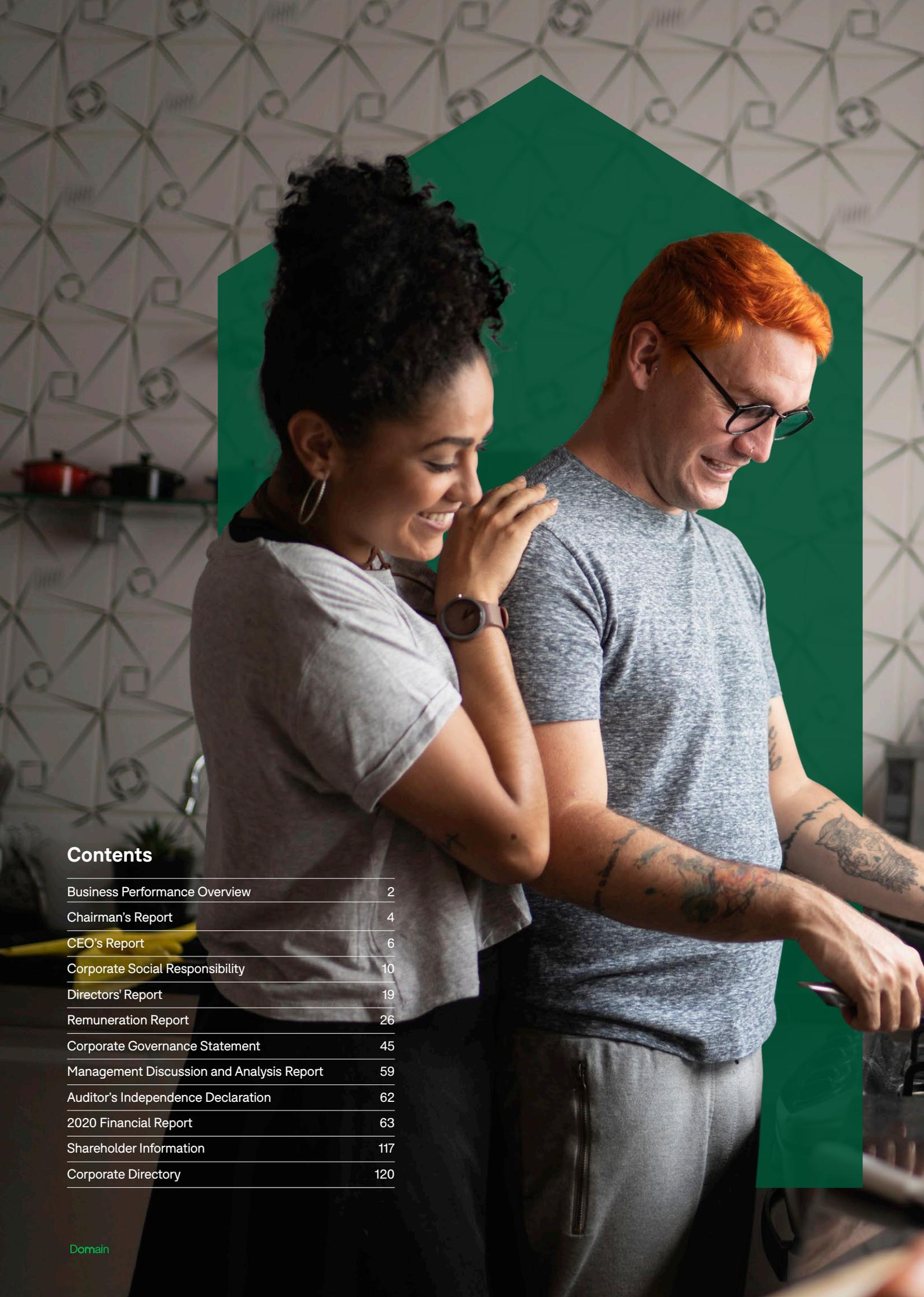


# Domain

Annual Report 2020





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# Inspiring confidence for all of life's property decisions

We are a leading property technology and services business that is home to one of the largest portfolios of property brands in Australia.

Domain helps agents and consumers at every step in the property lifecycle – renting, buying, selling, investing, financing, insurance and utilities.

The Domain Group is home to Domain, Allhomes, Commercial Real Estate, and CommercialView. Our portfolio also includes agent products Homepass, Pricerfinder and Real Time Agent. Our consumer solutions products include Domain Loan Finder and Domain Insure.

As a customer-centric property marketplace, we are committed to making the property journey easier, more enjoyable and connected at every stage.

# Business Performance Overview

## Core Digital



**Core Digital comprises Residential; Media, Developers & Commercial; and Agent Services subscription and premium products. These platforms reach large and highly engaged audiences and provide agents and corporates with powerful marketing tools to deliver effective customer solutions.**

### Residential

Residential generates revenue through listings of 'for sale' and rental properties across its desktop, mobile and social platforms. Premium (depth) listing products account for the largest proportion of revenue, with monthly subscriptions contributing the balance.

Residential revenue reduced 7%, a solid performance in an environment of unprecedented declines in new property listings. Early signs of volume improvement in March 2020 were reversed due to the sudden and substantial impact of COVID-19 on the property industry. Despite the challenging backdrop, Domain's proportion of depth listings was at the highest level in the Company's history. Together with an innovative new flexible pricing model, the business delivered continued growth in controllable yield. This reflects the responsiveness of our product and sales teams in adjusting to the environment, and recognises the value Domain provides to agents and consumers through every stage of the property journey.

### Media, Developers & Commercial

Media provides a platform for digital display advertisers to reach high value consumer audiences. The Developers business generates revenue by delivering marketing solutions to residential property developers. Commercial Real Estate (CRE) comprises digital subscription, listings and display advertising for a range of sectors including office, retail and industrial.

Revenue across Media, Developers and Commercial declined 9% with the market environment impacting the performance of all three verticals. Media's revenue declined in H1 reflecting the strategic decision to transition to a programmatic offering, with lower revenue but improved margins. Additionally, broad weakness in the advertising market was exacerbated

by COVID-19's impact on key advertising categories in H2. The Developer market was impacted by the deferral of high rise apartment projects resulting from lower investor demand and COVID-19 impacts on immigration. Activity in smaller, boutique projects was stronger, however these require lower levels of marketing support. Commercial Real Estate (CRE) delivered solid revenue growth for the year. A strong H1 performance reversed in H2 due to the rapid and significant impact of COVID-19. Industrial and office outperformed retail and hotel sectors. CRE continued to deliver strong growth in depth penetration in H1, with yield benefiting from the introduction of a new flexible value based pricing model in lease.

### Agent Services

Agent Services includes Pricefinder, Australian Property Monitors (APM), Homepass, and Real Time Agent, which was acquired in November 2019. MyDesktop was divested during the year as part of Domain's strategy to simplify and optimise, and work in alignment with all agents. Pricefinder and APM produce property data, insights and reporting tools for the property industry, financial institutions and other non-real estate businesses. Homepass provides open-for-inspection tools, while Real Time Agent digitises key steps in the property journey, including agency agreements, auctions and contracts.

Agent Services revenue increased 1% for the year, with the strong first half performance offset by the impact of support initiatives which Domain provided to agents in response to COVID-19 in H2. Real Time Agent contributed revenue from the time of its acquisition, with its digital products seeing accelerated take up as valuable solutions to implement a COVID-19 safe environment. Domain's product suite enriches the agent experience at every stage of the property journey.

\* excluding significant items and disposals.

Despite the challenging backdrop, Domain's proportion of depth listings was at the highest level in the Company's history. Together with an innovative new flexible pricing model, the business delivered continued growth in controllable yield.

## Consumer Solutions & Other



**Consumer Solutions includes Domain's businesses in home loans, insurance and utilities connections. Domain Loan Finder and Domain Insure operate as joint ventures with specialist providers, and Domain Connections is a residential utilities connection lead generation service.**

Consumer Solutions revenue increased 83%. This was underpinned by strong growth at Domain Loan Finder, which significantly expanded its refinancing activities while continuing to deliver growth in new home loans. Domain Loan Finder's new accounts increased by 45% year-on-year. EBITDA losses reduced reflecting the benefits of increased scale and strong revenue momentum. Consumer Solutions businesses reach Domain's large audiences with high purchase intent, and are well placed to deliver on Domain's vision to build a customer-centric Australian property marketplace.

## Print



**Print reaches an audience of around 1.5 million through the *Domain*, *Allhomes* and *Domain Review* magazines. The *Domain* magazine is distributed through leading metropolitan dailies *The Sydney Morning Herald*, *The Age* and *The Australian Financial Review*. The *Allhomes* magazine is distributed through the *Canberra Times*. *Domain Review* is a free premium lifestyle and property magazine distributed in Melbourne.**

Print revenue declined around 41% reflecting the challenging environment. Weakness in auctions and developers in H1 was exacerbated by the impact of COVID-19 in H2. Print publications were paused in Q4 to respond to the COVID-19 impact. Ongoing cost initiatives and lower print volumes contributed to a 34% decline in expenses, and profitability was maintained despite the lower Q4 revenue. While structural shifts to digital have accelerated during COVID-19, Domain magazines remain a desirable marketing platform for agents to access high value, aspirational audiences, as well as providing the opportunity to strengthen agent's own profiles and brands.

\* excluding significant items and disposals.



# Chairman's Report

Nick Falloon

“Domain’s COVID-19 response, Project Zipline, was implemented with the guiding principle of doing the right thing for our employees, our customers, our shareholders and the broader community. The plan protects our key assets – our people and our capacity to deliver innovative product solutions – and supports our vision of building a customer-centric property marketplace.”

**\$261.6m\***

Revenue

**\$84.4m\***

EBITDA

**\$21.6m\***

Net Profit after Tax

**3.7c\***

Earnings per share

**2c**

Total dividend per share

**1.3x\***

Net debt to EBITDA

\* reflects trading performance excluding significant items and disposals.



**In a challenging year for all of us, we particularly appreciate the support of our shareholders, and we wish you well. Despite the unprecedented circumstances, FY20 has been a year of progress for Domain. The business has continued to deliver against its strategic objectives. Our people have responded to the challenges posed by a property market recovering from historically low volumes, and then impacted further by the twin shocks of bushfires and COVID-19. Domain has made the most of opportunities arising from accelerating digital adoption that has accompanied the crisis. Our digital solutions are seeing rapid uptake by agents and consumers, and Domain is strongly positioned for the future.**

## Financial Performance

Domain's trading results (excluding significant items and disposals) for the 2020 financial year are outlined below. Revenue reduced 10.5% to \$261.6 million, a solid result given the unprecedented property listings declines in the first half, and the impact of bushfires and COVID-19 in the second half.

Expenses were 10% lower reflecting continued cost discipline and efficiencies, the implementation of COVID-19 responses, and benefits from the Federal Government's Jobkeeper scheme. Project Zipline contributed to a reduction in employee cash salary costs as our employees overwhelmingly elected to be paid part of their cash salary in share rights. Production and distribution costs were also lower reflecting print cost savings initiatives and a pause on print operations in Q4.

Earnings before interest, tax, depreciation, and amortisation (EBITDA) declined 10% to \$84.4 million. Earnings before interest and tax (EBIT) declined 33% to \$43.3 million due to higher depreciation and amortisation expense related to the impact of adopting the AASB 16 accounting standard, and the timing of capex and acquisitions.

Underlying Net Profit After Tax (NPAT) of \$21.6 million reduced 40%. Domain reported a statutory net loss of \$227.7 million after taking into account significant items. The carrying values of Domain's intangible assets required assessment as a result of the unprecedented impact of COVID-19 on the property market, resulting in a non-cash impairment charge of \$256.1 million being recognised. The charge is non-cash in nature, with no impact on banking covenants, or our view of the long-term growth prospects for the business.

Underlying earnings per share were 3.7 cents and total dividends were 2.0 cents, 100% franked. No final dividend was declared, reflecting the uncertainty of the current outlook.

As part of our COVID-19 response, Domain strengthened its liquidity position by reaching agreement with its banking group for a new debt facility of \$80 million, with a term of 18 months. The facility is in addition to the \$225 million facilities agreed to in November 2019. In addition, the banking group agreed to a waiver of the group's financial covenants as at June and December 2020. At June 2020, Domain's net debt was \$105.8 million, and the balance sheet remains strong with a leverage ratio of 1.3 times EBITDA.

## Confidence In Our Strategy

Domain's leadership team responded swiftly to COVID-19, with the implementation of Project Zipline and support initiatives for our people, our customers, our shareholders and the broader community. Details can be found in the CEO's Report.

Despite the impact of COVID-19, Domain continued to make progress against the strategy outlined in the 2019 Annual Report. The three pillars of our strategy support our purpose to inspire confidence in all of life's property decisions. We do this by:

- Growing the core listings business. Domain provides solutions to our agent and corporate customers to help them grow their businesses. Our Residential, Media, Developers and Commercial, and Agent Services platforms connect our customers with large audiences across digital, print and social. During the year we expanded our Agent Services platform with the acquisition of Real Time Agent which provides end-to-end digital solutions for agents.
- Growing new revenue in Consumer Solutions. Domain partners with specialist providers to deliver direct to consumer services spanning home loans, insurance and utilities. These offerings are adjacent to our core listings business, and benefit from Domain's large audiences and trusted brand.
- Simplifying and optimising our business. Domain maintains a disciplined focus on cost management and maximising returns, to efficiently fund investment for future growth. During the year we divested MyDesktop to focus on our goal of delivering valuable solutions to all agents.

In addition to providing COVID-19 related support initiatives, we fast-tracked development of innovative products for agents and consumers. These digital solutions support Domain's evolution to our vision of a digital property marketplace.

## Confidence In Our Company

Domain recognises our responsibility to the communities we serve. We are committed to progressing our Environmental, Social and Governance (ESG) management practices to deliver sustainable value to all our stakeholders. During the year we developed an ESG Policy to outline the material risks to our operations, and an ESG Plan to identify and implement actions to mitigate those risks. Further details are highlighted in the Corporate Social Responsibility section of the Annual Report.

I would like to take this opportunity to thank my fellow Board members for the contribution they make to Domain. Their expertise and wise counsel has been particularly valuable as we have all had to adapt to unfamiliar circumstances. I'd like to acknowledge the service of Patrick Allaway and Gail Hambly who retired from the Board in February 2020, in particular for the contribution they made in the transition from Fairfax ownership to an independently listed company. I'd like to welcome our two new directors from Nine, Hugh Marks and Lizzie Young. We welcome the opportunity to work even more closely with our major shareholder. Your Board looks forward to welcoming shareholders at our Annual General Meeting which will be held in a virtual format on 10 November 2020.

On behalf of the Board I'd like to thank our people for their hard work and dedication in these challenging times. Their tremendous support for Project Zipline is an indication of their commitment to each other, to our customers and to Domain. I'd like to acknowledge Jason Pellegrino and the inspirational leadership he has demonstrated in navigating Domain through uncharted territory. The adept response of Jason and his team provides confidence in a bright future for Domain.



Nick Falloon  
Chairman

## CEO's Report

Jason Pellegrino

“Project Zipline positions Domain to trade through the wide range of potential market scenarios that lie ahead, while maintaining the pace of our business model evolution. While these measures are designed to ensure that Domain can successfully navigate the current circumstances, they are equally important in positioning the company to take advantage of a period of rapid growth in digital adoption, as well as being ready to accelerate as markets return to normal.”



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## Growth

in depth penetration and record number of depth contracts

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### 6%

growth in controllable residential yield

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## Successful

implementation of new pricing model

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### 39%

YoY growth in June 2020 unique digital audience to 6.6 million

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### 83%

Growth in Consumer Solutions revenue

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### 5%

expense reduction like-for-like

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## Acquisition

of Real Time Agent

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**Once again in FY20, the resilience of our business and our people was tested like never before. In my 2019 report to you, I outlined the conditions that had combined to create historically low property listings volumes. Those conditions persisted into FY20, and were further exacerbated by the twin shocks of summer bushfires, followed by the sudden and severe health and economic impact of COVID-19.**

### Ziplining Through COVID-19

As outlined in the Chairman's Report, Project Zipline and our range of innovative solutions and initiatives positioned Domain to deal with a period of substantial uncertainty and market disruption. Importantly, they also supported us in maintaining focus and velocity to take advantage of a unique period of accelerated digital adoption in line with our business model evolution to a property marketplace.

I am very proud of how teams right across the business have responded with a broad array of appropriate solutions. The safety of our people, our customers and the broader community was central to our response. However, we also recognised the necessity of an immediate reduction in cash burn to prepare for an uncertain environment, and ensure the long term financial sustainability of Domain.

For our agent customers, many of whom are small businesses, we introduced a range of support packages at a cost of around \$5 million to revenue. We reduced or waived subscriptions to our residential listings and agent services products, and provided access to our property market insights. In addition, we made Domain's Employee Assistance Program freely available to agents.

For our people, we were mindful of the impact that staff redundancies, stand-downs or pay cuts would have on personal lives, business productivity and the pace of Domain's business model evolution. Our voluntary programme with the options of reduced working hours, or cash salary reduction in exchange for share rights, was overwhelmingly supported by our staff. Other measures adopted to preserve cash flow included a pause on print during Q4, and focused and efficient marketing spend.

For consumers and agents, our product teams delivered creative solutions to new social distancing requirements in impressively short timeframes.

We delivered informative COVID-19 guides, developed video and virtual tour options, and added online and private inspection tools to our property listings. Our newly acquired Real Time Agent business was ideally placed to support agents with digitisation solutions for steps in the listing, auction and sales process which had historically been performed offline.

Finally, we reached agreement with our banking group to extend Domain's banking facilities and waive covenants for June and December 2020.

### FY20 Results Update

#### Core Digital

Core Digital revenues (excluding significant items and disposals) declined 6% to \$227.0 million, and EBITDA on the same basis declined 7% to \$99.4 million. EBITDA margins were stable, reflecting ongoing cost discipline across the business.

#### Residential

Residential revenue reduced 7%, a solid performance in the context of double digit declines in property listings. The introduction of a new flexible pricing model, and our continued implementation of targeted market-by-market strategies, supported a 6% increase in controllable yield which mitigated some of the volume declines. Yield was underpinned by price growth, and a continued increase in depth penetration – with further benefits from favourable market mix. In a difficult environment, the number of depth contracts reached a new record, reflecting the value Domain provides to agents and their vendors. In June 2020, Domain's unique digital audience increased 39% year-on-year to 6.6 million while app launches increased an incredible 81%. And despite the decline in new listings, leads to agents showed remarkable resilience, increasing 41% year-on-year.

#### Media, Developers & Commercial

The environment impacted the performance of all three verticals, with revenue declining 9%. Media's strategic decision to transition to a lower revenue, higher margin programmatic offering reduced revenue in H1. Broad weakness in the advertising market was exacerbated by COVID-19 in H2, with reduced spending in key advertising categories.

## CEO's Report

Jason Pellegrino

In the Developer market, lower investor demand and COVID-19 impacts on immigration resulted in the deferral of high rise apartment projects. Stronger activity in smaller boutique projects was not sufficient to provide an offset due to lower required levels of marketing support. CRE's strong H1 performance was disrupted in H2 by COVID-19 impacts. Retail and hotel sectors were particularly weak while industrial and office outperformed. CRE's record audiences, and new flexible value based pricing model, supported growth in yield and market share, and increased depth penetration in the first half.

### Agent Services

Revenue increased 1% to \$22.4 million, with a contribution from Real Time Agent from the time of its acquisition in November. Pricfinder and Homepass delivered a strong first half performance.

In the second half, COVID-related support initiatives to agents impacted on revenue. Real Time Agent's product suite provides valuable solutions to implement social distancing in the COVID-19 environment, and benefited from accelerated agent adoption and geographic expansion. During the year, the decision was made to divest MyDesktop to support Domain's strategy of delivering valuable live data and insights solutions to all agents.

### Consumer Solutions and Other

Consumer Solutions revenue (excluding significant items and disposals) increased by 83% to \$5.6 million and EBITDA loss on the same basis reduced by 58% to \$(3.6) million. The result was underpinned by a strong performance from Domain Loan Finder which continued to deliver growth in new home loans while significantly expanding its



refinancing activities. New accounts increased by 45% year-on-year. The reduction in EBITDA losses reflects Domain Loan Finder's increased scale and strong revenue momentum. The Consumer Solutions businesses are well placed to deliver on Domain's vision of servicing the entire property lifecycle.

### Print

Print revenues (excluding significant items and disposals) declined 41% to \$26.5 million. The soft H1 auction and developer market weakened further in H2 due to the impact of COVID-19. Domain magazines were paused in Q4 in response to the environment. Cost benefits from the print pause, together with other expense initiatives, provided some offset to EBITDA which reduced 56% to \$6.1 million (excluding significant items and disposals). COVID-19 has accelerated the structural decline of print across the country while remaining

a sustainable proposition in premium markets where Domain's print assets are located. Print continues to deliver high value, aspirational audiences, and unmatched branding opportunities to agents.

### Evolving To A Property Marketplace

Our vision for Domain is to build a customer-centric property marketplace that delivers to our purpose to inspire confidence for all of life's property decisions.

In my 2019 report I outlined a new organisational structure with two streams of B2B and B2C, focused on agents/corporates and consumers. This structure was established to support the three pillars of our strategy: growing the core listings business, growing new revenue in consumer solutions, and simplifying and optimising the business. This strategy supports the evolution of our business model by leveraging the opportunities that our data and insights provide for richer and more valuable user experiences. This evolution broadens revenue from subscription and listings to include new revenue streams from a broad range of products and services.

In FY20, we have continued to progress towards our vision despite the challenges that have come from COVID-19. In many ways the current environment has accelerated digital take-up by agents and consumers, and Domain is well placed to respond. Our acquisition of Real Time Agent adds to our Agent Services business a range of products which digitise previously offline processes. These include agency agreements, auctions and contracts. In the COVID-affected environment, RTA's innovative solutions have benefited from significant take-up. Between acquisition in November 2019 and June 2020, RTA significantly increased the number of its agent subscribers, and extended well beyond its home base in Victoria to New South Wales and Queensland. There have been substantial benefits in combining RTA's creative agent products with the power and scale of Domain's national platform.

At Domain Loan Finder, our digital model has been uniquely placed to support consumers in light of social distancing restrictions. During COVID-19, the market has seen soaring demand for refinancing as consumers have focused on their personal finances. Domain Loan Finder responded with a timely marketing

campaign and attractive solutions. This flexible response underpinned a 55% uplift in new customer accounts between the first and second half of FY20.

RTA and Domain Loan Finder are compelling examples of Domain's ability to extend our relationships with agents and consumers from one-off transactions to servicing the entire property lifecycle.

### Confidence In Our Values

Domain's values have never been more powerfully on display than in the response of our people to the challenges of the past year. Our staff and Executive Leadership Team responded to the crisis just as the entire company transitioned to remote working. While physically separate, we have never been more united. In fact, we have seen a 28% increase in staff engagement through the first half of 2020. The clarity and speed with which we were able to deliver real support and solutions to our agents and consumers was truly impressive. Even more inspiring was the commitment our people demonstrated to the company and each other by overwhelmingly taking up share rights in Domain in exchange for reduced cash salary.

In these unprecedented circumstances, Domain benefited from the expertise of the Board led by Nick Falloon, and I would like to express my appreciation for their clear-sighted guidance. I would also like to thank our shareholders for their support and the confidence they have displayed in our strategy.

Domain's ability over the past year to execute on our strategy, respond to COVID-19, and progress the evolution of our business model, highlight the strength of the business and the people who work in it. We look forward to another year of inspiring confidence for all of life's property decisions.



Jason Pellegrino  
Domain CEO







## Good & Green

### Corporate Social Responsibility

**As a leading property marketplace, we're committed to delivering sustainable value to our stakeholders. We do this by embracing responsible business practices, monitoring our supply chain, being an employer of choice, managing our environmental footprint, and supporting and investing in community development.**

In FY20, the summer bushfire crisis, COVID-19 and economic uncertainty created unimagined stress for many Australians. In addition to our planned Environmental, Social & Governance (ESG) activities, we have provided assistance to our staff, customers and communities through a range of support packages and initiatives.

These events reinforce the importance of our sustainability approach, good corporate citizenship and the role we play in helping to inspire confidence in all of life's property decisions – in all events and conditions.



**We are proud of our role in creating more meaningful experiences and relationships for the millions of people across Australia undertaking a property journey.**

### Our Environment

**The events of 2020 have clearly placed climate change at the forefront. We believe reducing our impact on the planet is of critical importance, both to create a better society in line with the United Nations Sustainable Development Goals, and to future-proof the company against the potential impacts of climate change.**

The People and Culture Committee oversees the environmental reporting and performance of the business.

Further information in relation to Domain's exposure to environmental and social risks is set out in the Corporate Governance Statement on page 45–58 of this Annual Report.

### ESG Policy and Plan

Addressing ESG risks is a long-term strategic issue that Domain seeks to embed into our company's core business activities – strategy, operations, risk management and corporate culture. Domain's actions to reduce risks that have been identified as the most critical to the Company are outlined in the ESG Policy and ESG Plan.

Further information about Domain's ESG Policy and ESG Plan is set out in the Corporate Governance Statement on pages 45–58 of this Annual Report.

### CDP Report

We have committed to evaluating the impact of climate change on our business and strategies annually, and follow the Task Force on Climate-related Financial Disclosures (TCFD) recommendations to disclose information on our governance and risk management practices. We are doing this through the Carbon Disclosure Project questionnaire, a global environmental disclosure system that supports thousands of companies, states and cities to measure and manage their risks and opportunities on climate change, water security and deforestation.

# Good & Green

## Corporate Social Responsibility



Domain's greenhouse gas (GHG) emissions and total energy consumption over the past five years are highlighted in Figures 1 and 2. The initial increase between FY16 and FY18 was the result of Domain's expansion in the number of office premises as the business extended its footprint across Australia. Following the achievement of the full national roll-out in FY18, Domain's GHG emissions and overall energy consumption reduced in FY19, and reduced further in FY20. The FY20 reduction has been assisted by low utilisation of Domain's premises during the COVID-19 crisis in the fourth quarter, as staff transitioned to working from home. There has also been a contribution from a broad array of corporate and staff-driven initiatives.

### Domain Green

Our employees are passionate about the environment and drive many activities across the business. They do this through Domain Green, a cross-functional group designed to champion the environment and share ideas of how to improve sustainability. Through this group, we integrate environmentally-friendly practices into our everyday activities with a range of staff-driven sustainability initiatives including printing, recycling and water awareness programs as well as community-based activities such as Clean Up Australia Day.

### CitySwitch Green Office

Domain signed up to the CitySwitch Green Office program, committing to improve the Sydney office's sustainability performance and reduce its greenhouse gas emissions. As a CitySwitch Signatory, the pledge from Domain is to aim to achieve a 6-star energy efficiency rating, invest in renewable energy, improve waste reduction by increasing the recycling rate up to 50% and focus on IEQ (Indoor Environment Quality).

### Better Buildings

Our Sydney office also entered the 2019 Better Buildings Cup which aims to find the most sustainable building in Australia. The Cup runs annually, encouraging companies to earn points for sustainability projects. Among many sustainable initiatives practiced at Domain, the Sydney office introduced a waste stream for disposable coffee cups, created a coffee cup library, held a number of e-waste collections and signed the single-use plastic pledge.

### Not Business As Usual

We are proud to be one of the first businesses that signed up to the Not Business As Usual pledge and joined thousands of companies backing the Global Climate Strike on 20 September 2019. Over 4,000 businesses eventually signed the pledge with approximately 100 Domain employees participating in the Strike across the country. The Strike allowed employees to support action against climate change and stand up for something they feel strongly about.

### First Corporate Partner of Tern

Domain is proud to be the first corporate partner for Tern, an active commuting app that encourages users to reduce their carbon footprint and improve their health. Created and developed by Domain Principal Engineer, Albert Still, the Tern app uses AI technology to automatically detect when a user is walking, running or cycling and tracks how much CO2 is saved. The app allows companies to create staff competitions and report the statistics on a leaderboard.

\*Tonnes of carbon dioxide equivalent (tCO2e) is a measure that allows comparison of the emissions of other greenhouse gases relative to one unit of Carbon Dioxide (CO2). It is calculated by multiplying the greenhouse gas's emissions (e.g. methane) by its 100-year global warming potential

GHG data series uses estimate for Brisbane premises as data was not available by the publication deadline. In FY19, Brisbane accounted for ~5% of Domain's total GHG emissions

Electricity usage series uses estimate for Brisbane premises as data was not available by the publication deadline. In FY19, Brisbane accounted for ~6% of Domain's electricity usage

Figure 1: Domain's Greenhouse Gas (GHG) Emissions

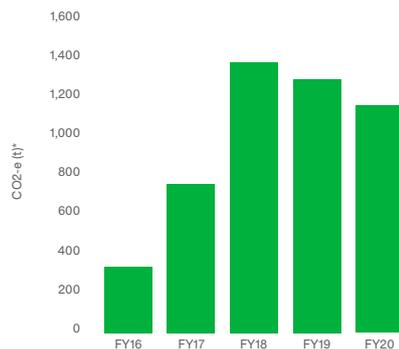
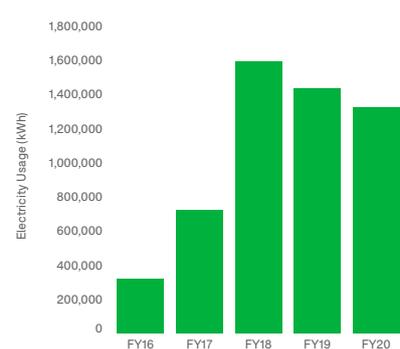


Figure 2: Domain's Energy Consumption (kWh)





## Our Community

**From fundraisers to address the issue of homelessness facing young people in Australia to events that raise awareness of the need for equity, we run a range of initiatives each year aimed at creating a more diverse and inclusive society.**

### Our 2020 National Charity Partner

Australia's leading food rescue organisation, OzHarvest, is Domain's National Charity Partner for 2020. OzHarvest collects quality excess food from commercial outlets and delivers it to more than 1,300 charities. To kick off the partnership, Domain employees helped out with the Redfern Community Centre 2019 Christmas Party that was hosted by OzHarvest. With many fundraising activities postponed due to social distancing requirements, OzHarvest's fundraising ability has been limited. In June 2020, Domain stepped in to assist with three employees – our Chief Financial Officer, Rob Doyle, Designer Josh Bradshaw and Org Capability Lead Nic Barry – raising \$20,000 in exchange for shaving off their hair or beards.

### Youth Off The Streets Real Estate Sleep Out

A number of Domain employees participated in the 2019 Real Estate Sleep Out in Brisbane, Canberra, Port Macquarie and Sydney raising \$25,000 for Youth Off The Streets. Employees endured a cold winter night out sleeping on a beach or in a park or backyard, all in support of a good cause.

### The Smith Family Challenge

Domain entered The Smith Family Young Professional 'YoPro' Challenge, a two-day race through rugged terrain in the Hunter Valley. With our CEO and four employees representing Domain, the team raised just over \$30,000 to help support education for disadvantaged children.

### Common Grounds

Allhomes donated \$5,500 to Common Grounds Canberra, an organisation established with the aim of ending chronic homelessness through the development of permanent, high quality, supportive and safe housing for Canberra's most vulnerable homeless people.

### Fundraising and Awareness Initiatives

The Domain offices are no stranger to events like International Women's Day, International Men's Day, RSPCA Cupcake Day or Australia's Biggest Morning Tea. In addition to mainstream events, Domain has also organised state-based activities including supporting and raising funds for the Stella Blue Foundation, Green Shed, Salvation Army, Jeans for Genes Day, WA Telethon and Hot Socks Sock Drive.



# FTSE4Good

## Domain is a FTSE4Good Index Series Constituent

FTSE Russell (the trading name of FTSE International Limited and Frank Russell Company) confirms that Domain Holdings Australia Limited has been independently assessed according to the FTSE4Good criteria, and has satisfied the requirements to become a constituent of the FTSE4Good Index Series. Created by the global index provider FTSE Russell, the FTSE4Good Index Series is designed to measure the performance of companies demonstrating strong ESG practices. The FTSE4Good indices are used by a wide variety of market participants to create and assess responsible investment funds and other products.

# Good & Green

## Corporate Social Responsibility

### Our Values

**We're cementing a strong new culture at Domain. Our values help us to consider the workplace we want to live in and embed an ethos of innovation into our work. Domain brought together a range of views from across the business to develop our values which have been in place since July 2019. Our values represent what Domain employees believe are important standards of behaviour and they guide us in achieving our purpose to inspire confidence:**

#### Open Minds, Open Doors

*And closed minds close them. We're always up for looking at things through each other's eyes.*

This says as much about how we treat each other as how we go about our work. We believe in the importance of collaboration, diversity and inclusion. Each of those themes is about having an open mind in order to see things through someone else's perspective, which opens doors to new opportunities and to a sense of belonging.

#### Have Adventures

*Big ones. Small ones. The kind that makes our time here all the more meaningful.*

Our people are all for exploring: "innovation, challenge, leading the way, making a difference". This is best described as the mindset of having adventures. At the very least, they reignite our passion and remind us what we're here for. At the most, they bring out the best in us; happiness, curiosity, innovation, ideas that change everything.

#### Leap Grow Repeat

*We admire the leap; learning when we fall, celebrating when we land, and then leaping all over again.*

This value was born out of us all wanting support; wanting to know that it's ok to fail and that we're always supported to try again. Telling someone to just "get back up again" carries no meaning, but when delivered in this way, as a kind of inspirational and yet instructional mantra, it feels as much as words of encouragement from a colleague as it does words from within.

#### Passion is Contagious

*So we don't keep it to ourselves. We share our energy, drive, determination, celebration and pride.*

Our people share their energy, drive, determination, celebration and pride, which makes it clear that passion, as the sentiment underlying all of those, is important to us. But "importance" is only half the definition of a value.

The other half is that it needs to drive behaviour and passion doesn't do that if we keep it to ourselves. That's why we encourage sharing this passion, by celebrating our wins, practicing gratitude, always putting our best foot forward. Once it's out there, it becomes the glue that holds us together.

### Our People

**At Domain, we are committed to helping our people thrive personally and professionally by creating a workplace culture that is fair and inclusive and reflects the diversity of the communities in which we operate. We encourage our ~700 employees to bring their full self to work. We acknowledge our duty to behave in a responsible manner both within business activities and towards broader community stakeholders.**

#### Our Policies

In FY20, we launched Domain's Anti-Bribery & Corruption Policy and our Human Rights Policy. They join our suite of company policies that includes: Harassment, Discrimination & Bullying Policy; Speak Up Policy; and our Supplier Code of Conduct.

#### Learning and Development

We commenced our Leadership Development Program, which includes the Leading@Domain course that all frontline leaders will undertake. Leadership Presence training for senior leaders is underway with 40 participants to date. Additionally, a number of coaching cohorts have been established for senior leaders.

#### Diversity and Inclusion Training

Our innovative virtual reality diversity and inclusion training continued across the business with 650 employees completing the course to date. Our people also complete online diversity and inclusion training every 12 months.

#### Health, Safety & Environment

We take safety seriously and have been further developing our Health, Safety & Environment (HSE) management and reporting system. The key aspects of this system include training, risk management and emergency preparedness. We are proud to state that our lost time injury frequency rate for FY20 was zero.

#### Employee Inclusion Plans

Our ESG work identified a number of key groups that required the development of employee inclusion plans over future years. At the forefront of these plans is the Reconciliation Action Plan and an LGBTQI+ Inclusion Plan, both aimed at increasing awareness and inclusion within the business. Employees are part of the development of the two plans and will help to champion the plans once finalised.



### R U OK? Day

Mental health has been a strong focus for Domain in the past twelve months. Nationwide, offices came together on 12 September 2019 to hear from guest speaker Mitch Wallis, CEO and Founder of the Heart On My Sleeve movement, who gave an inspirational talk. The speech started a conversation that had employees more openly discussing mental health and looking at ways to improve awareness and acceptance.

### Pride at Domain

In honour of our LGBTQI+ staff and friends, Domain launched Pride at Domain, a group dedicated to helping to champion and provide support to those within the business who identify with the LGBTQI+ community. The group aims to create a safe space for employees and allies to connect as well as raise awareness across the business. The group was launched earlier in the year with a national Mardi Gras event, and held a social media campaign for IDAHOBIT – the International Day Against Homophobia, Biphobia, Interphobia & Transphobia.

### Partnering with Hatch

Hatch provided Domain with some unique opportunities to not only fill gaps in teams but to also help foster experience in young talent. The program pairs employers with university students where a match allows an employer to fill a necessary role while a student can gain real, hands-on experience in their field of study. Recent pairings with Domain have included students in Technology, Design and Employee Experience. So far eight students have had roles within Domain and the partnership is likely to continue based on its success and popularity among staff.



### Our Financial Sustainability

**At Domain we remain committed to ensuring the financial viability and sustainability of the organisation for all stakeholders. The Domain strategy is designed to support long term growth in profitability, which in turn benefits all stakeholders, including shareholders, employees, customers and suppliers. It also provides increased job security for employees and suppliers, as well as improved services to customers.**

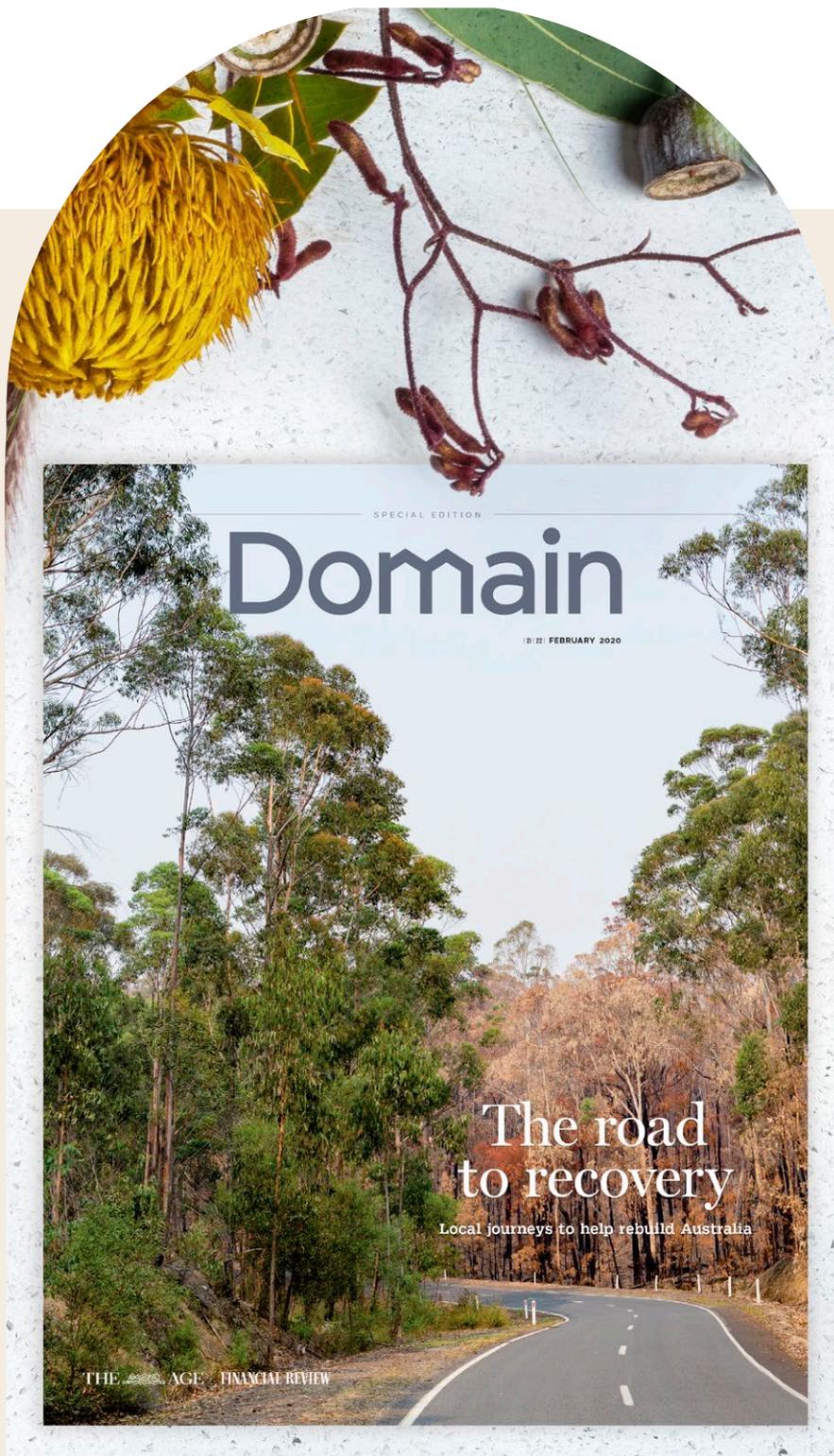
### Protecting Your Data

Digital technology provides us with experiences and opportunities that would have been unimaginable a generation ago. With those benefits, there are also challenges as our society and individuals navigate the rapidly changing digital world. We are focused on building a high level of digital trust within our organisation and we are committed to fostering a positive digital experience and trusting environment.

Data security and privacy were deemed to be of high importance and high impact for the business in our recent ESG risk assessment. We have ensured that ownership of this matter sits at the executive level with our Group Directors of Technology and Data. We have an in-house information security team that oversees our data security practices, conducts periodic testing on our systems, and assesses new vendors for IT security risks. This is all to ensure that the data we receive is and remains secure.

An internal cybersecurity review has been conducted looking at systems, policies, processes and platforms. Recommendations from this review will be implemented over the coming year. Face-to-face privacy training has been conducted for over 300 employees who have access to data within the business. An online version is being created for the remainder of the business to undertake.

During FY20, we held cross-functional data meetings to consider the use-cases for Domain data. The team had a governance and oversight role giving consideration to the appropriate use of data and also appropriate levels of internal access to data. In 2020, we also established a working committee focused on developing a Data Charter.



## Australian Bushfires & COVID-19

### Our Response

**It's been a year we will never forget. With the Australian bushfires and the evolving COVID-19 pandemic and resultant economic uncertainty, Domain has channelled its efforts into providing innovative solutions and the tools and tangible support our people, customers and communities need.**

### Australian Bushfires

Like all Australians, we were devastated to see the impact of the 2019–20 bushfires on our communities – the most catastrophic bushfire season ever experienced in our country's history. Domain's response included:

- Support packages for impacted consumers and customers, including free refresh, free online rental listings, subscription waivers and flexible payment terms.
- Matching staff donations in our employee bushfire appeal. The Appeal donated to a range of charities including State Fire Authorities and the WWF Adopt a Koala Fund. With every \$1 donation made by an employee, Domain contributed \$2, effectively tripling donations. More than \$22,000 was raised.
- The *Domain Magazine Roads to Recovery* special edition, to encourage tourism and support the affected regions and communities in the months following the bushfires.
- The #DomainStays employee program, offering an additional day of leave to holiday in bushfire-impacted areas. It has the dual aim of encouraging tourism in the areas that need it most, while also encouraging employees to take a break. In light of COVID-19 and to ensure all are abiding by health regulations, we have extended the program to June 2021 for when restrictions lift.
- Paid emergency leave to impacted staff and volunteer leave to team members assisting with emergency bushfire relief organisations, WIRES and Red Cross.

## COVID-19 pandemic

As the COVID-19 pandemic continues to evolve, Domain's response to support all our stakeholders has included:

### Supporting our people

Our top priority is the health, safety and wellbeing of all employees. Since March, most employees have been working from home, with staged returns to the office in alignment with state and territory health regulations. In addition to investing in COVID-19 safety measures, Domain's response included:

- Project Zipline, our innovative solution to retain jobs, employee talent and business momentum for the long term.
- Funds for staff to purchase home office equipment and a monthly internet allowance to support the transition to working from home.
- Flexible work schedules to help our team navigate homeschooling and other challenges.
- Access to our Assure Employee Assistance Program and the Calm App.
- Staying Healthy at Home initiatives, to encourage connection, communication and employee wellbeing during periods of isolation.
- A Domain Wellbeing Day to say thank you to all employees for their efforts during the pandemic. We've offered the Wellbeing Day in the form of time off in lieu to be taken alongside two annual leave days. The intent is to make sure our people recharge their batteries during this challenging time.

### Supporting industry, agent partners and customers

We worked closely with industry and agent partners to develop new digital solutions that support the property industry in dealing with the challenges of social distancing requirements. In addition to supporting customer's ability to deal with new ways of living and working safely, Domain's response included:

- Support packages, tools and information to build resilient and sustainable businesses – this included a COVID-19 hub for agents and reduced or waived listings and Residential and Agent services subscriptions.

- Extending Domain's Employee Assistance Program to our agent customers, providing 3 x free and confidential counselling sessions.
- Introducing video streaming technologies to allow buyers to inspect homes online, with real estate agents available to answer questions about the property.
- Launching online auctions, changing property search, creating virtual tours, and private inspection requests.

### Supporting all Australians

Our communities have faced unprecedented and varied hardships throughout this pandemic. Recognising that education and information is key in the face of uncertainty and vital in inspiring confidence in property decisions, Domain also:

- Created a COVID-19 guide for consumers to safely navigate their property journeys and increase their knowledge of the Australian property market during this unprecedented period.
- Published a series of articles on money matters, helping our audiences to understand and make any necessary adjustments to help them remain financially secure throughout the crisis.
- Delivered a range of articles centred on wellbeing and lifestyle, with tips on how to navigate complex living relationships, ways for people to occupy their time, improve their homes and work with children in the house. All with the knowledge that home is more than bricks and bathtubs and recognising that this time was a huge shift for Australians.

### Project Zipline

As COVID-19 escalated around the world and was ultimately declared a pandemic, it became clear that it was going to have an effect on all businesses. When faced with how to overcome the potential market uncertainties caused by COVID-19 and managing our cost base, we decided to take a unique approach. An approach to retain our talented staff for the long term and to continue to deliver innovative products at pace.

We asked Domain employees and Directors to participate in a voluntary staff program, Project Zipline, with two key options which applied over a six-month period from early May to early November 2020. The first option was to maintain their working hours and total remuneration level but receive part of their salary package in Share Rights and the second option was to elect to reduce their working hours; employees could also elect to take a combination of both options. Employees (other than the CEO) were invited to elect to participate in these options at a level between 20% and 30% (depending on their salary level); the CEO elected to receive 50% of his salary package in Share Rights. More than 90% of our staff voted to support the program, with 87% ultimately taking part in the program as at May 2020. In addition, all non-executive Directors that are paid fees by Domain elected to receive 50% of their Directors' fees over the six-month period in Share Rights.

Following an intensive engagement process, Project Zipline received an immense amount of favourable feedback internally and externally. Beyond the property market, the story received widespread media coverage and enquiries from other industries within Australia and overseas searching for a solution.

At the heart of Project Zipline was a fundamental desire to do the right thing for the Domain business and find a better solution for our staff. The response from staff was exceptionally positive. This is supported by the outcome of the Pulse Engagement Survey that was completed in May 2020. With more than 538 employees completing the survey, we saw an increase of 28% in our engagement score from the Domain Engage Survey of 2019. In addition there was a substantial increase in the score for the question 'The leaders at Domain demonstrate that people are important to the company's success' lifting it to 90% favourable.

Further information on Project Zipline is set out in the Remuneration Report on page 29 of the Annual Report.

# Domain

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# Directors' Report

The Board of Directors presents its report (**Directors' Report**) together with the financial report of Domain Holdings Australia Limited (**Company** or **Domain**) and of the consolidated entity (**Domain Group**), being the Company and its controlled entities for the period from 1 July 2019 to 30 June 2020 (**FY20**), and the auditor's report thereon.

This Directors' Report is made on 20 August 2020.

## Directors

The Directors of the Company during FY20 and the period from 1 July 2020 the date of this Directors' Report are detailed below. All of the persons listed below served as Directors for all of FY20 and the period from 1 July 2020 to the date of this Directors' Report, other than Patrick Allaway and Gail Hambly (who each served as Directors from 1 July 2019 to 1 February 2020) and Hugh Marks and Lizzie Young (who have each served as Directors from 1 February 2020 to the date of this Directors' Report).

### Nick Falloon

*Non-Executive Director and Chairman*

Appointed 16 November 2017

Committee Membership: Audit and Risk Committee (since 1 February 2020), Nomination Committee, People and Culture Committee

### Diana Eilert

*Non-Executive Independent Director and Chair of People and Culture Committee*

Appointed 16 November 2017

Committee Membership: Audit and Risk Committee, Nomination Committee, People and Culture Committee

### Greg Ellis

*Non-Executive Independent Director*

Appointed 16 November 2017

### Geoff Kleemann

*Non-Executive Independent Director and Chair of Audit and Risk Committee*

Appointed 16 November 2017

Committee Membership: Audit and Risk Committee, Nomination Committee, People and Culture Committee

### Hugh Marks

*Non-Executive Director*

Appointed 1 February 2020

### Jason Pellegrino

*Managing Director and Chief Executive Officer*

Appointed 27 August 2018

### Lizzie Young

*Non-Executive Director*

Appointed 1 February 2020

### Patrick Allaway

*Non-Executive Director*

Appointed 16 November 2017

Resigned 1 February 2020

Committee Membership: Audit and Risk Committee (up to 1 February 2020)

### Gail Hambly

*Non-Executive Director*

Appointed 2 October 2014

Resigned 1 February 2020

A profile of each Director holding office at the date of this Directors' Report is included in the Board of Directors section below.

## 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 Bachelor of Laws with Honours and a Diploma in Legal Practice from the University of Glasgow, Scotland and she has also studied laws 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. In addition, she is a graduate of the Australian Institute of Company Directors and is a member of the Association of Corporate Counsel Australia.

# Board of Directors



## Nick Falloon

### Chairman

Nick Falloon is the Chairman of Domain. He was previously Chairman of Fairfax Media Limited and became Deputy Chairman of Nine Entertainment Co. Holdings Limited (**Nine**) on 7 December 2018 following the merger between Nine and Fairfax in 2018. He has 30 years' experience in the media industry, including 19 years working for the Packer-owned media interests from 1982 until 2001.

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

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



## Diana Eilert

### Independent Non-Executive Director

Diana Eilert is currently a Non-Executive Director of ASX-listed companies Super Retail Group Limited (appointed October 2015), and Elders Limited (appointed November 2017), and has previously been a Non-Executive Director of Navitas Limited (July 2014 to July 2019), REA Group Ltd and Veda Group Limited. Diana Eilert is a member of the Australian Competition Tribunal (appointed December 2019).

Her 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. She was also a Partner with IBM.

Diana 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.



## Greg Ellis

### Independent Non-Executive Director

Greg Ellis has been involved in the digital sector for the past 20 years. During that time he has held a variety of senior executive roles in Australia and overseas.

In September 2019 he commenced as Chief Executive Officer of online business management solutions business, MYOB. Previously he was the Chief Executive Officer of Scout24, a Frankfurt Stock Exchange listed online classifieds business from April 2014 until December 2018, and Chief Executive Officer and Managing Director of REA Group Ltd from 2008 to 2014. He was previously a Non-Executive Director of Sportsbet Pty Ltd.

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



### Geoff Kleemann

#### Independent Non-Executive Director

Geoff 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 Bid Energy Limited (appointed September 2019).

He 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. He was also a Non-Executive Director of Investa Listed Funds Management Limited, the responsible entity for Investa Office Fund, from 2016 to 2018 and the NSW Telco Authority until May 2020.

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



### Hugh Marks

#### Non-Executive Director

Hugh Marks joined the Board on 1 February 2020. He has been the Chief Executive Officer and Director of Nine since November 2015. Prior to this he had been an independent Non-Executive Director of Nine since February 2013.

Hugh Marks has over 20 years' experience as a senior executive in content production and broadcasting in Australia and overseas. Before his appointment as CEO of Nine he had ownership and management interests in a number of independent companies providing content for broadcast and pay TV, talent management, and digital production.

Before joining the Nine board, Hugh Marks was an authority member of the Australian Communications and Media Authority for more than two years. Previously he was CEO of the Southern Star Group. He has also worked with the Nine Network as legal counsel, and was Director of Nine Films & Television for seven years.

Hugh Marks holds a Bachelor of Commerce/Laws degree from the University of New South Wales.



### Jason Pellegrino

#### Managing Director and Chief Executive Officer

Jason Pellegrino joined Domain as Managing Director and Chief Executive Officer in August 2018.

He was previously Google's Managing Director Australia and New Zealand and a member of the Asia-Pacific regional leadership team. He joined Google in 2008 and held leadership positions including Managing Director of Asia-Pacific Sales Operations & Strategy, Sales Director, Australia, and Head of Sales and Operations and Strategy for Google's Australia & New Zealand business.

Prior to Google, Jason Pellegrino worked in several roles over 15 years spanning corporate strategy, mergers and acquisitions and finance at Dakota Capital Partners, LEK Consulting, PepsiCo International and KPMG.

He holds a Bachelor of Commerce degree from the University of Wollongong and an MBA from London Business School.



### Lizzie Young

#### Non-Executive Director

Lizzie Young joined the Board on 1 February 2020. She is currently the Managing Director – Commercial Partnerships at Nine, a role she has held since 2019.

Prior to her appointment she held various roles at Nine, including Director of Powered, Director of Innovation, Partnerships & Client Experience and more recently, Group Content Strategy Director.

Lizzie Young has executive responsibility for all marketing activity across the Nine group, is responsible for managing key partnerships and leads Nine's team of state based Managing Directors.

She has had a longstanding media career in television, radio and digital that includes production, integrated sales, commercial and marketing in Australia and abroad.

Lizzie Young holds a Bachelor of Arts, Journalism Degree from the University of Queensland. In 2015, she won the B&T Magazine Women in Media Award for the sales category.

# Directors' Report

## Directors' Meetings

The table below shows the number of Board and Committee meetings held during the financial year and the number attended by each Director or Committee member.

	Meetings							
	Board Meetings		Audit and Risk Committee meetings		Nomination Committee meetings		People and Culture Committee meetings	
	No. Held*	No. Attended	No. Held*	No. Attended	No. Held*	No. Attended	No. Held*	No. Attended
Nick Falloon	8	8	2***	2** 2*** Total 4	3	3	4	4
Diana Eilert	8	8	4	4	3	3	4	4
Greg Ellis	8	8	N/A	–	N/A	–	N/A	–
Geoff Kleemann	8	8	4	4	3	3	4	4
Hugh Marks	4	4	N/A	2**	N/A	–	N/A	1**
Jason Pellegrino	8	8	N/A	3**	N/A	2**	N/A	3**
Lizzie Young	4	4	N/A	2**	N/A	1**	N/A	2**
Patrick Allaway	4	4	2	2	N/A	–	N/A	1**
Gail Hambly	4	4	N/A	2**	N/A	–	N/A	1**

N/A Indicates that a Director is not a member of the relevant Committee.

– Indicates a Director did not attend the relevant meeting.

\* 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 attend meetings as an invitee of the Committee, rather than as a member. For Nick Falloon, this includes meetings of the Audit and Risk Committee he attended prior to being appointed as a member of the Committee.

\*\*\* Nick Falloon was appointed a member of the Audit and Risk Committee on 1 February 2020. Previously he attended the Audit and Risk Committee meetings as an invitee of the Committee. This represents the number of meetings of the Audit and Risk Committee held after he was appointed as a member of the Committee.

## Corporate Structure

Domain 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 property data and research subscriptions, property inspection management tools and digital end-to-end solutions.

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

## Review of Operations

Statutory revenue for the Domain Group for FY20 was lower than the prior year at \$280.4 million (FY19: \$343.3 million). After adjusting for significant items of \$249.9 million expense (FY19: \$174.9 million expense) the Domain Group generated a net profit after tax attributable to members of \$22.2 million (FY19 profit: \$37.4 million), and earnings per share were 3.81 cents (FY19: 6.43 cents). After further adjusting for disposals of \$(0.7) million (FY19: \$(1.4) million), Domain Group generated a net profit after tax attributable to members of \$21.6 million (FY19 profit: \$36.0 million) and earnings per share were 3.70 cents (FY19: 6.19 cents).

Further information is provided in the Management Discussion and Analysis Report on pages 59–61 of this Annual Report.

## Significant Changes in the State of Affairs

Significant changes in the state of affairs of the consolidated entity during FY20 were as follows:

- On 1 July 2019, the Company changed its registered office from 55 Pyrmont Street, Pyrmont to Level 5, 100 Harris Street, Pyrmont.
- On 8 November 2019, the Company announced that it had entered into an amended form of syndicated facility agreement of \$225,000,000, to fund general corporate and working capital purposes of the Domain Group.
- On 27 November 2019, Domain acquired 100% of the issued share capital in Bidtracker Holdings Pty Ltd (Bidtracker). The consideration payable is contingent on targets relating to the future performance of the Bidtracker business. On-target consideration is \$24.8 million, \$19.4 million of which was payable in cash on completion. An additional amount of \$0 and \$15.6 million in cash is payable based on the achievement of defined targets over FY20 and FY21, resulting in maximum consideration of \$35 million.
- On 1 February 2020, Non-Independent Directors Gail Hambly and Patrick Allaway resigned and were replaced with Non-Independent Directors Hugh Marks and Lizzie Young.
- On 13 March 2020, Domain sold its customer relationship management platform, MyDesktop, by a sale of 100% of the issued share capital in Commerce Australia Pty Ltd to Real Estate CRM Pty Ltd. Total consideration is \$14 million, of which 50% is contingent on achieving a number of conditions in 2021.
- On 24 April 2020, Domain signed an agreement with its banking group for a new debt facility of \$80 million with a term of 18 months. Domain's banking group also agreed to a waiver of the group's financial covenants as at June and December 2020.
- In May 2020, in response to COVID-19, Domain launched its Project Zipline voluntary program aimed at delivering a 20% reduction in staff cash salary costs by way of paying part of employees' salary packages in Share Rights or by a reduction in employee working hours. The majority of employees elected to take a percentage of their salary in Share Rights. Directors who receive directors' fees also participated in the program and agreed to take 50% of their directors' fees in Share Rights. The program will run for a period of six months, until November 2020. Further information on Project Zipline is set out in the Remuneration Report set out on pages 26–44 of this Annual Report. The Remuneration Report forms part of this Directors' Report.
- An impairment charge of \$256.1 million (2019: \$178.8 million) at June 2020 was recognised in the financial year in respect of goodwill in Core Digital. The outbreak of COVID-19 and the temporary restrictions implemented has directly impacted revenue through listing and auction volumes in the last quarter of FY20. The uncertainty around the near term impacts on the industry, the economy, and the shape of recovery have resulted in the impairment charge recognised by the Group. Refer to Notes 4 and 7 to the Financial Report on pages 73 and 78 of this Annual Report for further detail.

## Consolidated Result

The statutory loss attributable to the members of the Company for FY20 was \$227.7 million (FY19: loss \$137.6 million).

## Dividends

On 10 September 2019, the Company paid a dividend of 4 cents per fully paid ordinary share, 100% franked at the corporate tax rate of 30%. On 13 March 2020 a fully franked dividend of 2 cents per fully paid ordinary share was paid.

Since the end of FY20, the Directors have resolved not to declare a final dividend.

## Events Subsequent to Reporting Date

There are no matters or circumstances that have arisen since the end of FY20 and the date of this Directors' Report that have significantly affected or may significantly affect the Company.

# Directors' Report

## Likely Developments and Expected Results

The consolidated entity's prospects and strategic direction are discussed in the Management Discussion and Analysis Report on pages 59–61 of this 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 Directors' Report because they are commercially confidential and disclosure of the information would be likely to result in unreasonable prejudice to the consolidated entity.

## Environmental Regulation and Performance

At the Domain Group we take seriously our responsibility to care for and protect the environment in which we operate.

In FY20, Domain has not received or been subject to any environmental breach notice, improvement notice, fine or non-compliance notice from any regulatory bodies and, based on reasonable enquiries, the Board is not aware of any significant environmental breaches as a result of business operations.

Domain completed its first Carbon Disclosure Project (CDP) survey in August 2019 and intends to participate in the CDP program in FY21.

## Remuneration Report

A Remuneration Report is set out on pages 26–44 of this Annual Report and forms part of this Directors' Report.

## Directors' Interests

The relevant interests of each Director in the equity of the Company and related bodies corporate as at the date of this Directors' Report are disclosed in the Remuneration Report on pages 26–44 of this Annual Report.

## Indemnification and Insurance of Officers

The Directors and any alternate directors or executive officers (as defined by the Constitution of the Company), and such other officers or former officers of the Company or its related bodies corporate 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. No indemnification payment has been made to any Director or officer during FY20 or the period from 1 July 2020 to the date of this Directors' Report.

During FY20 and the period from 1 July 2020 to the date of this Directors' Report, 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* (Cth). 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.

No indemnification payment has been made to an officer during FY20 or the period from 1 July 2020 to the date of this Directors' Report.

## Indemnification of Auditors

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, 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 FY20 or the period from 1 July 2020 to the date of this Directors' Report.

The Company has not paid premiums under contracts insuring its auditors.

## 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 FY20.

## No individual or Registered Company Auditor plays Significant Role under Corporations Act Approvals or Declarations

No individual plays a significant role in the audit of the Company for FY20 in reliance on an approval granted under section 324DAA of the *Corporations Act 2001* (Cth).

No registered company auditor plays a significant role in the audit of the Company for FY20 in reliance on a declaration made under section 342A of the *Corporations Act 2001* (Cth).

## Non-audit Services

Under its Charter of Audit Independence (as set out in Attachment 3 to the Charter of the Audit and Risk Committee, available at [shareholders.domain.com.au](http://shareholders.domain.com.au)), the Company may employ the auditor to provide services additional to statutory audit duties, including where:

- The existing knowledge of the auditor brings insight and synergy to Domain without impacting the actual or perceived independence of the auditor; or
- 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 Report on page 109 of this Annual Report.

The Board of Directors has received advice from the Audit and Risk Committee and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001* (Cth). This is because the Committee considers that none of the services undermine the general principles relating to auditor independence and have not given rise to a loss of objectivity by the auditors. The services that were provided are deemed to fall into Category A (as set out in the Charter of Audit Independence), being services where the existing knowledge of the auditor brings insight and synergy to Domain without impacting the actual or perceived independence of the auditor.

A copy of the auditor's independence declaration under section 307C of the *Corporations Act 2001* (Cth) follows this Directors' Report.

During FY20, 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 \$4,160 (FY19: \$nil).

Non-assurance services:

- Australia \$nil (FY19: \$10,000).

## Section 237 of the Corporations Act

There have been no applications for leave under section 237 of the *Corporations Act 2001* (Cth) made in respect of the Company.

There are no proceedings that a person has brought or intervened in on behalf of the Company with leave under section 237 of the *Corporations Act 2001* (Cth).

## 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 this Directors' Report. Amounts contained in this 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**

Chairman

20 August 2020

# Remuneration Report

Dear fellow shareholders,

Domain has, along with many other companies, faced a challenging period in the latter half of the 2020 financial year. The impact of COVID-19 on the real estate market and Domain revenues was very significant, and our response has been in part to reduce costs, including in the cash remuneration of our people.

Domain's remuneration aims to attract and retain talented people and align their interests with the long-term interests of the Company. In response to the need to reduce costs, we established Project Zipline to enable us to retain our talent and further engage our people for the long-term success of Domain. Project Zipline was an optional program under which staff could elect to maintain their working hours and total remuneration level but receive part of their remuneration in equity (Share Rights) in lieu of cash and/or to reduce their working hours or take periods of unpaid leave. Due to high participation in Project Zipline by staff and Directors, we achieved cost reduction without program-wide exits, ensuring our talent remained and our productivity was maintained to set us up for the anticipated market return.

The remuneration structure awards short and long-term incentives to Domain's Key Executive Management Personnel (**Executive KMP**), being the CEO and CFO.

Domain's Executive KMP are eligible for short term incentives under Domain's Executive Incentive Plan (**EIP**) based on a mix of financial and personal performance objectives. The continuing challenging real estate market and unprecedented impact of COVID-19 resulted in the financial performance measures not being achieved in this financial year. This resulted in no payout in relation to the financial component. Personal performance against set criteria was assessed and substantially achieved. Due to the impact of COVID-19 on Domain to date and its anticipated future impact on the real estate market, these payments will be made by the grant of Share Rights in lieu of cash in October 2020. These Share Rights will vest 12 months from the grant date.

Long term incentives (**LTI**) are awarded as options which only vest on the achievement of Total Shareholder Return (**TSR**) targets over a three-year period. The 2018 financial year LTI Option plan did not vest and all options lapsed. Further information is provided in the report. Since listing on the ASX, Domain has experienced rapid growth. To reflect the current stage of the life of the business with effect from the 2021 financial year LTI plan, Domain will be transitioning the Incentive Instrument from Options to Performance Rights. This change will continue to motivate the Executive KMP to deliver on Domain's long-term strategy.

The year has been particularly challenging with the continued impact of a lacklustre real estate market and COVID-19. On behalf of the Board, I would like to thank the leaders at Domain for their strong and courageous leadership, and our people for their commitment – regardless of circumstance – to driving long-term performance for shareholders.

We look forward to your continued support.

Yours sincerely



**Diana Eilert**

Chair of the People and Culture Committee

**The Remuneration Report contains the following sections:**

1. Introduction
2. People and Culture Committee
3. Key Management Personnel (KMP)
4. COVID-19: Project Zipline – Voluntary Employee and Director Program
5. Remuneration Principles and Framework
6. Linking Executive Remuneration to Performance
7. Results for FY20
8. Executive Incentive Plan for FY20 (EIP)
9. Long Term Incentives for FY20
10. Executive Remuneration Table for FY20
11. Executive Service Agreements
12. Executive Shareholdings
13. Remuneration of Non-Executive Directors
14. Additional Information

# Remuneration Report

## Audited

### 1. Introduction

This report (**Remuneration Report**) forms part of the Directors' Report and is the Company's remuneration report for the purposes of the *Corporations Act 2001* (Cth).

This Remuneration Report sets out the Company's remuneration arrangements for key management personnel (**KMP**) in accordance with the requirements of the *Corporations Act 2001* (Cth) and its subordinate regulations.

### 2. People and Culture Committee

The People and Culture Committee (**P&C Committee**) has oversight of the remuneration and employment terms of KMP and the senior leadership team.

The remuneration 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;
- To ensure that in the discharge of the P&C Committee's responsibilities, no senior leader is directly involved in determining their own remuneration; and
- To 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. The P&C Committee's activities to this end include:

- Reviewing and recommending to the Board employment and retention 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;
- Reviewing and approving the short and long-term incentive performance targets and bonus payments for the CEO and the senior management reporting directly to the CEO;
- Overseeing the operation of employee equity incentive plans, including reviewing and recommending to the Board major changes and developments in relation to the plans;
- Reviewing and recommending to the Board the remuneration arrangements for the Non-Executive Directors, including fees and any other benefits;
- Approving the appointment of remuneration consultants for the purposes of the *Corporations Act 2001* (Cth); and
- Monitoring and reviewing the Company's employee relations strategy including compliance with awards and agreements.

The members of the P&C Committee during FY20 were:

- Diana Eilert, Chair of the P&C Committee;
- Nick Falloon; and
- Geoff Kleemann.

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

### 3. Key Management Personnel (KMP)

The P&C Committee provides recommendations on remuneration, incentive policies and practices, as well as specific recommendations on remuneration and terms of employment for the Chairman, CEO, CFO and Non-Executive Directors, jointly known as **KMP**.

The KMP have the authority and responsibility for planning, directing and controlling the activities of the Company. The KMP during FY20 are set out in Table 3.1.

Of Domain's KMP, Domain's Executive KMP are Jason Pellegrino (CEO) and Robert Doyle (CFO) (the **Executive KMP**).

# Remuneration Report

## Audited

### 3.1 KMP FY20

	Appointment Date	KMP Role
<b>Executive KMP</b>		
Jason Pellegrino	27 August 2018	CEO
Rob Doyle	16 November 2017	CFO
<b>Non-Executive Directors</b>		
Nick Falloon	16 November 2017	Chairman
Diana Eilert	16 November 2017	Independent Non-Executive Director
Greg Ellis	16 November 2017	Independent Non-Executive Director
Geoff Kleemann	16 November 2017	Independent Non-Executive Director
Lizzie Young	1 February 2020	Non-Executive Director
Hugh Marks	1 February 2020	Non-Executive Director
Patrick Allaway (a)	16 November 2017	Non-Executive Director
Gail Hambly (b)	2 October 2014	Non-Executive Director

(a) Patrick Allaway resigned as Non-Executive Director on 1 February 2020.

(b) Gail Hambly resigned as Non-Executive Director on 1 February 2020.

### 3.2 Change in KMP

Domain announced on 1 February 2020 that Gail Hambly and Patrick Allaway had resigned as Non-Executive Directors, and that Lizzie Young and Hugh Marks were appointed as Non-Executive Directors, with effect from 1 February 2020.

## 4. COVID-19: Project Zipline – Voluntary Employee and Director Program

The evolving COVID-19 crisis presented unprecedented conditions for businesses across the globe. Project Zipline was approved by the Board on 22 April 2020 as a key initiative to overcome the potential market uncertainties caused by COVID-19 and managing the cost base of the Domain group. The nature of Domain's business means that many of its people and their skills are in very high demand. Our approach ensures that the talented team continues to be rewarded and retained for the long term to deliver innovative products at pace.

Domain launched a voluntary employee program to deliver a 20 percent reduction in employee cash salary costs. Domain employees and Non-Executive Directors remunerated by Domain – including the KMP – were asked to participate in a program called Project Zipline, where employees were asked to elect to take one of the following over a six-month period from 4 May 2020 to 1 November 2020:

- Receive a specified percentage (for employees other than the CEO, 20 to 30 percent, depending on their existing salary package) of their salary package as a one-off grant of Share Rights (in lieu of cash); or
- Reduce their working days (and salary package) by a specified percentage (20 to 30 percent, depending on their existing salary package); or
- Receive both a specified percentage of their salary package in Share Rights in lieu of cash and reduce their working hours (and salary package) by another specified percentage (with the two percentages totalling 20 or 30 percent, depending on their existing salary package); or
- Take a period of leave without pay.

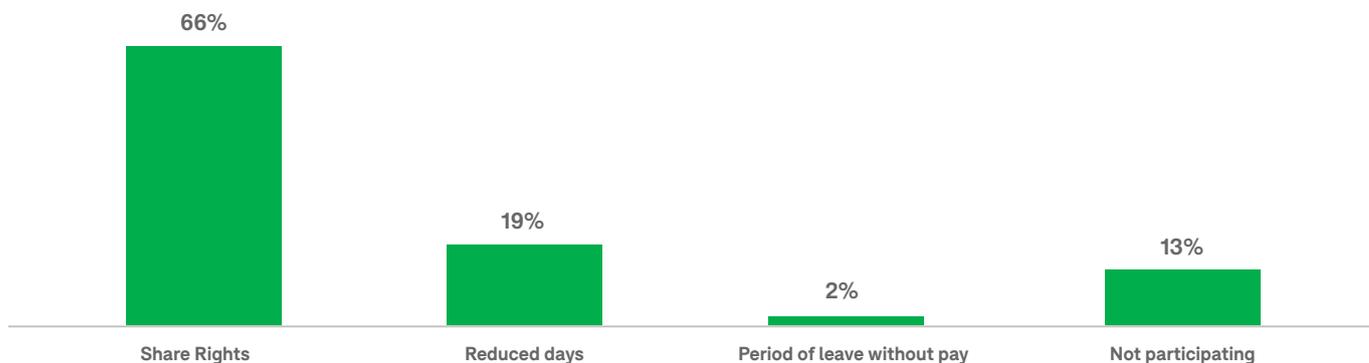
Non-Executive Directors remunerated by Domain elected to take, over a six-month period from 4 May 2020 to 1 November 2020, 50% of their Directors' fees as a one-off grant of Share Rights (in lieu of cash). As set out in Section 13.1 of this Remuneration Report, two of the Non-Executive Directors are not remunerated by Domain (as they are remunerated by Nine as executives of Nine) and therefore these Non-Executive Directors were not asked to participate in Project Zipline.

More than 90% of Domain's staff voted to support Project Zipline, with approximately 87% ultimately taking part in the program as at May 2020. The chart below illustrates the breakdown of employees as at 7 May 2020 (with employees who both received Share Rights and reduced their working hours being included in the 'Share Rights' group). 100% of Non-Executive Directors remunerated by Domain opted in for Project Zipline.

# Remuneration Report

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### Project Zipline Outcome



Share Rights granted as part of Project Zipline (**Project Zipline Share Rights**) were granted in a single grant on 7 May 2020. The number of Share Rights granted to participating staff was based on a volume-weighted average market price (**VWAP**) of Domain shares over the 10 trading days from 26 March 2020 to 8 April 2020 inclusive, being \$2.0093. Each recipient received a number of Project Zipline Share Rights equivalent to the cash component of their remuneration foregone, divided by this VWAP.

The Project Zipline Share Rights are anticipated to vest on 7 November 2021. Vesting of a Project Zipline Share Right is subject to the holder remaining employed by Domain (or a member of the Domain Group) between the date of grant of the Project Zipline Share Right (7 May 2020) and the vesting date.

Each Project Zipline Share Right is a right to one fully-paid ordinary share in the Company (or in certain circumstances at the discretion of the Company, a right to cash in lieu of shares, subject to satisfaction of the applicable vesting conditions). Project Zipline Share Rights do not carry voting or dividend rights. A summary of the material terms of the Project Zipline Share Rights are set out in the Appendix 3G lodged by the Company with ASX on 7 May 2020. Further details and the grant of Project Zipline Share Rights to KMP are provided within Sections 5, 9 and 10 of this Remuneration Report.

As the Project Zipline Share Rights were granted in a 'one off' single grant, participating staff received part of their remuneration for part of FY21 (the period from 1 July to 1 November 2020) 'upfront' during FY20. Under the terms of the Project Zipline Share Rights, the Share Rights are forfeited if employment ceases with Domain (or a member of the Domain Group) prior to the vesting date, unless the Board determines otherwise. Accordingly, while staff received part of their remuneration 'upfront', the terms and conditions provided for this to be forfeited if the person did not remain employed for the relevant period. The remuneration for KMP in this Remuneration Report for FY20 includes Project Zipline Share Rights granted to them on 7 May 2020 which form part of their remuneration for part of FY21 as outlined above. In addition, the remuneration for Executive KMP in this Remuneration Report includes details of Share Rights to be granted to the Executive KMP in October 2020. These are in respect of the FY20 Executive Incentive Plan – see Sections 8.1 and 10 of this Remuneration Report. These Share Rights will vest 12 months from the grant date.

## 5. Remuneration Principles and Framework

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

Remuneration for Executive KMP is comprised of the following components:

1. Total Package Value (**TPV**): defined as base salary (paid partly in cash and partly in Share Rights), fixed allowances and superannuation – Project Zipline Share Rights granted to Executive KMP (to the extent they relate to the period from 4 May 2020 to 30 June 2020) are included in the TPV amounts for the Executive KMP in this Remuneration Report).
2. Executive Incentive Plan (**EIP**): Domain's short term incentive scheme.
3. Long Term Incentive Options (**LTI Options**): options over Domain shares.

Our incentives have financial and non-financial measures aligned to the Company targets with the aim of driving long term shareholder value.

# Remuneration Report

## Audited

Separately there have been 'one off' grants of equity:

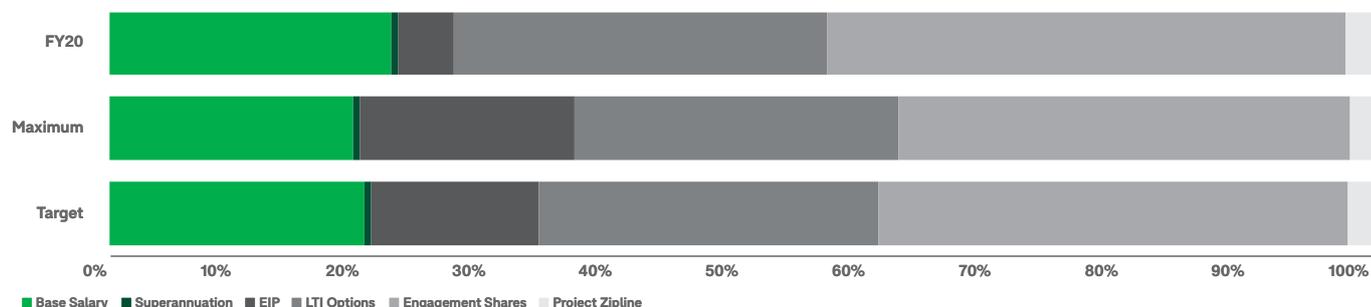
1. Retention and Engagement Shares: one-off historical grants of restricted shares to Executive KMP. These shares were not granted during FY20. These are described in more detail in Section 9.3 of this Remuneration Report. Retention Shares and Engagement Shares do not form part of Domain's ordinary remuneration.
2. Project Zipline: as outlined above, a one-off arrangement in response to the COVID-19 downturn in business. The cash component of Executive KMP fixed pay was reduced, and the equivalent amount will be settled in Project Zipline Share Rights. The Project Zipline arrangements for the Executive KMP are described in more detail in Section 9.3 of this Remuneration Report. The Project Zipline Share Rights form part of Domain's ordinary remuneration.

### 5.1 Remuneration at risk

EIP and LTI awards are considered as 'at risk' remuneration. Of the KMP, only the Executive KMP have 'at risk' remuneration. The proportion of each Executive KMP's remuneration that was at risk during FY20 is set out in this Section of this Remuneration Report.

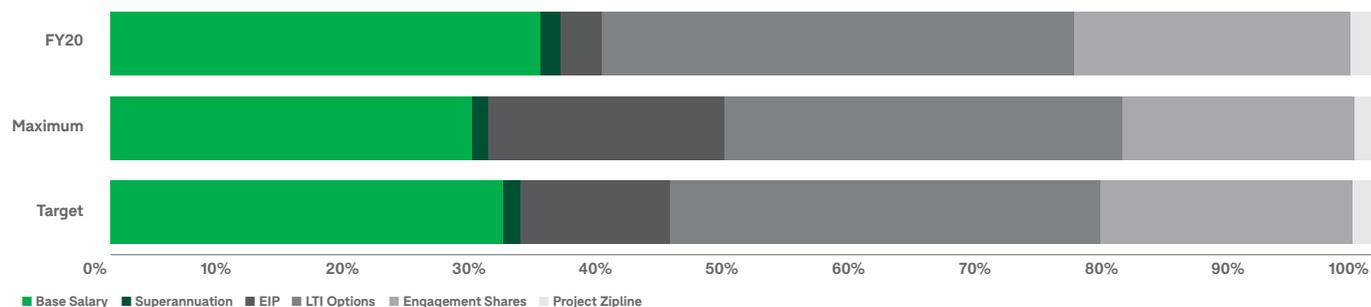
The remuneration at risk for Jason Pellegrino, the CEO, is illustrated below in illustration 5.1.1. In FY20, a maximum of 66% of Jason Pellegrino's remuneration was at risk.

#### 5.1.1 FY20 CEO Illustration



The remuneration at risk for Robert Doyle, the CFO, is illustrated below in illustration 5.1.2. In FY20, a maximum of 61% of Robert Doyle's remuneration was at risk.

#### 5.1.2 FY20 CFO Illustration



The base salary, superannuation, Engagement Shares, Retention Shares and Project Zipline elections remain fixed in each illustration. Only the proportion of the variable remuneration components changes. The target and maximum illustrations assume performance measures, as described in Sections 8 and 9 of this Remuneration Report, have been met according to each plan. The basis for calculating each Executive KMP's annual allocation of EIP and LTI Options are set out in Sections 8 and 9 of this Remuneration Report, respectively.

Earlier in their tenure, one-off Engagement Shares were allocated to Jason Pellegrino (21 December 2018) and Retention Shares were allocated to Robert Doyle (29 September 2017). These were not allocated during FY20 although Robert Doyle's Retention Shares became unrestricted in November 2019. Both Jason Pellegrino and Robert Doyle were granted Project Zipline Share Rights as part of their fixed salary for part of the financial year.

# Remuneration Report

## Audited

### 6. Linking Executive Remuneration to Performance

EIP performance is assessed against financial and non-financial Key Performance Indicators (**KPIs**).

KPIs include EBITDA (earnings before interest, taxes, depreciation, and amortisation) and Revenue objectives as well as business-specific objectives that are non-financial. These performance measures relate to matters such as management accountability, market growth, agent relationships and staff engagement, and are set annually.

Domain grants LTI Options to Executive KMP to align executive remuneration with shareholder returns. LTI Options have a three year performance period. Performance is measured using the absolute total shareholder return (**TSR**) over a three year period. Each option entitles the relevant Executive KMP to subscribe for 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 KMP and are held in their own name. Unless the Board determines otherwise, they are not transferable either legally or beneficially to any other person or entity nor may they be encumbered by any other third party interest whether directly or indirectly.

The exercise price of each option for the FY20 LTI Options is the VWAP of the Company's shares over a 30 trading day period beginning on the first trading day of the financial year.

The absolute TSR for each performance period will be calculated using the relevant opening and closing share prices, determined as follows:

- Opening share price: the VWAP of the Company's shares over the 30 trading day period beginning on the first trading day of the financial year in which the option is issued.
- Closing share price: the VWAP of the Company's shares over the 30 day period up to and including the last day of the performance period.

Compound Annual Growth Rate (**CAGR**), which is the accumulation index with dividends reinvested, is used to determine the absolute TSR performance.

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

If any options remain unvested after notification to the Executive KMP following the end of the performance period, such options will lapse immediately. In the event of the cessation of an Executive KMP's employment, the Board may, in its discretion, determine that some or all unvested options will either lapse, be forfeited, vest or be exercisable only for a prescribed period or the Board may determine to change some of the restrictions (such as vesting conditions) applying to the unvested options.

# Remuneration Report

## Audited

### 7. Results for FY20

#### 7.1 Financial performance of the Company in key shareholder value measures

The financial performance of the Company in key shareholder value measures is set out below. These details are given in respect of FY18, FY19 and FY20.

Domain was listed on the ASX on 16 November 2017 following its separation from Fairfax, and accordingly the table captures these matters for the financial years on and from this date.

		FY20 <sup>(b)</sup>	FY19 <sup>(c)</sup>	FY18 <sup>(d)</sup>
Revenue	\$m	267.8	335.6	357.3
EBITDA	\$m	86.0	98.0	115.7
Net profit after tax attributable to members of the Company	\$m	22.2	37.4	52.9
Earnings per share	Cents	3.81	6.43	9.17
Total Shareholder Return (TSR) FY18 Plan <sup>(a)</sup> <sup>(e)</sup>	%	13.53	11.39	8.73
Total Shareholder Return (TSR) FY19 Plan <sup>(e)</sup>	%	6.25	4.33	–
Total Shareholder Return (TSR) FY20 Plan <sup>(e)</sup>	%	7.81	–	–
Opening share price (at financial year start date)	\$	3.18	3.22	3.80
Closing share price (at financial year end date)	\$	3.35	3.18	3.22

(a) Absolute Total Shareholder Return (TSR) is calculated from 1 January 2018 to align with the 2018 LTI performance period.

(b) FY20 financial results exclude the impact of significant items incurred during the period. FY20 statutory results are set out in the Management Discussion and Analysis Report on pages 59–61 of this Annual Report. Excluding the impact of disposals, revenue in FY20 was \$261.6 million, EBITDA was \$84.4 million, net profit after tax attributable to members of the Company was \$21.6 million and earnings per share was 3.70 cents.

(c) FY19 financial results exclude the impact of significant items incurred during the period. FY19 statutory results are set out in the Management Discussion and Analysis Report on pages 46–47 of the FY19 annual report. Excluding the impact of disposals, revenue in FY19 was \$292.4 million, EBITDA was \$94.2 million, net profit attributable to members of the Company was \$36.0 million and earnings per share was 6.19 cents.

(d) FY18 financial results exclude the impact of significant items incurred during the period. Domain was listed on the ASX on 16 November 2017. This is the opening share price on listing on the ASX on this date.

(e) This is the cumulative TSR from the commencement of each LTI performance period to the end of each financial year. For the FY18, FY19 and FY20 LTI Options plan the compound annual growth rate (CAGR) of TSR is utilised to assess whether any vesting will occur, as per Section 9 of this Remuneration Report.

# Remuneration Report

## Audited

### 8. Executive Incentive Plan for FY20 (EIP)

The Executive KMP awards under the EIP are assessed based on annual performance. Annual performance is assessed against financial and personal criteria as set out below.

Financial performance is based on Company performance against EBITDA and Revenue targets. EBITDA and Revenue are aligned with shareholders' interests as these are the financial measures that the Company is assessed by. To ensure that the Company is achieving the non-financial objectives, individual KPIs as performance measures are used to focus individuals on critical non-financial areas. These performance measures relate to matters such as management accountability, market growth, agent relationships and staff engagement, and are reviewed annually.

Annual performance for Executive KMPs is assessed against the following financial and personal KPIs:

	Measure	Weighting	Target (On Plan)	Maximum
Financial	Achieve Domain EBITDA Target	35%	Budget	Budget +5%
	Achieve Domain Revenue Target	35%	Budget	Budget +5%
Personal	Individually assigned, set annually by Board	30%	Delivery of measure	Discretion approved by Board

The below table outlines CEO Jason Pellegrino's and CFO Robert Doyle's personal measures for FY20:

Jason Pellegrino	Robert Doyle
New Residential Pricing Framework	Supercharge Loans
My Domain	Finance & Billing Systems
Data Commercialisation	Cost Discipline & Operational Efficiency
Senior Leadership Development & Succession Planning	Team Leadership Development & Succession Planning
Positive Culture Development	Increase Operational Exposure

On target and maximum awards available under the EIP for the Executive KMP are as follows:

	On Target Incentive	Maximum Incentive
CEO	60% of TPV	80% of TPV
CFO	35% of TPV	60% of TPV

#### 8.1 FY20 EIP Outcomes

The outcomes of the EIP in FY20 are as follows:

- Domain Group did not achieve its Revenue and EBITDA targets. As a result, the EIP did not pay out in relation to the 70% of the Executive KMP EIP opportunity that was tied to financial objectives.
- The Executive KMP's performance against their non-financial KPIs was assessed, resulting in a portion of EIP being achieved.

# Remuneration Report

## Audited

The table below sets out the amount awarded in FY19 and FY20 to each of the Executive KMP under the EIP:

	On Target EIP	Maximum EIP	EIP Earned	EIP Forfeited	% of EIP Max Earned	% of EIP Max Forfeited
<b>Jason Pellegrino</b>						
FY20	\$720,000	\$960,000	\$216,000 <sup>(b)</sup>	\$744,000	22%	78%
FY19 <sup>(a)</sup>	\$607,562	\$810,082	\$182,268	\$627,814	22%	78%
<b>Robert Doyle</b>						
FY20	\$205,275	\$351,900	\$51,319 <sup>(b)</sup>	\$300,581	15%	85%
FY19	\$201,250	\$345,000	\$60,375	\$284,625	17%	83%
<b>Total</b>						
<b>FY20</b>	<b>\$925,275</b>	<b>\$1,311,900</b>	<b>\$267,319</b>	<b>\$1,044,581</b>	<b>20%</b>	<b>80%</b>
<b>FY19</b>	<b>\$808,812</b>	<b>\$1,155,082</b>	<b>\$242,643</b>	<b>\$912,439</b>	<b>21%</b>	<b>79%</b>

(a) Jason Pellegrino joined Domain on 27 August 2018. As a result, he was eligible on a pro-rated basis for 84% of the incentive award in FY19.

(b) EIP earned in FY20 for Jason Pellegrino (\$216,000) and Robert Doyle (\$51,319) will be settled by the grant of Share Rights in lieu of cash in October 2020. These Share Rights will vest 12 months from the grant date. The number of Share Rights will be determined by dividing the EIP earned by a 10 trading day volume weighted average price (VWAP) on market of Domain shares. The 10 trading day period is to be determined by the Board and will commence at a point after the FY20 results have been announced on 20 August 2020.

The Chairman and Non-Executive Directors are not eligible to participate in the EIP. As such no EIP payments have been made to the Chairman or Non-Executive Directors in FY20 or FY19.

## 9 Long Term Incentives for FY20

### 9.1 LTI Options

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

Executive KMP annual allocations are determined as follows:

	Annual Allocation
CEO	120% of TPV
CFO	100% of TPV

The performance period starts 1 July (1 July 2020 for FY20 grant) of the year of the grant date and 30 June of the vesting year (30 June 2022 for the FY20 grant). The percentage of options that vest and become exercisable (if any) will be determined by the Board with reference to the following vesting schedule:

Absolute TSR over the Performance Period	% of Options that become exercisable
Less than 7.5% Compound Annual Growth Rate (CAGR)	Nil
7.5% CAGR (threshold performance)	20%
Between 7.5% 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 P&C Committee reviewed the LTI Option plan in FY20 and confirmed that it remains appropriate to achieving its objectives. The outcome of the review, which was approved by shareholders in the 2019 Annual General Meeting, was that the plan remains and that the hurdle in the vesting schedule changed from 10% to 7.5%.

# Remuneration Report

## Audited

### 9.2 LTI Options granted to Executive KMP during FY20

The table below sets out details of the Executive KMPs' respective LTI Option allocations over Domain shares during FY18, FY19 and FY20:

	LTI Options Granted <sup>(a)</sup>	Grant Date <sup>(b)</sup>	Issue Date <sup>(c)</sup>	Exercise Price	Performance Period Start Date	Performance Period End Date (Vesting Date) <sup>(d)</sup>	Expiry Date	No. Vested during the year	No. Lapsed during the year	Fair Value per Option at Grant	Value of Options Granted during the year	Value of Options Exercised during the year
<b>Jason Pellegrino</b>												
LTI	1,600,000	11.11.2019	18.11.2019	\$3.0169	01.07.2019	30.06.2022	30.06.2024	-	-	\$0.54	\$864,000	-
LTI	1,515,789	20.11.2018	01.03.2019	\$3.1606	27.08.2018	30.06.2021	31.12.2023	-	-	\$0.11	\$166,737	-
	-	-	-	-	-	-	-	-	-	-	-	-
<b>Robert Doyle</b>												
LTI	638,888	13.09.2019	23.09.2019	\$3.0169	01.07.2019	30.06.2022	30.06.2024	-	-	\$0.64	\$408,888	-
LTI	605,263	15.01.2019	01.03.2019	\$3.1606	01.07.2018	30.06.2021	31.12.2023	-	-	\$0.08	\$48,421	-
LTI	527,777	04.03.2018	27.03.2018	\$3.0000	01.01.2018	30.06.2020	30.06.2023	-	527,777 <sup>(e)</sup>	\$0.48	\$253,333	-

(a) LTI Options granted is calculated using the annual allocation divided by the allocation price.

For the 20 November 2018 and 15 January 2019 LTI Option grants, the allocation price was \$0.95 per option, which is 30% of the exercise price rounded down to four decimal places.

For the 13 September 2019 and 11 November 2019 LTI Option grants, the allocation price was \$0.90 per option, which is 30% of the exercise price rounded down to four decimal places.

For the 27 March 2018 LTI Option grant, the allocation price was \$0.90 per option, which is 30% of the exercise price rounded down to four decimal places.

(b) The Grant Date for Jason Pellegrino's FY19 and FY20 grant is the date his options were approved by shareholders at the Company's 2018 and 2019 Annual General Meeting. The Grant Date for Robert Doyle's FY19 and FY20 grants is the date of the offer letter inviting him to participate in the LTI Option plan.

(c) The Issue Date is the date of issue of the LTI Options to the Executive KMP.

(d) The weighted average remaining contractual life for the share options for Jason Pellegrino and Robert Doyle is 552 days and 548 days respectively.

(e) The FY18 LTI Option plan did not vest and all options lapsed for Robert Doyle.

# Remuneration Report

## Audited

### 9.3 Retention Shares, Engagement Shares and Project Zipline

#### **Retention Shares**

To incentivise stability in the initial period after the Company listed on the ASX, the Company made a one-off grant of restricted shares (Retention Shares) to Robert Doyle. The Retention Shares were granted during FY18 (on 29 September 2017).

Robert Doyle's FY18 Retention Plan vested in full on 17 November 2019, with a total of 111,806 shares vesting.

#### **Engagement Shares**

As part of his onboarding with Domain, Jason Pellegrino was offered ordinary shares in the Company equivalent in value to \$2,000,000 (Engagement Shares). The allocation of Engagement Shares was approved by shareholders at the Company's Annual General Meeting held on 20 November 2018. The allocation price of the Engagement Shares was determined using a 30 day trading VWAP for the period of 13 June to 24 July 2018 at a price of \$3.1606. There are no performance hurdles in place and vesting will occur on 27 August 2020. Engagement Shares are forfeited if Jason Pellegrino's employment ceases with the Company prior to the vesting date.

#### **Project Zipline Share Rights**

The background to the Project Zipline Share Rights is set out in Section 4 of this Remuneration Report.

No acquisition price was payable to acquire the Project Zipline Share Rights. The granting of the Project Zipline Share Rights formed part of the remuneration for the Executive KMP for the period from 4 May 2020 to 1 November 2020 and the Share Rights were granted in a single allocation on 7 May 2020. As set out in Section 4 of this Remuneration Report, the number of Project Zipline Share Rights granted to the Executive KMP was based on a VWAP of \$2.0093 (being the volume-weighted average market price of shares over the 10 trading days from 26 March 2020 to 8 April 2020 inclusive), with each Executive KMP receiving a number of Project Zipline Share Rights equivalent to the cash component of their remuneration foregone, divided by this VWAP.

There are no performance hurdles put in place for Project Zipline Share Rights and vesting of these Share Rights is anticipated to occur on 7 November 2021. These Share Rights are forfeited if employment with Domain (or a member of the Domain Group) ceases prior to the vesting date, unless the Board determines otherwise. No performance hurdle was included for the Project Zipline Share Rights granted to Executive KMP as the rights were granted in lieu of the Executive KMP receiving part of the fixed cash component of their remuneration (which itself was not subject to performance hurdles).

Jason Pellegrino opted into Project Zipline reducing the cash component of his Total Package Value by taking 50% in Project Zipline Share Rights for the six-month period from 4 May 2020 to 1 November 2020 with the equivalent value of \$300,000 over this six-month period. Section 12.3 of this Remuneration Report sets out further detail in relation to these Share Rights.

Robert Doyle opted into Project Zipline reducing the cash component of his Total Package Value by taking 30% in Project Zipline Share Rights for the six-month period from 4 May 2020 to 1 November 2020 with the equivalent value of \$87,975 over this six-month period. Section 12.3 of this Remuneration Report sets out further detail in relation to these Share Rights.

The table below sets out details of Jason Pellegrino's grant of Engagement Shares during FY19 and Robert Doyle's grant of Retention Shares in FY18 and each of their grant of Project Zipline Share Rights during FY20. As above, the Project Zipline Share Rights granted as part of a single grant during FY20 (on 7 May 2020) was done in payment of part of the relevant remuneration for a six-month period from 4 May 2020 to 1 November 2020, and accordingly includes a payment of part of the Executive KMP's remuneration for part of FY21 (the period from 1 July to 1 November 2020).

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Year granted	Plan	Grant Date	Issue Date <sup>(c)</sup>	Vesting Date	Expiry Date	Fair Value per Share or Share Right (as applicable)	Value of Shares/ Share Rights (as applicable) at Grant <sup>(d)</sup>	Shares/Share Rights held at beginning of this year	Shares/Share Rights Granted during this year <sup>(e)</sup>	Shares/Share Rights Vested during this year
<b>Jason Pellegrino</b>										
FY20	Project Zipline	28.04.2020 <sup>(a)</sup>	07.05.2020	07.11.2021	-	\$2.43	\$362,811	-	149,305	-
FY19	Engagement Shares	20.11.2018 <sup>(b)</sup>	21.12.2018	27.08.2020	-	\$2.44	\$1,544,011	632,791	-	-
FY18	-	-	-	-	-	-	-	-	-	-
<b>Robert Doyle</b>										
FY20	Project Zipline	28.04.2020 <sup>(a)</sup>	07.05.2020	07.11.2021	-	\$2.43	\$106,392	-	43,783	-
FY19	-	-	-	-	-	-	-	-	-	-
FY18	Retention Shares	29.09.2017	29.09.2017	17.11.2019	-	\$3.0875	\$345,000	111,806	-	111,806

(a) The Grant Dates for Jason Pellegrino and Rob Doyle's Project Zipline Share Rights are the dates contained in the offer acceptance documentation, being the deadline for the acceptance of the offer made to them (and the date on which the offers were accepted).

(b) The Grant Date for Jason Pellegrino's FY19 grant of Engagement Shares is the date his Engagement Shares were approved by shareholders at the Company's 2018 Annual General Meeting.

(c) The Issue Date for the Engagement Shares and the Retention Shares is the date that interests in the relevant shares held by the Domain Employee Share Plan Trust were allocated to the Executive KMP. The Issue Date for the Share Rights are the dates on which the Share Rights were granted.

(d) Fair Value at Grant for Engagement Shares is calculated by multiplying the share price on the day of grant (\$2.44), by the number of shares granted. The Engagement Share performance period is from 27 August 2018 to the vesting date, 27 August 2020. The Retention Share performance period was from 29 September 2017 to the anticipated vesting date, 17 November 2019. The Project Zipline plan performance period is from 7 May 2020 to the anticipated vesting date, 7 November 2021.

Fair Value at Grant for Retention Shares is calculated by multiplying the share price on the day of grant (\$3.0875) by the number of shares granted.

Fair Value at Grant for the Project Zipline Share Rights is calculated by multiplying the share price on the day of grant (\$2.43) by the number of shares granted.

(e) As set out above, Project Zipline Share Rights were granted to Jason Pellegrino and Rob Doyle as part of a single grant during FY20 (on 7 May 2020) in payment of part of the relevant remuneration for a six-month period from 4 May 2020 to 1 November 2020.

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### 10. Executive Remuneration Table for FY20

The table below sets out details of the Executive KMPs' remuneration during FY19 and FY20. The FY19 remuneration for Nick Falloon who performed the role of Executive Chairman for part of FY19 is set out in Section 13.1 of this Remuneration Report.

		Short Term Employee Benefits		Post Employment Benefits	Long Term Benefits	Total Excluding LTI	LTI Expense <sup>(e)</sup>	Total Including LTI
		Base Salary & Other Benefits <sup>(d)</sup>	Cash Payments /Bonus					
<b>Jason Pellegrino<sup>(a)</sup></b>	<b>FY20</b>	\$1,088,228	\$216,000 <sup>(f)</sup>	\$25,000	\$4,252	\$1,333,480	\$1,151,047	\$2,484,527
	FY19	\$966,895	\$682,268 <sup>(b)</sup>	\$21,154	–	\$1,670,317	\$698,980	\$2,369,297
<b>Robert Doyle<sup>(c)</sup></b>	<b>FY20</b>	\$552,859	\$51,319 <sup>(f)</sup>	\$25,000	\$19,148	\$648,326	\$293,379	\$941,705
	FY19	\$533,881	\$60,375	\$25,481	\$15,758	\$635,495	\$289,112	\$924,607
<b>Total</b>	<b>FY20</b>	<b>\$1,641,087</b>	<b>\$267,319</b>	<b>\$50,000</b>	<b>\$23,400</b>	<b>\$1,981,806</b>	<b>\$1,444,426</b>	<b>\$3,426,232</b>
	FY19	\$1,500,776	\$742,643	\$46,635	\$15,758	\$2,305,812	\$988,092	\$3,293,904

- (a) Jason Pellegrino joined Domain on 27 August 2018. As a result, he was eligible on a pro-rated basis for 84% of his incentive award in FY19.
- (b) Jason Pellegrino received a cash sign on bonus of \$500,000 on 31 December 2018 as part of his onboarding. This was approved by shareholders at the Annual General Meeting held on 20 November 2018. As disclosed in Section 8.1 of this Remuneration Report, \$182,268 of his cash bonus relates to the EIP earned in FY19.
- (c) Robert Doyle was appointed on 16 November 2017. On 7 October 2019, Robert Doyle's TPV increased to \$586,500.
- (d) The Base Salary figures exclude Project Zipline Share Rights - the value of these is included in LTI Expense as per note (e). Other Benefits include annual leave expense. These balances have been restated for FY19 to correctly include annual leave accrued for that period.
- (e) LTI Expense comprises LTI Options, Engagement Shares, Retention Shares and Project Zipline Share Rights and is calculated in accordance with the accounting standards applicable to each plan.
- (f) In August 2020, it was agreed that EIP earned in FY20 for Jason Pellegrino (\$216,000) and Robert Doyle (\$51,319) will be settled by a grant of Share Rights in lieu of cash in October 2020. These Share Rights will vest 12 months from the grant date. The number of Share Rights will be determined by dividing the EIP earned by a 10 trading day volume weighted average price (VWAP) on market of Domain shares. The 10 trading day period is to be determined by the Board and will commence at a point after the FY20 results have been announced on 20 August 2020.

### 11. Executive Service Agreements

The remuneration and other terms of employment for the Executive KMP are set out in written executive service agreements. Each executive service agreement sets out the fixed remuneration, performance related incentive opportunities, termination rights and obligations, and post-employment restraints applying to the relevant personnel, including non-compete clauses.

Executive 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.

The Company may terminate the employment of an Executive KMP without notice and without payment in lieu of notice in some circumstances, including if the relevant 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 an Executive KMP at any time by giving the Executive KMP 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 each Executive KMP is required to give to the Company, should the Executive KMP wish to terminate their employment.

	Notice to the Company	Notice from the Company	Post-employment Restraint
CEO	6 months	12 months	12 months
CFO	6 months	12 months	12 months

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The executive service agreements for the Executive KMP were varied as part of arrangements for Project Zipline (see Section 4 of this Remuneration Report) to provide that part of their remuneration during the period from 4 May 2020 to 1 November 2020 would be settled in an allocation of Project Zipline Share Rights.

Jason Pellegrino is eligible to participate in EIP. His executive service agreement has been amended, with effect from 20 August 2020, to enable greater flexibility to allow the settlement of the EIP by cash or by share rights, or by the grant of such other equity security instrument as is determined at the discretion of the Board.

## 12. Executive Shareholdings

### 12.1 Shares held by Executive KMP

Executive KMP relevant interests in shares in the Company as at the end of FY19 and the end of FY20 are set out below. This table does not include the Project Zipline Share Rights, which are set out in Section 12.3 of this Remuneration Report or interests in shares arising from LTI Options, Engagement Shares and Retention Shares, which are set out in Section 12.2 of this Remuneration Report.

		Balance start of financial year	Acquisitions	Disposals	Balance at end of financial year
Jason Pellegrino	<b>FY20</b>	100,000	0	0	100,000
	FY19	0	100,000	0	100,000
Robert Doyle	<b>FY20</b>	0	111,806 <sup>(a)</sup>	111,806 <sup>(a)</sup>	0
	FY19	0	0	0	0
<b>Total</b>	<b>FY20</b>	<b>100,000</b>	<b>111,806</b>	<b>111,806</b>	<b>100,000</b>
	FY19	0	100,000	0	100,000

(a) Robert Doyle's Engagement Shares vested on 17 November 2019. He disposed of these shares on 19 November 2019.

### 12.2 LTI Options, Engagement and Retention Shares allocated to Executive KMP

LTI Options, Engagement and Retention Shares allocated to Executive KMP during FY20 are set out in the table below (on an aggregated basis).

	Balance as at 1 July 2019	Granted as Remuneration	Exercised/ Vested During the Year	Forfeited During the Year	Other Movement	Balance at 30 June 2020
Jason Pellegrino	2,148,580	1,600,000	0	0	0	3,748,580
Robert Doyle	1,244,846	638,888	111,806 <sup>(a)</sup>	527,777	0	1,244,151
<b>Total</b>	<b>3,393,426</b>	<b>2,238,888</b>	<b>111,806<sup>(a)</sup></b>	<b>527,777</b>	<b>0</b>	<b>4,992,731</b>

(a) See Section 12.1 of this Remuneration Report.

### 12.3 Project Zipline Share Rights

Set out in the below table are the number of Project Zipline Share Rights held by the Executive KMPs.

As set out above, the Project Zipline Share Rights were granted to the Executive KMPs on 7 May 2020 as a single grant, which formed part of their remuneration for the period from 4 May 2020 to 1 November 2020 (a period which spans part of FY20 and FY21). The Project Zipline Share Rights are anticipated to vest on 7 November 2021. Vesting of a Project Zipline Share Right is subject to the holder remaining employed by Domain (or a member of the Domain Group) between the date of grant of the Project Zipline Share Rights (7 May 2020) and the vesting date.

While the Project Zipline Share Rights were granted in a single grant during FY20, this section sets out the number of Project Zipline Share Rights granted as part of this single grant attributable to the periods from 4 May 2020 to 30 June 2020 and from 1 July 2020 to 1 November 2020, each as a portion of the relevant six-month period in respect of which the Project Zipline Share Rights were granted.

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Accordingly, the table below contains the number of Project Zipline Share Rights:

- For the period of 4 May 2020 to 30 June 2020;
- For the period of 1 July 2020 to 1 November 2020; and
- For the total six-month period from 4 May 2020 to 1 November 2020.

Executive KMP	Number of Project Zipline Share Rights granted on 7 May 2020 in respect of period 4 May 2020 to 30 June 2020	Number of Project Zipline Share Rights granted on 7 May 2020 in respect of period 1 July 2020 to 1 November 2020	Total Number of Project Zipline Share Rights granted on 7 May 2020 in respect of period 4 May 2020 to 1 November 2020	% of Salary settled in Share Rights in respect of period 4 May 2020 to 1 November 2020
Jason Pellegrino	47,581	101,724	149,305	50%
Robert Doyle	13,953	29,830	43,783	30%

### 13. Remuneration of Non-Executive Directors

Under the Domain Constitution, the aggregate remuneration of Non-Executive Directors is set by resolution of the Company's shareholders. The annual maximum aggregated amount is currently \$1.5 million (FY19: \$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 recommendations 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.

In FY20 as there was no increase in directors' fees, no independent expert advice was commissioned. Guerdon Associates was appointed as an advisor to the P&C Committee.

In FY20, as part of Project Zipline all Non-Executive Directors remunerated by Domain elected to receive 50% of their directors' fees for the period from 4 May 2020 to 1 November 2020 in Share Rights. Two Non-Executive Directors are not remunerated by Domain and so were not asked to participate in Project Zipline.

Executive Directors' remuneration is not included in the maximum aggregate fee amount.

Board and Committee fees payable per member as at the date of this Remuneration Report are as follows:

#### Fees

Chairman's Fee	\$250,000
Director's Fee	\$110,000
<b>Additional Fees</b>	
Chair of the Audit and Risk Committee	\$25,000
Audit and 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.

#### 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.

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### 13.1 Non-Executive Directors' Fees

The following table sets out the fees paid to each Non-Executive Director during FY19 and FY20. As set out in Section 4 of this Remuneration Report, Non-Executive Directors remunerated by Domain participated in Project Zipline took 50% of their directors' fees for the period from 4 May 2020 to 1 November 2020 as a one-off grant of Project Zipline Share Rights (in lieu of cash). In the table below, the 'Non-Executive Directors' Fees' column does not include, for FY20, that part of the directors' fees paid for the period 4 May 2020 to 30 June 2020 that will be settled in Project Zipline Share Rights. The Project Zipline Share Rights (if any) granted to each Non-Executive Director are set out in the 'Project Zipline Share Rights' column for the period 4 May 2020 to 30 June 2020.

Non-Executive Director		Non-Executive Directors' Fees	Other Fees <sup>(a)</sup>	Super-annuation	Fair Value of Project Zipline Share Rights	Total
Diana Eilert	<b>FY20</b>	\$125,281	–	\$11,901	\$3,754	\$140,936
	FY19	\$137,759	–	\$13,087	–	\$150,846
Greg Ellis	<b>FY20</b>	\$93,115	–	\$8,846	\$2,790	\$104,751
	FY19	\$102,389	–	\$9,727	–	\$112,116
Nick Falloon	<b>FY20</b>	\$211,626	–	\$20,104	\$6,342	\$238,072
	FY19	\$232,701	\$178,450 <sup>(a)</sup>	\$22,107	–	\$433,258
Geoff Kleemann	<b>FY20</b>	\$126,974	–	\$12,062	\$3,805	\$142,841
	FY19	\$139,621	–	\$13,264	–	\$152,885
Patrick Allaway	<b>FY20<sup>(b)</sup></b>	\$69,687	–	\$6,620	–	\$76,307
	FY19	\$119,143	–	\$11,319	–	\$130,462
Gail Hambly	<b>FY20<sup>(c)</sup></b>	\$59,889	–	\$5,689	–	\$65,578
	FY19 <sup>(d)</sup>	\$102,389 <sup>(d)</sup>	–	\$9,727 <sup>(d)</sup>	–	\$112,116 <sup>(d)</sup>
Lizzie Young	<b>FY20<sup>(e)</sup></b>	\$41,558	–	\$3,948	– <sup>(g)</sup>	\$45,506
	FY19	–	–	–	–	–
Hugh Marks	<b>FY20<sup>(f)</sup></b>	\$41,558	–	\$3,948	– <sup>(g)</sup>	\$45,506
	FY19	–	–	–	–	–
<b>Total</b>	<b>FY20</b>	<b>\$769,688</b>	<b>–</b>	<b>\$73,118</b>	<b>\$16,691</b>	<b>\$859,497</b>
	FY19	\$834,002	\$178,450	\$79,231	–	\$1,091,683

(a) Other fees paid to Nick Falloon in FY19 are in relation to his time as Executive Chairman. A total of 41.5 days were paid for these duties in FY19 at a rate of \$4,300 per day.

(b) Patrick Allaway resigned as Non-Executive Director 1 February 2020.

(c) Gail Hambly resigned as Non-Executive Director 1 February 2020.

(d) Gail Hambly was an executive of Fairfax Media Limited and was a nominated representative of Fairfax on the Company Board from 2 October 2014 until 7 December 2018. As such Gail Hambly did not receive Non-Executive directors' fees from Domain during that period, Gail Hambly ceased employment as an executive of Fairfax effective 7 December 2018. She started receiving Non-Executive directors' fees from Domain with effect from 10 December 2018. Of the total FY19 remuneration shown for Gail Hambly, \$50,769 was paid by Fairfax rather than Domain in relation to the period 25 June 2018 to 7 December 2018 and \$61,347 was paid by Domain for her services as a Non-Executive Director from 10 December 2018 to 30 June 2019.

(e) Lizzie Young was appointed as Non-Executive Director on 1 February 2020. As a Director nominated by Domain's major shareholder, Nine, who is paid as an executive of Nine, Lizzie Young is not paid Directors' Fees by Domain. For accounting purposes, an amount is attributed as 'Non-Executive Directors' Fees' for her role as a Director but this amount is the annual Directors' Fees amount for Non-Executive Directors that are remunerated by Domain (\$110,000 – see the table in Section 13 of this Remuneration Report) for the period from 1 February 2020 to 30 June 2020 (the period in FY20 during which she was a Director).

Domain did not pay the amounts shown in the table to Lizzie Young. Accordingly, the amounts shown for Lizzie Young in the table above do not form part of the pool of aggregate remuneration of Non-Executive Directors set out in Section 10 above (currently \$1.5 million). Lizzie Young is remunerated by Nine as part of her Nine executive remuneration for acting as a Director of Domain. Details of this remuneration are not set out in this Remuneration Report.

(f) Hugh Marks was appointed as Non-Executive Director on 1 February 2020. As a Director nominated by Domain's major shareholder, Nine, who is paid as an executive of Nine, Hugh Marks is not paid Directors' Fees by Domain. For accounting purposes, an amount is attributed as 'Non-Executive Directors' Fees' for his role as a Director but this amount is the annual Directors' Fees amount for Non-Executive Directors that are remunerated by Domain (\$110,000 – see the table in Section 13 of this Remuneration Report) for the period from 1 February 2020 to 30 June 2020 (the period in FY20 during which he was a Director).

Domain did not pay the amounts shown in the table to Hugh Marks. Accordingly, the amounts shown for Hugh Marks in the table above do not form part of the pool of aggregate remuneration of Non-Executive Directors set out above (currently \$1.5 million). Hugh Marks is remunerated by Nine as part of his Nine executive remuneration for acting as a Director of Domain. Details of this remuneration are not set out in this Remuneration Report.

(g) Lizzie Young and Hugh Marks are not remunerated by Domain (see notes (e) and (f) above) and accordingly were not asked to participate in Project Zipline.

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### 13.2 Non-Executive Directors Shareholdings

The number of ordinary shares in the Company held during FY20 in which each Non-Executive Director has a relevant interest is set out below. No shares were granted during the period as remuneration. Project Zipline Share Rights were granted to some Non-Executive Directors as part of remuneration – details of these are set out in Section 13.3 of this Remuneration Report.

	Balance as at 1 July 2019	Acquisitions	Disposals	Balance at 30 June 2020
Diana Eilert	43,400	0	0	43,400
Greg Ellis	10,581	0	0	10,581
Nick Falloon	101,239	0	0	101,239
Geoff Kleemann	60,000	0	0	60,000
Lizzie Young	0	0	0	0
Hugh Marks	0	0	0	0
Patrick Allaway	87,000	0	87,000	0
Gail Hambly	45,086	0	0	45,086
<b>Total</b>	<b>347,306</b>	<b>0</b>	<b>87,000</b>	<b>260,306</b>

### 13.3 Non-Executive Director Project Zipline Share Rights

The number of Project Zipline Share Rights held during FY20 by each Non-Executive Director, including their related parties, is set out below.

All Non-Executive Directors remunerated by Domain participated in Project Zipline. Lizzie Young and Hugh Marks and did not participate in Project Zipline as they are not remunerated by Domain – see Section 13.1 of this Remuneration Report.

	Balance as at 1 July 2019	Project Zipline	Acquisitions	Disposals	Balance at 30 June 2020
Diana Eilert	0	18,414	0	0	18,414
Greg Ellis	0	13,686	0	0	13,686
Nick Falloon	0	31,105	0	0	31,105
Geoff Kleemann	0	18,663	0	0	18,663
Lizzie Young	0	0	0	0	0
Hugh Marks	0	0	0	0	0
Patrick Allaway <sup>(a)</sup>	0	0	0	0	0
Gail Hambly <sup>(b)</sup>	0	0	0	0	0
<b>Total</b>		<b>81,868</b>	<b>0</b>	<b>0</b>	<b>81,868</b>

(a) Patrick Allaway resigned as Non-Executive Director on 1 February 2020.

(b) Gail Hambly resigned as Non-Executive Director on 1 February 2020.

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### 13.4 Relevant interests of Directors in related bodies corporate of Company

The relevant interests of the Executive KMP in shares of the Company are set out in the table in Section 12.1 of this Remuneration Report.

The relevant interests of the KMP other than the Executive KMP in shares of the Company are set out in the table in Section 13.2 of this Remuneration Report.

The relevant interests of the Non-Executive Directors in shares or other relevant securities of related bodies corporate of the Company are set out below. Where a Director is not included in the table, they have no relevant interests in relevant securities of related bodies corporate of the Company.

Director	Related body corporate	Balance in which Director had relevant interest as at 1 July 2019	Balance in which Director had relevant interest at 30 June 2020
Nick Falloon	Nine Entertainment Co. Holdings Limited	396,222 ordinary shares	396,222 ordinary shares
Hugh Marks	Nine Entertainment Co. Holdings Limited	1,687,061 ordinary shares 1,543,699 performance rights	2,012,166 ordinary shares 304,478 ordinary shares (subject to vesting and holding restrictions) 2,304,568 performance rights
Lizzie Young	Nine Entertainment Co. Holdings Limited	14,634 ordinary shares 275,661 performance rights	14,634 ordinary shares 411,530 performance rights
Patrick Allaway <sup>(a)</sup>	Nine Entertainment Co. Holdings Limited	73,542 ordinary shares	73,542 ordinary shares
Gail Hambly <sup>(b)</sup>	Nine Entertainment Co. Holdings Limited	170,782 ordinary shares	170,782 ordinary shares

(a) Patrick Allaway resigned as Non-Executive Director on 1 February 2020.

(b) Gail Hambly resigned as Non-Executive Director on 1 February 2020.

Further information on securities in Nine Entertainment Co. Holdings Limited is available in its annual report and other ASX disclosures.

## 14. Additional Information

### 14.1 Loans to KMP

There were no loans made, guaranteed or secured by any member of the Domain group to Directors or to other KMP, including their related parties, during FY20 (FY19: nil).

### 14.2 Remuneration Consultants

No remuneration consultant (within the meaning of the *Corporations Act 2001* (Cth)) made any remuneration recommendation in relation to any of the KMP for FY20.

# Corporate Governance Statement

The Board has overarching responsibility for corporate governance of the Domain Group and drives responsible management and conduct of the Domain business. The Board recognises that strong corporate governance protects the interests of Domain's shareholders and is core to enhancing shareholder value. The Board has adopted policies and procedures which are aimed at supporting a high standard of corporate governance.

This corporate governance statement (**Corporate Governance Statement**) sets out the key features of the framework that Domain has in place to achieve good corporate governance outcomes. It reports on Domain's policies, practices and procedures during the Reporting Period (as defined below) against the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (3rd Edition) (**ASX Recommendations**) and discloses the extent to which Domain has followed the ASX Recommendations.

Domain notes the introduction of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (4th Edition) (**New 4th Edition ASX Recommendations**) which will apply to Domain in the next reporting period. Domain has highlighted in this Corporate Governance Statement areas of governance where the Company has already begun to adopt the New 4th Edition ASX Recommendations.

The relevant reporting period for this Corporate Governance Statement is Domain's 2020 financial year which commenced on 1 July 2019 and ended on 30 June 2020 (**Reporting Period**).

This Corporate Governance Statement is current as at 20 August 2020 and has been approved by the Board.

Domain has adopted a number of policies and procedures designed to ensure that Domain is appropriately governed and managed. 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, Supplier Code of Conduct, Diversity and Inclusion Guidelines, Speak Up Policy and Anti-Bribery and Corruption Policy are available in the Corporate Governance section of Domain's Shareholder Centre website at [shareholders.domain.com.au](http://shareholders.domain.com.au).

In addition, more information about Domain's Environmental, Social & Governance (**ESG**) management practices is available at Domain's Sustainability website at [sustainability.domain.com.au](http://sustainability.domain.com.au).

Investors can also find information on the Company, including financial statements, investor presentations and ASX announcements, in the Shareholder Centre.

## Board of Directors

Domain has seven Directors on its Board; six Non-Executive Directors and the Managing Director (CEO). Domain has three independent Directors resulting in an equal split of independent and non-independent Non-Executive Directors.

The Non-Executive Directors, together with the Managing Director, bring a diverse range of skills and knowledge to the Board, including strong financial, risk, commercial and social expertise. Details of the Directors on the Board, the appointment dates of each of the Directors, and the members of the Board Committees for FY20 are set out in the Directors' Report on pages 19-25 of the Annual Report.

The qualifications, experience and other details of each member of the Board (including those members of the Audit and Risk Committee) are set out in the Directors' Report on pages 19-25 of the Annual Report.

The number of Board and Committee meetings held during FY20 and details of each Director's attendance at the meetings are set out in the Directors' Report on pages 19-25 of the Annual Report.

## Role of the Board and Delegation of Authority

### Overview of the Role of the Board

The roles and responsibilities of the Board are set out in the Board Charter. A copy of the Board Charter is available at Domain's Shareholder Centre website at [shareholders.domain.com.au](http://shareholders.domain.com.au). The Company updated the Board Charter during the Reporting Period.

The Board Charter sets out the Board's role, its composition, and the way it exercises and discharges its powers and responsibilities having regard to principles of good corporate governance. In accordance with the ASX Recommendations, Domain discloses the respective roles and responsibilities of the Board and the matters delegated to management through disclosure of its Board Charter and this Corporate Governance Statement.

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 enables risk to be assessed and managed;
- Set, review and monitor compliance with Domain's culture and governance framework; and
- Monitor that shareholders are kept informed of Domain's performance.

# Corporate Governance Statement

The Board's responsibilities and reserved matters 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; and
- Evaluating the performance of the Board and its Committees and individual Directors.

Under the Board Charter, the Board collectively and each Director individually has the right to seek independent professional advice, subject to the approval of the Chairman.

## Delegation to Committees

The Board establishes Committees to assist with discharging 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 about the duties and responsibilities of each Committee are set out on pages 50-51 of this Corporate Governance Statement and details of the members of each Committee are set out on page 22 of the Directors' Report.

## Delegation to Management

The Board has appointed Jason Pellegrino as the CEO of the Company. He is responsible for the overall management of the Domain Group in accordance with the business strategy approved by the Board. Further details of the roles and responsibilities of senior management are set out on page 49 of this Corporate Governance Statement.

The senior executives that report to the CEO (these senior executives together with the CEO being the **Executive Leadership Team**) support him with specific duties and responsibilities in the day to day operations of the Domain Group. Members of the Executive Leadership Team regularly attend and report at Board and Committee meetings.

Details of the members of the Executive Leadership Team are available in the People section of Domain's Shareholder Centre website at [shareholders.domain.com.au](http://shareholders.domain.com.au).

## The Directors and Independence

The Directors' Report on pages 19-25 of this Annual Report gives details of the Directors, their length of service and their experience.

During FY20, Domain had seven Directors. As set out below, there were changes to the non-independent Directors in February 2020.

Three out of the six Non-Executive Directors on the Board are considered by the Board to be independent Directors; Diana Eilert, Greg Ellis and Geoff Kleemann.

The independent Directors were identified and selected through an external search process. In accordance with the ASX Recommendations, they are not aligned with the interests of management, a substantial security holder or any other relevant stakeholder and they can and do bring independent judgement to bear on issues before the Board. Diana Eilert, Greg Ellis and Geoff Kleemann have served as Directors during all of FY20. No Directors have served in that position for more than 10 years.

The other three Non-Executives Directors on the Board as at the date of this Corporate Governance Statement, Nick Falloon, Hugh Marks and Lizzie Young, are considered to be non-independent. Nick Falloon is on the board of Nine Entertainment Co. Holdings Limited (**Nine**), Domain's majority shareholder, and therefore is considered to be a non-independent Director. Hugh Marks is on the board and is Chief Executive Officer of Nine. Lizzie Young is Managing Director, Commercial Partnerships at Nine. At the time of appointing Hugh Marks and Lizzie Young, the Board considered their connection with Nine and determined that they were both non-independent Directors.

Nick Falloon has served as a Director during all of FY20. Hugh Marks and Lizzie Young were appointed as Directors on 1 February 2020 and replaced Patrick Allaway and Gail Hambly.

Patrick Allaway and Gail Hambly were Directors at the commencement of FY20 and served until 1 February 2020. Patrick Allaway is on the board of Nine and was considered a non-independent Director on the Board. Gail Hambly was a long-standing executive of Fairfax Media Limited prior to the merger between Fairfax and Nine in December 2018. The Board deemed that Gail Hambly was not an independent Director as a result of that employment with Fairfax.

The Board has considered and assessed the interests of each of the non-independent Directors and determined that their interests will not interfere with that Director's capacity to bring independent judgement to bear on issues before the Board and to act in the best interests of the entity and its shareholders generally.

During the Reporting Period, the Nomination Committee undertook an annual review of the status of every Director and made a recommendation to the Board as to their independence. The Board determined that the independent/non-independent status of each of the Directors remained unchanged and continues to be as set out in this Corporate Governance Statement.

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 Nine's majority shareholding in Domain.

During the Reporting Period, the interests of the non-independent Directors changed as a result of the Project Zipline Share Rights issued to the Directors detailed in the Remuneration Report on pages 26–44 of this Annual Report. The Company promptly lodged notice of these changes (Appendix 3Y) via the ASX Market Announcements Platform.

At the beginning of each Board meeting, there is a period allocated for the Non-Executive Directors to confer without the senior executives present at the meeting. There is also allocated time in each Board meeting for an independent director discussion, led by an independent Director, Geoff Kleemann, during which the non-independent Directors leave the meeting.

## Board Skills

The Directors each bring to the Board a valuable depth of knowledge and experience including global experience. The Directors represent a cross-section of industries and bring a diverse range of skills including strong financial, risk, commercial and social expertise. The following table sets out the Board's skills matrix being the skills, experience and diversity of the Directors on the Board as at the date of this Corporate Governance Statement.

As set out above, there were changes to the Board in February 2020. The following table reflects the skills of the current Board and does not include those persons who ceased to be Directors during the Reporting Period.

The Directors completed a self-assessment questionnaire identifying their relevant experience or expertise in relation to a skills matrix developed by the Nomination Committee and approved by the Board. The results were reviewed and discussed by the Board and are reflected in the following table.

Category	Percentage of Directors (substantial or extensive expertise)
<b>Media expertise</b> Expertise and experience in the media industry at a very senior level	86%
<b>Strategy/risk</b> Expertise in the development and implementation of strategic plans and risk management to deliver investor returns over time	86%
<b>Executive leadership</b> Experienced and successful leadership at a very senior executive level of large organisations	100%
<b>Marketing and product development</b> Expertise and senior executive experience in marketing and new media marketing metrics and tools	71%
<b>Financial acumen</b> Expertise in understanding financial accounting and reporting, corporate finance and internal financial controls, including an ability to probe the adequacies of financial and risk controls	86%
<b>Remuneration</b> Expertise in remuneration design to drive business success	71%
<b>Capital projects, acquisitions and divestitures</b> Experience in evaluating and implementing projects involving large-scale financial commitments, investment horizons and major transactions	71%
<b>Governance</b> Knowledge and experience of high standards of corporate governance, including ASX Listing Rules and practices	71%
<b>Technology and data</b> 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	71%
<b>Health, safety and corporate responsibility</b> Expertise related to workplace health and safety, environmental, community and social responsibility	43%
<b>Public policy</b> Experience in public and regulatory policy, including how it affects business	57%

# Corporate Governance Statement

The Nomination Committee assists the Board in considering the Directors' ongoing education and ensuring that there are processes in place to ensure that each of the Directors maintains the skills and knowledge needed to perform their role as a Director effectively.

## Director Appointment, Rotation and Succession Planning

The Nomination Committee assists 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 before they are appointed as a Director or put forward to shareholders for election as a Director. Background checks were completed for the Directors appointed in February 2020.

Domain has a program for inducting new Directors and each new Director receives induction information with the key corporate governance policies and charters of the Company. As part of the Director induction and Board evaluation process, the Board, with support from the Nomination Committee, considers the skills and knowledge of each of the Directors and whether any of the Directors require any professional development to develop and maintain their skills to perform their role effectively.

Management regularly briefs the Directors on material developments in laws, regulations and accounting standards that are relevant to Domain.

### Director Appointment Letter

All new Directors receive a written appointment letter setting out the terms of their appointment. Hugh Marks and Lizzie Young received such appointment letters prior to their appointment as Directors on 1 February 2020.

In line with the ASX Recommendations, for non-executive Directors the appointment letters address:

- The requirement to disclose the director's interests and any matters which could affect the director's independence;
- The requirement to comply with key corporate policies;
- When Directors may seek independent professional advice at the expense of the Company;
- Indemnity and insurance arrangements;
- Ongoing rights of access to corporate information; and
- Ongoing confidentiality obligations.

As announced by the Company on 26 April 2020, the Company implemented cost initiatives to manage the potential impact of the COVID-19 coronavirus (Project Zipline), including the CEO and Directors electing to take 50% of their salary and directors' fees for six months in Share Rights. The executive service agreement for the CEO and the appointment letters for relevant Directors were varied (with the written agreement of the CEO and the relevant Director) to account for this variation to the payment of their remuneration. Further information in relation to Project Zipline is set out in the Chairman's Report on pages 4-5 and the Remuneration Report on pages 26-44 of this Annual Report.

### Director Rotation

Domain's Annual General Meeting will be held on 10 November 2020. Under Domain's Constitution, at least one Director is required to stand for re-election at the Annual General Meeting, and no Director (who is not the CEO) may hold office without re-election beyond the third Annual General Meeting following the meeting at which they were last elected or re-elected. In addition, under the ASX Listing Rules, a director appointed to fill a casual vacancy must not hold office (without re-election) past the next Annual General Meeting. Accordingly, Hugh Marks and Lizzie Young, who were appointed to the Board in February 2020, will be required to stand for re-election at the next Annual General Meeting.

The Nomination Committee assists the Board to determine which Directors will stand for re-election. In the Notice of Meeting for the Annual General Meeting, the Company will announce the details of the Directors standing for re-election and will provide shareholders with all material information in its possession about the Director relevant to a decision by shareholders on whether or not to re-elect the Director standing for re-election.

## Evaluation of Board, Committees And Directors

The Company has a process for periodically evaluating the performance of the Board, the Board Committees and individual Directors.

During the Reporting Period, the Board conducted a review of the Board's structure and composition, and performance of the Board, the Board Committees and individual Directors. The Nomination Committee assisted the Board with this review process. With regard to Board structure and composition, the Board determined that there was no requirement to change the existing composition or size of the Board based on the range of skills possessed by the current Directors.

The Board performance review was undertaken with the objective of continuous governance improvement, identifying Board performance improvement opportunities and any potential governance framework gaps. The review process covered individual Directors, the Chairman, the Board as a whole as well as the Committees. The evaluation process comprised an individual Director questionnaire, a management questionnaire for those members of management that regularly interact with the Board, direct one-to-one discussions between individual Directors and the Chairman and, to complete the process, a Board group discussion.

Consistent with the ASX Recommendations, performance evaluation of the Chairman was completed by an independent Non-Executive Director, Geoff Kleemann.

## Board Chairman

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

Domain's Chairman is Nick Falloon and he is also Deputy Chairman of Nine, which is a substantial shareholder of Domain. As a result of his interests in Nine, he is considered to be a non-independent Director. Whilst not following the ASX Recommendation that the Chair should be an independent Director, the Board considers Nick Falloon to be the most appropriate person to lead the Board, given his expertise and experience. Consistent with the ASX Recommendation, the Chair is not the same person as the CEO.

The Board is comfortable that Nick Falloon brings objective and independent judgement to all of the Board's deliberations. Notwithstanding this, Geoff Kleemann, an independent Non-Executive Director, has been appointed by the Board to act as the independent Chair in relation to any matters where Nick Falloon may be conflicted. The Board has a standing item on its Board meeting agenda, chaired by Geoff Kleemann, for independent Director discussion. The non-independent Directors are asked to step out of the meeting for that agenda item.

## CEO

The CEO is appointed by the Board and is responsible for the Company's day-to-day management, financial performance and administration. Jason Pellegrino served as Domain's CEO during the Reporting Period.

The CEO's performance is evaluated by the Board. The CEO's annual performance review against his key performance criteria was undertaken by the Chairman, in consultation with the other members of the Board, shortly after the end of FY20.

## Senior Management

During the Reporting Period, the Executive Leadership Team consisted of the CEO, the CFO and other senior executives delegated with management functions by the CEO. Details of the members of the Executive Leadership Team are available in the People section of the Domain's Shareholder Centre website at [shareholders.domain.com.au](http://shareholders.domain.com.au).

The Executive Leadership Team's roles and responsibilities are to implement strategic objectives, plans and budgets approved by the Board, and identify and manage risks within Domain's risk framework. The members of the Executive Leadership Team are leaders within the business, and they drive the Domain business and implementation of its key objectives. They are accountable to the Board for matters within their delegated authority. They are committed to providing the Board with sufficient information to enable the Board to understand relevant risks of the business and to discharge their Directors' duties effectively.

The members of the Executive Leadership Team are employed under individual written executive service agreements.

As part of the Company's Project Zipline initiative to manage the potential impact of COVID-19, the Executive Leadership Team elected to take 30% of their salary for six months in Share Rights. The executive service agreements for members of the Executive Leadership Team were varied (with the written agreement of the relevant member) to account for this variation to the payment of their remuneration.

Domain operates a regular 'check-in' process to enable employees and managers to provide regular feedback and discuss performance throughout the year. During the Reporting Period, the members of the Executive Leadership Team had regular check-in meetings with the CEO to discuss their key priorities and deliverables and their performance against those priorities and deliverables. In addition, the CEO had regular check-in meetings with the Chairman and also with the Chair of the People and Culture Committee.

In addition to regular check-ins, the members of the Executive Leadership Team are evaluated every 12 months against key performance criteria aligned with the strategic priorities of the business. The review is conducted by the CEO and usually occurs after the end of each financial reporting year in respect of the previous financial year. The performance reviews for FY19 were undertaken during the Reporting Period, shortly after the FY19 financial year results were announced. The reviews for FY20 will occur in the next Reporting Period shortly after the FY20 financial results are announced.

# Corporate Governance Statement

## The Company Secretary

The Company Secretary is appointed by the Board and is accountable directly to the Board through the Chairman on all matters to do with the proper functioning of the Board. The Company Secretary is responsible for the coordination of all Board matters relating to the proper functioning of the Board including agendas, board papers, minutes, communication with regulatory bodies and all statutory and other filings.

Domain's Company Secretary is Catriona McGregor. The qualifications and experience of the Company Secretary are set out in the Directors' Report on pages 19-25 of this Annual Report. Consistent with the ASX Recommendations, each Director is able to communicate directly with the Company Secretary and vice versa.

## Board Committees

The Board has three standing Board Committees that have been established. These are the Audit and Risk Committee, the People and Culture Committee and the Nomination Committee.

### Audit and Risk Committee

The roles and responsibilities of the Audit and Risk Committee are set out in the Audit and Risk Committee Charter. The Company updated the Audit and Risk Committee Charter during the Reporting Period.

The Audit and Risk Committee that is responsible for:

- Overseeing Domain's relationship with the external auditor and the audit function generally;
- Overseeing the Company's financial and other periodic corporate reporting;
- Overseeing the Company's financial controls and systems; and
- Overseeing the Company's identification and management of risk.

The Committee has three members all of which are Non-Executive Directors. A majority of the members of the Committee are independent Directors. The Chair of the Committee is Geoff Kleemann. He is an independent Director and does not ordinarily chair the Board meetings, other than where he acts as the independent Chair in relation to any matters raised at a Board meeting where Nick Falloon may be conflicted. Whilst not following the ASX Recommendation that the Chair of the Audit and Risk Committee should not be Chair of the Board, the Board considers that Geoff Kleemann is the appropriate person to act as the independent Chair of the Board in relation to any matters or decisions where Nick Falloon has a conflict. Geoff Kleemann has relevant financial and risk expertise having operated as Chief Financial Officer and Chair of the audit committee for a number of listed entities.

A copy of the Audit and Risk Committee Charter is available at Domain's Shareholder Centre website at [shareholders.domain.com.au](http://shareholders.domain.com.au).

### People and Culture Committee

The roles and responsibilities of the People and Culture Committee are set out in the People and Culture Committee Charter. The Company updated the People and Culture Committee Charter during the Reporting Period.

The People and Culture Committee (which also operates as a remuneration 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.

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 Executive Leadership Team and Non-Executive Directors, Domain's employee equity incentive plans and the Company's employee relations strategy;
- Monitoring and reviewing Domain's strategies and processes to promote a safe and positive working culture;
- Approving whistleblowing and bullying and harassment policies; and
- Approving policies and procedures related to Senior Management recruitment, retention, performance assessment and termination.

In addition, the People and Culture Committee is to provide support to the Board and management in overseeing the development and implementation of an ESG strategy and related policy.

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

Executive Directors are not involved in deciding their own remuneration or setting the remuneration of other executives that may indirectly affect their own, consistent with the ASX Recommendations.

A copy of the People and Culture Committee Charter is available at Domain's Shareholder Centre website at [shareholders.domain.com.au](http://shareholders.domain.com.au).

## Nomination Committee

The roles and responsibilities of the Nomination Committee are set out in the Nomination Committee Charter. The Company updated the Nomination Committee Charter during the Reporting Period.

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 commitment and effectiveness.

Consistent with the ASX Recommendations, the Committee is permitted under the Nomination Committee Charter to seek the advice of the Company's auditors, solicitors or other independent advisers, consultants and specialists as to any matter pertaining to the powers or duties of the Committee or its responsibilities.

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

Also consistent with the ASX Recommendations, the Chairman does not chair the Nomination Committee and so a separate chair is not required should the Nomination Committee deal with the appointment of a successor to the Chairman. A copy of the Nomination Committee Charter is available at Domain's Shareholder Centre website at [shareholders.domain.com.au](http://shareholders.domain.com.au).

## Committees – Membership, meetings and attendance

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 are set out in the Directors' Report on pages 19-25 of this Annual Report.

## Values and Code of Conduct

Domain has four values which represent what Domain employees believe are important standards of behaviour. These values guide Domain in achieving its purpose of inspiring confidence for all of life's property decisions:

Open doors, open minds	Passion is contagious	Have adventures	Leap, grow, repeat
And closed minds close them. We're always up for looking at things through each other's eyes.	So we don't keep it to ourselves. We share our energy, drive, determination, celebration and pride.	Big ones. Small ones. The kind that makes our time here all the more meaningful.	We admire the leap; learning when we fall, celebrating when we land, and then leaping all over again.

Further information on these values is set out in the Corporate Social Responsibility section on pages 11-17 of this Annual Report.

These values have been in place internally during the Reporting Period. Consistent with the New 4th Edition ASX Recommendations, Domain's values are publicly disclosed on its Sustainability website at [sustainability.domain.com.au](http://sustainability.domain.com.au) and are also promoted externally as part of Domain's employee recruitment. Domain employees receive appropriate training on these values and the Executive Leadership Team frequently references and reinforces these values in their interactions with staff, in recognition awards and performance evaluations.

During the Reporting Period, the Executive Leadership Team engaged in extensive discussions in relation to these values to confirm that the values disclosed by Domain create an accurate and appropriate link between its purpose and its strategic goals. The Board considers that these values have been upheld by the Board, the Executive Leadership Team and Domain staff during the Reporting Period. Domain has a Code of Conduct, a copy of which is available at Domain's Shareholder Centre website at [shareholders.domain.com.au](http://shareholders.domain.com.au). 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 also sets out the responsibility of individuals for reporting Code breaches.

Under the Code of the Conduct, employees are encouraged to raise concerns about behaviour which breaches the Code of Conduct to their manager or Employee Experience representative as soon as possible, other than breaches involving financial malpractice or fraud (which are to be immediately reported to the CFO and the General Counsel). Employees may call the Speak Up (whistleblower) hotline if they do not feel comfortable speaking to someone at Domain.

# Corporate Governance Statement

Depending on their nature, breaches of the Code of Conduct are reported to the Audit and Risk Committee and the People and Culture Committee (if appropriate) and material breaches are reported to the Board by the relevant Committee. In addition to, and supporting the Code of Conduct, is the Company's range of guidelines and policies. These guidelines and 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 guidelines and policies.

The Company will be running refreshers for staff on key policies – including the Code of Conduct – during the next reporting period (the financial year ending on 30 June 2021).

## Supply Chain and Supplier Code of Conduct

Domain expects its suppliers to comply with social, environmental and ethical standards of behaviour, comply with legislation and meet the required standards of the International Labour Organisation (**ILO**) and the Australian Human Rights Commission.

Domain has implemented a Supplier Code of Conduct (**Supplier Code**) which sets out the minimum standards that Domain expects of its suppliers. The Supplier Code is available at Domain's Shareholder Centre website at [shareholders.domain.com.au](http://shareholders.domain.com.au) and has been sent to all Domain suppliers.

In addition to implementing the Supplier Code, Domain has reviewed its supply chain to identify and address any modern slavery risks in Domain's operating and supply chain. Domain complies with its reporting requirements under the *Modern Slavery Act 2018* (Cth) and has prepared a Modern Slavery Statement which will be made available on or around the date of this Annual Report at Domain's Sustainability website at [sustainability.domain.com.au](http://sustainability.domain.com.au) and at Domain's Shareholder Centre website at [shareholders.domain.com.au](http://shareholders.domain.com.au).

## Whistleblowing

During the reporting year, the Company updated its Speak Up Policy (Whistleblower Policy). The Speak Up Policy, including details of the Speak Up hotline, is available at Domain's Shareholder Centre website at [shareholders.domain.com.au](http://shareholders.domain.com.au). The Speak Up Hotline is an independent externally managed hotline which also enables whistleblowing reports to be made anonymously.

To support recipients of whistleblower reports under the Speak Up Policy Domain has created Whistleblower Guidelines for those involved in receiving, coordinating or investigating a whistleblower report, or wishing to make reports and for recipients of Whistleblower reports.

The Company will continue to conduct internal whistleblower training during the next reporting period (the financial year ending on 30 June 2021).

Under the Speak Up Policy, Domain encourages employees to raise concerns about incidents via a range of methods, including the Speak Up Hotline, the CFO, the Group Director - Employee Experience, the CEO (for concerns relating to members of the Executive Leadership Team) and the Chairman.

Under the Speak Up Policy, the Audit and Risk Committee or the Board is to be provided with additional information about material incidents that are appropriate to be escalated to that Committee or the whole Board, subject to legally required levels of confidentiality.

## Anti-Bribery and Corruption

Consistent with the New 4th Edition ASX Recommendations, the Company has an Anti-Bribery and Corruption Policy, which was adopted during the Reporting Period. The Anti-Bribery and Corruption Policy is available at Domain's Shareholder Centre website at [shareholders.domain.com.au](http://shareholders.domain.com.au).

Prior to Domain adopting a separate stand-alone anti-bribery and corruption policy in April 2020, the Company's guidelines in relation to anti-bribery and corruption were covered by provisions in the Code of Conduct and the Supplier Code. During the Reporting Period, it was considered that it was appropriate that a separate, more detailed, policy be adopted given the risks of bribery and corruption issues to Domain's reputation and standing in the community.

Under the Anti-Bribery and Corruption Policy, employees are to inform the CFO of any potential bribery or corruption in the Domain Group as soon as they become aware of it. Employees may also raise concerns relating to bribery and corruption via the Speak Up Hotline.

Under the Anti-Bribery and Corruption Policy, once raised, the Executive Leadership Team must immediately inform the Board, and the Board will determine next steps to be taken.

## 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, nationality, family responsibilities, gender, language, marital status, religious belief and sexual identity and orientation. Domain has adopted Diversity and Inclusion Guidelines which are available at Domain's Shareholder Centre website at [shareholders.domain.com.au](http://shareholders.domain.com.au). The Company recognises that each employee has their own unique capabilities, experiences and characteristics. It encourages such diversity at all levels of the Company. By embracing a diverse and inclusive approach, there is naturally a larger pool of talented employees available for recruitment. It also enhances employee engagement and thereby supports retention and talent attraction. Continuing to focus on diversity and inclusion will assist the Company to achieve its strategic objectives and ultimately deliver greater financial performance and greater shareholder value.

The People and Culture Committee oversees Domain's diversity and inclusion policy and the setting and achievement of its goals, including measurable objectives for achieving gender diversity in the composition of the Board.

Domain's Employee Experience team, together with members of management, drive processes and practices internally to promote the implementation of the Diversity and Inclusion Guidelines and corresponding objectives of the Company. Domain currently has principles that support gender equality in recruitment, retention, performance management, promotions and talent identification. Domain is continuing to strive to improve its practices.

Domain recognises the importance of setting measurable objectives to achieve diversity. Domain's Diversity and Inclusion Guidelines include a requirement that objectives to achieve diversity will be reviewed and updated by the People and Culture Committee every twelve months in addition to the People and Culture Committee reviewing the progress towards achieving them.

During the last reporting period (the financial year ending in 30 June 2019), the People and Culture Committee set the measurable objective that by 2020 Domain would have a representation of at least 40% female and 40% male (with a 20% swing variance) across the Board, Executive Leadership Team and Senior Management levels of the organisation. This was adjusted in August 2019 to a measurable objective to be achieved by 2021.

Since the end of the Reporting Period, the Company has amended its measurable objectives, to be consistent with the New 4th Edition ASX Recommendations, that by the end of 2021 there would be at least 40% female and 40% male (with a 20% swing variance) across the Board, the Executive Leadership Team and Senior Management levels of the organisation and the workforce generally.

The Company's progress towards achieving the measurable objectives and its workforce gender demographics more generally as at 30 June 2020 were:

Measure	Male	Female	Change From 30 June 2019
Proportion of men and women who are Directors (including CEO)	71%	29%	No change
Proportion of men and women who are in the Executive Leadership Team (including CEO and CEO-1)	70%	30%	FY19: 78% male, 22% female
Proportion of men and women who are in Senior Management (CEO-2)	57%	43%	FY19: 59% male, 41% female
Proportion of men and women across workforce generally	52%	48%	No change

As shown in the table above, the Company has seen a more even balance in its gender workforce demographics in the Executive Leadership Team and the Senior Management levels of the organisation as at 30 June 2020 compared to 30 June 2019.

Domain complies with the *Workplace Gender Equality Act 2012* (Cth), and its 2019-2020 Public Report under the Act is available at Domain's Shareholder Centre website at [shareholders.domain.com.au](http://shareholders.domain.com.au).

Further information in relation to Domain's diversity initiatives, including its Reconciliation Action Plan and LGBTQI+ Inclusion Plan, are set out in the Corporate Social Responsibility section on pages 11-17 of this Annual Report.

# Corporate Governance Statement

## Human Rights Policy

Domain is committed to conducting its activities in a manner that respects human rights. Domain adopted a Human Rights Policy in June 2020. The Company's approach to human rights is based on doing business in a way that respects the rights and dignity of people, avoids human rights abuses and upholds applicable legal requirements. A copy of the Human Rights Policy is available at Domain's Shareholder Centre website at [shareholders.domain.com.au](http://shareholders.domain.com.au).

Domain recognises its ability to impact and influence the human rights of a variety of its stakeholders, including in its role as a provider of products and services, as an employer and as a procurer. Domain is committed to working closely with stakeholders to identify and understand its impact, to reduce negative impacts and to enhance positive ones.

This Human Rights Policy applies in addition to the Code of Conduct which captures the principles by which Domain will conduct its business and interact with its people, customers and broader communities and the Supplier Code which sets out the minimum standards that Domain expects of its suppliers.

During the Reporting Period, Domain undertook an internal assessment of its human rights impact and compliance with the Human Rights Policy.

Further information in relation to Domain's exposure to environmental and social risks, including human rights risks, is set out under 'Social sustainability risks' below.

## Remuneration

The Remuneration Report on pages 26–44 of this Annual Report describes the Company's remuneration policies and practices for setting the level and composition of remuneration for Non-Executive Directors, the CEO and CFO, and their remuneration during FY20.

## Risk Management

### Risk management framework

The Board, with the support of the Audit and Risk Committee, oversees and monitors Domain's risk framework. The risk framework was reviewed by the Audit and Risk Committee and considered by the Board during the Reporting Period.

During the Reporting Period, the Audit and Risk Committee worked with the CEO, CFO and members of management to review the Company's key risk areas and establish a new reporting framework in respect of those key risks. The Audit and Risk Committee monitors and reviews the risks reported by management and makes recommendations to the Board based on Domain's risk appetite framework.

The risk appetite framework is intended to inform the behaviours, limits and the considerations to be taken into account by management when setting and implementing strategy and when managing the day-to-day operations of the Company.

Management reports to the Audit and Risk Committee, the People and Culture Committee and the Board on risks, both with regard to financial and non-financial risks. Risks and risk management are also considered in the context of business planning, budgeting, forecasting, reporting, and performance management processes. The risk appetite framework assists with informing management on the level of risk reporting required by management to the Board.

The Board will continue to assess Domain's risk management framework and reporting protocols at least annually to ensure they continue to be sound and that the Company is operating with due regard to the risk appetite set by the Board.

### Economic, environmental and social sustainability risks

The Board, with the support of the Audit and Risk Committee, considers economic, environmental and social sustainability risks and opportunities and how they may impact the Company.

#### Economic risks

As a business that delivers technology and services to the real estate industry, Domain is exposed to the economic conditions of the property market. Whilst property listing volumes are cyclical in nature, Domain has significant opportunities to grow revenue through increased take up of its premium listing products to offset market impacts. Domain is expanding its business model beyond the typical six-month transaction window to service the entirety of the typical 10-year property ownership cycle. This broader focus and extension of the length of the engagement with consumers provides an opportunity for Domain to diversify and grow revenue with a view to lessening the economic impact of a property downturn.

## Environmental risks

Like many companies, Domain is exposed to environmental risks, such as increased energy prices as a result of energy providers adjusting their environmental policies, impacts to supply chains and extreme weather events like bushfire or floods. Domain does not consider that the impact of these environmental risks is material or any more significant for Domain than for other similar companies.

Nevertheless, Domain takes its responsibility to care for and protect the environment seriously. The Company aims to minimise the environmental impacts of its operations, products and services and expect its suppliers to do the same. The Supplier Code provides that the Company expects suppliers to demonstrate that they, among other things, minimise waste through efficient use of materials and in particular, minimise the use of energy, water and raw materials where possible, avoid contamination of the local environment and minimise emissions and pollution, and set internal improvement targets for environmental performance.

Domain acknowledges that climate change is an existential threat that will have increasingly significant environmental, social and economic impacts on all aspects of society. Although Domain does not consider it has a material exposure to climate change risk, the Company acknowledges that the scale and complexity of climate change make it uniquely challenging, especially in the context of economic decision making.

The Company is in the early stages of evaluating the impact of climate change on our businesses and strategies, and follows the Task Force on Climate-related Financial Disclosures (**TCFD**) recommendations to disclose information on our governance and risk management practices. More detail on Domain's carbon disclosure activities is set out in the Corporate Social Responsibility section on pages 11-17 of this Annual Report.

## Social sustainability risks

Recognition and support of human rights is very important to Domain. Due to the nature of the Domain business, the Company does not consider that it has material exposure to risks in this area:

- The Company operates solely within Australia, a country with low frequency of current day human rights violations, and which is tightly monitored by the Australian Human Rights Commission.
- The Company's products are primarily online and are all developed within Australia.
- The Company's supply chain is relatively small meaning the Company has high visibility of suppliers in its supply chain. Most of the Company's suppliers are based in Australia.

Actions the Company is currently undertaking in relation to human rights risks include continually reviewing its supply chain, to identify and address any modern slavery risks in its operating and supply chain and investigating the potential to report on human rights issues in line with the UN Guiding Principles Reporting Framework.

## Environmental, Social & Governance Policy and Plan

During the Reporting Period, the Company published an Environmental, Social & Governance Policy (**ESG Policy**) and an Environmental, Social & Governance Plan (**ESG Plan**).

Copies of these documents are available at Domain's Sustainability website at [sustainability.domain.com.au](https://sustainability.domain.com.au).

The ESG Policy has been developed to help outline the Company's position on material ESG issues impacting our operations. The ESG Policy was developed following an ESG Materiality Assessment undertaken in October 2019 through an independent consultant, as a result of which the Company identified a range of current and emerging ESG risks and conversely opportunities that are likely to impact its business and its stakeholders over the short, medium and long term.

As set out in the ESG Policy, the critical risks that will become the focus for the Company moving forward are:

- Diversity and inclusion;
- Data security;
- Sustainable supply chain;
- Employee engagement;
- Customer satisfaction; and
- Systemic risk – Technology.

The ESG Policy sets out, for each of these risks, why it is important to the Company and how the Company is addressing the risk, and how the risk is linked to the United Nations Sustainable Development Goals.

The ESG Plan sets out, for each of these risks, the actions the Company intends to take to address the risk and a delivery timetable for those actions.

Actions the Company is currently undertaking in relation to environmental risks include improving the energy efficiency of its assets, and developing its Sustainability Strategy that will provide direction for our business to operate in a zero-carbon emissions future.

# Corporate Governance Statement

## More information on Corporate Social Responsibility

More information about Domain's approach to managing social sustainability is set out in the Corporate Social Responsibility section on pages 11-17 of this Annual Report.

## Internal Audit

Domain does not have an internal audit function but has systems and internal control processes to monitor, evaluate, manage and continually improve the effectiveness of our governance, risk management and internal control processes. These include balance sheet reconciliations, approval processes, controlled delegations of authority, regular operational performance reviews, risk register reviews and system controls. In June 2020, the Company appointed an independent external third party to undertake aspects of internal audit for Domain.

## Periodic Corporate Reporting

Where the Company releases to the market any periodic corporate report (being an annual directors' report, annual and half yearly financial statements, periodic activity reports, or similar periodic reports prepared for the benefit of investors) that is not audited or reviewed by an external auditor, it adopts processes to ensure the integrity of these reports, including by having the data verified, statements reviewed by relevant members of management including the CFO and the Group General Counsel.

The full year financial report is audited and the half year financial report is reviewed by the auditors.

## Declarations from the CEO and CFO

Before it approves the financial statements for the half-year and full-year, the Board receives a declaration from the CEO and CFO consistent with the requirements of the *Corporations Act 2001* (Cth) and the ASX Recommendations.

These statements are made after the CEO and the CFO receive representation letters from appropriate management addressed to the CEO and CFO verifying material issues relating to their respective areas of responsibility and disclosing factors that may have a material effect on the financial performance of the Domain Group.

The Board also receives a statement from the CEO and CFO that their opinion has been formed on the basis of a sound system of controls which they believe to be operating effectively.

## 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 for audit independence.

## Continuous Disclosure Policy

Domain is committed to complying with its continuous disclosure obligations under the *Corporations Act 2001* (Cth) and the ASX Listing Rules to keep the market fully informed of information concerning it that a reasonable person would expect to have a material effect on the price or value of Domain's securities.

Domain has a written Continuous Disclosure Policy to ensure that it complies with its disclosure obligations so that all investors have equal and timely access to material information concerning the entity – including its financial position, performance, ownership and governance. A copy of Domain's Continuous Disclosure Policy is available at Domain's Shareholder Centre website at [shareholders.domain.com.au](http://shareholders.domain.com.au).

The Continuous Disclosure Policy sets out matters in respect of which Board approval and input for announcements is required, including in relation to significant profit upgrades or downgrades, dividend policy or declarations and company transforming events.

Where the Board does not approve announcements, Board members are provided with material market announcements promptly after they have been made, consistent with the New 4th Edition ASX Recommendations.

## Investor and Analyst Presentations

Consistent with the New 4th Edition ASX Recommendations, the Company releases a copy of presentation materials on the ASX Market Announcements Platform ahead of new and substantive investor and analyst presentations.

During the Reporting Period, the Company released a copy of presentation materials on the ASX Market Announcements Platform on three occasions (16 August 2019, 20 February 2020 and 5 May 2020). In each case, the materials were released ahead of the presentation.

Shareholders and other interested parties are able to participate in all Company hosted investor events, and webcast details are made available in advance on the ASX Market Announcements Platform. In addition, replays and transcripts of these presentations are available at Domain's Shareholder Centre website at [shareholders.domain.com.au](http://shareholders.domain.com.au).

## Shareholder Communications and Investor Relations Program

The Company operates an investor relations program that facilitates two-way communications with investors. The Directors also meet with proxy advisers and representatives of retail shareholders to understand their key focus areas and share Domain's approach in relation to those matters.

Consistent with the ASX Recommendations, where significant comments or concerns are raised by investors or their representatives, they are conveyed to the Board and relevant senior executives. Shareholders have the option to receive communications from Domain and send communications to Domain and its share registry electronically. Domain's ASX announcements include details of its investor relations contact person and their contact details.

To ensure shareholders have access to relevant information, Domain puts information about itself and its governance (including Company announcements, analyst and investor briefings, financial results and other relevant information) at Domain's Shareholder Centre website at [shareholders.domain.com.au](http://shareholders.domain.com.au).

Consistent with the ASX Recommendations, the Company has a dedicated 'Corporate Governance' landing page from where all corporate governance information can be accessed.

Also consistent with the ASX Recommendations, the Shareholder Centre website also includes:

- Names, photographs and brief biographical information for Directors and Executive Leadership Team;
- The Company's Constitution;
- The Board Charter, Board Committee charters and policies;
- An overview of the Company's current business and brands;
- Slides for materials distributed at investor or analyst presentations (and, in some cases, webcast recordings);
- Historical information about the price of the Company's shares;
- Information about the Company's dividend or distribution history;
- Contact details for enquiries from security holders, analysts or media; and
- Contact details for its securities registry (from which key security holder forms can be accessed).

Domain also makes available on the Shareholder Centre website the full text of Notices of Meetings and explanatory materials for each Annual General Meeting (including directors' reports, financial statements and other corporate reports). The Chairman's and the CEO's addresses, proxy counts and results of shareholder resolutions for each Annual General Meeting are posted on the Shareholder Centre as soon as practicable after their release to ASX.

In addition to the Shareholder Centre, Domain has a Sustainability website at [sustainability.domain.com.au](http://sustainability.domain.com.au) to provide investors with information about Domain's approach to responsible business practices, ensuring customer satisfaction, monitoring our supply chain, being an employer of choice, managing our environmental footprint, and supporting and investing in community development.

# Corporate Governance Statement

## Shareholder Participation and Voting

Shareholders are encouraged to ask questions and are given a reasonable opportunity to comment on matters relevant to the Company (including management of the Company) at the Company's Annual General Meeting. The external auditor will attend the Annual General Meeting and will be available to answer shareholder questions about the audit and the Auditor's Report.

The Company facilitates and encourages participation at meetings of security holders by a range of methods, including:

- Allowing proxy forms to be submitted electronically, by fax, by post or delivery;
- Webcasting the Annual General Meeting so that security holders can view and hear proceedings online; and
- Allowing security holders to submit questions in writing ahead of the Annual General Meeting (including to the auditor), for those who are unable to attend the meeting or who prefer to register questions in advance.

Consistent with the ASX Recommendations, the above methods were adopted for the Company's Annual General Meeting held during the Reporting Period.

At meetings of security holders, resolutions are decided by a poll rather than a show of hands, consistent with the New 4th Edition ASX Recommendations. At the Company's Annual General Meeting held during the Reporting Period, all resolutions were decided by poll and it was flagged in the notice of meeting that the Chairman intended to put all resolutions to a poll.

## Trading in Company Securities

Domain has a Securities Trading Policy that regulates when and how the Directors, the Executive Leadership Team and certain other key designated employees (collectively Designated People) may trade in its securities. The Securities Trading Policy also extends to trading in Nine securities because it is recognised that materially price sensitive information about Domain may be price sensitive in relation to Nine securities whilst Domain is a subsidiary of Nine.

The Securities Trading Policy is available at Domain's Shareholder Centre website at [shareholders.domain.com.au](http://shareholders.domain.com.au).

The Securities Trading 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's or Nine's share value.

The Directors, Executive Leadership Team and Designated People are regularly reminded of the Securities Trading Policy and of the closed periods.

## Equity-Based Remuneration Schemes

The Company has several equity-based remuneration schemes under the Domain Equity Incentive Plan and the Domain Executive Incentive Plan. Details of these schemes for KMP are set out in the Remuneration Report on pages 26–44 of this Annual Report. A summary of the Domain Equity Incentive Plan is set out on page 42 of the Scheme Booklet for the separation of the Company from Fairfax Media. The Scheme Booklet is available at Domain's Shareholder Centre website at [shareholders.domain.com.au](http://shareholders.domain.com.au).

Securities issued via these schemes are subject to the Securities Trading Policy. The Securities Trading Policy also prohibits any employees from entering into any financial transactions (whether through a derivative, hedge or other arrangement) which would operate to limit their economic risk from holding unvested Domain securities that have been allocated to them as part of their remuneration, including under any of the above schemes. As set out in the Securities Trading Policy, any employee found not to have complied with the Policy risks disciplinary actions which could include termination of employment. The Securities Trading Policy is available at Domain's Shareholder Centre website at [shareholders.domain.com.au](http://shareholders.domain.com.au).

# Management Discussion and Analysis Report

For the financial year ending 30 June 2020

## Trading Overview

For the financial year ending 30 June 2020 (**FY20**), Domain Holdings Australia Limited (**Domain**) reported a statutory net loss after tax attributable to members of the Company of \$227.7 million, after a goodwill impairment charge of \$256.1 million.

Operating earnings before interest, tax, depreciation and amortisation (**EBITDA**) (excluding significant items and disposals) of \$84.4 million was 10% below last year. From the beginning of FY20, Domain has adopted Australian Accounting Standards Board Accounting Standard 16 'Leases' (**AASB 16**). Due to the adoption of AASB 16, the EBITDA figure for FY20 is \$6.6 million higher than it would have been under accounting standards applied by Domain prior to FY20. The adoption of AASB 16 is relevant for other figures included in this Management Discussion and Analysis Report as set out below. Further information in relation to AASB 16 is set out in Note 1 to the Financial Report on page 68 of this Annual Report.

## Segment Performance

### **Core Digital (excluding significant items and disposals)**

Revenue of \$227.0 million decreased 6% from the prior year, reflecting declines in Residential and Media, Developers & Commercial businesses, with an increase in Agent Services.

Residential revenue reduced 7%, a solid performance in an environment of unprecedented declines in new property listings. Early signs of volume improvement in March 2020 were reversed due to the sudden and substantial impact of COVID-19 on the property industry. Despite the challenging backdrop, Domain's proportion of depth listings was at the highest level in the Company's history. Together with an innovative new flexible pricing model, the business delivered continued growth in controllable yield (movement due to pricing and depth performance on new 'for sale' listings only).

Media, Developers & Commercial revenue declined 9% with the market environment impacting the performance of all three verticals. Declines in Media and Developer offset solid revenue growth in Commercial. A strong H1 performance in Commercial reversed in H2 due to the rapid and significant impact of COVID-19. Commercial continued to deliver strong growth in depth penetration in the first half, and the introduction of a new flexible value based pricing model supported growth in yield.

Agent Services revenue increased 1%, with the strong first half performance offset by the impact of support initiatives which Domain provided to agents in response to COVID-19 in H2. Real Time Agent contributed from the time of its acquisition, with its digital products seeing accelerated take up as valuable solutions to implement a COVID-19 safe environment.

Expenses of \$127.6 million decreased 6% from the prior year, reflecting ongoing cost discipline and impact of AASB 16. EBITDA of \$99.4 million decreased 7% from the prior year, reflecting revenue declines.

### **Consumer Solutions and Other (excluding significant items and disposals)**

Revenue of \$5.6 million increased 83% from the prior year, reflecting strong growth at Domain Loan Finder, which significantly expanded its refinancing activities while continuing to deliver growth in new home loans.

Expenses of \$9.2 million decreased 19% from last year, reflecting phasing of investment in the businesses of Domain Loan Finder and Domain Insure.

EBITDA was a loss of \$(3.6) million compared with a loss of \$(8.6) million in the prior year, reflecting the benefits of increased scale and strong revenue momentum.

### **Print (excluding significant items and disposals)**

Revenue of \$26.5 million reduced 41% from the prior year reflecting the challenging cyclical environment along with a continued shift to digital and paused print publications in Q4 to respond to the COVID-19 impact

Expenses of \$20.4 million reduced 34%, reflecting ongoing cost initiatives, lower print volumes and paused publications.

EBITDA of \$6.1 million reduced 56% from the prior year, reflecting the paused print publications in Q4 and management of costs in light of the continued revenue declines. Profitability was maintained despite the absence of Q4 revenue.

# Management Discussion and Analysis Report

For the financial year ending 30 June 2020

## Financial Position

Operating earnings before interest and tax (**EBIT**) (excluding significant items and disposals) of \$43.3 million decreased 33% on the prior year. Depreciation and amortisation (excluding significant items and disposals) of \$41.2 million increased 37% on the prior year, largely due to adoption of AASB 16 and impact of acquisitions.

FY20 recorded significant items of \$249.9 million loss net of tax attributable to members of the Company. This included impairment of intangibles (goodwill in Core Digital) of \$256.1 million. The outbreak of COVID-19 and the temporary restrictions implemented has directly impacted revenue through listing and auction volumes in the last quarter of the financial year ended 30 June 2020. The uncertainty around the near term impacts on the industry, the economy, and the shape of recovery have resulted in the impairment charge recognised by the Group. The charge is non-cash in nature and there is no impact on banking covenants. The restructuring and redundancy costs of \$5.0 million mainly related to the new organisational structure. Further information on this organisation structure is set out in the CEO's Report on pages 6-9 of this Annual Report. Non-controlling interests of \$2.9 million reflect the share of profits or loss attributable to the agent ownership models and other consolidated, non-wholly owned entities.

Net cash inflow from operating activities of \$87.8 million increased 15% from the prior year, impacted by lease payments moving to financing activities as part of AASB 16. Net cash outflow from investing activities was \$35.0 million (predominantly capital expenditure of \$20.6 million, payments for controlled entities of \$19.2 million and disposal of controlled entities of \$4.9 million). Dividends of \$39.5 million were paid to Domain shareholders and in respect of non-controlling interests in subsidiaries. Cash and cash equivalents of \$65.5 million increased 33% on the prior year. Net assets as at 30 June 2020 of \$908.3 million decreased 22% predominantly due to the impairment of intangibles.

Net debt was \$105.8 million at 30 June 2020 down 7% from the prior year reflecting the cash movement described above.

## Business Strategies and Future Prospects

Domain's strategy is building a customer-centric Australian property marketplace. The three pillars of our strategy support our purpose to inspire confidence in all of life's property decisions. We do this by:

- Growing the core listings business. Domain provides solutions to our agent and corporate customers to help them grow their businesses. Our Residential, Media, Developers and Commercial, and Agent Services platforms connect our customers with large audiences across digital, print and social.
- Growing new revenue in Consumer Solutions. Domain partners with specialist providers to deliver direct to consumer services spanning home loans, insurance and utilities. These offerings are adjacent to our core listings business, and benefit from Domain's large audiences and trusted brand.
- Simplifying and optimising our business. Domain maintains a disciplined focus on cost management and maximising returns, to efficiently fund investment for future growth.

## Underlying Drivers of Performance

The Group operates across three key segments with specific underlying drivers of performance. These are summarised below.

### Core Digital

**Residential:** The majority of residential revenue is through listings of 'for sale' and rental properties across desktop, mobile and social platforms with the balance coming from monthly subscriptions. Revenue is driven by residential property listing volumes and controllable yield performance.

**Media, Developers and Commercial:** Media's revenue comes from digital display advertising. Developers revenue comes from listings and advertising related to residential property developments. Commercial comprises digital subscription, listings and display advertising revenue for a range of sectors including office, retail and industrial.

**Agent Services:** Domain has a suite of products providing solutions to agents to grow their businesses. Pricfinder and APM produce property data, insights and reporting tools. Homepass provides open-for-inspection tools, while Real Time Agent digitises key steps in the property journey, including agency agreements, auctions and contracts.

### Consumer Solutions and Other

Consumer Solutions revenue comprises commissions from Domain's home loans, insurance and utilities connections businesses. Domain Loan Finder and Domain Insure operate as joint ventures with specialist providers, and Domain Connections is a residential utilities connection lead generation service.

### Print

Print revenue comprises lifestyle and property listings advertising in the *Domain*, *Allhomes* and *Domain Review* magazines. Print revenue is experiencing a structural shift to digital and is exposed to property market volume related cyclicalities.

## Expenses

Expenses of \$177.2 million (excluding significant items and disposals) reduced 10.4% and reflect our multi-year efforts to drive cost discipline and efficiencies while at the same time continuing to invest to support the future growth of the business. Reductions have been achieved in print costs from efficiency initiatives, lower volumes and paused publications; promotions and other discretionary costs. Staff cash salary costs have been reduced mainly due to the successful implementation of Project Zipline.

Domain has also proactively sought government relief to protect our business during COVID-19 by becoming eligible for the JobKeeper scheme. JobKeeper grants of \$5.4 million have been included in the results recorded at 30 June 2020 (EBITDA impact of \$4.7 million which excludes \$0.7 million transferred to capitalised labour costs). Domain became eligible to participate in the scheme from 30 March 2020 and continues to be eligible subject to meeting the criteria, this continuing to be available from the government and receiving the relief continues to be in the best interests of Domain.

As at 30 June 2020, \$3.6 million has been received. Further information on expenses is set out in Note 3 to the Financial Report on page 72 of this Annual Report.

Further information on Project Zipline is set out in the Remuneration Report on pages 26–44 of this Annual Report.

Domain remains committed to investing in the growth of the business while continuing to drive operational efficiency.

The impacts of changes in the underlying drivers of performance on the current year result are set out in the Investor Presentation and commentary presented by the Domain Management team.

# Auditor's Independence Declaration



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

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

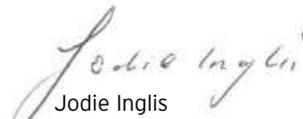
## Auditor's Independence Declaration to the Directors of Domain Holdings Australia Limited

As lead auditor for the audit of the financial report of Domain Holdings Australia Limited for the financial year ended 30 June 2020, I declare to the best of my knowledge and belief, there have been:

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

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

  
Ernst & Young

  
Jodie Inglis  
Partner  
20 August 2020

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the financial year ended 30 June 2020

	Note	30 June 2020 \$'000	30 June 2019 \$'000
Revenue from contracts with customers	2(A)	265,385	333,676
Other revenue and income	2(B)	16,027	10,245
<b>Total revenue and income</b>		<b>281,412</b>	<b>343,921</b>
Share of net losses of associates and joint ventures		–	(310)
Expenses from operations excluding impairment, depreciation, amortisation and finance costs	3(A)	(188,189)	(240,239)
Impairment	4	(256,068)	(178,847)
Depreciation and amortisation	3(B)	(41,739)	(34,623)
Finance costs	3(C)	(7,159)	(9,050)
<b>Net (loss)/profit from operations before income tax expense</b>		<b>(211,743)</b>	<b>(119,148)</b>
Income tax expense	21	(11,083)	(16,032)
<b>Net (loss) from operations after income tax expense</b>		<b>(222,826)</b>	<b>(135,180)</b>
Other comprehensive (loss)/income for the year		–	–
<b>Total comprehensive (loss) for the year</b>		<b>(222,826)</b>	<b>(135,180)</b>
<b>Net (loss)/profit is attributable to:</b>			
Non-controlling interest		4,850	2,403
Owners of the parent		(227,676)	(137,583)
		<b>(222,826)</b>	<b>(135,180)</b>
<b>Total comprehensive (loss)/income is attributable to:</b>			
Non-controlling interest		4,850	2,403
Owners of the parent		(227,676)	(137,583)
		<b>(222,826)</b>	<b>(135,180)</b>
<b>Earnings per share</b>			
Basic earnings per share (cents)	17	(39.02)	(23.67)
Diluted earnings per share (cents)	17	(39.02)	(23.67)

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying Notes. The Consolidated Statement of Profit or Loss and Other Comprehensive Income for the financial year ended 30 June 2019 was not restated upon the initial adoption of AASB 16 Leases (AASB 16). Refer to Note 1 for further description of the impact of AASB 16.

# Consolidated Balance Sheet

as at 30 June 2020

	Note	30 June 2020 \$'000	30 June 2019 \$'000
<b>Current assets</b>			
Cash and cash equivalents	24	65,497	49,315
Trade and other receivables	9	42,679	46,008
Sublease receivable <sup>(i)</sup>	13	1,301	–
<b>Total current assets</b>		<b>109,477</b>	<b>95,323</b>
<b>Non-current assets</b>			
Intangible assets	7	1,113,522	1,365,227
Property, plant and equipment	12	13,170	15,874
Right-of-use assets <sup>(i)</sup>	13	34,644	–
Sublease receivable <sup>(i)</sup>	13	5,692	–
<b>Total non-current assets</b>		<b>1,167,028</b>	<b>1,381,101</b>
<b>Total assets</b>		<b>1,276,505</b>	<b>1,476,424</b>
<b>Current liabilities</b>			
Payables – related parties	20	5,303	1,253
Trade and other payables	10	36,044	23,787
Lease liability <sup>(i)</sup>	13	9,979	–
Provisions	11	7,861	20,210
Current tax liabilities		16,890	15,842
<b>Total current liabilities</b>		<b>76,077</b>	<b>61,092</b>
<b>Non-current liabilities</b>			
Interest bearing liabilities	8	171,254	162,540
Lease liability <sup>(i)</sup>	13	39,116	–
Provisions	11	5,646	11,235
Deferred tax liabilities	21	76,116	78,033
<b>Total non-current liabilities</b>		<b>292,132</b>	<b>251,808</b>
<b>Total liabilities</b>		<b>368,209</b>	<b>312,900</b>
<b>Net assets</b>		<b>908,296</b>	<b>1,163,524</b>
<b>Equity</b>			
Contributed equity	15	1,294,420	1,289,658
Reserves	15	(35,426)	(34,971)
Retained (losses)/profits		(356,533)	(94,574)
<b>Total parent entity interest</b>		<b>902,461</b>	<b>1,160,113</b>
Non-controlling interest		5,835	3,411
<b>Total equity</b>		<b>908,296</b>	<b>1,163,524</b>

(i) Balances arise due to the adoption of AASB 16 from 1 July 2019. The Consolidated Balance Sheet as at 30 June 2019 was not restated upon the initial adoption of AASB 16. Refer to Note 1 for further description of the impact of AASB 16.

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

# Consolidated Cash Flow Statement

for the financial year ended 30 June 2020

	Note	30 June 2020 \$'000	30 June 2019 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		307,414	381,013
Payments to suppliers and employees (inclusive of GST)		(198,287)	(277,644)
Interest received		238	593
Finance costs paid		(5,213)	(7,550)
Financing component of lease receipts and payments	13	(1,339)	–
Net income taxes paid		(14,996)	(20,353)
<b>Net cash inflow from operating activities</b>	<b>24</b>	<b>87,817</b>	<b>76,059</b>
<b>Cash flows from investing activities</b>			
Payment for purchase of controlled entities (net of cash acquired)	6	(19,170)	(2,656)
Loan to other party		(500)	–
Disposal of controlled entities (net of cash disposed of)		4,903	1,114
Proceeds from sale of a financial asset		–	103
Proceeds from sale of property, plant and equipment and software		4	–
Payment for property, plant and equipment and software		(20,618)	(22,828)
Receipts from sublease receivable – principal component	13	363	–
<b>Net cash outflow from investing activities</b>		<b>(35,018)</b>	<b>(24,267)</b>
<b>Cash flows from financing activities</b>			
Payment for purchase of non-controlling interest in subsidiaries		–	(277)
Proceeds from borrowings by subsidiary with non-controlling shareholder		966	–
Proceeds from issue of shares by subsidiary with non-controlling shareholder		2,120	–
Proceeds from borrowings		10,000	–
Repayment of borrowings		–	(25,000)
Payment of lease liabilities – principal component	13	(8,787)	–
Dividends paid to shareholders		(34,985)	(34,830)
Dividends paid to non-controlling interests in subsidiaries		(4,520)	(3,202)
Payment of debt facility fees		(1,411)	–
<b>Net cash outflow from financing activities</b>		<b>(36,617)</b>	<b>(63,309)</b>
<b>Net increase/(decrease) in cash and cash equivalents held</b>		<b>16,182</b>	<b>(11,517)</b>
Cash and cash equivalents at the beginning of the year	24	49,315	60,832
<b>Cash and cash equivalents at end of the year</b>	<b>24</b>	<b>65,497</b>	<b>49,315</b>

The Consolidated Cash Flow Statement for the financial year ended 30 June 2019 was not restated upon the initial adoption of AASB 16. Refer to Note 1 for further description of the impact of AASB 16.

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

# Consolidated Statement of Changes in Equity

for the financial year ended 30 June 2020

	Note	Reserves			Total Reserves \$'000	Retained Profits \$'000	Non-Controlling Interest \$'000	Total Equity \$'000
		Contributed Equity \$'000	Other Reserves \$'000	Share-Based Payment Reserve \$'000				
<b>Balance at 30 June 2019</b>	15	1,289,658	(37,343)	2,372	(34,971)	(94,574)	3,411	1,163,524
(Loss)/profit for the year		-	-	-	-	(227,676)	4,850	(222,826)
Other comprehensive income		-	-	-	-	-	-	-
<b>Total comprehensive (loss)/income for the year</b>		-	-	-	-	<b>(227,676)</b>	<b>4,850</b>	<b>(222,826)</b>
<b>Transactions with owners in their capacity as owners:</b>								
Issue of share capital	15	3,783	-	-	-	-	-	3,783
Dividends paid to shareholders	16	-	-	-	-	(34,985)	-	(34,985)
Dividends paid or declared to non-controlling interests in subsidiaries	16	-	-	-	-	-	(4,502)	(4,502)
Non-controlling interest arising on business combination		-	-	-	-	-	(44)	(44)
Transactions with non-controlling interest		-	-	-	-	-	2,120	2,120
Vesting of employee engagement shares	15	979	-	(979)	(979)	-	-	-
Release of employee incentive shares	15	-	-	(702)	(702)	702	-	-
Share-based payments, net of tax	15	-	-	2,660	2,660	-	-	2,660
Reclassification of asset revaluation reserve		-	(1,434)	-	(1,434)	-	-	(1,434)
<b>Total transactions with owners</b>		<b>4,762</b>	<b>(1,434)</b>	<b>979</b>	<b>(455)</b>	<b>(34,283)</b>	<b>(2,426)</b>	<b>(32,402)</b>
<b>Balance at 30 June 2020</b>		<b>1,294,420</b>	<b>(38,777)</b>	<b>3,351</b>	<b>(35,426)</b>	<b>(356,533)</b>	<b>5,835</b>	<b>908,296</b>

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

# Consolidated Statement of Changes in Equity

for the financial year ended 30 June 2020

	Note	Reserves			Total Reserves \$'000	Retained Profits \$'000	Non-Controlling Interest \$'000	Total Equity \$'000
		Contributed Equity \$'000	Other Reserves \$'000	Share-Based Payment Reserve \$'000				
<b>Balance at 24 June 2018</b>		1,283,377	(39,739)	824	(38,915)	78,195	10,795	1,333,452
Effect of adoption of AASB 9 (net of tax) <sup>(i)</sup>		-	-	-	-	(356)	-	(356)
<b>Restated balance as at 24 June 2018</b>		1,283,377	(39,739)	824	(38,915)	77,839	10,795	1,333,096
(Loss)/profit for the year		-	-	-	-	(137,583)	2,403	(135,180)
Other comprehensive income		-	-	-	-	-	-	-
<b>Total comprehensive (loss)/ income for the year</b>		-	-	-	-	<b>(137,583)</b>	<b>2,403</b>	<b>(135,180)</b>
<b>Transactions with owners in their capacity as owners:</b>								
Issue of share capital	15	6,819	-	-	-	-	-	6,819
Transaction costs	15	(17)	-	-	-	-	-	(17)
Shares acquired for employee incentive scheme	15	(521)	-	-	-	-	-	(521)
Dividends paid to shareholders	16	-	-	-	-	(34,830)	-	(34,830)
Dividends paid or declared to non-controlling interests in subsidiaries		-	-	-	-	-	(3,225)	(3,225)
Non-controlling interest arising on business combination		-	-	-	-	-	325	325
Transactions with non-controlling interest		-	2,396	-	2,396	-	146	2,542
Derecognition of non-controlling interest in subsidiaries		-	-	-	-	-	(7,033)	(7,033)
Share-based payments, net of tax	15	-	-	1,548	1,548	-	-	1,548
<b>Total transactions with owners</b>		6,281	2,396	1,548	3,944	(34,830)	(9,787)	(34,392)
<b>Balance at 30 June 2019</b>		<b>1,289,658</b>	<b>(37,343)</b>	<b>2,372</b>	<b>(34,971)</b>	<b>(94,574)</b>	<b>3,411</b>	<b>1,163,524</b>

(i) The implementation and impact of AASB 9 *Financial Instruments* (AASB 9) in Note 1B in the prior year financial statements.

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

# Notes to the Consolidated Financial Statements

for the financial year ended 30 June 2020

## 1. About this Report

### 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 Stock Exchange (**ASX**). The financial report includes the consolidated entity consisting of the Company and its controlled entities (the **Group**). The ultimate parent of the Company is Nine Entertainment Co. Holdings Limited.

The Group is principally engaged in the provision of real estate media and 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 financial years presented, unless otherwise stated.

### B. Basis of preparation

This financial report is for the 12 months from 1 July 2019 to 30 June 2020 (2019: 53 weeks from 25 June 2018 to 30 June 2019). The Group previously reported results on a 5-4-4 calendar year but transitioned to a 12 month calendar on 1 July 2019 to align the Group's results with the ultimate parent of the Group, Nine Entertainment Co. Holdings Limited. The change in the accounting period does not materially impact the Consolidated Statement of Profit or Loss and Other Comprehensive Income for the comparative period.

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 (**AASB**);
- The financial report also complies with International Financial Reporting Standards (**IFRS**) as issued by the International Accounting Standards Board;
- In accordance with the going concern basis of accounting (see below); and
- On a historical cost convention except for contingent considerations that are measured at fair value.

#### i. Going concern basis of accounting

The Group has prepared the financial statements for the financial year ended 30 June 2020 on a going concern basis, which assumes continuity of current business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

On 27 April 2020, the Group announced measures to strengthen its liquidity and cash preservation in response to COVID-19, including a new \$80.0 million credit facility with a term of 18 months, initiatives relating to staff and employee-related costs and several other cost initiatives. The Group agreed with its banking group financial covenant waivers for 30 June 2020 and 31 December 2020. The next covenant testing date is therefore 30 June 2021.

The Group has prepared financial forecasts for the twelve months from the date of approval of these financial statements taking into consideration the estimation of the continued business impacts of COVID-19. The Directors have concluded that it is appropriate to prepare the financial statements on a going concern basis after considering the financial forecasts, including downside forecast scenarios, and the following:

- The Group continues to have the ongoing support of its banking group and access to undrawn facilities of \$132.0 million (refer to Note 8 for further details) as well as \$65.5 million in cash and cash equivalents as at 30 June 2020;
- As at 30 June 2020, the Group had \$33.4 million in net working capital, capital commitments of \$3.3 million as well as lease commitments of \$0.8 million due within one year; and
- The Group was in compliance with its financial covenants at 30 June 2020 and is forecasting covenant compliance at 31 December 2020 and 30 June 2021.

#### ii. New accounting standards, interpretations and amendments adopted by the Group

##### AASB 16 Leases (AASB 16)

The Group has applied AASB 16 *Leases* for the first time from 1 July 2019. AASB 16 replaces AASB 117 *Leases* and provides a single lease accounting model for identifying and measuring lease arrangements. A contract contains a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group, as lessee is required to recognise a right-of-use asset (**ROU asset**) representing its right to use the underlying asset and a lease liability representing the present value of future lease payments.

Lessor accounting under AASB 16 is substantially unchanged from AASB 117.

## Transition

The Group has applied the modified retrospective transition approach as permitted by AASB 16 which requires no restatement of comparative information. Transition reclassifications and adjustments have therefore been recognised in the opening balance sheet at 1 July 2019. As permitted by AASB 16, the Group has elected to exclude short-term and low value leases. The Group measured the ROU asset for all existing operating leases as equal to the lease liability on transition. Existing lease incentive balances, included within provisions in prior year comparatives, on transition were offset against the new ROU assets.

The Group has applied the following practical expedients on transition:

- Used a single discount rate for a portfolio of leases with reasonably similar characteristics
- Applied the short-term leases exemptions to leases with lease terms that end within 12 months of the date of initial application

At transition, the Group recognised ROU assets of \$49.9 million and lease liabilities of \$57.9 million.

The following table reconciles the Group's operating lease commitments at 30 June 2019 to the lease liabilities recognised upon transition at 1 July 2019:

	\$'000
<b>Operating lease commitments at 30 June 2019</b>	46,535
Payments related to leases contracted but not commenced	(4,036)
Payments related to outgoings and similar costs	(1,145)
Payments in optional extension periods not included in commitments	21,551
Impact of discounting (weighted average incremental borrowing rate of 2.77%)	(5,023)
<b>Lease liability recognised at 1 July 2019</b>	<b>57,882</b>

Refer to Note 13 for further AASB 16 related disclosures.

### *IFRIC Interpretation 23 Uncertainty over Income Tax Treatments (IFRIC 23)*

Effective 1 January 2019, the Group's existing accounting policy for uncertain income tax treatments is consistent with the requirements in IFRIC 23. The interpretation did not have an impact on the Consolidated Financial Statements of the Group.

### *AASB 9 Financial Instruments (AASB 9)*

Effective 1 January 2018, the Group has applied AASB 9 from 25 June 2018. AASB 9 replaces AASB 139 and includes revised guidance on classification and measurement, impairment and hedge accounting of financial instruments. In adopting this standard the Group has elected to apply the practical expedient as allowed by the standard and adopt a provision matrix approach to calculate the lifetime expected credit loss on trade receivables.

Effective 25 June 2018, the Group recognises trade receivables at cost less the lifetime expected credit loss calculated based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. This policy has been applied from the beginning of the financial year ended 30 June 2019.

### *AASB 15 Revenue from Contracts with Customers (AASB 15)*

AASB 15 was issued in December 2014, and amended in May 2016. It establishes a five-step model to account for revenue arising from contracts with customers. Under AASB 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard supersedes all current revenue recognition requirements under Australian Accounting Standards. The Group has adopted AASB 15 from 25 June 2018; the impact on the prior year financial statements is not material.

The Group is principally engaged in the provision of real estate media and classified advertising services. The products and services offered across the Group are either sold on their own in separate identified contracts with customers or together as a bundled package of goods and/or services. In adopting AASB 15, the Group has considered the following:

#### *Bundled products and services*

The Group's subscriptions and advertising products are sold either on their own or bundled together. Historically, the Group accounted for these bundled sales as separate deliverables and allocated revenue in line with the advertised discounts for each separate product. Under AASB 15, allocation will be made based on relative standalone selling prices; this impacts the attribution of revenue between operating segments and cash generating units (**CGUs**) but does not impact overall revenue recognised by the Group.

# Notes to the Consolidated Financial Statements

for the financial year ended 30 June 2020

### **iii. Standards issued but not yet effective**

Certain new accounting standards, amendments and interpretations have been issued that are not yet effective for the financial year ended 30 June 2020. However, the Group intends to adopt the following new or amended standards and interpretations, if applicable, when they become effective with no significant impact being expected on the Consolidated Financial Statements of the Group:

- Amendments to References to Conceptual Framework in IFRS Standards.
- Definition of a Business (Amendments to AASB 3 *Business Combinations*).
- Definition of Material (Amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*).

### **iv. Functional and presentational currency**

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).

### **v. Rounding of amounts**

The amounts contained in the financial report have been rounded to the nearest \$1,000 (where rounding is applicable) where noted (\$'000) under the option available to the Company under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. The Company is an entity to which this legislative instrument applies.

## **C. Significant judgements, estimates and assumptions**

The carrying amounts of certain assets and liabilities are determined based on estimates and assumptions of future events. Where applicable, the Group has incorporated judgements, estimates and assumptions specific to the impact of COVID-19 in determining the amounts recognised in the financial statements. This was done based on conditions existing at balance sheet date, recognising that uncertainty still exists in relation to the duration of any government restrictions imposed, stimulus granted or other regulatory actions.

The key estimates and assumptions which are most significant to the financial report are found in the following notes:

- Note 1: Going concern basis of accounting
- Note 6: Business Combinations, Acquisitions, Disposals and Investments in Controlled Entities
- Note 7: Intangible Assets
- Note 9: Receivables
- Note 11: Provisions
- Note 13: Leases
- 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 deconsolidated 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.

## 2. Revenues

	Note	30 June 2020 \$'000	30 June 2019 \$'000
<b>A. Revenue from contracts with customers</b>			
Residential		161,632	173,272
Media, Developers and Commercial		43,004	47,071
Agent Services		28,608	32,156
Core Digital		233,244	252,499
Consumer Solutions and Other		5,603	26,850
Print		26,538	54,327
<b>Total revenue from contracts with customers</b>		<b>265,385</b>	<b>333,676</b>
<b>B. Other revenue and income</b>			
Interest income		388	593
Gain on sale of property, plant and equipment		295	–
Gain on sale of controlled entities	4	1,259	5,272
Gain on contingent consideration payable and sale of financial asset	4	10,935	2,459
Gain on debt refinance	4	650	–
Rental income		1,918	1,792
Other		582	129
<b>Total other revenue and income</b>		<b>16,027</b>	<b>10,245</b>
<b>Total revenue and income</b>		<b>281,412</b>	<b>343,921</b>

### Accounting policy

#### *Revenue from contracts with customers*

Revenue from contracts with customers is recognised either over time (digital products and services) or when control of the good has been transferred (publication date), regardless of when payment is received. Amounts disclosed as revenue are net of commissions and discounts.

#### *Listing services*

The provision of listing services is accounted for as a single performance obligation, the provision of a listing being a distinct service. Revenue is recognised over the listing period. Where products are discounted the net revenue is recognised over the listing period.

#### *Subscription services*

Subscription services are treated as a single performance obligation; access to digital platforms and data under the subscription is a series of services substantially integrated with the same pattern of transfer. Accordingly, subscription revenue is recognised evenly over the subscription period.

#### *Advertising services*

Revenue from the provision of advertising on digital and print platforms is recognised over the period the advertisements are placed.

#### *Commission income*

Revenue from commission income is recognised on satisfaction of the performance obligation which is the delivery of the product or service by the principal or the settlement of the mortgage. Revenue in respect of trailing commissions is recognised at the net present value of amounts expected to be received.

#### *Bundling of products and services*

Where products and/or services are sold as a bundled product, each product and service is treated as a separate performance obligation. In bundling products and services, these are priced at a discount to the standalone selling price. These discounts are applied proportionately to each separately identifiable performance obligation within the bundle.

#### *Other services*

Revenue from other services such as title searches, custom research and valuations is recognised evenly over the period in which it relates.

# Notes to the Consolidated Financial Statements

for the financial year ended 30 June 2020

## Financing Components

The Group does not have any contracts where the period between the transfer of the promised product or services to the customer and payment by the customer exceeds one year. Consequently, the Group does not adjust any of the transaction prices for the time value of money.

### Other income

#### Interest income

Interest income is recognised as it accrues based on the effective yield of the financial asset or the incremental borrowing rate of the sublease receivable.

#### Rental income

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

## 3. Expenses

	Note	30 June 2020 \$'000	30 June 2019 \$'000
<b>A. Expenses from operations excluding impairment, depreciation, amortisation and finance costs</b>			
Staff and employee related costs <sup>(i)</sup>		79,853	94,530
Production and distribution costs		24,694	35,587
Promotions		38,706	40,412
Rent and outgoings		2,347	10,655
IT and communication costs		18,462	19,674
Fringe benefits tax, travel, entertainment and employee related costs		5,225	6,100
Loss on sale of controlled entities	4	1,191	–
Restructuring and redundancy charges	4	5,025	2,942
Other		12,686	30,339
<b>Total expenses from operations excluding impairment, depreciation, amortisation and finance costs</b>		<b>188,189</b>	<b>240,239</b>
<b>B. Depreciation and amortisation</b>			
Depreciation of plant and equipment	12	2,146	4,982
Depreciation of leasehold improvements	12	2,371	2,807
Depreciation of right-of-use assets	13	8,216	–
Amortisation of software	7	23,771	21,637
Amortisation of customer relationships and tradenames	7	5,235	5,197
<b>Total depreciation and amortisation</b>		<b>41,739</b>	<b>34,623</b>
<b>C. Finance costs</b>			
External parties borrowing costs		5,401	8,062
Unwinding of discount on contingent consideration		304	988
Finance costs on leases	13	1,454	–
<b>Total finance costs</b>		<b>7,159</b>	<b>9,050</b>
<b>D. Other expense disclosures</b>			
Operating lease rental expense		762	8,780
Share-based payment expense <sup>(ii)</sup>		2,400	1,548
<b>Total other expenses</b>		<b>3,162</b>	<b>10,328</b>

(i) Staff and employee related costs are net of government grants of \$4.7 million relating to JobKeeper (excluding \$0.7 million transferred to capitalised labour costs). At 30 June 2020 \$3.6 million of the total \$5.4 million has been received.

(ii) Share-based payment expense of \$2.4 million excludes \$0.1 million transferred to capitalised labour costs related to Project Zipline (refer to Note 22 for further details).

## 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.

Government grants related to income are accounted for in accordance with AASB 120 *Accounting for Government Grants and Disclosure of Government Assistance* and are presented as part of profit or loss and are deducted in reporting the related expense.

## 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.

	30 June 2020 \$'000	30 June 2019 \$'000
<b>Impairment of goodwill<sup>(i)</sup></b>	<b>(256,068)</b>	<b>(178,847)</b>
Restructuring and redundancy charges <sup>(ii)</sup>	(5,025)	(2,942)
Accelerated depreciation <sup>(ii)</sup>	–	(2,529)
Gain on debt refinance <sup>(iii)</sup>	650	–
Other	172	–
Income tax benefit	1,268	1,641
<b>Restructuring charges, net of tax</b>	<b>(2,935)</b>	<b>(3,830)</b>
Gain on contingent consideration payable and sale of financial asset <sup>(iv)</sup>	10,935	2,459
Net gain on sale of controlled entities <sup>(v)</sup>	68	5,272
Income tax expense	–	–
<b>Gains on contingent consideration payable and sale of controlled entities, net of tax</b>	<b>11,003</b>	<b>7,731</b>
<b>Net significant items after income tax</b>	<b>(248,000)</b>	<b>(174,946)</b>

(i) An impairment charge of \$256.1 million (2019: \$178.8 million) was recognised during the year in respect of goodwill within the Domain Digital CGU. The outbreak of COVID-19 and the temporary restrictions implemented has impacted the listing and auction volumes in the last quarter of the financial year ended 30 June 2020. The uncertainty around the near term impacts on the industry, the economy, and the shape of recovery have resulted in the impairment charge recognised by the Group. Refer to Note 7 for further detail.

(ii) Restructuring charges of \$5.0 million (pre-tax) largely relate to the introduction of new pricing models and continued restructuring charges relating to the continuing implementation of the new organisational structure.  
Prior year restructuring charges of \$2.9 million pre-tax relate to the implementation of a new organisational structure and accelerated depreciation of \$2.5 million due to sub-leasing of surplus Head Office space.

(iii) A gain of \$0.7 million was recognised as part of the debt refinance in November 2019. Refer to Note 8 for details of the new syndicated facility.

(iv) Gain on contingent consideration payable primarily relates to the release of contingent consideration for Commercialview.com.au Pty Limited Tranche 2 and Tranche 3 and Review Property Pty Ltd Tranche 3.  
Prior year gain on contingent consideration related to the change in fair value of Tranche 2 of the Review Property Pty Ltd contingent consideration and a gain on the sale of a financial asset.

(v) Net gain on sale of controlled entities relates to the sale of Mapshed Pty Ltd (loss of \$1.2 million) and Commerce Australia Pty Ltd (gain of \$1.3 million), refer to Note 6 for further details.  
Prior year gain on sale of controlled entities relates to the sale of Residential Connections Pty Limited and MMP Star Pty Limited.

# Notes to the Consolidated Financial Statements

for the financial year ended 30 June 2020

## 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.
Consumer Solutions and Other	Connecting consumers with services relevant to them at different property lifecycle stages, home loans, insurance, trade services and residential utilities connections.
Print	Real estate newspaper and magazine publishing.
Corporate	Comprises corporate entity results not included in the segments above.

### B. Results by operating segment

The segment information provided to the Board of Directors, CEO and CFO for the reportable segments for the financial year ended 30 June 2020 is as follows:

	Segment Revenue \$'000	Revenue from External Customers \$'000	Share of Losses of Associates and Joint Ventures \$'000	Underlying EBITDA <sup>(i)</sup> \$'000
<b>30 June 2020</b>				
Core Digital	233,244	233,244	–	100,969
Consumer Solutions and Other	5,603	5,603	–	(3,645)
Print	26,538	26,538	–	6,132
Corporate	2,459	2,459	–	(17,421)
<b>Total for the Group</b>	<b>267,844</b>	<b>267,844</b>	<b>–</b>	<b>86,035</b>
<b>30 June 2019</b>				
Core Digital	252,499	252,499	(102)	108,702
Consumer Solutions and Other	26,850	26,850	(208)	(7,168)
Print	54,327	54,327	–	13,920
Corporate	1,921	1,921	–	(17,464)
<b>Total for the Group</b>	<b>335,597</b>	<b>335,597</b>	<b>(310)</b>	<b>97,990</b>

(i) Underlying EBITDA is defined as earnings before interest, tax, depreciation and amortisation excluding significant items.

### 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:

	30 June 2020 \$'000	30 June 2019 \$'000
<b>Underlying EBITDA from continuing operations</b>	86,035	97,990
Significant income before tax (including significant interest income)	13,180	7,731
Significant expense before tax (including significant depreciation and amortisation)	(262,448)	(184,318)
Depreciation and amortisation	(41,739)	(32,094)
Interest income	388	593
Finance costs	(7,159)	(9,050)
<b>Reported net profit before tax</b>	<b>(211,743)</b>	<b>(119,148)</b>

A summary of significant items (before tax) by operating segments is provided for the financial years ended 30 June 2020 and 30 June 2019.

	Impairment of Goodwill \$'000	Restructuring Charges \$'000	Gain on Contingent Consideration \$'000	Net Gain on Sale of Controlled Entities \$'000	Gain on Debt Refinance \$'000	Other \$'000	Total \$'000
<b>30 June 2020</b>							
Core Digital	(256,068)	–	10,935	68	–	337	(244,728)
Consumer Solutions and Other	–	–	–	–	–	–	–
Print	–	–	–	–	–	–	–
Corporate	–	(5,025)	–	–	650	(165)	(4,540)
<b>Consolidated entity</b>	<b>(256,068)</b>	<b>(5,025)</b>	<b>10,935</b>	<b>68</b>	<b>650</b>	<b>172</b>	<b>(249,268)</b>
<b>30 June 2019</b>							
Core Digital	(178,847)	–	2,459	–	–	–	(176,388)
Consumer Solutions and Other	–	–	–	2,908	–	–	2,908
Print	–	–	–	2,364	–	–	2,364
Corporate	–	(5,471)	–	–	–	–	(5,471)
<b>Consolidated entity</b>	<b>(178,847)</b>	<b>(5,471)</b>	<b>2,459</b>	<b>5,272</b>	<b>–</b>	<b>–</b>	<b>(176,587)</b>

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 makers to assess performance, make resource allocation decisions and for which discrete financial information is available.

# Notes to the Consolidated Financial Statements

for the financial year ended 30 June 2020

## 6. Business Combinations, Acquisitions, Disposals and Investments in Controlled Entities

### A. Acquisitions

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

Entity Or Business Acquired	Principal Activity	Date of Acquisition	Ownership Interest as at 30 June 2020
Bidtracker Holdings Pty Ltd and its subsidiaries (the <b>Bidtracker Group</b> )	Point of sale platform for real estate agents	27 November 2019	100.0%

The provisional fair values of the identifiable assets and liabilities acquired are detailed below.

	Bidtracker Group \$'000
<b>Current assets</b>	
Cash	230
Trade and other receivables	77
<b>Total current assets</b>	<b>307</b>
<b>Non-current assets</b>	
Intangible assets <sup>(i)</sup>	5,415
Property, plant and equipment	4
Deferred tax assets	74
<b>Total non-current assets</b>	<b>5,493</b>
<b>Total assets</b>	<b>5,800</b>
<b>Current liabilities</b>	
Payables	143
Provisions	441
<b>Total current liabilities</b>	<b>584</b>
<b>Non-current liabilities</b>	
Deferred tax liabilities <sup>(i)</sup>	1,420
Provisions	14
<b>Total non-current liabilities</b>	<b>1,434</b>
<b>Total liabilities</b>	<b>2,018</b>
<b>Total identifiable net assets at fair value</b>	<b>3,782</b>
Goodwill arising on acquisition <sup>(i)</sup>	20,632
<b>Total identifiable net assets and goodwill attributable to the Group</b>	<b>24,414</b>

(i) These balances reflect the preliminary purchase price accounting.

### Purchase consideration

Cash paid	19,400
Cash effective settlement of intercompany loan	503
Contingent consideration <sup>(i)</sup>	4,511
<b>Total purchase consideration</b>	<b>24,414</b>
<b>Net cash outflow on acquisition</b>	
Cash paid	(19,400)
Cash acquired	230
<b>Net cash outflow</b>	<b>(19,170)</b>

(i) The purchase consideration of \$24.4 million represents the discounted fair value of the total expected consideration of \$24.5 million as at 27 November 2019.

As a result of the above acquisition of the Bidtracker Group the Consolidated Statement of Profit or Loss and Comprehensive Income includes revenue and net loss before tax for the financial year ended 30 June 2020 of \$0.7 million and \$0.8 million, respectively. Had the acquisition occurred at the beginning of the financial year ended 30 June 2020, the Consolidated Income Statement would include revenue and net loss before tax of \$1.0 million and \$0.5 million respectively.

### **The Bidtracker Group**

On 27 November 2019, the Company acquired 100% of the shares in the Bidtracker Group which operates the business Real Time Agent. The consideration of the acquisition is to be paid in three tranches with two of the three being contingent on achievement of defined targets over financial year 2020 and financial year 2021.

The first tranche included payment of \$19.4 million which was settled in cash on 27 November 2019 and \$0.5 million cash effective settlement of the intercompany loan. Tranches two and three are anticipated to be settled in September 2020 and 2021 based on the performance against defined revenue targets in financial year 2020 and financial year 2021 respectively. An additional amount between nil and \$15.6 million is payable in cash; the maximum consideration for the transaction across the three tranches is \$35.5 million, the expected total consideration for the transaction as at 30 June 2020 is between \$24.0 and \$24.5 million.

The contingent consideration for tranches two and three is recognised as a financial liability on the Consolidated Balance Sheet and is measured at fair value through profit and loss. Goodwill of \$20.6 million was recognised at the time of acquisition. The goodwill comprises expected synergies arising from the acquisition.

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

### **B. Disposals**

The Group lost control of the following entities during the year:

<b>Entity or Business Disposed</b>	<b>Principal Activity</b>	<b>Date of Disposal</b>	<b>Ownership Interest before Disposal Date</b>
Mapshed Pty Ltd	Database management and support service	1 October 2019	100.0%
Commerce Australia Pty Ltd	Customer relationship management platform	13 March 2020	100.0%

#### **Commerce Australia Pty Ltd**

On 3 March 2020, the Group entered into an agreement to sell 100% of the shares in Commerce Australia Pty Ltd (trading as MyDesktop) for a total maximum cash consideration of \$14.0 million, of which \$7.0 million is contingent on achieving a number of conditions in 2021. The expected consideration for this transaction is \$10.5 million. The sale was part of the Company's strategy to simplify and optimise the Group's structure, and work in alignment with all agents. A net gain on disposal of \$0.6 million being \$1.3 million revenue and \$0.7 million disposal costs was recognised through Other Revenue and Income in the Group's Consolidated Statement of Profit or Loss and Other Comprehensive Income. On 13 March 2020, the Group publicly announced completion of the sale.

On 13 March 2020, the Group deconsolidated the net assets of Commerce Australia Pty Ltd and stopped recognising the results of the company in the Group's Consolidated Statement of Profit or Loss and Other Comprehensive Income.

#### **Mapshed Pty Ltd**

On 1 October 2019, the Group sold 100% of the shares in Mapshed Pty Ltd for \$1 cash consideration. At that time, the Group deconsolidated the net assets of Mapshed Pty Ltd and stopped recognising the results of the company in the Group's Consolidated Statement of Profit or Loss and Other Comprehensive Income, recognising a loss on sale of \$1.2 million. The results of Mapshed Pty Ltd up to 1 October 2019 are not material to the Group.

# Notes to the Consolidated Financial Statements

for the financial year ended 30 June 2020

## Accounting policy

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.

Any contingent consideration to be transferred at the date of acquisition or date of disposal is accounted for as disclosed in Note 11.

### Significant judgements, estimates and assumptions

On acquisition date, the Group determines the provisional fair values of identifiable assets acquired and liabilities assumed. The assumptions and estimates made have an impact on the assets and liability amounts recorded in the Financial Statements. In addition, the estimated useful lives of the acquired amortisable assets, the identification of intangible assets and the determination of the indefinite or finite useful lives of intangible assets acquired will have an impact on the Group's future profit or loss.

The purchase price of business acquired as well as its allocation to acquired assets and liabilities requires estimates and judgements.

## 7. Intangible Assets

	30 June 2020 \$'000	30 June 2019 \$'000
Tradenames	270,510	270,726
Goodwill	777,827	1,023,071
Software	20,775	24,589
Software (capital works in progress) <sup>(i)</sup>	4,529	4,971
Customer relationships	39,881	41,870
<b>Total intangible assets</b>	<b>1,113,522</b>	<b>1,365,227</b>

(i) \$0.1 million of capitalised works in progress relate to Project Zipline (refer to Note 22 for further details). Capitalised works in progress is net of \$0.7 million capitalised government grants related to JobKeeper.

The movement in intangibles during the year is primarily due to the acquisitions from business combinations (Note 6), impairment (Note 7A) and amortisation.

## Reconciliations

Reconciliations of the carrying amount of each class of intangible asset during the year are set out below:

	Note	Tradenames \$'000	Goodwill \$'000	Software \$'000	Software (Capital Works in Progress) \$'000	Customer Relationships \$'000	Total \$'000
<b>30 June 2020</b>							
Balance at beginning of the year		270,726	1,023,071	24,589	4,971	41,870	1,365,227
Additions		–	–	1,589	16,890	–	18,479
Capitalisations from works in progress		–	–	17,332	(17,332)	–	–
Acquisition through business combinations <sup>(i)</sup>	6	225	20,749	2,385	–	2,805	26,164
Reclassification of asset revaluation reserve	15	–	(1,434)	–	–	–	(1,434)
Impairment	4	–	(256,068)	–	–	–	(256,068)
Disposals		–	(8,491)	(1,349)	–	–	(9,840)
Amortisation	3(B)	(441)	–	(23,771)	–	(4,794)	(29,006)
<b>At 30 June 2020, net of accumulated amortisation and impairment</b>		<b>270,510</b>	<b>777,827</b>	<b>20,775</b>	<b>4,529</b>	<b>39,881</b>	<b>1,113,522</b>
<b>At 30 June 2020</b>							
Cost		272,785	1,212,742	88,199	4,529	65,405	1,643,660
Accumulated amortisation and impairment		(2,275)	(434,915)	(67,424)	–	(25,524)	(530,138)
<b>Net carrying amount</b>		<b>270,510</b>	<b>777,827</b>	<b>20,775</b>	<b>4,529</b>	<b>39,881</b>	<b>1,113,522</b>

(i) Goodwill on acquisition through business combinations includes \$0.1 million relating to the purchase price allocation for an acquisition which occurred in the financial year ended 30 June 2019.

# Notes to the Consolidated Financial Statements

for the financial year ended 30 June 2020

	Note	Tradenames \$'000	Goodwill \$'000	Software \$'000	Software (Capital Works in Progress) \$'000	Customer Relationships \$'000	Total \$'000
<b>30 June 2019</b>							
Balance at beginning of the year		270,900	1,192,522	20,071	7,255	43,906	1,534,654
Additions		–	–	1,622	20,433	–	22,055
Capitalisations from works in progress		–	–	22,717	(22,717)	–	–
Acquisition through business combinations		310	12,016	2,300	–	2,700	17,326
Impairment	4	–	(178,847)	–	–	–	(178,847)
Disposals		–	(2,620)	(484)	–	(23)	(3,127)
Amortisation	3(B)	(484)	–	(21,637)	–	(4,713)	(26,834)
<b>At 30 June 2019, net of accumulated amortisation and impairment</b>		<b>270,726</b>	<b>1,023,071</b>	<b>24,589</b>	<b>4,971</b>	<b>41,870</b>	<b>1,365,227</b>
<b>At 30 June 2019</b>							
Cost		272,560	1,201,918	72,850	4,971	62,600	1,614,899
Accumulated amortisation and impairment		(1,834)	(178,847)	(48,261)	–	(20,730)	(249,672)
<b>Net carrying amount</b>		<b>270,726</b>	<b>1,023,071</b>	<b>24,589</b>	<b>4,971</b>	<b>41,870</b>	<b>1,365,227</b>

## A. Impairment testing of indefinite life intangible assets

The Group performed its annual impairment test in June 2020. The carrying amounts of goodwill and indefinite life intangibles are allocated to the Group's CGUs as follows:

Allocation to CGU Groups	Operating Segment	Goodwill \$'000	Tradenames <sup>(i)</sup> \$'000	Total \$'000
<b>30 June 2020</b>				
Domain Digital	Core Digital	713,758	256,672	970,430
Allhomes	Core Digital	35,091	–	35,091
Commercial Real Estate	Core Digital	8,352	–	8,352
Bidtracker	Core Digital	20,626	–	20,626
Digital Home Loans <sup>(ii)</sup>	Consumer Solutions and Other	–	6,578	6,578
<b>Total intangible assets</b>		<b>777,827</b>	<b>263,250</b>	<b>1,041,077</b>
<b>30 June 2019</b>				
Domain Digital	Core Digital	979,628	263,250	1,242,878
Allhomes	Core Digital	35,091	–	35,091
Commercial Real Estate	Core Digital	8,352	–	8,352
<b>Total intangible assets</b>		<b>1,023,071</b>	<b>263,250</b>	<b>1,286,321</b>

(i) The Digital Home Loans CGU was tested for impairment as at 30 June 2020 due to a tradename allocation.

(ii) Balance as at 30 June 2019 was restated to include only indefinite life intangible assets.

The recoverable amounts of the CGUs are determined based on fair value less costs of disposal, using a discounted cash flow methodology. The valuations used to support the carrying amounts of the intangible assets are based on forward looking key assumptions that are, by nature, uncertain. Due to COVID-19, the uncertainty around the economic and market conditions further increases the degree of subjectivity around these key assumptions. Any changes in the assumptions can lead to significant changes in the recoverable amounts of the CGUs. The Group has based its impairment testing upon conditions existing at 30 June 2020 and what the Management and the Directors believe can reasonably be expected at that date. The nature and basis of the key assumptions used to estimate future cash flows and the discount rates used in the projections, when determining the recoverable amount of each CGU, are set out below:

Key Assumptions		Domain Digital	Allhomes	Commercial Real Estate	Bidtracker	Digital Home Loans
Based on board approved annual budget which considers the uncertain economic outlook due to the impact of COVID-19 and the uncertainty of timing and impact of the withdrawal of government support packages.		Year 1 cash flows	Year 1 cash flows	Year 1 cash flows	Year 1 cash flows	Year 1 cash flows
Management has considered the potential impacts of COVID-19 beyond year 1 cash flows and as a result, applied balanced expectations by assuming an extended recovery period. Through the use of multiple scenarios, management has factored in the risk of further downside to the economy in the near term. Management acknowledges that the actual recovery period could deviate from the assumptions used in the impairment assessment.		Year 2 – 10 cash flows	Year 2 – 5 cash flows	Year 2 – 10 cash flows	Year 2 – 10 cash flows	Year 2 – 10 cash flows
Long-term revenue growth is in line with digital business industry trends, market maturity and management's expectations of market development, which remain substantially unchanged from previous years.						
		Domain Digital	Allhomes	Commercial Real Estate	Bidtracker <sup>(i)</sup>	Digital Home Loans <sup>(ii)</sup>
<b>30 June 2020</b>						
Terminal growth rate	These rates are consistent with industry specific forecasts in which the CGU operates.	2.50%	2.50%	2.50%	2.50%	2.50%
Discount rate (post tax)	Reflects current market assessment of the time value of money and the risks specific to the relevant market in which the CGU operates. An adjustment was made to consider the uncertainties due to COVID-19 that are not already reflected in the cash flows. This adjustment was determined through use of downside scenarios.					
Pre-AASB 16		10.40%	10.45%	10.47%	13.30%	14.71%
Post-AASB 16		10.20%	10.25%	10.27%	13.10%	14.71%
<b>30 June 2019</b>						
Terminal growth rate	These rates are consistent with industry specific forecasts in which the CGU operates.	2.50%	2.50%	2.50%	–	–
Discount rate (post tax)	Reflects current market assessment of the time value of money and the risks specific to the relevant market in which the CGU operates.	10.50%	10.50%	10.50%	–	–

(i) The Bidtracker Group was acquired in November 2019. Refer to Note 6 for further details.

(ii) This CGU was not tested for impairment at 30 June 2019 given no goodwill or indefinite life intangibles were allocated.

# Notes to the Consolidated Financial Statements

for the financial year ended 30 June 2020

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.

## **Significant estimate: Impact of possible changes in key assumptions**

### **(i) Domain Digital**

As a result of the impairment noted above, the recoverable amount of the Domain Digital CGU is now in line with the carrying value. Any future events that result in adverse changes to forward assumptions would accordingly result in further impairment. The following changes to the Domain Digital CGU impairment assessment are deemed to be reasonably possible and would increase the impairment charge, assuming all other assumptions are held constant:

- A 5% reduction in forecasted revenue growth for the next two financial years compared to management's estimate would cause an additional impairment charge of \$110.1 million.
- A 4% reduction each financial year in forecasted EBITDA margin from the next financial year and each subsequent financial year compared to management's estimate would cause an additional impairment charge of \$114.5 million.
- A 0.50% increase in the post-tax discount rate to 10.70% would cause an additional impairment charge of \$67.4 million.
- A 0.25% reduction in the terminal growth rate to 2.25% would cause an additional impairment charge of \$19.1 million.

Together any adverse changes in the key inputs would cumulatively result in a more significant additional impairment impact.

### **(ii) Allhomes**

The impairment testing described above and performed at 30 June 2020 did not result in any impairment being recognised. However, due to the impact of COVID-19 and the uncertainties around economic conditions, headroom is minimal at \$5.9 million. As a result, the model will be sensitive to changes in assumptions. If the post-tax discount rate applied to the cash flow projections of this CGU had been 0.78% higher than management's estimates (11.03% instead of 10.25%), the headroom would reduce to nil. If the forecast EBITDA margin is reduced by 3.13% from the next financial year compared to management's estimate, the headroom would reduce to nil. If the forecast revenue growth is reduced by 1.78% 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 1.05% lower than management's estimate (1.45% instead of 2.50%), headroom would reduce to nil.

### **(iii) Commercial Real Estate**

The estimated recoverable amount of this CGU is in excess of the carrying amount. Future net cash flows of this CGU are based on the key assumptions noted above, each of which are subject to some uncertainty. Any reasonable change in the key assumptions would not result in the carrying amount materially exceeding its recoverable amount.

### **(iv) Bidtracker**

The impairment testing described above and performed at 30 June 2020 did not result in any impairment being recognised. However, due to the impact of COVID-19 and the uncertainties around economic conditions, headroom is minimal at \$1.0 million. As a result, the model will be sensitive to changes in assumptions. If the post-tax discount rate applied to the cash flow projections of this CGU had been 0.33% higher than management's estimates (13.43% instead of 13.1%), the headroom would reduce to nil. If the forecast EBITDA margin is reduced by 1.29% from the next financial year compared to management's estimate, the headroom would reduce to nil. If the forecast revenue growth is reduced by 0.60% 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 0.78% lower than management's estimate (1.72% instead of 2.50%), headroom would reduce to nil.

### **(v) Digital Home Loans**

The estimated recoverable amount of this CGU is in excess of the carrying amount. Future net cash flows of this CGU are based on the key assumptions noted above, each of which are subject to some uncertainty. Any reasonable change in the key assumptions would not result in the carrying amount materially exceeding its recoverable amount.

## **Accounting policy**

### **Brands**

The Group's tradenames operate in established markets with limited licence conditions and are expected to continue to complement 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 are amortised using a straight-line basis over their useful lives, which are between five and 20 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. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Where goodwill has been allocated to a CGU and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

## 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 eight and 14 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. To determine the recoverable amount, management's best estimate of 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.

## 8. Interest Bearing Liabilities

	Note	30 June 2020 \$'000	30 June 2019 \$'000
<b>Non-current interest bearing liabilities – unsecured</b>			
Bank borrowings	(B)	171,254	162,540
<b>Total non-current interest bearing liabilities</b>		<b>171,254</b>	<b>162,540</b>
<b>Net debt</b>			
Cash and cash equivalents	24	(65,497)	(49,315)
Non-current interest bearing liabilities		171,254	162,540
<b>Net debt</b>		<b>105,757</b>	<b>113,225</b>

### A. Financing arrangements

The Group net debt was \$105.8 million as at 30 June 2020 (30 June 2019: net debt \$113.2 million).

The Group has sufficient unused committed facilities and cash at the reporting date to finance any potential current liabilities that may arise. Refer to Note 1 for further details relating to the going concern basis of accounting.

### B. Bank borrowings

In November 2019, the Group refinanced its debt entering into a revised \$225.0 million revolving syndicated bank facility (previously: \$250.0 million). The debt refinance was treated as a non-substantial modification under AASB 9 with a gain of \$0.7 million recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income and disclosed as a significant item in Note 4.

# Notes to the Consolidated Financial Statements

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In April 2020, in light of the economic uncertainty caused by the impact of COVID-19, the Group reached an agreement with its banking group for a new debt facility of \$80.0 million (Facility D), with a term of 18 months. The new facility is considered a separate facility and does not constitute a modification under AASB 9. The banking group has also agreed to a waiver of the Group's financial covenants as at 30 June 2020 and 31 December 2020.

Facility	Interest Rate	Maturity	FY20 Commitment	FY19 Commitment
A – Revolving credit	BBSY + 1.2%	November 2022	\$5.0 million	\$10.0 million
B – Revolving loan	BBSY + 1.3% – 1.7% <sup>(i)</sup>	November 2022	\$120.0 million	\$140.0 million
C – Revolving loan	BBSY + 1.45% – 1.75% <sup>(i)</sup>	November 2023	\$100.0 million	\$100.0 million
D – Revolving loan	BBSY + 2.45%	October 2021	\$80.0 million	–
<b>Total</b>			<b>\$305.0 million</b>	<b>\$250.0 million</b>

(i) The interest rate margin is dependent on the Group's net debt to EBITDA ratio.

The interest rate for drawings under this facility is the applicable bank bill swap bid rate (**BBSY**) plus the relevant credit margin. At 30 June 2020, the Group had drawn \$173.0 million (30 June 2019: \$163.0 million) of the total available facility with \$132.0 million (30 June 2019: \$62.0 million) unused credit facilities.

## C. Fair value measurement

The carrying value of bank borrowings approximate the fair value as at the reporting date.

## Accounting policy

Subsequent to initial recognition at fair value (net of transaction costs), 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.

## 9. Trade and Other Receivables

	30 June 2020 \$'000	30 June 2019 \$'000
<b>Current</b>		
Trade debtors	29,113	41,015
Provision for doubtful debts	(999)	(683)
	<b>28,114</b>	<b>40,332</b>
Prepayments	2,450	4,510
Contingent consideration	3,488	–
Deferred consideration	2,000	–
Commissions	3,697	1,149
Other	2,930	17
<b>Total current receivables</b>	<b>42,679</b>	<b>46,008</b>

## Impaired trade debtors

The Group's trade receivables represent balances from a large number of customers and financial institutions. The trade receivables are non-interest bearing and are generally on 14 to 45 day terms. As there is no significant financing component, the provision for doubtful debts is accordingly measured at an amount equal to 'lifetime expected credit losses'.

The Group has used a provision matrix to determine the expected credit loss (**ECL**) on its receivables. The provision matrix is based on historical loss rates, adjusted, if necessary, for forward looking information.

The Group increased the level of ECL by \$0.5 million to reflect the uncertainty and downside risk to the economy caused by COVID-19. The ECL methodology took into consideration expected credit risk of the customers, based on the ageing profile and specific risks, such as those on payment plans. Given the uncertainty surrounding the impact of COVID-19 related restrictions, the anticipated impact of government stimulus and regulatory actions, the additional provision is likely to differ from the actual credit loss that the Group may eventually experience.

	Current	31-60 Days	61-90 Days	91-120 Days	120+ Days
Expected credit loss rate % at 30 June 2020	2.12%	4.19%	8.84%	15.55%	41.64%
Expected credit loss (\$'000)	496	48	85	57	313

	Current	31-60 Days	61-90 Days	91-120 Days	120+ Days
Expected credit loss rate % at 30 June 2019	0.64%	1.10%	6.08%	18.53%	40.00%
Expected credit loss (\$'000)	208	18	55	59	343

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

	30 June 2020 \$'000	30 June 2019 \$'000
Neither past due nor impaired	25,078	36,730
Past due 0 – 30 days	1,207	1,761
Past due 31 – 60 days	970	951
Past 60 days	859	890
<b>Total trade debtors</b>	<b>28,114</b>	<b>40,332</b>

Movements in the provision for doubtful debts are as follows:

	30 June 2020 \$'000	30 June 2019 \$'000
Balance at the beginning of the year	(683)	(1,058)
Effect of adoption of AASB 9	–	(509)
Adjusted balance at the beginning of the year	(683)	(1,567)
Additional provisions	(1,278)	(399)
Receivables written off as uncollectible	448	856
Provision released during the year	514	427
<b>Balance at the end of the year</b>	<b>(999)</b>	<b>(683)</b>

### Accounting policy

Trade receivables are initially recognised at cost less the ECL calculated based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and economic environment. The Group's trade receivables book is very short dated, being non-interest bearing and generally on 14 to 45 day terms. As such, the forecast horizon is limited to a short period after financial year end. Notwithstanding the short-term nature of the trade receivables, the effect of forward-looking information was taken into consideration by the Group as at 30 June 2020.

### Significant judgements, estimates and assumptions

The provision matrix used to calculate ECL is initially based on the Group's historical observed default rates and the matrix is adjusted for forward-looking information. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECL is an estimate. The amount of ECL is sensitive to changes in circumstances and of forecast economic conditions. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

# Notes to the Consolidated Financial Statements

for the financial year ended 30 June 2020

## 10. Trade and Other Payables

	30 June 2020 \$'000	30 June 2019 \$'000
Trade and other payables	26,914	15,859
Contract liabilities	8,908	7,271
Interest payable	222	657
<b>Total current payables</b>	<b>36,044</b>	<b>23,787</b>

### Accounting policy

#### *i. Trade and other payables*

Liabilities for trade creditors and other payables are carried at amortised cost which is the fair value of the consideration to be paid in the future for goods and services received. Trade payables are non-interest bearing and are generally on 30 day terms.

#### *ii. Contract liabilities*

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 liability on the balance sheet to reflect the future obligations of the Group.

## 11. Provisions

	30 June 2020 \$'000	30 June 2019 \$'000
<b>Current</b>		
Employee benefits	5,809	5,134
Restructuring and redundancy	87	1,100
Property	–	2,058
Contingent consideration	1,580	11,650
Refund liability	345	222
Other	40	46
<b>Total current provisions</b>	<b>7,861</b>	<b>20,210</b>
<b>Non-current</b>		
Employee benefits	1,443	1,192
Property	1,313	7,231
Contingent consideration	2,644	2,812
Other	246	–
<b>Total non-current provisions</b>	<b>5,646</b>	<b>11,235</b>

## Reconciliation

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

	Note	Restructuring and Redundancy \$'000	Property \$'000	Contingent Consideration \$'000	Refund Liability \$'000	Other \$'000
<b>30 June 2020</b>						
Balance at beginning of the year		1,100	9,289	14,462	222	46
AASB 16 transition <sup>(i)</sup>		–	(7,996)	–	–	–
Additional provision		2,650	4,282	–	–	–
Arising during the year	6	–	–	4,511	185	244
Revaluation	4	–	–	(10,935)	–	–
Utilised		(3,663)	(4,262)	(4,117)	(62)	(4)
Unwinding of discounting to present value		–	–	303	–	–
<b>Balance at end of the year</b>		<b>87</b>	<b>1,313</b>	<b>4,224</b>	<b>345</b>	<b>286</b>
<b>At 30 June 2020</b>						
Current		87	–	1,580	345	40
Non-current		–	1,313	2,644	–	246
<b>Total provisions, excluding employee benefits</b>		<b>87</b>	<b>1,313</b>	<b>4,224</b>	<b>345</b>	<b>286</b>

(i) \$7.9 million of lease incentives remaining at 30 June 2019 were offset against the ROU assets on transition to AASB 16 at 1 July 2019.

	Restructuring and Redundancy \$'000	Property \$'000	Contingent Consideration \$'000	Refund Liability \$'000	Other \$'000
<b>30 June 2019</b>					
Balance at beginning of the year	1,088	8,502	16,709	–	23
Additional provision	2,018	2,892	–	–	58
Arising during the year	–	–	5,613	222	–
Revaluation	–	–	(2,353)	–	–
Utilised	(2,006)	(2,105)	(6,804)	–	(35)
Unwinding of discounting to present value	–	–	1,297	–	–
<b>Balance at end of the year</b>	<b>1,100</b>	<b>9,289</b>	<b>14,462</b>	<b>222</b>	<b>46</b>
<b>At 30 June 2019</b>					
Current	1,100	2,058	11,650	222	46
Non-current	–	7,231	2,812	–	–
<b>Total provisions, excluding employee benefits</b>	<b>1,100</b>	<b>9,289</b>	<b>14,462</b>	<b>222</b>	<b>46</b>

# Notes to the Consolidated Financial Statements

for the financial year ended 30 June 2020

## 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. Restructuring and redundancy*

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

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

### *iii. Property*

The provision for property costs is in respect of make good provisions. A corresponding make good asset was recognised and is amortised over the shorter of the lease term or the useful life of the assets, being up to twenty years. Deferred lease incentives were offset against the ROU asset created on transition to AASB 16.

In the prior financial year the make good asset and deferred lease incentives were amortised over the shorter of the term of the lease or the useful life of the assets, being up to 20 years.

### *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 9 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.

### *v. Refund liability provision*

The provision is in respect of amounts payable associated with certain print and digital listing services. These services provide a customer with a right of refund if specific conditions relating to the listing and sale of the property are met. Revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. Therefore, the amount of revenue recognised is adjusted for expected no sale services, which are estimated based on historical data. For services that are expected to generate a no sale outcome, instead of revenue, the Group recognises a refund liability.

### Significant judgements, estimates and assumptions

Provisions are measured at the present value of the Group's best estimate of the expenditure required to settle the present obligation at the reporting date.

The Group has adopted the fair value method in measuring contingent consideration resulting from business combinations. The determination of these fair values involves judgement around the forecast results of those businesses.

## 12. Property, Plant and Equipment

	30 June 2020 \$'000	30 June 2019 \$'000
<b>Leasehold improvements</b>		
At cost	17,327	17,514
Accumulated depreciation and impairment	(7,815)	(5,445)
<b>Total leasehold improvements</b>	<b>9,512</b>	<b>12,069</b>
<b>Plant and equipment</b>		
At cost	15,173	13,174
Accumulated depreciation and impairment	(11,515)	(9,369)
<b>Total plant and equipment</b>	<b>3,658</b>	<b>3,805</b>
<b>Total property, plant and equipment</b>	<b>13,170</b>	<b>15,874</b>

### Reconciliations

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

	Note	Leasehold Improvements \$'000	Plant and Equipment \$'000	Total \$'000
<b>30 June 2020</b>				
Balance at beginning of the year		12,069	3,805	15,874
Additions		30	1,995	2,025
Acquisition through business combinations		–	4	4
Disposals		(216)	–	(216)
Depreciation	3(B)	(2,371)	(2,146)	(4,517)
<b>At 30 June 2020, net of accumulated depreciation and impairment</b>		<b>9,512</b>	<b>3,658</b>	<b>13,170</b>
<b>At 30 June 2020</b>				
At cost		17,327	15,173	32,500
Accumulated depreciation and impairment		(7,815)	(11,515)	(19,330)
<b>Net carrying amount</b>		<b>9,512</b>	<b>3,658</b>	<b>13,170</b>

# Notes to the Consolidated Financial Statements

for the financial year ended 30 June 2020

	Note	Leasehold Improvements \$'000	Plant and Equipment \$'000	Total \$'000
<b>30 June 2019</b>				
Balance at beginning of the year		15,217	8,184	23,401
Additions		–	809	809
Acquisition through business combinations		–	12	12
Disposals		(341)	(218)	(559)
Depreciation	3(B)	(2,807)	(4,982)	(7,789)
<b>At 30 June 2019, net of accumulated depreciation and impairment</b>		<b>12,069</b>	<b>3,805</b>	<b>15,874</b>
<b>At 30 June 2019</b>				
At cost		17,514	13,174	30,688
Accumulated depreciation and impairment		(5,445)	(9,369)	(14,814)
<b>Net carrying amount</b>		<b>12,069</b>	<b>3,805</b>	<b>15,874</b>

## 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 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.

### 13. Leases

The Group leases office space and car parking facilities in various locations around Australia. The leases typically run for a period of between five and 10 years and may include extension options which provide operational flexibility. Lease payments are renegotiated on renewals to reflect market rentals.

Set out below are the carrying amounts of the right-of-use assets, sublease receivables and lease liabilities recognised and the related movements during the year:

	Right-of-use Assets \$'000	Sublease Receivable \$'000	Lease Liabilities \$'000
AASB 16 initial recognition <sup>(i)</sup>	49,924	–	(57,882)
ROU asset to sublease receivable transfer	(7,064)	7,356	–
Depreciation	(8,216)	–	–
Interest expense/income	–	115	(1,454)
Rental (income)/expense	–	(478)	10,241
<b>As at 30 June 2020</b>	<b>34,644</b>	<b>6,993</b>	<b>(49,095)</b>
<b>Deferred tax asset/(liability) on transition</b>	<b>(14,977)</b>	<b>–</b>	<b>17,365</b>
<b>Deferred tax asset/(liability) at 30 June 2020</b>	<b>(10,393)</b>	<b>(2,098)</b>	<b>14,729</b>

(i) \$7.9 million of lease incentives remaining, included within Provisions at 30 June 2019, were offset against the ROU assets on transition to AASB 16.

The cash receipts and payments are presented in the following lines of the Consolidated Cash Flow Statement:

	30 June 2020 \$'000
Receipts from sublease – principal component	363
Payment of lease liability – principal component	(8,787)
Financing component of lease receipts and payments	(1,339)
<b>Net cash payments</b>	<b>(9,763)</b>

The following table sets out a maturity analysis of the lease liabilities, showing the undiscounted lease payments payable after the reporting date:

	30 June 2020 \$'000
Within one year	(9,979)
One to two years	(9,410)
Two to three years	(9,628)
Three to four years	(2,312)
<b>Total undiscounted lease payments</b>	<b>(31,329)</b>
Payments in optional extension periods not included in commitments	(21,650)
Unearned finance expense	3,884
<b>Lease liability</b>	<b>(49,095)</b>

# Notes to the Consolidated Financial Statements

for the financial year ended 30 June 2020

The following table sets out a maturity analysis of the sublease receivable, showing the undiscounted lease payments to be received after the reporting date:

	30 June 2020 \$'000
Within one year	1,301
One to two years	1,352
Two to three years	1,405
Three to four years	1,451
Four to five years	1,451
Five years or more	282
<b>Total undiscounted lease receivable</b>	<b>7,242</b>
Unearned finance income	(249)
<b>Sublease receivable</b>	<b>6,993</b>

## Accounting policy

The following accounting policies are effective from 1 July 2019:

### Accounting where the Group is the lessee

Contract periods are generally fixed and may include multiple extension options. At contract commencement date, where the lease asset is available for use, leases are recognised as a ROU asset with a corresponding lease liability.

#### i. Right-of-use assets

ROU assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. ROU asset costs include an amount equal to the lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. ROU assets are depreciated over the lease term on a straight-line basis and subject to impairment.

#### ii. Lease liabilities

Lease liabilities are measured at amortised cost using the effective interest method calculated as the present value of lease payments over the lease term using the Group's incremental borrowing rate (**IBR**) at commencement date, if the interest rate implicit in the lease is not readily available. When the lease contains an extension or purchase option that the Group considers reasonably certain to be exercised, the cost of the option is included in the lease payments. Interest expense is recognised under Finance costs as disclosed in the Consolidated Statement of Profit or Loss and Other Comprehensive Income. Lease liabilities are re-measured to reflect changes in future lease payments associated with changes in indices or rates, extension, purchase or termination options, modifications and residual value guarantee payments.

#### iii. Discount rate

In calculating the present value of the lease payments, the Group uses its IBR at the lease commencement date. The Group applied a single discount rate to the portfolio of leases with reasonably similar characteristics. The IBR for lease liabilities was based on reference yield rates derived for the same term as the lease and adjusted for credit risk.

#### iv. Lease term

The term of each lease is based on the original lease term unless management is reasonably certain to exercise options to extend the lease.

#### v. Presentation

In the Consolidated Balance Sheet, the ROU asset, sublease receivable assets and lease liabilities are presented separately from other assets and liabilities.

#### vi. Short-term leases and leases of low-value assets

The Group applies the short-term and low-value lease exemptions and does not recognise ROU assets or lease liabilities on such leases. Instead, lease payments associated with these leases are recognised as an expense on straight-line basis over the lease term.

### **Accounting where the Group is the lessor**

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. The classification of the sublease is determined with reference to the ROU asset arising from the head lease.

Where the sublease is treated as a finance lease, the Group derecognises the ROU asset and recognises a sublease receivable with the difference taken to the Consolidated Statement of Profit or Loss and Other Comprehensive Income as a gain or loss. Sublease receivables are subsequently remeasured if there is a change in the lease term.

The sublease receivable is remeasured and assessed for impairment at each reporting date in accordance with AASB 9.

The following accounting policy was applicable until 30 June 2019:

### **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.

### **Sublease 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.

### **Significant judgements, estimates and assumptions**

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its IBR to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the ROU asset in a similar economic environment. The IBR therefore reflects what the Group would have to pay, which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs when available and is required to make certain entity-specific estimates.

In determining the lease term, Management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

## **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 the Company's Group Treasury department.

### **Capital risk management**

The capital structure of Group entities is monitored using the net debt to EBITDA 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, improve EBITDA, 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. (Note that the banking group agreed to a waiver of the Group's financial covenants as at 30 June 2020 and 31 December 2020. Refer to Note 8 for further details).

# Notes to the Consolidated Financial Statements

for the financial year ended 30 June 2020

## 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. 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.

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

### Interest rate risk measurement and reporting

The Group may enter into transactions to provide protection against fluctuations in short term interest rates which may affect the economics of investment and financing decisions.

The following considerations are made to material interest rate transactions to ensure that the Group:

- is afforded some protection from significant increases in short term interest rates, thereby adding some degree of certainty to the financial budgeting process; and
- maintains sufficient interest rate flexibility to participate in normal yield curve environments without unduly paying up for term interest rate hedges; repay debt without significant swap (fixed rate) break costs; and undertake interest rate maturity extension trades as appropriate.

### Measurement of interest rate risk

The interest rate exposure will be measured using:

- Forecast net debt (based on the rolling 12 month net debt forecast plus budget and Strategic Plan).
- Interest rate exposure will be recognised as the actual or forecast interest bearing liability (net of cash balances) over the appropriate period.
- The Group uses a stepped corridor approach to manage interest rate risk, whereby the minimum and maximum amount of fixed rate cover required declines in each maturity bucket. This allows for the higher level of certainty over debt levels in the earlier years, and provides more flexibility for changes in debt levels in the later years.

### 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).

### Financial institutions and cash deposits

The Group has policies that limit the amount of credit exposure to any financial institution. Cash transactions are limited to financial institutions that meet minimum credit rating criteria in accordance with the Group's policy requirements.

At 30 June 2020 counterparty credit risk was limited to financial institutions with S&P credit ratings ranging from – AA to A.

### Trade receivables

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. The Group recognises trade receivables at cost less the lifetime expected credit loss calculated based on its historical credit loss experience, adjusted for forward-looking factors specific to the Group's customers and the economic environment in which the Group operates.

Refer to Note 9 for an ageing analysis of trade receivables and the movement in the allowance for credit loss. 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.

Refer to Note 9 for COVID-19 impact on ECL.

### 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 undrawn committed facilities and cash relative to EBITDA;
- has readily accessible funding arrangements in place; and
- staggers maturities of financial instruments.

Refer to Note 8(B) for details of the Group's unused credit facilities at 30 June 2020 as well as the new debt facility entered into in November 2019 and renegotiated in April 2020.

The contractual maturity of the Group's financial liabilities is 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	Total \$'000
<b>As at 30 June 2020</b>					
Related party payables <sup>(i)</sup>	(5,303)	–	–	–	(5,303)
Payables <sup>(i)</sup>	(36,044)	–	–	–	(36,044)
Lease liability	(9,979)	(9,843)	(30,588)	(2,569)	(52,979)
Bank borrowings and loans	(3,087)	(3,096)	(175,796)	–	(181,979)
<b>Total</b>	<b>(54,413)</b>	<b>(12,939)</b>	<b>(206,384)</b>	<b>(2,569)</b>	<b>(276,305)</b>
<b>As at 30 June 2019</b>					
Related party payables <sup>(i)</sup>	(1,253)	–	–	–	(1,253)
Payables <sup>(i)</sup>	(23,787)	–	–	–	(23,787)
Bank borrowings and loans	(5,610)	(118,534)	(48,868)	–	(173,012)
<b>Total</b>	<b>(30,650)</b>	<b>(118,534)</b>	<b>(48,868)</b>	<b>–</b>	<b>(198,052)</b>

(i) Related party payables and Payables all mature in less than one year.

### E. Fair value

The carrying value of a financial asset or liability will approximate its fair value where the balances are predominantly short-term in nature, can be traded in highly liquid markets, and incur little or no transaction costs.

# Notes to the Consolidated Financial Statements

for the financial year ended 30 June 2020

## 15. Equity

	Note	30 June 2020 \$'000	30 June 2019 \$'000
<b>Ordinary shares</b>			
584,263,689 ordinary shares authorised and fully paid (2019: 583,077,789)	(A)	1,296,462	1,292,679
<b>Unvested employee incentive shares</b>			
632,791 unvested employee incentive shares (2019: 991,217)	(B)	(2,042)	(3,021)
<b>At 30 June 2020</b>		<b>1,294,420</b>	<b>1,289,658</b>

### Reconciliations

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

(A) Ordinary Shares	30 June 2020 No. of Shares	30 June 2019 No. of Shares	30 June 2020 \$'000	30 June 2019 \$'000
Balance at beginning of the year	583,077,789	580,494,798	1,292,679	1,285,877
Transaction costs for issued share capital (net of taxes)	–	–	–	(17)
Shares issued to owners of Review Property Pty Ltd <sup>(i)</sup>	1,185,900	2,582,991	3,783	6,819
<b>Balance at end of the year</b>	<b>584,263,689</b>	<b>583,077,789</b>	<b>1,296,462</b>	<b>1,292,679</b>

- (i) On 28 February 2020 an additional 1,185,900 shares were issued to the owners of Review Property Pty Ltd to settle Tranche 3 of the acquisition consideration.  
On 25 February 2019 an additional 2,582,991 shares were issued to the owners of Review Property Pty Ltd to settle Tranche 2 of the acquisition consideration.

(B) Unvested Employee Incentive Shares	30 June 2020 No. of Shares	30 June 2019 No. of Shares	30 June 2020 \$'000	30 June 2019 \$'000
Balance at beginning of the year	(991,217)	(783,126)	(3,021)	(2,500)
Shares acquired <sup>(i)</sup>	–	(208,091)	–	(521)
Release of shares <sup>(ii)</sup>	358,426	–	979	–
<b>Balance at end of the year</b>	<b>(632,791)</b>	<b>(991,217)</b>	<b>(2,042)</b>	<b>(3,021)</b>
<b>Total contributed equity</b>	<b>583,630,898</b>	<b>582,086,572</b>	<b>1,294,420</b>	<b>1,289,658</b>

- (i) In December 2018, shares were purchased on-market by the Company to satisfy future share issuances under employee remuneration plans. These shares are being held in trust until vesting of the Executive Service Agreement. Refer to Note 22 for further details.  
(ii) On 17 November 2019, 358,426 shares vested under the Executive Retention Plan. Refer to Note 22 for further details.

### 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	30 June 2020 \$'000	30 June 2019 \$'000
Other reserves	(A)	(38,777)	(37,343)
Share-based payment reserve	(B)	3,351	2,372
<b>Total reserves</b>		<b>(35,426)</b>	<b>(34,971)</b>
<b>A. Other reserves</b>			
Balance at beginning of the year		(37,343)	(38,739)
Transactions with non-controlling interest <sup>(i)</sup>		–	2,396
Reclassification of asset revaluation reserve		(1,434)	–
<b>Balance at end of the year</b>		<b>(38,777)</b>	<b>(36,343)</b>

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

	30 June 2020 \$'000	30 June 2019 \$'000
<b>B. Share-based payment reserve</b>		
Balance at beginning of year	2,372	824
Vesting of employee engagement shares	(979)	–
Release of employee incentive shares	(702)	–
Share-based payment expense, net of tax	2,660	1,548
<b>Balance at end of the year</b>	<b>3,351</b>	<b>2,372</b>

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.

## 16. Dividends Paid

	Consolidated 30 June 2020 \$'000	Consolidated 30 June 2019 \$'000	Company 30 June 2020 \$'000	Company 30 June 2019 \$'000
<b>A. Ordinary shares</b>				
Dividend: partially franked 4.0 cents – paid 4 September 2018	–	23,220	–	23,220
Interim 2019 dividend: fully franked 2.0 cents – paid 7 March 2019	–	11,610	–	11,610
Dividend: partially franked 4.0 cents – paid 4 September 2019	23,323	–	23,323	–
Interim 2020 dividend: fully franked 2.0 cents – paid 13 March 2020	11,662	–	11,662	–
<b>Total dividends paid</b>	<b>34,985</b>	<b>34,830</b>	<b>34,985</b>	<b>34,830</b>

# Notes to the Consolidated Financial Statements

for the financial year ended 30 June 2020

	Company 30 June 2020 \$'000	Company 30 June 2019 \$'000
<b>B. Franked dividends</b>		
Franking account balance as at reporting date at 30% (2019: 30%)	8,058	7,316
Franking debits that will arise from the payment of dividends	–	(9,996)
Franking credits that will arise from the payment of income tax payable balances as at the end of the year	11,490	12,766
<b>Total franking credits available for subsequent financial years based on a tax rate of 30%</b>	<b>19,548</b>	<b>10,086</b>

## Accounting Policy

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

## 17. Earnings per Share

	30 June 2020	30 June 2019
<b>Earnings per Share (EPS)</b>		
Basic EPS (in cents)	(39.02)	(23.67)
Diluted EPS (in cents)	(39.02)	(23.67)
<b>Earnings reconciliation – basic</b>		
Net (loss)/profit attributable to owners of the parent (\$'000)	(227,676)	(137,583)
<b>Earnings reconciliation – diluted</b>		
Net (loss)/profit attributable to owners of the parent (\$'000)	(227,676)	(137,583)
Weighted average number of ordinary shares used in calculating basic EPS and diluted EPS <sup>(i)</sup>	583,476,329	581,365,078

(i) Due to the statutory loss, the impact of certain share-based payment scheme shares was excluded because the effect would be anti-dilutive.

## Accounting policy

### i. Basic earnings per share

Basic 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 year, adjusted for any bonus elements in ordinary shares issued during the year.

### ii. Diluted earnings per share

Diluted EPS 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.

## 18. Commitments and Contingencies

At 30 June 2020, the Group had capital commitments of \$3.3 million (30 June 2019: nil) relating to the design and implementation of new financial reporting and billing systems and the Melbourne office fit-out.

The Group has a lease contract that has not yet commenced as at 30 June 2020. The future lease payments for the non-cancellable contract are \$0.8 million within one year, \$4.0 million within five years and \$0.1 million thereafter.

There is a possible obligation of \$3.0 – \$4.0 million from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events that are not wholly within the control of the Company.

## 19. Events subsequent to Reporting Date

There were no events that have occurred after the end of the year that would materially affect the reported results or would require disclosure in this report.

## 20. Related Parties and Entities

### A. Ultimate parent

The ultimate parent of the Group is Nine Entertainment Co. Holdings Limited which is based and listed in Australia.

### B. Key Management Personnel (KMP)

A number of Directors of the Company also hold directorships with other corporations which provide and receive goods or services to and from the 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 Group and these corporations.

Transactions were entered into during the year with the Directors of the Company 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 KMP of the Group

	30 June 2020 \$	30 June 2019 \$
Short-term benefits	2,801,212	3,481,737
Long-term benefits	23,400	15,758
Share-based payment	1,507,825	988,092
<b>Total compensation paid to KMP</b>	<b>4,332,437</b>	<b>4,412,696</b>

The amounts disclosed in the table are the amounts recognised as an expense during the year related to KMP.

### Interests held by KMP under employee share plans

Shares and share options held by KMP under the Long-Term Equity Based Incentive Plan, Executive Engagement Plan and Executive Retention Plan to purchase ordinary shares have the following expiry dates and exercise prices:

Issue Date	Note	Exercise price \$	30 June 2020 number outstanding	30 June 2019 number outstanding
2020 (Options under Long-Term Equity Based Incentive Plan)	(i)	3.0169	2,238,888	–
2020 Share Rights Program (Project Zipline)	(ii)	nil	193,088	–
2019 (Options under Long-Term Equity Based Incentive Plan)	(i)	3.1606	2,121,052	2,121,052
2018 (Options under Long-Term Equity Based Incentive Plan)	(i)	3.0000	–	527,777
2018 (Shares under Executive Retention Plan)	(iii)	nil	–	111,806
Executive Engagement Plan	(iv)	nil	632,791	632,791
<b>Total</b>			<b>5,185,819</b>	<b>3,393,426</b>

(i) Refer to Long-Term Equity Based Incentive Plan in Section 9 of the Remuneration Report for details of vesting and expiry dates.

(ii) The shares vest 18 months after grant date. Refer to Note 22 for further details.

(iii) The shares vest two years after appointment of Jason Pellegrino to the role of CEO of the Group. Refer to Note 22 for further details.

(iv) The shares vest two years after the listing date of the Company. Refer to details of Executive Retention Plan in Section 9 of the Remuneration Report.

# Notes to the Consolidated Financial Statements

for the financial year ended 30 June 2020

## C. Transactions with related parties

The following transactions occurred with the ultimate parent company 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
30 June 2020	4,972	(6,663)	222	5,525
30 June 2019	5,616	(11,570)	–	1,253

## Accounting policy

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

## D. Parent entity information

The following disclosures relate to the Company as an individual entity, being the ultimate parent entity of the Group.

	30 June 2020 \$'000	30 June 2019 \$'000
<b>Financial position of parent entity</b>		
Current assets	43,731	48,677
Total assets	1,273,095	1,475,779
Current liabilities	(226,359)	(251,937)
Total liabilities	(374,222)	(343,066)
<b>Net assets</b>	<b>898,873</b>	<b>1,132,713</b>
<b>Total equity of parent entity</b>		
Contributed equity	1,038,352	1,289,659
Reserves	6,127	5,146
Profit reserve	1,245	1,245
Retained losses	(146,851)	(163,337)
<b>Total equity</b>	<b>898,873</b>	<b>1,132,713</b>
<b>Result of parent entity</b>		
Profit/(loss) for the year	(205,234)	(135,638)
Other comprehensive income	–	–
<b>Total comprehensive (loss) for the year</b>	<b>(205,234)</b>	<b>(135,638)</b>

The Company 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 (F) in this Note.

At 30 June 2020, the Parent Company had capital commitments of \$3.3 million (30 June 2019: nil) relating to the design and implementation of new financial reporting and billing systems and the Melbourne office fit-out.

The Parent Company has a lease contract that has not yet commenced as at 30 June 2020. The future lease payments for the non-cancellable contract are \$0.8 million within one year, \$4.0 million within five years and \$0.1 million thereafter.

There is also a possible obligation of \$3–4 million from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events that are not wholly within the control of the Company, as disclosed in Note 18.

## E. Controlled entities

The following entities were controlled as at the end of the year:

	Notes	Country of Incorporation	Ownership Interest	
			30 June 2020 %	30 June 2019 %
Domain Holdings Australia Limited	(a)	Australia		
<b>Controlled entities</b>				
Alldata Australia Pty Ltd	(a)	Australia	100.00	100.00
Allhomes Pty Limited	(a)	Australia	100.00	100.00
Australian Property Monitors Pty Limited	(a)	Australia	100.00	100.00
Bidtracker Holdings Pty Ltd <sup>(i) (ii)</sup>	(a)	Australia	100.00	–
BH Two Pty Ltd <sup>(i) (ii)</sup>	(a)	Australia	100.00	–
Bidtracker IP Pty Ltd <sup>(i) (ii)</sup>	(a)	Australia	100.00	–
Bidtracker (VIC) Pty Ltd <sup>(i) (ii)</sup>	(a)	Australia	100.00	–
Bidtracker (NSW) Pty Ltd <sup>(i) (ii)</sup>	(a)	Australia	100.00	–
Commerce Australia Pty Ltd <sup>(ii)</sup>		Australia	–	100.00
Commercial Real Estate Holdings Pty Limited	(a)	Australia	100.00	100.00
Commercial Real Estate Media Pty Limited		Australia	67.37	67.37
Commercialview.com.au Pty Limited (previously Commercialview.com.au Limited)		Australia	67.37	67.37
Commercial Real Estate Media Nominees Pty Limited		Australia	100.00	100.00
Domain Group Finance Pty Limited	(a)	Australia	100.00	100.00
Property Data Solutions Pty Ltd	(a)	Australia	100.00	100.00
Mapshed Pty Ltd <sup>(ii)</sup>		Australia	–	100.00
Digital Home Loans Pty Limited		Australia	60.00	60.00
Domain Insure Pty Ltd		Australia	70.00	70.00
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	92.55	92.30
MMP (DVH) Pty Ltd		Australia	63.00	63.00
MMP Bayside Pty Ltd		Australia	78.40	78.40
Review Property Pty Ltd	(a)	Australia	100.00	100.00
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 <sup>(iii)</sup>		Australia	48.25	48.25
MMP (CGE) Pty Ltd	(a)	Australia	100.00	100.00
MMP Community Network Pty Ltd	(a)	Australia	100.00	100.00

# Notes to the Consolidated Financial Statements

for the financial year ended 30 June 2020

	Notes	Country of Incorporation	Ownership Interest	
			30 June 2020 %	30 June 2019 %
National Real Estate Media Pty Limited	(a)	Australia	100.00	100.00
National Real Estate Nominees Pty Limited		Australia	100.00	100.00
South Australia Real Estate Media Pty Limited		Australia	50.00	50.00
Western Australia Real Estate Media Pty Limited		Australia	50.00	50.00
New South Wales Real Estate Media Pty Limited		Australia	50.00	50.00
Northern Territory Real Estate Media Pty Limited		Australia	50.00	50.00
Queensland Real Estate Media Pty Limited		Australia	50.00	50.00
Tasmania Real Estate Media Pty Ltd		Australia	50.00	50.00
Australian Capital Territory Real Estate Media Pty Limited		Australia	100.00	100.00
Homepass Pty Ltd		Australia	68.50	68.50
Homepass Australia Pty Ltd		Australia	68.50	68.50
<b>Non-Controlled Entities (Equity Accounted)</b>				
Oneflare Pty Ltd <sup>(iv)</sup>		Australia	20.80	20.80

(i) Entities comprise the Bidtracker Group which the Company gained control over in the financial year ended 30 June 2020.

(ii) For change in ownership interest refer to Note 6.

(iii) Where ownership is less than 50% control is achieved through the ability to direct the operations of the entity.

(iv) Unrecognised share of losses in Oneflare are \$0.2 million for the 12 months ended 30 June 2020 and \$0.4 million life to date.

(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 November 2017 (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.

## F. Deed of cross guarantee

The Company and certain wholly-owned entities (the **Closed Group**) identified at (E) 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 30 June 2020 and consolidated income statement for the financial year ended 30 June 2020, comprising the members of the Closed Group after eliminating all transactions between members are set out below:

### Balance sheet

	30 June 2020 \$'000	30 June 2019 \$'000
<b>Current assets</b>		
Cash and cash equivalents	63,402	47,397
Trade and other receivables	40,789	47,707
Sublease receivable	1,301	–
<b>Total current assets</b>	<b>105,492</b>	<b>95,104</b>
<b>Non-current assets</b>		
Shares in controlled entities	32,222	55,484
Intangible assets	1,098,353	1,349,585
Property, plant and equipment	13,175	15,873
Right-of-use assets	34,644	–
Sublease receivable	5,691	–
Deferred tax assets	31,999	19,163
<b>Total non-current assets</b>	<b>1,216,084</b>	<b>1,440,105</b>
<b>Total assets</b>	<b>1,321,576</b>	<b>1,535,209</b>
<b>Current liabilities</b>		
Payables	49,820	42,088
Lease liability	9,979	–
Provisions	17,862	17,215
Current tax liabilities	2,485	14,647
<b>Total current liabilities</b>	<b>80,146</b>	<b>73,950</b>
<b>Non-current liabilities</b>		
Interest bearing liabilities	171,032	162,540
Lease liabilities	39,116	–
Provisions	5,400	8,422
Other non-current liabilities	116,795	96,747
<b>Total non-current liabilities</b>	<b>332,343</b>	<b>267,709</b>
<b>Total liabilities</b>	<b>412,489</b>	<b>341,659</b>
<b>Net assets</b>	<b>909,087</b>	<b>1,193,550</b>
<b>Equity</b>		
Contributed equity	1,296,920	1,289,659
Reserves	12,620	3,570
Retained (loss)/profits	(400,453)	(99,679)
<b>Total equity</b>	<b>909,087</b>	<b>1,193,550</b>

# Notes to the Consolidated Financial Statements

for the financial year ended 30 June 2020

## Income statement

	30 June 2020 \$'000	30 June 2019 \$'000
<b>Total revenue</b>	215,605	247,874
Share of net losses of associates and joint ventures	–	(310)
Expenses before finance costs	(463,595)	(368,391)
Finance costs	(6,670)	(8,929)
<b>Net (loss)/profit from operations before income tax expense</b>	<b>(254,661)</b>	<b>(129,756)</b>
Income tax (expense)/benefit	(5,694)	(10,058)
<b>Net (loss)/profit from operations after income tax expense</b>	<b>(260,355)</b>	<b>(139,814)</b>

## 21. Taxation

### Consolidated income statement

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

	30 June 2020 \$'000	30 June 2019 \$'000
Net loss before income tax expense	(211,744)	(119,148)
Prima facie income tax at 30% (2019: 30%)	(63,523)	(35,744)
Tax effect of differences:		
Adjustments in respect of current income tax of previous years	(1,178)	(2,761)
Deferred tax assets and deferred tax loss not recognised	1,976	2,166
Share of results of associates and joint ventures	–	93
Share-based payments	265	399
Impairment of goodwill	76,820	53,654
Non-assessable income	(5,400)	(2,747)
Non-deductible expenses	2,207	678
Other	(84)	294
<b>Income tax expense</b>	<b>11,083</b>	<b>16,032</b>

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

Current income tax expense	14,156	22,620
Deferred income tax (benefit)	(1,895)	(3,827)
Adjustments in respect of deferred income tax of prior years	(953)	(2,254)
Adjustments in respect of current income tax of prior years	(225)	(507)
<b>Income tax expense in the income statement</b>	<b>11,083</b>	<b>16,032</b>

## Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net Assets/(Liabilities)	
	30 June 2020 \$'000	30 June 2019 \$'000	30 June 2020 \$'000	30 June 2019 \$'000	30 June 2020 \$'000	30 June 2019 \$'000
Property, plant and equipment	10,546	11,878	(2,573)	(4,254)	7,973	7,624
Intangible assets	–	–	(93,092)	(93,760)	(93,092)	(93,760)
Provisions	3,614	4,852	(686)	15	2,928	4,867
Payables	1,999	1,510	–	–	1,999	1,510
Right-of-use asset	–	–	(12,492)	–	(12,492)	–
Lease liability	14,730	–	–	–	14,730	–
Other	1,984	1,726	(146)	–	1,838	1,726
<b>Gross deferred tax assets/(liabilities)</b>	<b>32,873</b>	<b>19,966</b>	<b>(108,989)</b>	<b>(97,999)</b>	<b>(76,116)</b>	<b>(78,033)</b>
Set-off of deferred tax assets/(liabilities)	(32,873)	(19,966)	32,873	19,966	–	–
<b>Net deferred tax assets/(liabilities)</b>	<b>–</b>	<b>–</b>	<b>(76,116)</b>	<b>(78,033)</b>	<b>(76,116)</b>	<b>(78,033)</b>

## Movement in temporary differences during the financial year ended 30 June 2020

	Balance 30 June 2019 \$'000	Other Movements \$'000	Recognised in Income \$'000	Recognised in Equity \$'000	Recognised in Goodwill \$'000	Balance 30 June 2020 \$'000
Property, plant and equipment	7,624	59	800	–	(510)	7,973
Intangible assets	(93,760)	–	1,578	–	(910)	(93,092)
Provisions	4,867	(2,330)	355	–	39	2,931
Payables	1,510	(49)	538	–	–	1,999
Right-of-use asset	–	(14,978)	2,486	–	–	(12,492)
Lease liability	–	17,376	(2,646)	–	–	14,730
Other	1,726	–	(263)	372	–	1,835
	<b>(78,033)</b>	<b>78</b>	<b>2,848</b>	<b>372</b>	<b>(1,381)</b>	<b>(76,116)</b>

## Movement in temporary differences during the financial year ended 30 June 2019

	Balance 30 June 2018 \$'000	Other Movements \$'000	Recognised in Income \$'000	Recognised in Equity \$'000	Recognised in Goodwill \$'000	Balance 30 June 2019 \$'000
Property, plant and equipment	1,911	–	6,293	–	(580)	7,624
Intangible assets	(94,606)	–	1,742	–	(896)	(93,760)
Provisions	5,421	(262)	479	(272)	(499)	4,867
Payables	3,196	122	(1,808)	–	–	1,510
Other	2,351	–	(625)	–	–	1,726
	<b>(81,727)</b>	<b>(140)</b>	<b>6,081</b>	<b>(272)</b>	<b>(1,975)</b>	<b>(78,033)</b>

# Notes to the Consolidated Financial Statements

for the financial year ended 30 June 2020

## **Tax losses and future deductible temporary differences**

The Group has realised Australian capital losses for which no deferred tax asset is recognised on the balance sheet of \$5.9 million (2019: \$5.9 million) which are available indefinitely for offset against future capital gains subject to continuing to meet the relevant statutory tests.

The Group has deductible temporary differences related to non 100% owned loss-making subsidiaries, for which no deferred tax asset is recognised on the balance sheet of \$2.6 million (2019: \$2.5 million).

## **Future assessable temporary differences**

At 30 June 2020, 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 (2019: Nil).

## **Accounting policy**

### **Income tax and other taxes**

The income tax expense or benefit for the year is the tax payable on the current year's taxable income based on the Australian income tax rate 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.

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 items that are recognised outside the profit and loss are recognised in relation to the underlying transaction either in Other Comprehensive Income 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 2020 by the Group to its shareholders.

Revenues, expenses and assets are recognised net of the amount of GST.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST components of cash flows arising from investing and financing activities, which are recoverable from, or payable to, the taxation authority, are classified as operating cash flows. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

### *Tax consolidation*

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.

The entities have entered into a tax funding agreement under which the wholly-owned entities fully compensate the Head Entity for any current tax payable assumed and are compensated by the Head Entity for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits transferred to the Head Entity 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.

### *Voluntary Tax Transparency Code*

The Company has adopted the Voluntary Tax Transparency Code from financial year 2019 which demonstrates the Company's commitment to transparency and integrity across tax matters.

## **22. Employee Entitlements**

### **A. Number of employees**

As at 30 June 2020 the Group employed 507 full-time employees (2019: 700) and 203 part-time and casual employees (2019: 60). 176 of the part-time and casual employees elected to reduce working hours as part of Project Zipline (refer to Note 22 for further details) and were previously full-time employees.

### **B. Employee share plans**

The Company had the following employee share plans during the year, the terms of which 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 2020, participants in the plan were granted options. The options have a vesting hurdle of absolute total shareholder return (**Absolute TSR**) over the three years from issue with no retest. Options do not carry any dividend or voting rights prior to exercise. Participants are also required to pay \$3.0169 (2019: \$3.1606) 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 TSR performance hurdle. The test is based on the compound annual growth rate (**CAGR**) for the Company's Absolute TSR over the Performance Period. 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. If the performance hurdle is satisfied, and the Company 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 the Company'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 the Company 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.

For further details refer to the Remuneration Report.

# Notes to the Consolidated Financial Statements

for the financial year ended 30 June 2020

## 2. Executive Engagement Plan

The Executive Engagement Plan was approved by the Shareholders at the Annual General Meeting held on 20 November 2018. As part of his onboarding with the Company, Jason Pellegrino was offered an allocation of ordinary shares in the Company equivalent in value to \$2.0 million (**Engagement Shares**). The allocation price was determined using a 30 day trading volume-weighted average price (**VWAP**) for the period 13 June to 24 July 2018 at a price of \$3.1606. There are no performance hurdles in place and vesting will occur on 27 August 2020. Engagement Shares are forfeited if Jason Pellegrino's employment ceases with the Company prior to the vesting date.

As approved by the Shareholders at the Annual General Meeting held on 20 November 2018, Jason Pellegrino was awarded 1,515,789 options over Company shares, equivalent in value to 120% of his total remuneration package. The number of options to be allocated is calculated based on the value of each option. The allocation price of each option was equal to the VWAP of the Company's shares over the 30 day trading period beginning 15 trading days prior to the day of the announcement of his appointment on 3 July 2018 (\$3.1606). Vesting hurdles and conditions for these shares outlined under the Long Term Equity Based Incentive Plan above.

As approved by the Shareholders at the Annual General Meeting held 11 November 2019, Jason Pellegrino was awarded 1,600,000 options over Company shares, equivalent in value to 120% of his total remuneration package. The number of options to be allocated is calculated based on the value of each option. The allocation price of each option was equal to the VWAP of the Company's shares over the 30 day trading period beginning on 01 July 2019 (\$3.0169). Vesting hurdles and conditions for these shares are those outlined under the Long-Term Equity Based Incentive Plan above.

For further details refer to the Remuneration Report.

## 3. 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 two 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 the Company as the trustee appointed by the Company's Board and acts under instruction from the Company's Board; the plan will be settled by the Company.

On 17 November 2019, 358,426 shares vested under this plan. Shares that did not fully vest remain in trust and will be recycled to future share plans.

For further details refer to the Remuneration Report.

## 4. Project Zipline

As a response to COVID-19 employees and all Non-Executive Directors remunerated by the Company were offered the opportunity to participate in a Share Rights program. Employees could receive a percentage of their salary package as a one-off grant of share rights, or elect to reduce working hours, or to both receive a percentage of their salary package in share rights and reduce their hours, or to take a period of leave without pay. Non-Executive Directors remunerated by the Company could receive 50% of their directors' fees package as a one-off grant of share rights. The share rights have a vesting date of 7 November 2021. The total number of Share Rights per participating employee or Director is calculated by the total amount of forgone salary or directors' fees divided by the VWAP of the Company's shares over the 10-day trading period from 26 March 2020 to 8 April 2020 inclusive (\$2.0093).

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.

### Significant judgements, estimates and assumptions

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option or appreciation right, volatility and dividend yield and making assumptions about them.

## 23. Remuneration of Auditors

During the year, the following amounts were paid or payable for services provided by the auditor of the Group:

	30 June 2020 \$	24 June 2019 \$
<b>Amounts received or due and receivable by Ernst &amp; Young Australia for:</b>		
Audit and review of financial statements	835,468	1,003,135
Other assurance services and agreed upon procedures	4,160	–
Other services <sup>(i)</sup>	–	10,000
<b>Total remuneration of group auditors</b>	<b>839,628</b>	<b>1,013,135</b>

(i) Other services provided by EY in the financial year ended 30 June 2019 are for advice in relation to the creation of a treasury policy.

## 24. Notes to the Cash Flow Statement

### A. Reconciliation of net profit after income tax expense to net cash inflow from operating activities

	Note	30 June 2020 \$'000	30 June 2019 \$'000
Net (loss)/profit for the year		(222,826)	(135,180)
<b>Non-cash items</b>			
Depreciation and amortisation	3(B)	41,739	34,623
Share of losses of associates and joint ventures not received as dividends		–	310
Gain on disposal of investments and other assets		(364)	(5,169)
Impairment of intangibles and investments	4	256,068	178,847
Gain on debt refinance	4	(650)	–
Amortisation of borrowing costs		102	222
Share-based payment expense		2,158	1,027
Fair value adjustment of contingent consideration	4	(10,935)	(2,353)
Other non-cash items		(1,433)	1,285
<b>Change in operating assets and liabilities, net of effects from acquisitions</b>			
Decrease in trade receivables		10,127	15,777
Decrease/(increase) in other receivables		11,893	(6,934)
Increase in trade and other payables		3,896	2,439
Increase/(decrease) in provisions		1,957	(4,514)
Decrease in tax balances		(3,915)	(4,321)
<b>Net cash inflow from operating activities</b>		<b>87,817</b>	<b>76,059</b>

# Notes to the Consolidated Financial Statements

for the financial year ended 30 June 2020

## B. Cash and cash equivalents

Reconciliation of cash and cash equivalents at end of the year (as shown in the Consolidated Cash Flow Statement) to the related item in the Consolidated Balance Sheet is as follows:

	30 June 2020 \$'000	30 June 2019 \$'000
<b>Total cash and cash equivalents at the end of the year</b>	<b>65,497</b>	<b>49,315</b>

### 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 (**Company**), we declare 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* (Cth) including:
    - i. giving a true and fair view of the Company's and Group's financial position as at 30 June 2020 and of its performance for the period ended on that date; and
    - ii. complying with the Australian Accounting Standards and the *Corporations Regulations 2001* (Cth);
  - b. the financial statements and notes comply with International Financial Reporting Standards issued by the International Accounting Standards Board 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 Chief Executive Officer and the Chief Financial Officer in accordance with section 259A of the *Corporations Act 2001* (Cth) for the financial year ended 30 June 2020.

On behalf of the Board



Nick Falloon  
**Chairman**



Jason Pellegrino  
**Chief Executive Officer and Managing Director**

Sydney  
20 August 2020



Ernst & Young Services Pty Limited  
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 30 June 2020, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- a) Giving a true and fair view of the consolidated financial position of the Group as at 30 June 2020 and of its consolidated financial performance for the year ended on that date; and
- b) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for Opinion

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

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

#### Key Audit Matters

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

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.



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## 1. Impairment Assessment of Goodwill and Other Intangible Assets

### Why significant

At 30 June 2020 the Group's consolidated statement of financial position includes goodwill and other intangible assets with a carrying value of \$1,113.5 million, representing 87% of total assets. As at 30 June 2020, the Group recognised an impairment charge of \$256.1 million.

The Directors have assessed goodwill and other intangible assets for impairment at 30 June 2020. As disclosed within Note 7 to the financial statements, the assessment of the impairment of the Group's goodwill and other intangible assets incorporated significant judgments and estimates, based upon conditions existing as at 30 June 2020, specifically concerning factors such as forecast cashflows, discount rates and terminal growth rates. The estimates and assumptions relate to future performance, market and economic conditions.

At 30 June 2020 the Group's performance and the economy as a whole, were impacted by the restrictions and economic uncertainty resulting from the COVID-19 pandemic. Significant assumptions used in the impairment testing referred to above are inherently subjective and in times of economic uncertainty the degree of subjectivity is higher than it might otherwise be. Changes in certain assumptions can lead to significant changes in the recoverable amount of these assets.

In this situation the disclosures in Note 7 to the financial report provide particularly important information about the assumptions made in the impairment testing and the market conditions at 30 June 2020. Due to the judgement required, the size of the amounts involved, and the complexity of the calculations, we considered the impairment testing of goodwill and other intangible assets to be a Key Audit Matter.

### How our audit addressed the key audit matter

Audit procedures we performed 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
- ▶ Assessed the cash flow forecasts, assumptions and estimates used by the Group by considering the reliability of the Group's historical cash flow forecasts, our knowledge of the business and corroborating data with external information where possible
- ▶ Evaluated the appropriateness of discount and terminal growth rates applied and tested the mathematical accuracy of the impairment testing models including the consistency of relevant data with latest Board approved budgets, with involvement from our valuation specialists
- ▶ Performed sensitivity analysis on key assumptions including discount rates, terminal growth rates and EBITDA forecasts for each of the Group's CGUs
- ▶ Assessed the adequacy of the financial report disclosures contained in Note 7.



## 2. Going Concern

### Why significant

As disclosed in Note 7, COVID-19 has had an impact on the Group's results and its future cashflow forecasts.

As further disclosed in Note 1 the Group's covenant compliance tests have been waived for the 30 June 2020 and 31 December 2020 testing dates. Covenant compliance testing will next occur at 30 June 2021.

As disclosed in Note 1 to the financial report the Directors concluded that in their opinion, there are reasonable grounds to believe that the Group has the ability to pay its debts as and when they fall due and that the use of the going concern basis in preparing the financial report is appropriate.

The going concern assumption is fundamental to the basis of preparation of the financial report. Given the judgment involved in the preparation of cash flow forecasts to support the going concern conclusion and associated disclosures, this was considered a Key Audit Matter.

### How our audit addressed the key audit matter

Audit procedures we performed included the following:

- ▶ Evaluated the assumptions made in the EBITDA and the cash flow forecasts approved by the Board corroborating to external information where possible
- ▶ Considered the historical accuracy of the Group's EBITDA forecasting by reference to actual results in prior periods compared to Board approved budgets
- ▶ Tested the mathematical accuracy of the cash flow forecasting and EBITDA forecasting models with involvement from our valuation and business modelling specialists
- ▶ Considered the impact of a range of sensitivities to the forecast covenant compliance model to assess the breakeven position
- ▶ Considered the forecast liquidity for the period of 12 months from the date of the financial statements
- ▶ Assessed the adequacy of the going concern disclosures contained in Note 1.

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

The directors are responsible for the other information. The other information comprises the information included in the Company's 2020 Annual Report, 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.



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## **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 judgment and maintain professional scepticism throughout the audit. We also:

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



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

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

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

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

## Report on the Audit of the Remuneration Report

### Opinion on the Remuneration Report

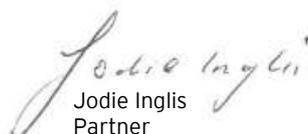
We have audited the Remuneration Report included in pages 26 to 44 of the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Domain Holdings Australia Limited for the year ended 30 June 2020, complies with section 300A of the *Corporations Act 2001*.

### Responsibilities

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

  
Ernst & Young

  
Jodie Inglis  
Partner  
Sydney  
20 August 2020

# Shareholder Information

## Domain Holdings Australia Limited

### Information about Securities

There are three classes of securities on issue: ordinary shares, options over unissued shares and share rights.

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 Shareholder Centre website at [shareholders.domain.com.au](http://shareholders.domain.com.au).

Each option entitles the option holder to an ordinary share, subject to certain vesting conditions and the terms of the Domain Equity Incentive Plan. Unvested options do not carry voting rights.

Share rights do not carry voting rights. A summary of the material terms of the Project Zipline Share Rights is set out in the Appendix 3G lodged with ASX by the Company on 7 May 2020.

There are no other classes of security on issue.

Ordinary shares are quoted on the ASX. Options and share rights are not quoted on the ASX.

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

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

### Number and Distribution of Holders of Quoted Securities

The tables below show the number and distribution of holders of ordinary shares as at 13 August 2020, and the number of restricted securities and securities subject to voluntary escrow at that date.

#### Number of holders of quoted securities

Total number of holders of ordinary shares	14,938
Number of holders with less than a marketable parcel of ordinary shares (based on closing market price of \$3.550 as at 13 August 2020)	910

#### Distribution of holders of quoted securities

Number of ordinary shares	Number of ordinary shareholders	% of ordinary shares held
1 – 1,000	10,586	0.72
1,001 – 5,000	3,212	1.28
5,001 – 10,000	630	0.80
10,001 – 100,000	459	1.90
100,001 and over	51	95.30

#### Number of restricted securities and shares subject to voluntary escrow

Number of ordinary shares subject to voluntary escrow	Date escrow period ends
1,185,900	At the latest, third calendar quarter 2024
1,549,797	At the latest, third calendar quarter 2023

# Shareholder Information

## Domain Holdings Australia Limited

### Securities purchased on-market during the reporting period

	Total number of securities purchased	Average price per security at which the securities were purchased
Under or for the purposes of the Domain Executive Incentive Plan or the Domain Equity Incentive Plan	170,976	\$1.9163
To satisfy the entitlement of the holders of options or other	N/A – no options vested during FY20	N/A

### Issues of securities approved under Corporations Act

As at 13 August 2020, there are no issues of security approved for the purposes of item 7 of section 611 of the *Corporations Act 2001* (Cth) which have not yet been completed.

### Number and Distribution of Holders of Unquoted Securities

The tables below show the number and distribution of holders of options and share rights as at 13 August 2020.

#### Number of holders of unquoted securities

Total number of options	8,144,497
Total number of share rights	3,132,597
Total number of holders of options	11
Total number of holders of share rights	456

As the options and share rights were issued under an employee incentive scheme, the names of any persons that hold 20% or more of the options and share rights and the number of options and share rights held are not set out in this section.

#### Distribution of holders of unquoted securities

##### Options

Number of options	Number of option holders	% of options rights held
1 – 1,000	0	0
1,001 – 5,000	0	0
5,001 – 10,000	0	0
10,001 – 100,000	0	0
100,001 and over	11	100

##### Share rights

Number of share rights	Number of holders of share rights	% of share rights held
1 – 1,000	1	0.01
1,001 – 5,000	192	23.86
5,001 – 10,000	211	44.03
10,001 – 100,000	51	27.33
100,001 and over	1	4.77

## Twenty Largest Ordinary Shareholders

The following table shows the relevant interests in ordinary shares held by the Company's 20 largest shareholders as at 13 August 2020.

Rank	Substantial shareholder name	Number of shares held by substantial holder and its associates	% holding
1	Fairfax Media Limited	258,686,201	44.48
2	Fairfax SPV No 1 Pty Limited	86,230,689	14.83
3	HSBC Custody Nominees (Australia) Limited	69,685,000	11.98
4	J P Morgan Nominees Australia Pty Limited	64,446,096	11.08
5	Citicorp Nominees Pty Limited	31,017,509	5.33
6	National Nominees Limited	25,646,328	4.41
7	BNP Paribas Noms Pty Ltd	3,938,493	0.68
8	BNP Paribas Nominees Pty Ltd	3,103,797	0.53
9	Citicorp Nominees Pty Limited	2,204,051	0.38
10	AMP Life Limited	715,851	0.12
11	Pacific Custodians Pty Limited	632,791	0.11
12	BNP Paribas Nominees Pty Ltd HUB24 Custodial Serv Ltd	617,216	0.11
13	UBS Nominees Pty Ltd	612,348	0.11
14	Wilmar Enterprises Pty Ltd	500,000	0.09
15	BNP Paribas Nominees Pty Ltd	484,943	0.08
16	CS Third Nominees Pty Limited	464,013	0.08
17	HSBC Custody Nominees (Australia) Limited - A/C 2	460,824	0.08
18	HSBC Custody Nominees (Australia) Limited	459,603	0.08
19	Pacific Custodians Pty Limited	371,966	0.06
20	Brispot Nominees Pty Ltd	360,600	0.06

## Substantial Shareholder Information

Substantial shareholders as shown in substantial shareholder notices received by the Company as at 13 August 2020 are:

Substantial shareholder name	Number of shares held by substantial holder and its associates	% holding
Nine Entertainment Co. Holdings Limited	344,916,890	59.31
FIL Limited	56,307,778	9.66

# Corporate Directory

## Annual General Meeting

The Annual General Meeting will be held at 10.00am on Tuesday, 10 November 2020.

As Domain announced on 18 August 2020, due to restrictions relating to the COVID-19 pandemic and in the interests of the safety of Domain's shareholders and employees and the broader community, Domain will hold its Annual General Meeting via virtual technology rather than at a physical location. The Annual General Meeting will be facilitated and conducted in a way that will provide shareholders with a reasonable opportunity to participate.

The Company will provide shareholders with details of the Annual General Meeting, including the technology to be used to hold the meeting, in the notice of meeting to be sent to shareholders prior to that meeting in accordance with the *Corporations Act 2001* (Cth) (the **Act**) and relief available to the Company under temporary modifications to the Act due to COVID-19.

## Financial Calendar 2020

Interim Result – February 2021

Final Result – August 2021

Annual General Meeting – November 2021

## Company Secretary

Catriona McGregor

## Registered Office

Level 5, 100 Harris Street  
Pymont 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 Shareholder Centre website at [shareholders.domain.com.au](http://shareholders.domain.com.au).

## Share Registry

### Link Market Services

Level 12, 680 George Street  
Sydney NSW 2000

Locked Bag A14  
Sydney South NSW 1235

P: +61 1300 138 914 (toll free within Australia)

F: +61 2 9287 0303

[registrars@linkmarketservices.com.au](mailto:registrars@linkmarketservices.com.au)

[www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

## Securities Exchange Listing

The Company's ordinary shares are listed on the ASX as DHG.

## Investor Relations

Jolanta Masojada

E: [jolanta.masojada@domain.com.au](mailto:jolanta.masojada@domain.com.au)

## Media Enquiries

Kate Carragher

E: [kate.carragher@domain.com.au](mailto:kate.carragher@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 the Company's Shareholder Centre website at [shareholders.domain.com.au](http://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.



Domain