

Appendix 4D

for the half-year ended 31 December 2014

REA Group Limited

ABN 54 068 349 066

RESULTS FOR ANNOUNCEMENT TO THE MARKET

For the half-year ended 31 December 2014 (“current period”)

		31 Dec 2014	% Change from 6 months ended	31 Dec 2013
		A\$'000	31 Dec 2013	A\$'000
Revenue from ordinary activities (core operations) & other income	Up	292,765	40%	209,422
Revenue from core operations	Up	261,524	25%	209,422
Net Profit for the period attributable to members	Up	126,396	79%	70,696
Net Profit from core operations	Up	94,745	34%	70,696
Net Profit for the period attributable to members of parent (before non-controlling interest)	Up	126,284	79%	70,672

Dividend information

	Amount per share (cents)	Franked amount per share (cents)	Tax rate for franking credit
2014 final dividend per share (paid 25 September 2014)	35.0	35.0	30%
2015 interim dividend per share (to be paid 12 March 2015)	29.5	29.5	30%

2015 interim dividend dates

Ex-dividend date	2 March 2015
Record date	5 March 2015
Payment date	12 March 2015

	31 Dec 2014	30 June 2014
	Cents	Cents
Net tangible assets per security	304.2	237.9

Additional Appendix 4D disclosure requirements can be found in the notes to the Interim Financial Report and the Directors' Report for the half-year ended 31 December 2014. Information should be read in conjunction with REA Group Limited's 2014 Annual Report and the attached Interim Financial Report.

This report is based on the consolidated Interim Financial Report for the half-year ended 31 December 2014 which has been reviewed by Ernst & Young with the Independent Auditor's Review Report included in the Interim Financial Report.

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REA Group Limited

ABN 54 068 349 066

**Interim Financial Report
for the half-year ended 31 December 2014**



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Corporate Information

Directors	Mr Hamish McLennan (Chairman) Ms Tracey Fellows (Chief Executive Officer) Mr Roger Amos Ms Kathleen Conlon Mr Richard Freudenstein Mr William Lewis Mr John McGrath Mr Peter Tonagh
Chief Financial Officer	Mr Owen Wilson
Company secretary	Ms Rebecca Liatis
Principal registered office	Level 3, 511 Church Street, Richmond, VIC 3121 Australia Ph: +61 3 9897 1121 Fax: +61 3 9897 1114
Share register	Boardroom Pty Limited Level 7, 207 Kent Street SYDNEY, NSW 2000 Australia Ph: +61 2 9290 9600 Fax: +61 2 9279 0664
Auditor	Ernst & Young 8 Exhibition Street MELBOURNE, VIC 3000 Australia
Bankers	National Australia Bank Limited
Stock Exchange Listing	REA Group shares are listed on the Australian Stock Exchange(Listing code: REA)
Website	www.rea-group.com

Directors' report

The Directors present their report together with the financial statements of the consolidated entity (the "Group"), being REA Group Limited (the "Company") and its controlled entities, for the half-year ended 31 December 2014 and the Independent Auditor's Review Report thereon.

Directors

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

- Mr Hamish McLennan (Chairman)
- Ms Tracey Fellows (Chief Executive Officer) (Appointed 20 August 2014)
- Mr Roger Amos
- Ms Kathleen Conlon
- Mr Richard Freudenstein
- Mr William Lewis
- Mr John McGrath
- Mr Peter Tonagh

Principal activities

The Group's principal activities during the year were the provision of real estate online advertising and related services, which include:

- online advertising of residential properties for sale and rent;
- online advertising of commercial properties for sale and lease;
- provision of online display advertising space for advertisers in various industries;
- provision of property market related information to customers and consumers including publications to advertise properties for sale and rent; and
- other services.

In the delivery of online advertising services, the Group produces products for consumers and customers (including real estate agents, property developers and display advertisers). Consumer products include our websites, mobile websites and applications (apps) for iPhone®, android™ and iPad®, as well as print publications in Luxembourg.

The Group's products for customers include: listing depth products, subscriptions, agent profiles and banners, and media display.

Our strategy is to deliver on our purpose to 'empower people by making property simple, efficient, and stress free' by:

- empowering consumers with digital tools and information related to buying, selling, renting, leasing and monitoring the market; and
- empowering agents and advertising customers by providing access to large and engaged audiences of property seekers and movers to maximise potential buyers, generate sales leads, and win new listings for agents.

Review and results of operations

A summary of financial results from core operations for the half-year ended 31 December 2014 is set out below.

For the purposes of this report, core operations is defined as the reported results per the Financial Statements adjusted for the significant gains such as the gain on sale of marketable securities (other income) and sale of Squarefoot business as well as adjusted for the share of losses from Move, Inc. associate.

A\$'000 (unless stated)	2015 HY	2014 HY	Growth
Revenue	261,524	209,422	25%
EBITDA ¹	144,507	106,799	35%
<i>EBITDA margin</i>	55%	51%	8%
Net Profit (after tax)	94,745	70,696	34%
Earnings per share from core operations	71.8	53.7	34%

¹ The Directors deem the EBITDA measure to be relevant and useful in measuring the financial performance of the Group. EBITDA is defined as Earnings before Interest, Tax, Depreciation and Amortisation.

Review and results of operations *continued*

Reconciliation of results from core operations

A reconciliation of results from core operations and non-IFRS measures compared to the reported results per the Financial Statements on page 10 is set out below:

A\$'000 (unless stated)	2015 HY	2014 HY	Growth
Revenue from core operations	261,524	209,422	25%
Other income - gain on sale of marketable securities	31,241	-	-
Reported revenue & other income	292,765	209,422	40%
EBITDA from core operations	144,507	106,799	35%
Gain on sale of marketable securities	31,241	-	-
Share of losses of associates	(300)	-	-
Reported EBITDA	175,448	106,799	64%
Net profit from core operations	94,745	70,696	34%
Gain on sale of marketable securities	31,241	-	-
Tax on gain on sale of marketable securities	(9,085)	-	-
Share of losses of associates	(300)	-	-
Gain on sale of Squarefoot business	9,795	-	-
Reported Net profit	126,396	70,696	79%

Group results from core operations

The Group achieved a 34% increase in Net Profit from core operations to \$94.7 million. Group revenue from core operations grew by 25% to \$261.5 million driven by the continued growth in listing depth products which are targeted to the needs of consumers, real estate agents and property owners.

The Group's property websites in Australia, Europe and Asia all recorded traffic growth in the half-year. Australia remained the primary revenue driver for the business, delivering 90% of the Group's revenue. Each of the Australian lines of business achieved revenue growth reflecting the

success of the listing depth strategy and continuing product innovations leading to the strengthening of our customer relationships and consumer experience.

The Group's EBITDA from core operations increased 35% for the half-year to \$144.5 million while the EBITDA margin rose to 55%. The Group's operating expenses increased by 14% on the comparative half-year due to strategic initiatives for growth and continued investment in our people, customers, technology and product innovations.

The Group completed two strategic investments in Asia and North America during the half-year, resulting in a reduction in the Group's cash balance to \$41.9 million at the end of the period. Further details are set out on page 8 of this report.

The Group's operations attracted combined average monthly visits² of 55.4 million³ for the half-year ended 31 December 2014. This represents a 13% increase in average monthly visits on the comparative half-year. Paying agents increased to 22,130 across all websites despite the reduction in total property listings to 1.4 million in December 2014.

² Visits = If a person returns within 30 minutes, it is considered the same visit.

³ Average monthly visits for the half-year ended 31 December 2014 (main sites, mobile sites and apps for Group-wide websites utilising data from Nielsen Online Market Intelligence Home and Fashion Suite Total Traffic for Audited sites and Adobe Omniture SiteCatalyst).

Review and results of operations continued

Performance by segment

Segment Performance (AUD)	Australia	Europe	North America	Asia	Corporate	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Half-year ended 31 December 2014						
Revenue from core operations	236,421	22,270	-	2,833	-	261,524
Segment EBITDA from core operations	144,940	5,098	-	415	(5,946)	144,507
Share of loss of an associate	-	-	(300)	-	-	(300)
Gain on sale of marketable securities	-	-	-	-	31,241	31,241
Reported EBITDA	144,940	5,098	(300)	415	25,295	175,448
Half-year ended 31 December 2013						
Revenue from core operations	188,122	20,185	-	1,115	-	209,422
Segment EBITDA	111,792	2,662	-	(416)	(7,239)	106,799

Australia

The Group operates Australia's leading residential and commercial property sites, realestate.com.au and realcommercial.com.au, as well as servicing the property development and display media markets through its media and developer businesses.

Australian revenues increased by 26% to \$236.4 million during the half-year. Our residential business achieved continued success as a result of increased listing depth penetration, which delivered a 30% increase in revenue compared to the prior half-year. A renewed focus on meeting agent and advertising customer needs, together with a highly effective brand campaign for realestate.com.au, led to further growth in brand awareness and consumer traffic. The half-year also saw the introduction of a market-based pricing model which focuses on pricing depth products based on the location of a property.

The commercial business recorded a 10% revenue growth in the period, led by an increased take-up of listing depth products.

Media and developer revenue increased by 20% due to continued display media innovation and strong take-up of the Project Profile product by developers.

Overall, the listing depth revenue for the Australian Group grew by 60% from the comparative half-year to \$159.8 million. There was also an increase in the number of Australian agent customer offices by 5% to 9,664 in December 2014 and average monthly revenue per agent (ARPA) grew by 22% to \$3,046.⁴ Residential new-buy listings decreased 4% half-on-half.

⁴ ARPA calculated as average residential and commercial revenue per month over the average monthly number of paying agents for the half-year ended 31 December 2014.

Review and results of operations continued

Major product innovations launched during the period include:

- Agent Profiles – to assist agents to build their profiles and help consumers make informed decisions about local agents when listing their properties;
- My Property Profile – to enable consumers to stay up-to-date with price trends, open for inspections and sold prices;
- Share site relaunch - uses innovative technology to help match flatmates with their ideal share accommodation.

The combined Australian sites realestate.com.au, realcommercial.com.au and property.com.au attracted average monthly visits of 44.6 million during the half-year, growing by 12% compared to the prior half-year.⁵

Mobile site and app combined visits grew by 15% to 19.8 million average monthly visits with mobile site traffic increasing 59% to 9.7 million average monthly visits for the half-year period.⁶

The average monthly visits for realestate.com.au's combined main and mobile sites outperformed the nearest competitor site by 3.3 times.⁷ The average monthly total time on site for realestate.com.au's main and mobile sites for the half-year was 230.4 million minutes extending our lead against our nearest competitor by 30% and outperforming by 5.6 times.⁸

⁵ Average monthly visits to realestate.com.au, realcommercial.com.au and property.com.au for the half-year ended 31 December 2014 compared to the half-year ended 31 December 2013 from the following sources: Main sites - Nielsen Online Market Intelligence Home and Fashion Suite Total Traffic for Audited sites (including international traffic). Mobile sites - Nielsen Online Market Intelligence Home and Fashion Suite (July 2014 to December 2014) and Domestic Report Suite (July 2013 to December 2013) Total Traffic for Audited sites. Apps - Adobe Omniture SiteCatalyst (including international traffic).

⁶ Average monthly visits to realestate.com.au and realcommercial.com.au for the half-year ended 31 December 2014 compared to the half-year ended 31 December 2013 from the following sources: Mobile sites - Nielsen Online Market Intelligence Home and Fashion Suite (July 2014 to December 2014) and Domestic Report Suite (July 2013 to December 2013) Total Traffic for Audited sites. Apps - Adobe Omniture SiteCatalyst (including international traffic).

⁷ Nielsen Online Market Intelligence Home and Fashion Suite Total Traffic for Audited sites average monthly visits for the half-year ended 31 December 2014 for the main and mobile sites of realestate.com.au, compared to domain.com.au.

⁸ Nielsen Online Market Intelligence Home and Fashion Suite Total Traffic for Audited sites average time on site for the half-year ended 31 December 2014 for the main and mobile sites of realestate.com.au, compared to domain.com.au.

Europe

The European operations comprise Italy, Luxembourg and France.

The Group operates the leading Italian digital property advertising business, casa.it and in Luxembourg, the market-leading residential and commercial property sites, atHome.lu and atOffice.lu. In Italy, we have continued to grow ARPA and listing volumes in a challenging market. Our successful expansion into the northern regions of France under the immoRegion.fr brand further demonstrates the Group's ability to build sustainable growth pipelines in new markets.

The European operations achieved revenue growth in the half-year of 10% (11% in local currency) an increase to \$22.3 million (€15.4 million) and EBITDA growth of 92% to \$5.1 million (€3.5 million).

The combined European average monthly ARPA increased by 7% to €186 (HY14: €174) driven by the take-up of listing depth products. Average monthly visits to the aggregated European sites casa.it, atHome.lu, atHome.de, immoRegion.fr and atOffice.lu increased by 16% to 10.3 million.⁹

Asia

Our Chinese site, myfun.com, supports our Australian business by showcasing Australian property listings to Chinese buyers, investors and delivering leads to agents. The myfun.com site delivered increased levels of enquiries to agents and traffic has doubled following our alliance with China's leading property portal, Fang.com. The myfun site was launched in 2014 and attracted average monthly visits of 76 thousand during the half-year.¹⁰

⁹ Adobe Omniture SiteCatalyst average monthly visits for the half-year ended 31 December 2014 for casa.it, atHome.lu, atHome.de, atOffice.lu and immoRegion.fr combined (main and mobile site visits, includes international traffic to site) compared to the half-year ended 31 December 2013.

¹⁰ Adobe Omniture SiteCatalyst average monthly visits for the half-year ended 31 December 2014 for myfun.com (main site visits, includes international traffic to site).

Review and results of operations continued

Strategic investments in Asia and North America

In July 2014, the Group acquired an initial 17.2% strategic stake in Asian digital property advertising business, iProperty Group Limited (IPP), and a further 0.5% stake was acquired on market in October 2014. These purchases were funded by cash reserves for a total consideration of \$108.7 million. IPP, an ASX listed company, operates leading property portals across Malaysia, Indonesia, Hong Kong, Macau, and Singapore. The shareholding was increased to 19.9% on 22 December 2014 through the sale of Squarefoot, our Hong Kong business, for a total consideration of 5 million IPP shares valued at \$12.0 million.

REA Group's investment in Move, Inc., a leading digital real estate advertising business in the United States of America (USA), was completed on 18 November 2014. REA Group acquired a 20% holding in Move, Inc. for a consideration of \$226.5 million (US\$198.7 million), funded by cash reserves. News Corp, parent of REA Group majority shareholder News Corp Australia, holds the remaining 80% of Move, Inc.

The Group's share of Move, Inc. at the half-year resulted in losses of \$0.3 million recognised in the Income Statement.

Dividends

Dividends paid or declared by the Company during and since the end of the half-year are set out in Note 10 to the financial statements and further set out below:

	Interim 2015	Final 2014
Per share	29.5	35.0
Total amount (\$'000)	38,900	46,100
Franked ¹	100%	100%
Payment date	12 March 2015	25 September 2014

¹ All dividends are fully franked based on tax paid at 30%

Rounding of amounts

The Company is a company of the kind referred to in Australian Securities and Investments Commission class order 98/100 (as amended) pursuant to section 341(1) of the *Corporations Act 2001*. Amounts in the Directors' Report and the accompanying financial statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, except where otherwise indicated.

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 9.

Declaration

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



Mr Hamish McLennan
Chairman



Ms Tracey Fellows
Chief Executive Officer

Sydney
5 February 2015

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

In relation to our review of the financial report of REA Group Limited for the half-year ended 31 December 2014 to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.



Ernst & Young



David Petersen
Partner
5 February 2015

Consolidated Income Statement

for the half-year ended 31 December 2014

	Notes	31 Dec 2014 \$'000	31 Dec 2013 \$'000
Revenue from continuing operations		261,524	209,422
Other income ¹¹		31,241	-
Total revenue & other income		292,765	209,422
Employee benefits expenses		(55,873)	(50,451)
Consultant and contractor expenses		(5,998)	(9,660)
Marketing related expenses		(24,901)	(16,379)
Technology expenses		(5,871)	(5,187)
Operations and administration expense		(24,374)	(20,946)
Share of loss of associates	5	(300)	-
Earnings before interest, tax, depreciation and amortisation (EBITDA)		175,448	106,799
Depreciation and amortisation expense	7	(13,126)	(10,533)
Profit before tax and interest (EBIT)		162,322	96,266
Finance income	7	2,960	4,677
Profit before income tax		165,282	100,943
Income tax expense	8	(48,681)	(30,247)
Profit for the half-year from continuing operations		116,601	70,696
Discontinued operations			
Profit after tax for the half-year from sale of discontinued operations	4	9,795	-
Profit for the half-year		126,396	70,696
		Cents	Cents
Earnings per share attributable to the ordinary equity holders of REA Group Limited			
Basic earnings per share		95.9	53.7
Diluted earnings per share		95.9	53.7
Basic earnings per share from continuing operations		88.4	53.7
Diluted earnings per share from continuing operations		88.4	53.7

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

¹¹ The Group disposed of the available-for-sale (AFS) financial asset held at 30 June 2014 during the half-year for \$31.2 million gain (\$22.2 million after tax)

Consolidated Statement of Comprehensive Income

for the half-year ended 31 December 2014

	31 Dec 2014 \$'000	31 Dec 2013 \$'000
Profit for the half-year	126,396	70,696
Other comprehensive income		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Exchange differences on translation of foreign operations, net of tax ¹²	17,801	1,893
Write back on disposal of available-for-sale assets	(5,423)	-
Other comprehensive income for the half-year, net of tax	12,378	1,893
Total comprehensive income for the half-year	138,774	72,589
Profit for the half-year is attributable to:		
Non-controlling interest	112	24
Owners of the parent	126,284	70,672
	126,396	70,696
Total comprehensive income for the half-year is attributable to:		
Non-controlling interest	112	24
Owners of the parent	138,662	72,565
	138,774	72,589

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

¹² The movement in the foreign currency translation reserve is largely attributable to the foreign exchange movements relating to the Group's equity accounted investment in Move, Inc.

Consolidated Statement of Financial Position

as at 31 December 2014

	Notes	31 Dec 2014 \$'000	30 June 2014 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	6	41,916	253,788
Trade and other receivables		67,697	66,188
Total current assets		109,613	319,976
Non-current assets			
Plant and equipment		17,512	9,403
Intangible assets		97,403	94,963
Financial assets		-	88,216
Deferred tax assets		4,269	5,159
Other non-current assets		789	851
Investment in associates	5	367,421	-
Total non-current assets		487,394	198,592
Total assets		597,007	518,568
LIABILITIES			
Current liabilities			
Trade and other payables		30,421	40,814
Current tax liabilities		33,277	26,739
Provisions		5,170	6,594
Other current liabilities		20,685	26,766
Total current liabilities		89,553	100,913
Non-current liabilities			
Deferred tax liabilities		5,247	5,983
Provisions		4,181	3,360
Total non-current liabilities		9,428	9,343
Total liabilities		98,981	110,256
Net assets		498,026	408,312
EQUITY			
Contributed equity	9	98,187	102,075
Reserves		11,094	(2,273)
Retained earnings		388,204	308,020
Parent interest		497,485	407,822
Non-controlling interest		541	490
Total equity		498,026	408,312

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

for the half-year ended 31 December 2014

	Contributed equity \$'000	Retained earnings \$'000	Reserves \$'000	Parent interest \$'000	Non-controlling interest \$'000	Total equity \$'000
Balance at 1 July 2014	102,075	308,020	(2,273)	407,822	490	408,312
Profit for the half-year	-	126,284	-	126,284	112	126,396
Other comprehensive income	-	-	12,378	12,378	-	12,378
Total comprehensive income for the half-year	-	126,284	12,378	138,662	112	138,774
Transactions with owners in their capacity as owners						
Share-based payment expense	-	-	1,718	1,718	-	1,718
Acquisition of treasury shares	(1,723)	-	-	(1,723)	-	(1,723)
Settlement of vested performance rights	(2,165)	-	(729)	(2,894)	-	(2,894)
Dividends paid	-	(46,100)	-	(46,100)	(61)	(46,161)
Balance at 31 December 2014	98,187	388,204	11,094	497,485	541	498,026

	Contributed equity \$'000	Retained earnings \$'000	Reserves \$'000	Parent interest \$'000	Non-controlling interest \$'000	Total equity \$'000
Balance at 1 July 2013	102,474	220,856	(8,797)	314,533	337	314,870
Profit for the half-year	-	70,672	-	70,672	24	70,696
Other comprehensive income	-	-	1,893	1,893	-	1,893
Total comprehensive income for the half-year	-	70,672	1,893	72,565	24	72,589
Transactions with owners in their capacity as owners						
Share-based payment expense	-	-	177	177	-	177
Settlement of vested performance rights	(1,013)	-	(521)	(1,534)	-	(1,534)
Dividends paid	-	(33,587)	-	(33,587)	-	(33,587)
Balance at 31 December 2013	101,461	257,941	(7,248)	352,154	361	352,515

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

Consolidated Statement of Cash Flows

for the half-year ended 31 December 2014

	Notes	31 Dec 2014 \$'000	31 Dec 2013 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		280,202	227,535
Payments to suppliers and employees (inclusive of GST)		(151,834)	(127,374)
		128,368	100,161
Interest received		3,783	4,823
Interest paid		(158)	(3)
Income taxes paid		(40,294)	(26,764)
Share-based payment on settlement of long term incentive plans		(2,945)	(1,542)
Net cash inflow from operating activities		88,754	76,675
Cash flows from investing activities			
Payment for acquisition of subsidiary		(1,500)	(4,700)
Investment in associates		(339,991)	-
Proceeds from sale of available for sale financial asset		111,710	-
Payment for plant and equipment		(10,998)	(1,314)
Payment for intangible assets		(12,162)	(8,494)
Proceeds on sale of fixed asset		12	-
Net cash outflow from investing activities		(252,929)	(14,508)
Cash flows from financing activities			
Payment of dividend	10	(46,161)	(33,587)
Acquisition of treasury shares	9	(1,723)	-
Proceeds from borrowings		82,000	-
Repayment of borrowings		(82,000)	-
Net cash outflow from financing activities		(47,884)	(33,587)
Net (decrease)/increase in cash and cash equivalents		(212,059)	28,580
Cash and cash equivalents at the beginning of the half-year		253,788	257,344
Effects of exchange rate changes on cash and cash equivalents		187	336
Cash and cash equivalents at end of the half-year	6	41,916	286,260

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

Notes to the Consolidated Financial Statements

1. Corporate information

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

The condensed consolidated financial statements of the Company as at and for the half-year ended 31 December 2014 comprise the financial statements of the Company and its subsidiaries (together referred to in these financial statements as the “Group” and individually as “Group entities”).

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

2. Basis of preparation

The condensed consolidated interim financial statements for the half-year ended 31 December 2014 has been prepared in accordance with AASB 134 *Interim Financial Reporting*.

The interim condensed consolidated financial statements do not include all the information and disclosures required in annual financial statements, and should be read in conjunction with the Group’s annual financial statements as at 30 June 2014.

The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent as those adopted in the Group’s annual financial report for the year ended 30 June 2014, except for the adoption of new standards and interpretations as of 1 July 2014 as disclosed in the 30 June 2014 financial accounts and noted below:

- AASB 2012-3 *Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities*
- Annual Improvements to IFRSs 2010-2012 Cycle
- Annual Improvements to IFRSs 2011-2013 Cycle

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

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

3. Segment information

Operating segments are reported in a manner consistent with internal reporting to be provided to the chief operating decision maker, being the Chief Executive Officer (CEO). The CEO provides the strategic direction and management oversight of the company in terms of monitoring results and approving strategic planning for the business.

(a) Identification of segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses that relate to transactions with any of the consolidated entity's other components.

The Group's operating segments are determined based on the location of the Group's operations. Corporate includes the costs of certain head office functions and operations that are not considered appropriate to be allocated to the Group's operating businesses. Discrete financial information about each of these operating businesses is reported to the senior executives at least monthly.

Operating segments that meet quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to the users of the financial statements.

During the period, the Group acquired investments in two new geographical regions being North America (Move, Inc.) and Asia (iProperty). As a result of the significant investment in these associate, two new reportable segments have been disclosed. Refer also to Note 5.

Following these significant acquisitions and upon sale of the Squarefoot business, neither Italy, Luxembourg or France meet the quantitative thresholds to be a reportable segment. Italy, Luxembourg and France operated in the Eurozone and the Group has elected to aggregate these regions into one reportable operating segment titled 'Europe' given their similar economic conditions, products, production processes, types of customers and methods used to distribute products. Prior period amounts have been adjusted retrospectively to reflect the segment changes.

(b) Type of service

The Group has only one type of service, which is the provision of real estate related advertising services. While the Group offers different brands to the market it is considered that it only has one product/service.

The following tables present revenue and results by operating segments for the half-year ended 31 December 2014 and 31 December 2013.

3. Segment note continued

Half-year ended	Australia	Europe	North America	Asia	Corporate	TOTAL
31 December 2014	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Segment revenue						
Total segment revenue	237,335	22,270	-	2,861	-	262,466
Inter-segment revenue	(914)	-	-	(28)	-	(942)
Revenue from external customers	236,421	22,270	-	2,833	-	261,524
Results						
Segment EBITDA from core operations	144,940	5,098	-	415	(5,946)	144,507
Share of loss of an associate	-	-	(300)	-	-	(300)
Gain on sale of marketable securities	-	-	-	-	31,241	31,241
EBITDA ¹						175,448
Depreciation and amortisation						(13,126)
EBIT						162,322
Net finance income						2,960
Profit before income tax & discontinued operations						165,282
Other disclosure:						
Investment in an associate	-	-	249,230	118,191	-	367,421

Half-year ended	Australia	Europe	North America	Asia	Corporate	TOTAL
31 December 2013	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Segment revenue						
Total segment revenue	188,838	20,185	-	1,201	-	210,224
Inter-segment revenue	(716)	-	-	(86)	-	(802)
Revenue from external customers	188,122	20,185	-	1,115	-	209,422
Results						
Segment EBITDA ¹	111,792	2,690	-	(444)	(7,239)	106,799
Depreciation and amortisation						(10,533)
EBIT						96,266
Net finance income						4,677
Profit before income tax						100,943

¹ The Directors deem the EBITDA measures to be relevant and useful in measuring the financial performance of the Group. EBITDA is defined as Earnings before Interest, Tax, Depreciation and Amortisation.

4. Discontinued operation

On 14 October 2014 the Group publically announced the sale of its Hong Kong business, Squarefoot to iProperty Group Limited (“IPP”) for a consideration of 5 million IPP shares subject to shareholder approval. On 22 December 2014 the Group announced it had completed the sale and as a result REA became IPP’s largest shareholder with a 19.9% holding and now has representation on the Board of Directors.

The gain recognised on sale of the Squarefoot business was \$9.8 million. This gain is not taxable in Hong Kong or Australia. The contributions of Squarefoot at 31 December 2014 and the comparative period are not considered material to the Group’s consolidated results and therefore not reclassified to discontinued operations. As the applicable assets and liabilities of Squarefoot were transferred prior to 31 December 2014 they are no longer included in the Statement of Financial Position.

5. Investment in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control over those policies. Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group’s share of net assets of the associate since acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment. The Group’s share in the associate’s gains or losses resulting from transactions between the Group and its associate are eliminated.

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

During the half-year to 31 December 2014, the Group acquired strategic stakes in two overseas real estate portals being a 20% holding in Move, Inc. (“Move”) and a 19.9% holding in iProperty Group Limited (“IPP”).

Move is a leading real estate advertising business in the USA. Move is licensed to operate realtor.com® through an exclusive, strategic relationship with the National Association of Realtors® (“NAR”), the largest trade organisation in the USA. The Move network of websites also includes Move.com. The holding was acquired on 18 November 2014 for a cash consideration of \$226.5 million (US\$198.7 million). During the period an additional capital contribution of \$4.9 million (US\$4.0 million) cash was paid by the Group relating to the funding of rollover awards held by Move employees. The Group has representation on the Advisory Board designed to advise on key strategic and operating matters impacting Move. The remaining 80% of Move is held by News Corp.

IPP is a leading real estate advertising business in South-East Asia with market-leading online property advertising portals across Malaysia, Indonesia, Hong Kong, Macau and Singapore as well as investments in India and the Philippines. The holding was acquired in stages for total consideration of \$108.7m cash in addition to the sale of the Squarefoot business to IPP on 22 December 2014. IPP is publically listed on the Australian Stock Exchange; at 31 December 2014 the closing share price was \$2.68.

5. Investment in associates continued

Move and IPP are considered associates and the Group's interests are accounted for using the equity method from 22 November 2014 and 22 December 2014 respectively.

At 31 December 2014 the investment in Move is carried at \$249.2 million (after foreign currency revaluation of \$17.3 million after tax) and the investment in IPP is carried at \$118.2 million. REA Group's share of losses for the period is \$0.3m relating solely to Move.

As a result of these significant cash acquisitions during the period, the Group entered into an agreement to have a revolving cash advance facility of \$20.0 million available. The facility is not expected to be drawn upon and expires on 31 March 2015.

6. Cash and cash equivalents

For the purpose of the half-year cash flow statement, cash and cash equivalents are comprised of the following:

	31 Dec 2014	30 June 2014
	\$'000	\$'000
Cash at bank	41,532	22,212
Short term deposits	384	231,576
	41,916	253,788

7. Expenses

	31 Dec 2014	31 Dec 2013
	\$'000	\$'000
Profit before income tax includes the following specific expenses:		
Expenses		
Depreciation of plant and equipment	2,866	1,887
Amortisation	10,260	8,646
Minimum lease payments	3,092	1,955
Loss on disposal of plant and equipment	537	5
Net foreign exchange (gain)	(184)	(291)
Employee benefits		
Salary costs	49,144	45,841
Defined contribution superannuation expense	5,012	4,433
Share-based payments	1,717	177
Total employee benefits	55,873	50,451
Finance (income)/costs		
Interest (income)	(3,118)	(4,680)
Interest expense	158	3
Total finance (income)	(2,960)	(4,677)

8. Income tax expense

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

	31 Dec 2014	31 Dec 2013
	\$'000	\$'000
Income taxes:		
Current income tax expense	47,924	30,742
Deferred income tax expense related to origination and reversal of deferred taxes	757	(495)
Income tax expense	48,681	30,247

9. Contributed equity

At 31 December 2014 the Group had 131,714,699 ordinary shares on issue. There has not been any issue of shares during the half-year ended 31 December 2014.

	Contributed equity	Other contributed equity	Total
	\$'000	\$'000	\$'000
Balance at 1 July 2013	102,603	(129)	102,474
Settlement of vested performance rights	-	(399)	(399)
Balance at 30 June 2014	102,603	(528)	102,075
Acquisition of treasury shares	(1,723)	-	(1,723)
Settlement of vested performance rights	-	(2,165)	(2,165)
Balance at 31 December 2014	100,880	(2,693)	98,187

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

A deduction of \$1.7 million (31 December 2013: nil) was made to contributed equity during the half-year to reflect the acquisition of treasury shares on market held for the short term incentive deferred share plan (STIP).

A deduction of \$2.2 million (31 December 2013: \$1.0 million) was made to other contributed equity during the half-year relating to the settlement of the Long Term Incentive Plan (LTIP). This reflects the difference between the amount paid for the shares on market of \$2.9 million and the grant value of \$0.7 million previously recognised in the Income Statement.

10. Dividends**(a) Dividends declared or paid**

The following dividends were declared or paid by the Group:

	Per share	Total amount \$'000	Franked at 30%	Payment date
Half-year ended 31 Dec 2014:				
2014 Final dividend (fully franked)	35.0 cents	46,100	100%	25 Sept 2014
Half-year ended 31 Dec 2013:				
2013 Final dividend (fully franked)	25.5 cents	33,587	100%	24 Sept 2013

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

On release of the interim financial statements, the Directors declared an interim ordinary dividend for 2015 of \$38.9 million (29.5 cents per share fully franked) to be paid on 12 March 2015 out of retained earnings as at 31 December 2014. The interim dividend has not been recognised in the financial statements for the half-year ended 31 December 2014, but will be in subsequent financial reports.

11. Contingencies

Various claims arise in the ordinary course of business against RE A Group Limited and its subsidiaries. The amount of the liability (if any) at 31 December 2014 cannot be ascertained, and the RE A Group Limited entity believes that any resulting liability would not materially affect the financial position of the Group.

12. Commitments

As a result of the Move, Inc. transaction during the period, the Group has a commitment of US\$10.5 million relating to the funding of rollover awards held by Move, Inc. employees as at 31 December 2014. Of this commitment, US\$4.2 million is expected to be paid within one year with the balance expected to be paid within five years.

13. Events after the balance sheet date

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

Directors' Declaration

For the half-year ended 31 December 2014:

In the Directors' opinion:

- (a) the financial statements and notes of the consolidated entity set out on pages 10 to 21 are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
 - (ii) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



Mr Hamish McLennan
Chairman



Ms Tracey Fellows
Chief Executive Officer

Sydney
5 February 2015

To the members of REA Group Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of REA Group Limited, which comprises the condensed statement of financial position as at 31 December 2014, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of REA Group Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of REA Group Limited is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



Ernst & Young



David Petersen
Partner
Melbourne
5 February 2015