REA Group Limited
ABN 54 068 349 066

Audited Financial Statements
for the year ended 30 June 2016

Index

Corporate information

Directors	Mr Hamish McLennan (Chairman) Ms Tracey Fellows (Chief Executive Officer) Mr Roger Amos Ms Kathleen Conlon Mr Richard J Freudenstein Mr William Lewis (resigned 12 November 2015) Mr John D McGrath Mr Michael Miller (appointed 12 November 2015) Ms Susan Panuccio (appointed 22 March 2016) Mr Peter Tonagh (resigned 22 March 2016)
Chief Financial Officer	Mr Owen Wilson
Company Secretary	Ms Sarah Turner
Principal Registered Office in Australia	511 Church Street Richmond, Victoria, 3121 Australia Ph: +61 3 9897 1121 Fax: +61 3 9897 1114
Share register	Boardroom Pty Limited Level 12 Grosvenor Place 225 George Street Sydney NSW 2000 Australia Ph: 1300 737 760 (within Australia) +61 2 9290 9600 (outside Australia) 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 (ASX: REA)
Website	www.rea-group.com

Directors' Information

Mr Hamish McLennan

Non-executive Director appointed 21 February 2012 and Chairman since 10 April 2012. Age 50

Independent: No – Mr McLennan is a Nominee Director of News Corp Australia.

Skills and experience: Mr McLennan is an experienced media and marketing industry executive. He was Executive Chairman and Chief Executive Officer of Ten Network Holdings until July 2015 prior to which he was Executive Vice President, Office of the Chairman, at News Corp. Previously, Mr McLennan was Global Chairman and CEO of Young & Rubicam, part of WPP, one of the world's largest communications services group.

Other current directorships and offices:

Director of Magellan Financial Group

Recent directorships and offices:

Former Executive Chairman and Chief Executive Officer of Ten Network Holdings Limited (from March 2013, Chairman from March 2014 to July 2015)

Former Executive Vice President, Office of the Chairman of News Corp Australia (from March 2011 to March 2013)

Board Committee membership:

Chairman of the Board

Member of the Human Resources Committee

Ms Tracey Fellows BEc

Executive Director and Chief Executive Officer appointed 20 August 2014. Age 51

Independent: No

Skills and experience: Ms Fellows is Chief Executive Officer of REA Group, responsible for the Group's operations and investments across Australia, Europe, Asia and North America.

Prior to joining REA Group in August 2014, Ms Fellows was Executive General Manager of Communication Management Services at Australia Post, responsible for the physical and digital mail business which encompassed 13,000 employees.

Previously, she was based in Singapore as Microsoft Vice-President for the Asia-Pacific region responsible for 12 geographies across the region. Prior to this, Ms Fellows was Managing Director of Microsoft Australia for four years and also served on the ninemsn Board.

Other current directorships and offices:

Member of Chief Executive Women

Member of the Royal Children's hospital foundation board

APEC Business Advisory Council (Australian Representative)

Premiers Jobs and Investment Panel (Appointee)

Board Committee membership:

Ms Fellows attends all Audit, Risk and Compliance Committee and Human Resources Committee meetings at the invitation of the Board/Committee.

Mr Roger Amos FCA, FAICD

Independent non-executive Director appointed 4 July 2006. Age 68

Skills and experience: Mr Amos is an experienced non-executive Director with extensive finance and management expertise gained during a long and distinguished career in accounting. He was a partner in the international accounting firm KPMG for 25 years before retiring in 2006.

Other current directorships and offices:

Chairman of Tyrian Diagnostics Limited (since November 2007)

Director of Enero Group Limited (since November 2009), Chairman of the Audit and Risk Committee and member of the Remuneration and Nomination Committee

Director of 3P Learning Limited (since June 2014), Chairman of Audit and Risk Committee and member of the Human Resources Committee

Governor of the Cerebral Palsy Alliance Research Foundation

Recent directorships and offices:

Former Director of Austar United Communications Limited (from May 2008 to April 2013)

Former Chairman of the Opera Foundation of Australia (from 2009 to 2013)

Board Committee membership:

Chair of the Audit, Risk and Compliance Committee and member of the Human Resources Committee

Ms Kathleen Conlon BA (ECON)(DIST), MBA, FAICD

Independent non-executive Director appointed 27 June 2007. Age 52

Skills and experience: Ms Conlon brings over 20 years of professional management consulting experience. She is a recognised thought leader in the fields of strategy and business improvement and was a partner and director of the Boston Consulting Group for seven years.

Other current directorships and offices:

Director of Lynas Corporation Limited (since November 2011), Chair of the Remuneration Committee and member of the Audit Committee

Director of Aristocrat Leisure Limited (since January 2014), Chair of the Remuneration Committee and member of the Compliance Committee

Director of Benevolent Society (since February 2013)

Member of Chief Executive Women

Chair Audit Committee for the Commonwealth Department of Health

Board Committee membership:

Chair of the Human Resources Committee and member of the Audit, Risk and Compliance Committee

Mr Richard J Freudenstein BEc, LLB (Hons)

Non-executive Director appointed 21 November 2006. Age 51

Independent: No - Nominee Director of News Corp Australia

Skills and experience: Mr Freudenstein is a media executive with extensive experience in Australian and international markets. He was Chief Executive Officer of Foxtel from 2011 to 2016 and prior to that he was CEO of News Digital Media (the digital division of News Limited) and The Australian newspaper. Mr Freudenstein returned to Australia in August 2006 after seven years at British Sky Broadcasting, the last six as Chief Operating Officer.

Other current directorships and offices:

Director of Wenona School Limited (since September 2012)

Recent directorships and offices:

Former CEO of Foxtel Management Pty Limited (December 2011 to March 2016)

Former Director of Australian Subscription Television and Radio Association (ASTRA) (from December 2011 to March 2016)

Former Chairman of Presto TV Pty Limited (from May 2015 to March 2016)

Former Director of Ten Network Holdings Ltd (from November 2015 to March 2016)

Former Director of Bell Shakespeare Company Limited (from February 2007 to June 2013)

Former Chairman of REA Group Limited (from April 2007 to April 2012)

Board Committee membership: N/A

Mr William Lewis BSc, PGDip, Hon LLD, Hon D Litt

Non-executive Director appointed 13 November 2013, resigned 12 November 2015. Age 47

Independent: No – Nominee Director of News Corp Australia

Skills and experience: Mr Lewis was appointed Chief Executive Officer of Dow Jones in January 2014. Prior to this, he was Chief Creative Officer for News Corp where he was responsible for the company's creative strategy and played a central role in developing new commercial opportunities, including product launches, digital initiatives and acquisitions.

Mr Lewis joined News Corp as Group General Manager of News International (now News UK) in London in September 2010 and was appointed to News Corp's Management and Standards Committee when it was formed in July 2011. Prior to joining News Corp, Mr Lewis served as Editor-in-Chief of Telegraph Media Group, which he joined in 2005.

From 2002 until his move to The Daily Telegraph, Mr Lewis was business editor of The Sunday Times. He previously worked at the Financial Times in a number of senior roles, including news editor and New York-based mergers and acquisitions correspondent.

Other current directorships and offices:

Chief Executive Officer of Dow Jones (since January 2014)

Board Committee membership: N/A

Mr John D McGrath

Independent non-executive Director appointed 15 September 1999. Age 52

Skills and experience: Mr McGrath founded McGrath Estate Agents in 1988. He has grown McGrath Estate Agents to be one of Australia's most successful property services groups, becoming the first real estate company to be ranked on BRW's Australia's Fastest Growing Private Companies List. In 2003, he was awarded a Centenary Medal for service to business. In 2008, he was honoured by the Real Estate Institute of NSW with the Woodrow Weight OBE Award, a lifetime achievement award for his outstanding contribution to the real estate industry.

Other current directorships and offices:

Director and Chief Executive Officer of McGrath Group Limited and related subsidiaries

Director South Sydney Rabbitohs Rugby League Club

Board Committee membership:

Member of the Human Resources Committee

Mr Michael Miller

Non-executive Director appointed 12 November 2015. Age 47

Independent: No – Mr Miller is a Nominee Director of News Corp Australia.

Skills and experience: Michael Miller was appointed Executive Chairman of News Corp Australasia in November 2015. He has 20 years' experience working in senior executive roles in the media industry, most recently as the CEO of APN News and Media.

Mr Miller was previously the Regional Director for News Limited in New South Wales, the Managing Director of Advertiser News Media, and News Limited's Group Marketing Director. He has served on the Boards of News Limited, Fox Sports Australia, carsguide.com.au, Sky Network Television NZ Limited, the Committee for Sydney, the South Australian Rugby Union and Waratahs Rugby.

Mr Miller is currently the Chairman of The NewsMedia Works and a Director of Unruly, Foxtel and Fox Sports.

Other current directorships and offices:

Executive Chairman News Corp Australasia

Chairman of The NewsMedia Works

Director of Unruly

Director of Foxtel Management Pty Limited

Director of Fox Sports

Board Committee membership: N/A

Ms Susan Panuccio B. Bus (Hons), ICAA

Non-executive Director appointed 22 March 2016. Age 44

Independent: No – Ms Panuccio is a Nominee Director of News Corp Australia.

Skills and experience: Ms Panuccio has had extensive media experience across the UK and Australia. She was appointed Chief Financial Officer of News Corp Australia in September 2013, having joined the company after spending 11 years in London, working for News UK in a number of roles. These roles included Chief Financial Officer, Director of Corporate Planning and Director of Strategic Programme Management.

Other current directorships and offices:

Director of News Limited

Director of Fox Sports

Director of AAP

Director of Foxtel Management Pty Limited, Member of Audit, Risk and Compliance Committee

Board Committee membership:

Member of the Audit, Risk and Compliance Committee (from 22 March 2016)

Mr Peter Tonagh BComm, MBA

Executive Director appointed 13 November 2013, resigned 22 March 2016 and Interim Chief Executive Officer from 17 March 2014 to 19 August 2014. Age 49

Independent: No – Mr Tonagh is a Nominee Director of News Corp Australia.

Skills and experience: Mr Tonagh is Chief Executive Officer of Foxtel Management Pty Limited.

Prior to his appointment as Chief Executive Officer of Foxtel, Mr Tonagh held positions at News Corp Australia as Chief Executive Officer and Chief Operating Officer.

Mr Tonagh also held the role of interim Chief Executive Officer of the REA Group leading that business as the REA Board completed its search and appointment of its permanent CEO, Tracey Fellows.

Mr Tonagh had previously worked with Foxtel for nine years, during which he held the roles of Chief Operating Officer and Chief Financial Officer, where he was responsible for the overall strategy, including the acquisition and integration of Austar and channel negotiations and relationships, and oversaw a significant increase in Foxtel's expenditure on content, including original local production.

Prior to joining Foxtel, he was Vice President and Director of The Boston Consulting Group, working across Australia and New Zealand and throughout Asia.

Other current directorships and offices:

Director of News Corp Australia (News Limited)

Director of Foxtel Management Pty Limited

Recent directorships and offices:

Interim CEO of REA Group Limited 17 March 2014 – 19 August 2014

Board Committee membership:

Member of the Audit, Risk, and Compliance Committee (until 22 March 2016)

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 year ended 30 June 2016 and the Independent Auditor's Report thereon.

Directors

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

- Mr Hamish McLennan (Chairman)
- Ms Tracey Fellows (Chief Executive Officer)
- Mr Roger Amos
- Ms Kathleen Conlon
- Mr Richard J Freudenstein
- Mr William Lewis (resigned 12 November 2015)
- Mr John McGrath
- Mr Michael Miller (appointed 12 November 2015)
- Ms Susan Panuccio (appointed 22 March 2016)
- Mr Peter Tonagh (resigned 22 March 2016)

Meetings of Directors

The number of Board and Committee meetings held during the year, and the number of meetings attended by each Director are disclosed in the following table:

Director	Board meetings		Audit, Risk & Compliance Committee		Human Resources Committee	
	A	B	A	B	A	B
Mr Hamish McLennan	17	17	8	6*	5	5
Ms Tracey Fellows	17	17	-	8*	-	4*
Mr Roger Amos	17	17	8	8	5	5
Ms Kathleen Conlon	17	17	8	8	5	5
Mr Richard J Freudenstein	17	16	-	-	-	-
Mr William Lewis[1]	9	6	-	-	-	-
Mr John D McGrath	17	16	-	-	5	4
Mr Peter Tonagh[2]	14	14	6	5	-	-
Mr Michael Miller[3]	8	8	-	-	-	-
Ms Susan Panuccio[4]	3	3	2	2	-	-

A - Indicates the number of meetings held during the period the Director was a member of the Board and/or Committee.
B - Indicates the number of meetings attended during the period the Director was a member of the Board and/or Committee. With respect to Committee meetings, the table above records attendance of Committee members. Any Director is entitled to attend these meetings and from time to time the Directors attend meetings of Committees of which they are not a member. The CEO attends Committee meetings at the invitation of the Board/Committee.
* Attended at the invitation of the Board/Committee
1 Resigned 12 November 2015
2 Resigned 22 March 2016
3 Appointed 12 November 2015
4 Appointed 22 March 2016

Principal activities

REA advertises property and property-related services on websites and mobile apps across Australia, Europe and Asia.

Our purpose is to 'make property simple, efficient, and stress-free'. We fulfil this purpose by:

- providing digital tools, information and data for people interested in property. We call these users of our services 'consumers'.
- helping real estate agents, developers, property-related businesses and advertisers promote their services. We call these users of our services 'customers'.

Our strategy for growth rests on the three growth pillars:

- Property advertising
- Property-related services
- Global expansion

Further details are set out in the corporate expansion and investment activities of this Directors' Report.

Operating and financial review

Reconciliation of results from core operations

A summary of financial results from core operations for the year ended 30 June 2016 is set out below.

For the purposes of this report, core operations are defined as the reported results as set out in the financial statements adjusted for significant non-recurring items such as the step-up gain on iProperty acquisition, the share of losses from Move, Inc. and iProperty associates, proceeds from settlement of legal case between Move and Zillow (a US real estate advertising portal) and transaction costs relating to the iProperty acquisition. In 2015, this also included a gain on the sale of marketable securities and the sale of the Squarefoot business.

A reconciliation of results from core operations and non-IFRS measures compared with the reported results in the financial statements on page 31 is set out below. The following non-IFRS measures have not been audited but have been extracted from the audited financial statements.

A$'000	**2016**	**2015**	**Growth**
Revenue from core operations	**629,803**	522,920	20%
Other income*	**40,827**	31,241	31%
Reported revenue & other income	**670,630**	554,161	21%
EBITDA from core operations**	**347,348**	285,828	22%
Other income	**40,827**	31,241	31%
Share of losses of associates	**(13,850)**	(7,053)	96%
Proceeds from settlement of legal case of associate	**20,169**	-	-
Business combination transaction costs	**(9,330)**	-	-
Reported EBITDA	**385,164**	310,016	24%
Net profit from core operations	**214,515**	185,419	16%
Other income	**40,827**	31,241	31%
Tax on gain on sale of marketable securities	**-**	(9,109)	-
Share of losses of associates	**(13,850)**	(7,053)	96%
Proceeds from settlement of legal case of associate	**20,169**	-	-
Profit from sale of discontinued operations, net of tax	**-**	9,750	-
Business combination transaction costs, net of tax	**(8,381)**	-	-
Reported Net profit	**253,280**	210,248	20%

* FY16 includes step-up gain on iProperty acquisition and FY15 includes gain on the sale of marketable securities.
** The Directors believe the additional information to IFRS measures included in the report is relevant and useful in measuring the financial performance of the Group.

Group results from core operations

Group revenue from core operations grew by 20% to $629.8 million driven by the continued growth in our listing depth products (where agents pay extra to feature a more prominent listing of a particular property). The Group achieved a 22% increase in EBITDA from core operations to $347.3 million and a 16% increase in net profit from core operations to $214.5 million.

Revenue grew across all countries for the year and Australia remained the primary revenue driver for the business, delivering 88% of the Group's revenue. Each of the Australian lines of business achieved revenue growth, reflecting the success of our strategy to promote our depth products and our continued product innovation, both of which have strengthened our customer relationships and consumer experience.

The Group's operations attracted record growth in audience across all devices (approximately 21% average increase across all REA Group sites)[1]. This figure is particularly impressive, given that property listings were relatively flat for the year ending 30 June 2016[2].

Corporate expansion and investment activities

The Group has continued to deliver on its intention to expand internationally.

- In February 2016, following a shareholder vote of the target in January 2016, the Federal Court of Australia approved the Group's acquisition of iProperty Group (iProperty), a listed company incorporated in Australia, by scheme of arrangement. The Group previously held a 22.67% share in iProperty.

  iProperty operates leading property portals across Malaysia and Hong Kong, and prominent portals in Thailand, Singapore and Indonesia. The Group primarily funded the acquisition from new debt facilities totalling $480.0 million, with the remainder from existing cash. Further details are set out in the business combination note (refer to Note 7).

- In May 2016, the Group acquired Flatmates.com.au Pty Ltd (Flatmates.com.au), the market leading player in share accommodation in Australia. The Group primarily funded the acquisition from $25.0 million of cash reserves. There are potential earn out payments over the next two years, which are dependent on performance.
  Further details are set out in the business combination note (refer to Note 7).

Strong operational results and key investment activities offset by shareholder returns in the form of dividends, resulted in a cash balance of $126.8 million.

Dividends

Dividends paid or declared by the Company during and since the end of the year are set out in Note 22 to the Financial Statements and further set out below:

	Final 2016	**Interim 2016**	**Final 2015**
Per share (cents)	**45.5**	36.0	40.5
Total amount ($'000)	**59,930**	47,417	53,345
Franked*	**100%**	100%	100%
Payment date	**15 Sept 2016**	11 Mar 2016	14 Sept 2015

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

[1] Source: Nielsen Online Market Intelligence Home and Fashion Suite average monthly visits for the audited sites of realestate.com.au, property.com.au and realcommercial.com.au for the year ended 30 June 2016 compared to the year ended 30 June 2015, excludes apps.

[2] Source: Source: CoreLogic Online Market Analysis. Average monthly new properties listed for sale online for the year ended 30 June 2016 compared to the year ended 30 June 2015.

Performance by region

2016	**Australia $'000**	**Europe $'000**	**North America $'000**	**Asia $'000**	**Corporate $'000**	**TOTAL $'000**
Segment revenue						
Total segment revenue	**556,146**	**50,744**	**-**	**25,588**	**-**	**632,478**
Inter-segment revenue	**(967)**	**-**	**-**	**(1,708)**	**-**	**(2,675)**
Revenue from external customers	**555,179**	**50,744**	**-**	**23,880**	**-**	**629,803**
Results						
Segment EBITDA from core operations	**345,878**	**9,058**	**-**	**9,330**	**(16,918)**	**347,348**
Share of losses of associates	**-**	**-**	**(11,751)**	**(2,099)**	**-**	**(13,850)**
Proceeds from settlement of legal case of associate	**-**	**-**	**-**	**-**	**20,169**	**20,169**
Business combination transaction costs	**-**	**-**	**-**	**-**	**(9,330)**	**(9,330)**
Fair value gain on step acquisition	**-**	**-**	**-**	**-**	**40,827**	**40,827**
EBITDA	**345,878**	**9,058**	**(11,751)**	**7,231**	**34,748**	**385,164**
Depreciation and amortisation						**(34,934)**
EBIT						**350,230**
Net finance income/(expense)						**(6,474)**
Profit before income tax						**343,756**

2015	Australia $'000	Europe $'000	North America $'000	Asia $'000	Corporate $'000	TOTAL $'000
Segment revenue						
Total segment revenue	473,672	45,628	-	4,675	-	523,975
Inter-segment revenue	(903)	-	-	(152)	-	(1,055)
Revenue from external customers	472,769	45,628	-	4,523	-	522,920
Results						
Segment EBITDA from core operations	288,054	9,683	-	641	(12,550)	285,828
Share of losses of associates	-	-	(5,721)	(1,332)	-	(7,053)
Gain on sale of marketable securities	-	-	-	-	31,241	31,241
EBITDA	288,054	9,683	(5,721)	(691)	18,691	310,016
Depreciation and amortisation						(26,943)
EBIT						283,073
Net finance income/(expense)						3,453
Profit before income tax						286,526

Performance by region (continued)

Benefits of global

The Group has benefited greatly from continued international expansion, increasing its presence both domestically in Australia and internationally across Asia, Europe and North America. As a result of our strong market positions, customer relationships and high-quality products, we are well positioned to capture large market opportunities on a global scale.

Australia

The Group operates Australia's number one residential and commercial property sites, realestate.com.au and realcommercial.com.au.[3]

We have continued to cement this number one[3] position with a 7% increase in the number of Australian real estate agent offices that list properties on our sites for the year ended 30 June 2016.

Overall, Australian revenues increased by 17% to $555.2 million during the year.

In our residential business, revenues increased by 18% compared with the previous year, driven by our premium listing penetration.

Our commercial business, realcommercial.com.au, recorded an 8% revenue growth in the year, driven by growth in our premium product.

Media and developer revenue increased by 20%. This increase is a result of continued innovation in display media products and strong take-up of our premium offering, a product that makes it easier to present large developments.

The acquisition of market leader Flatmates.com.au in May 2016 positions us well in the share accommodation segment; one of the fastest growing segments in the Australian property market.

Flatmates.com.au is the number one player in share accommodation by both revenue and audience. The site receives an average of 2.0 million[4] visits and the Group is uniquely placed to accelerate this leadership position through the sharing of technology, expertise and reach.

Innovation is driving consumer engagement

We have the most engaged audience of property seekers in Australia. Combined, realestate.com.au, realcommercial.com.au, and property.com.au attracted average monthly visits of 46.1 million[5] during the year, which represents growth of 21%[6] compared with the previous comparative period and an average time on site of 260.8 minutes[7].

Our high consumer engagement is due to our continuous efforts to enhance the online experience for people looking to buy, sell, rent or share property. Additionally, this large audience provides incredibly rich data, allowing us to see patterns in where people look, what they look for, and what people similar to them are looking at. This information enables us to make smart suggestions for people based on their own search behaviour.

Recent innovations mean consumers can now find far more detailed, personalised and up-to-date information on more properties than ever.

Examples of such innovations are:

Suggested Properties - recommends relevant listings to property hunters based on their interests as well as the features of the properties they search for.

Price Look Up - provides price estimates as well as sales and rental histories for any property in Australia, whether it is on the market or not. This feature enables consumers to keep up to date with key information about their local market and allows them to make better and more informed decisions about property whether it's investing, renting, renovating or buying a new home. We also added a new tool to Price Look Up that allows property owners to "claim" their property.

Agent Search - allows real estate agents to profile their experience and approach to selling homes. The search engine assists prospective vendors in their agent selection process. Since its launch in January 2016 we've already seen a 30% increase in traffic to agent

[3] Source: Nielsen Online Market Intelligence Home and Fashion Suite average monthly visits for the audited of realestate.com.au, property.com.au and realcommercial.com.au for the year ended 30 June 2016, (excludes apps) compared to domain.com.au and commercialrealestate.com.au, for the year ended 30 June 2016

[4] Source: Google Analytics average monthly visits for the year ended 30 June 2016.

[5] Source: Nielsen Online Market Intelligence Home and Fashion Suite average monthly visits for the audited sites of realestate.com.au, property.com.au and realcommercial.com.au for the year ended 30 June 2016. Excludes apps.

[6] Source: Nielsen Online Market Intelligence Home and Fashion Suite average monthly visits for the audited of realestate.com.au, property.com.au and realcommercial.com.au for the year ended 30 June 2016 compared to the year ended 30 June 2015. Excludes apps.

[7] Source: Nielsen Online Market Intelligence Home and Fashion Suite for combined minutes for the audited sites of realestate.com.au, property.com.au and realcommercial.com.au for the year ended 30 June 2016. Excludes apps.

profiles[8], meaning that our customers are getting noticed more often.

A simpler, smarter mobile app - as consumers continue to migrate to mobile, realestate.com.au launched a simpler and smarter design of its flagship app in June 2016. The app's new features include better management of alerts and short-cuts to recent searches. We also added the Price Lookup tool to the app, as well as a new 'Notifications tab', ensuring that users never miss important updates about properties they've saved or may be interested in.

As a result of our drive to improve tools and increase the range of devices we publish on, visits to our app grew by 81%[9] and app downloads exceeded 5.5 million[10]. Average monthly visits for realestate.com.au's sites outperformed the nearest competitor site by 2.1 times.[11]

Revenues increased, thanks to greater uptake of 'depth products'

Our growing revenues are particularly pleasing, given flat property listing volumes[12] across the market compared with the previous year, as well as lower average days on-market for properties as a result of high auction clearance rates in Sydney and Melbourne.

The Group's positive results, despite this backdrop, can be attributed to the successful execution of our strategic initiatives. An important factor has been the introduction of depth products, where agents pay extra to feature a more prominent listing of a particular property. By improving these 'depth products' and making them easier to purchase, we increased the take-up of premium listings by both residential and commercial property agents.

Europe

The Group's European operations comprise Italy, Luxembourg and France. We operate the Italian digital property advertising business, casa.it; Luxembourg's market-leading residential and commercial property sites, atHome.lu and atOffice.lu; and immoRegion.fr in France.

Our European operations achieved 11% revenue growth for the year to $50.7 million (€33.3 million).

As the Italian property market continued to improve, casa.it invested in increasing brand awareness and market share. The site increased listing volumes by 8% this year.[13]

Our Luxembourg business continued to expand into the northern regions of France under the immoRegion.fr brand. The immoRegion.fr brand now operates in the regions of Alsace, Lorraine, Nord-Pas-de-Calais and Pays de la Loire. Launching in Nord-Pas-de-Calais less than a year ago, ImmoRegion.fr is already leading the competition in listings volumes and agency customers. Listing volumes have increased by 25%[14] compared to prior year.

Average monthly visits to the combined European sites (casa.it, atHome.lu, atHome.de, immoRegion.fr and atOffice.lu) increased by 15%[15].

Asia

The Group's Asian operations comprise iProperty which operates leading property portals across Malaysia and Hong Kong, and prominent portals in Thailand, Singapore and Indonesia, and our Chinese site, myfun.com, which supports the Asian, Australian and US businesses by showcasing residential property listings to Chinese buyers and investors, and delivers leads to agents.

This year we strengthened our position in the Asian market by acquiring iProperty. iProperty local market expertise is second to none and our teams will be working closely together to tap into the needs of buyers throughout the region and deliver even more value to our customers and consumers.

We note that our Asian business is in a significant growth stage. Our total Asian revenues for FY16 are $23.9 million.

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8 Source: REA internal data for visits to agent profiles for the 6 month period ended 31 December 2015 compared to the 6 month period ended 30 June 2016

9 Source: Adobe Analytics average monthly visits for the app for realestate.com.au for the year ended 30 June 2016 compared to the year ended 30 June 2015.

10 Source: Google Play and iTunes, Total Downloads to June 2016.

11 Nielsen Online Market Intelligence Home and Fashion Suite average monthly visits for the audited site of realestate.com.au (excludes apps) compared to domain.com.au, for the year ended 30 June 2016.

12 Source: CoreLogic Online Market Analysis. Average monthly new properties listed for sale online for the year ended 30 June 2016 compared to the year ended 30 June 2015.

13 REA internal listings data for the year ended 30 June 2016 compared to 30 June 2015.

14 REA internal listings for combined sites, atHome.lu, atHome.de, atOffice.lu and immoRegion.fr date for the year ended 30 June 2016 compared to 30 June 2015.

15 Adobe Analytics for average monthly visits for casa.it, atHome.lu, atHome.de, atOffice.lu and immoRegion.fr combined (main and mobile site visits, includes international traffic to site) for the year ended 30 June 2016 compared to the year ended 30 June 2015.

North America

We hold a 20% investment in Move, Inc., a leading provider of online real estate services in the United States. News Corp, the parent of REA Group majority shareholder News Corp Australia, holds the remaining 80% of Move. During the period, the Group paid additional capital contributions of $3.1 million (US $2.3 million) cash, to fund rollover awards held by Move employees.

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

The Group's share of Move, Inc. for the year resulted in $8.4 million recognised in the Income Statement, including $20.2 million proceeds (net of tax) from the settlement of a legal case between Move and Zillow. Move's revenue of US$357 million was driven by continued strength in Connections for Co-Brokerage product and growth in non-listing media revenues and professional software revenues.

State of affairs

In the directors' opinion, other than the investments and divestments referenced in the operating and financial review of this report, there have been no significant changes in the state of affairs of the Group during the year.

Events since the end of the financial year

As at the date of this report, the Directors are not aware of any matter or circumstance that has arisen since 30 June 2016 that has significantly affected the operations of the Group, the results of the operations or the state of affairs of the Group.

Business strategies and future developments

The online advertising market continues to grow and we will continue to invest in innovation to capitalise on this potential.

Our growth strategy reflects the three strands of our business: listings; property-related services; and international expansion.

Property advertising

We began as a listings business, and listings remain the foundation of what we do. However, the evolution of our business model – from one based on charging agents subscription fees for listing their properties on our sites to one based on charging them for 'depth products' (premium listings) – creates significant scope for growth.

Property-related services

The Group now has a great source of property-related information in Australia. This puts us in a strong position to develop our property related services further. In particular, the depth, breadth and increased personalisation of our consumer data opens up opportunities to bring a wider range of advertisers in front of our consumer audience.

Our 1Form online application form for renters received 1.7 million rental applications from registered users for FY16, representing 38% year on year growth. This technology gives us early visibility of consumers who are planning to move property. Advertisers can then target these consumers through recent initiatives, including:

- Connections, which rolled out in Australia in 2015. Available on realestate.com.au, Connections helps consumers compare and connect services to their property, such as electricity, telecommunications and pay TV.
- Our partnership with AFG, one of Australia's largest mortgage brokers. A new home loan tool has been integrated into property searches on realestate.com.au, presenting consumers with home loan options available through AFG from a range of lenders.

The Group will continue to invest in these products over the next year. We will also continue to extend our audience through relevant partnerships.

Global expansion

Our international expansion strategy continued to ramp up this year, as we acquired iProperty in Asia. We have also continued to expand in regional France and have a significant investment in North America.

Our acquisition of iProperty, gives us exposure to the South East Asian market, which continues to be seen as an opportunity for significant growth, with a population of over 600 million consumers increasingly moving online.

With average property prices in Singapore and Hong Kong already higher than in Australia, and the volume of transactions exceeding that of Australia, the acquisition is a major accelerator for our Global footprint. It significantly enhances the growth profile for both companies, while giving our customers, property buyers and investors the opportunity to tap into a wider market.

Our investment in Move, a leading digital real estate advertising business in North America gives us access to the largest real estate market in the world. This partnership has seen a successful rebranding of the realtor.com site, a new marketing campaign, and a significant increase in traffic to the site, all of which have positioned realtor.com as the number two property portal in North America.

Opportunities

We see opportunities to drive further value from our large consumer audience at the various stages of the property transaction process. These opportunities include:

- A significant increase in transaction volumes in all of our markets
- Increased speed-to-market for new products and greater uptake of new and existing products
- Identification of additional international expansion opportunities
- Better-than-forecast improvements in the economies and property markets of our international operations
- Investment. The Group is actively assessing international expansion opportunities, although potential investments may carry execution and integration risks, while existing securities and assets may hold valuation risks.

Risks – and how we manage them

Risks to the business include:

- The development of new technologies and increased competition from existing or new sites and apps that could affect our existing business model. We operate in a highly competitive market and constantly monitor and assess the competitive environment and any potential risks to our Australian and international operations. We recognise we must continue to earn the support of consumers and our agent partners, and we focus on delivering a market-leading user experience and outstanding return on investment for agents and their vendors.

- Security or data incidents. As a technology-focused business, managing security, and taking care of consumer and customer data is essential. To manage the risk of damaging security incidents, we have appropriate data management, security and compliance policies, procedures and practices in place.

- Lack of website and app availability. As an online business, the availability of our websites, applications and systems is essential to our success. To manage the risk of any of our sites going down, we have developed and implemented disaster recovery strategies, high-availability architecture, and processes for monitoring the health of our systems on an ongoing basis.

- Decline in market conditions. The property market is driven by employment, interest rates and consumer confidence. A substantial change in these market indicators could result in a deterioration in the performance of the property market. Interest rates remain low and we do not foresee any significant risks in relation to the other drivers of transaction volumes. As a business with international operations, we have a small exposure to currency fluctuations, which we monitor and manage.

Sustainability

The Group has made significant advances in the management and measurement of its social and environmental impacts/risks including:

- Incorporation of sustainability into the REA Group Board HR Committee charter to ensure: "the Company maintains and implements an appropriate social, environmental and ethical sustainability framework and risk management system".

- Independent measurement of the Group's carbon footprint and other environmental impacts.

- A greater contribution to the community through our internal community program (called 'Because we care') to empower our people to make a tangible positive contribution.

- This year we also launched our senior women's network to increase the visibility of female role models, as well as 'Spectrums of Equality', a network to create better awareness, understanding, inclusion, and support of our LGBTIQ employees.

Environmental regulation

The Directors are not aware of any material breaches of any particular or significant environmental regulation affecting the Group's operations and the Group has complied with all required reporting.

Directors' qualifications, experience and special responsibilities

At the date of this report, the Board comprises seven non-executive Directors and one executive Director, the Chief Executive Officer, who collectively have a diverse range of skills and experience. The names of Directors and details of their skills, qualifications, experience and when they were appointed to the Board can be found on pages 4 to 7 of this report.

Details of the number of Board and Board Committee meetings held during the year, Directors' attendance at those meetings and details of Directors special responsibilities are shown on page 8 of this report.

Details of directorships of other listed companies held by each current Director in the three years before the end of the 2016 financial year are listed on pages 4 to 7 of this report.

Company Secretary's qualifications and experience

Ms Sarah Turner was appointed REA Group's General Counsel and Company Secretary in September 2015. She has extensive experience in corporate and commercial law, mergers and acquisitions and technology. Ms Turner holds a Bachelor of Laws (with Honours), a Bachelor of Arts and a Graduate Diploma in Applied Corporate Governance. She is a member of the General Counsel 100, a division of the Association of Corporate Counsel, a Fellow of the Governance Institute of Australia and a Graduate of the Australian Institute of Company Directors.

Chief Executive Officer/Chief Financial Officer declaration

The Chief Executive Officer and the Chief Financial Officer have given the declarations to the Board concerning the Group's Financial Statements and other matters as required under section 295A(2) of the *Corporations Act 2001*.

Indemnification and insurance of directors and officers

The Company has entered into a standard form deed of indemnity, insurance and access with the non-executive Directors against liabilities they may incur in the performance of their duties as Directors of REA Group Limited, except liabilities to REA Group Limited or a related body corporate, liability for a pecuniary penalty or compensation order under the *Corporations Act*, and liabilities arising from conduct involving a lack of good faith. REA Group Limited is obliged to maintain an insurance policy in favour of non-executive Directors for liabilities they incur as Directors of REA Group Limited and to grant them a right of access to certain company records. In addition, each Director is indemnified, as authorised by the Constitution, on a full indemnity basis and to the full extent permitted by law, for all losses or liabilities incurred by the Director as a Director of a member of the Group. The indemnity operates only to the extent that the loss or liability is not covered by insurance.

During the year, the Company paid premiums totalling $267,726 (2015: $237,782) in respect of contracts insuring the Directors and Officers of REA Group Limited against costs incurred in defending proceedings for conduct involving:

- a wilful breach of duty; or
- a contravention of Sections 182 or 183 of the Corporations Act 2001, as permitted by section 199B of that Act.

During the year the Group has been covered under the Directors & Officers (D&O) insurance policy for the News Corp Group of companies. In addition, REA Group Limited took out a further D&O policy to cover certain exclusions in the News Corp Group D&O policy and to provide a dedicated program providing cover independently of the News Corp program.

Indemnification of auditors

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

Non-audit services

The Company may decide to employ the external auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Group are important.

The Board of Directors has considered the position and, in accordance with advice received from the Audit, Risk and Compliance Committee, 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*. The Directors are satisfied that these services did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- All non-audit services have been reviewed by the Audit, Risk and Compliance Committee, in line with the Committee Charter, to ensure they do not impact the impartiality and objectivity of the auditor; and
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

During the year the following fees were paid or payable for non-audit services provided by the external auditor (Ernst & Young) of the parent entity, its related practices and non-related audit firms:

Consolidated REA Group	**2016 $**	2015 $
Tax compliance services	**171,050**	220,000
International tax consulting	**31,050**	20,000
Other assurance services	**70,040**	102,100
Total remuneration for non-audit services	**272,140**	342,100

Further details on the compensation paid to Ernst & Young is provided in Note 28 to the Financial Statements.

Auditor

Ernst & Young continues in office in accordance with section 327 of the *Corporations Act 2001*.

Rounding of amounts

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

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 18.

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

As lead auditor for the audit of REA Group Limited for the financial year ended 30 June 2016, 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 REA Group Limited and the entities it controlled during the financial year period.

Ernst & Young

Ernst & Young

David Petersen
Partner

9 August 2016

Remuneration Report

This report forms part of the Directors' Report for the year ended 30 June 2016.

1. Introduction and scope of report

The information provided in the Remuneration Report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

This Remuneration Report for the year ended 30 June 2016 outlines the remuneration arrangements in place for the key management personnel (KMP) of REA Group Limited and its controlled entities (the Group), which comprises all Directors (executive and non-executive) and those executives who have authority and responsibility for planning, directing and controlling the activities of the Group.

The following executives of the Group were classified as KMP during the 2016 financial year and unless otherwise indicated were classified as KMP for the entire year.

Executive Directors	
Tracey Fellows	Chief Executive Officer

Senior Executives	
Owen Wilson	Chief Financial Officer

Non-Executive Directors	
Hamish McLennan	Chairman
Roger Amos	Independent Director
Kathleen Conlon	Independent Director
Richard J Freudenstein	Director
William Lewis	Director (resigned 12 November 2015)
John McGrath	Independent Director
Michael Miller	Director (appointed 12 November 2015)
Susan Panuccio	Director (appointed 22 March 2016)
Peter Tonagh	Director (resigned 22 March 2016)

2. Role of the Human Resources Committee

The Human Resources Committee (HR Committee) is responsible for reviewing and making recommendations to the Board on the remuneration arrangements for the non-executive Directors, the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO). Further information on the HR Committee's role and responsibilities is contained in its Charter, which is available on the Group's website at www.rea-group.com.

To assist in performing its duties, and making recommendations to the Board, the HR Committee seeks independent advice from external consultants on various remuneration related matters. The HR Committee follows protocols around the engagement and use of external remuneration consultants to ensure compliance with the relevant executive remuneration legislation. All remuneration recommendations are provided by the external consultant directly to the Committee.

During the 2016 financial year, the HR Committee engaged *3 degrees consulting* to provide benchmarking data for vacant executive roles. *3 degrees consulting* was paid a total of $24,500 for these services during the year. No actual remuneration recommendations were provided by *3 degrees consulting*, however recommendations regarding Non-Executive Director fees were made to ensure they remained market competitive.

3. Executive remuneration philosophy and framework

3.1 Remuneration philosophy and principles

The Group's executive remuneration philosophy is founded on the objectives of:

- driving desired leadership behaviours;
- recognising both individual and organisational performance, that are focussed on achieving the Group's longer term corporate plans;
- generating acceptable returns for shareholders; and
- rewarding executive performance for generating high growth returns above expected threshold levels.

The four core 'guiding principles' of our executive remuneration framework approved by the Board are shown in the diagram below:

Remuneration Guiding Principles
Ownership aligned
Rewards for above threshold performance
Consistency & transparency
Simplicity

3.2 Overview of components

The diagram below sets out an overview of the components of the executive remuneration framework, including the Board's view of optimal mix between the fixed and total 'at-risk' components for the CEO and CFO. Details on each of the individual components are set out in section 6 of this report.

Fixed Annual Remuneration ("FAR")	**Short Term Incentive ("STI")**	**Long Term Incentive ("LTI")**
50% total remuneration	25% of total remuneration	25% total remuneration

• Fixed salary set by reference to appropriate benchmark information and individual performance
• Includes superannuation and salary-sacrificed non-monetary benefits
	• Annual cash incentive
	• 12 month period
	• As detailed in section 5.3, targets linked to:
	  ○ Group performance split between EBITDA and Revenue
	  ○ Individual performance
		• Grant of performance rights under the LTI plan
		• 3 year performance period
		• Performance hurdles linked to revenue growth and Earnings per Share (EPS) growth

4. Changes to Key Management Personnel (KMP) during 2016

In July 2015, the Group's management structure was reorganised into a Line of Business structure, to better support the needs of the Group and drive enhanced performance outcomes. Prior to this reorganisation, four key executives of the Executive Leadership Team oversaw the operations of the Group, while management of individual business units was overseen by business unit leadership teams. As part of the move to the new Line of Business structure, the definition of KMP under the Corporations Act 2011 Section 300(A) and AASB 124 was evaluated and it was determined that the CEO and CFO were the only individuals with "planning, directing and controlling" responsibility for the Group. As a result, the number of KMP disclosed in this year's Annual Report has reduced.

5. Executive remuneration components

5.1 Remuneration reviews

Remuneration levels for the CEO and CFO are reviewed annually, taking into account individual performance and overall Group performance, with reference to market remuneration levels.

The HR Committee seeks independent advice from external consultants as part of the review process to ensure executive remuneration levels remain competitive relative to comparable ASX companies and in line with current market trends.

Remuneration was reviewed against benchmark market data as part of the changes to the line of business structure in July 2015. Increases as a result of this review were made, and full details of remuneration received are detailed in section 5.6.

5.2 Fixed remuneration

Fixed remuneration consists of base compensation and statutory superannuation contributions. The CEO and CFO may also elect to have other benefits provided out of their fixed remuneration, including additional superannuation and the provision of a motor vehicle.

5.3 Short term incentive arrangements

What is the STI and who participates?

The annual short term incentive (STI) program is a cash based plan that involves linking specific financial and non-financial targets with the opportunity to earn incentives based on a percentage of fixed salary for the CEO and CFO.

What is the amount that executives can earn?

The 'Target' STI opportunity was 50% of fixed remuneration for the CEO and CFO.

Actual STI payments granted to the CEO and CFO depends on the extent to which specific operating targets set at the beginning of the financial year are met. The non-financial measures are then awarded on the level of individual performance and the % of target incentive awarded ranges between 0 to 200%.

Financial measures – level of performance	**% of Target incentive awarded***
Below Threshold (i.e. ≤ 85% of Target)	0%
85-89%	50%
95%	90%
Target	100%
Above Target (i.e. ≥ 120% of Target)	200%

** Pro-rata payment is made between Threshold and Target, as well as Target and Above Target points*

What are the performance measures?

For the 2016 financial year, the performance measures are as follows:

Performance measure	**CFO allocation**	**CEO allocation**
EBITDA	25%	40%
Revenue	25%	40%
Individual performance *(based on individual and business key performance indicators)*	50%	20%

Why were these performance measures chosen?

The Board considers the financial measures to be appropriate as they are aligned with the Group's objective of delivering profitable growth and, ultimately, improved shareholder returns.

The non-financial performance measures for the CEO have been set by the Board to drive leadership performance and behaviours consistent with the Group's corporate philosophy and its overall business strategy. The CEO sets individual and business key performance indicators for the executive team in consultation with the Board.

Why was the performance measure changed from EBIT to EBITDA in FY16?

EBITDA is an operational measure widely used by listed companies to measure financial performance. The Group moved to EBITDA rather than EBIT as an input to the Short Term Incentive Plan as it was deemed a more appropriate measure of financial performance.

When are the performance conditions tested?

Incentive payments are determined in line with approval of the Financial Statements each year (in respect of the financial measures) and after a review of executive performance against non-financial measures by the CEO, in consultation with the HR Committee and in the case of the CEO, by the Board.

Once the review is completed, payments of annual incentives are made post release of the results in August.

STI for the 2016 financial year

Specific information relating to the STI payable for the 2016 financial year based on achievement of the STI objectives for executives is set out below in Table 1:

Executives	Actual STI payment	% of Target STI payable	% of Target STI forfeited
CEO	520,800	112%	-
CFO	382,500	128%	-

5.4 Long term incentive

Detail of LTI Arrangements

What is the LTI and who participates?

The LTI plan is designed to link long term executive reward with ongoing creation of shareholder value, with the allocation of equity awards which are subject to satisfaction of long term performance conditions. For further details of each long term incentive plan, refer to Note 23 Share-based payments.

The CEO and CFO both participated in the LTI Plan 2018.

How is the LTI grant determined?

The number of performance rights issued to each executive is calculated by dividing their 'target LTI' value by the value per right. This target LTI value is 50% of fixed remuneration for the CEO and CFO.

Each performance right is a right to acquire one share in REA upon vesting.

What valuation methodology is adopted for the LTI?

As detailed in Note 23 to the Financial Statements, up to and including the year ended 30 June 2016, the Group has used a fair value approach when determining the number of rights granted to Senior Executives.

In line with best practice, and increasing expectations from shareholders and investors, from financial year 2017, the Group plans to implement a face value approach to LTI. Full details relating to this change will be incorporated in the 2017 Annual Report.

What is the performance period?

The performance rights allocated during the year are subject to a three year performance period beginning 1 July 2015 and ending on 30 June 2018. The Group refers to this grant as the "LTI Plan 2018" as the performance period ends in FY18.

Any performance rights which do not vest following testing of the performance hurdles at the end of the performance period will lapse.

What are the performance conditions?

The performance hurdles for the LTI Plan 2018 are based on the following:

- 50% of the performance rights are tested based on compound annual growth in Revenue; and
- 50% of the performance rights are tested based on compound annual growth in EPS from core operations.

Each hurdle is tested following finalisation of the annual financial results at the end of the performance period in accordance with the vesting schedules set out below.

What vesting schedules apply?

For the LTI Plan 2018 granted, the Board approved challenging Threshold, Target and Stretch growth rates in respect of both the Revenue and EPS hurdles, which are based on the Company's strategic plan and reflective of the Company's continued growth objectives.

The following vesting schedule applies to both performance hurdles (with pro-rata vesting between any two points) for the LTI Plan 2018:

Performance level	% of awards vesting
Below Threshold	0% vesting
Threshold	80% vesting
Target	100% vesting
Stretch[1]	200% vesting

[1] Vesting of over-performance (between Target and Stretch) provides acceleration to provide greater differentiation for out-performance.

For the LTI Plan 2016 that vested during this financial year, the following vesting schedule applies to both performance hurdles (with pro-rata vesting between any two points):

Performance level	% of awards vesting
Below Threshold	0% vesting
Threshold	70% vesting
Target	100% vesting
Stretch	120% vesting

For the executives that are part of the LTI Plan 2016, 120% performance was achieved and will vest, subject to Board approval (2015: 120%).

The Board considers that the growth rates required to attract full or partial vesting are commercially sensitive and therefore do not disclose them to the market. The Board however, confirms its commitment to driving growth for shareholders over the longer term as it continues to consider the Company a growth company.

Why were these performance conditions chosen?

The Board considers the combination of the Revenue and EPS hurdles to be an appropriate counterbalance to ensure that any 'top line' growth is long term focussed and balanced with an improvement in earnings.

In particular, Revenue is considered to be an appropriate hurdle given that the Group continues to be in a phase of growth.

In addition, the Board selected EPS as a performance measure on the basis that it:

- is a relevant indicator of increase in shareholder value; and
- is a target that provides a suitable line of sight to encourage and motivate executive performance.

Are there any restrictions placed on the rights?

REA Group policy prohibits executives from entering into transactions or arrangements which operate to transfer or limit the economic risk of any securities held under the LTI plan while those holdings are subject to performance hurdles or are otherwise unvested.

What happens in the event of a change of control?

In accordance with the LTI plan rules, the Board has discretion to waive any vesting conditions attached to the performance rights in the event of a change of control.

What happens if the executive ceases employment?

Where an executive ceases employment with the Group any unvested performance rights are pro-rated for time served, with the unvested rights continuing until the usual performance testing date. There is no acceleration of the vesting date, and all vesting conditions continue to apply.

Summary of Awards under the LTI Plans

The table below (Table 2) sets out details of performance rights held by and granted to the CEO and CFO during the 2016 financial year under the LTI Plans.

Name	Balance at 1 July 2015	Rights granted during year	Number vested during year[1]	Rights exercised during year	Number forfeited during year	Balance at 30 June 2016	$ value of rights at grant date
T Fellows							
LTI Plan 2017 (Plan 8)	11,155	-	-	-	-	11,155	450,000
LTI Plan 2018 (Plan 9)	-	12,567	-	-	-	12,567	465,000
Total	**11,155**	**12,567**	**-**	**-**	**-**	**23,722**	**915,000**
O Wilson							
LTI Plan 2017 (Plan 8)	6,197	-	-	-	-	6,197	250,000
LTI Plan 2018 (Plan 9)	-	8,108	-	-	-	8,108	300,000
Total	**6,197**	**8,108**	**-**	**-**	**-**	**14,305**	**550,000**

1 The CEO and CFO had no awards under LTI plans that vested during FY16 due to their respective dates of commencement with the Group.

The table below set out the details of the percentage performance achieved and percentage vested against the applicable LTI Plan. Refer to section 5.6 for the percentage of total remuneration that consists of performance rights.

Plan	Grant date	Vesting date[1]	Value per performance right at grant date[2]	Performance achieved	% vested
LTI Plan 2017 (Plan 8)	1 July 2014	1 July 2017	$40.34	to be determined	-
LTI Plan 2018 (Plan 9)	1 July 2015	1 July 2018	$37.00	to be determined	-

1 Subject to Board approval of the performance hurdles being met.

2 Value per grant date was calculated using the Black Scholes model

5.5 Service agreements

The table below sets out the main terms and conditions of the employment contracts of the CEO and CFO. All contracts are for unlimited duration.

Title	Notice Period / Termination Payment
CEO / CFO	• 9 months either party (or payment in lieu) • Immediate termination for misconduct, breach of contract or bankruptcy • Statutory entitlements only for termination with cause • Where employment terminates prior to LTI vesting, pro rata holding determined based on time served of performance period, which continues until the usual vesting date and remains subject to all performance requirements • Eligible to participate in STI for period served prior to termination

5.6 Executive remuneration table

Details of the remuneration paid to the current executives for the 2016 and 2015 financial years are set out below (Table 3).

Name	Short term employee benefits			Post-employment benefits	Long term employee benefits	LTI Plan[2]	Total	Performance related %	LTIP %
	Salary	STI Plan[1]	Other						
KMP									
T Fellows (Chief Executive Officer)									
2016	**915,692**	**520,800**	**-**	**19,308**	**4,584**	**305,000**	**1,765,384**	**47%**	**17%**
2015	761,462	439,619	500,000[3]	18,783	-	149,998	1,869,862	32%	8%
O Wilson (Chief Financial Officer)									
2016	**580,692**	**382,500**	**-**	**19,308**	**2,855**	**183,333**	**1,168,688**	**48%**	**16%**
2015	484,272	192,592	150,000[3]	18,783	-	83,329	928,976	30%	9%
TOTAL									
2016	**1,496,384**	**903,300**	**-**	**38,616**	**7,439**	**488,333**	**2,934,072**	**47%**	**17%**
2015	1,245,734	632,211	650,000	37,566	-	233,327	2,798,838	31%	8%

1 Short Term Incentive Plan represents accrued payment for current year net of under/over accrual from prior year.

2 Long Term Incentive Plan (LTIP) represents accrued expenses amortised over vesting period of grant. Refer to Note 23 of the Financial Statements.

3 Signing Bonus and is excluded from performance related remuneration.

4 A Charlaftis, N Dalton and H Ruiz are no longer classified as KMP from 1 July 2015 onwards, see Section 4 for further detail. P Tonagh did not operate as a KMP during FY16. For FY15 remuneration received was A Charlaftis: $1,340,015, N Dalton: $793,608, H Ruiz: $1,393,390 and P Tonagh $41,304.

6. Link between group performance, shareholder wealth and executive remuneration

A key underlying principle of the Group's executive remuneration framework is that remuneration levels should be linked to Group performance, through measures based on the operating performance of the Group.

a. Group Performance and STI

For the year ended 30 June 2016, a significant portion of the STI award was determined with reference to Revenue and EBITDA.

Revenue and EBITDA

Revenue from core operations and EBITDA performance was a result of the success of our strategy to promote our depth products and our continued product innovation, both of which have strengthened our customer relationships and consumer experience.

b. Group Performance and LTI

For the year ended 30 June 2016, LTIs were linked to compound annual growth rates in Revenue and EPS.

Revenue and Earnings per Share

The Revenue and EPS performance target for the FY18 LTI Plan is measured against a three year compound annual growth rate.

During the year, a number of performance rights previously granted to participating executives under the LTI Plan 2016 (Plan 7) vested as a result of performance against the applicable revenue and EPS targets. The number of rights that vested applied is shown in Table 2 of section 5.4.

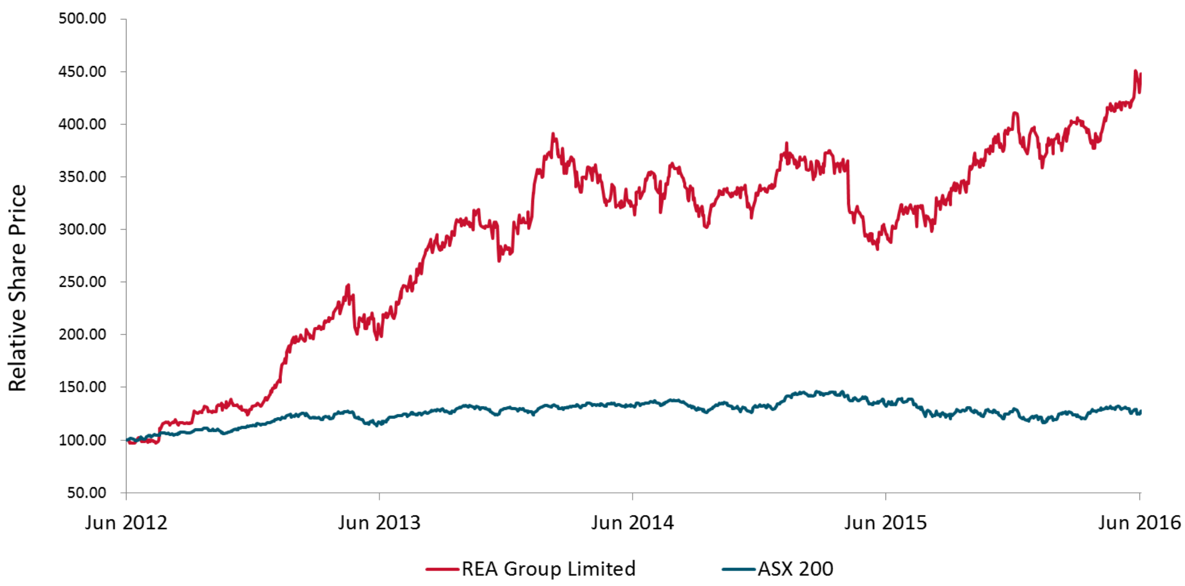
Further details of the Group's revenue, EBITDA and EPS performance for the current and previous financial years is set out in the Directors' Report on page 9.

The table below summarises key indicators of the Group's performance and the effect on shareholder value over the past five years.

Key Indicators	2012	2013	2014	2015	2016
Net profit after tax*	86,782	109,746	149,881	185,419	**214,515**
EBITDA*	125,982	163,720	225,106	285,828	**347,348**
Revenue*	277,613	336,460	437,459	522,920	**629,803**
Dividends per share	33.0c	41.5c	57.0c	70.0c	**81.5c**
Earnings per share	66.2c	83.3c	113.7c	152.0c	**192.3c**
Share Price 30 June	13.46	27.53	42.71	39.21	**59.49**

* From core operations $'000.

REA Group's relative share price in comparison to the ASX 200 is outlined below. REA's share price has significantly outperformed the ASX 200 in the last 3 years.



7. Non-executive director remuneration

7.1 Policy

Overview of policy

The Board seeks to set the fees for the non-executive Directors at a level which provides the Company with the ability to attract and retain Directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

During 2016 the Board's policy was that the Chairman and independent non-executive Directors receive remuneration for their services as Directors. From 1 April 2016, the Board also determined that Mr Freudenstein would be entitled to receive Non-Executive director fees. Mr Freudenstein has been a Nominee Director of News Corp Australia since 2006, and became eligible for fees following his resignation from his executive role at Foxtel.

Promote independence and objectivity

The Chairman and non-executive Director remuneration consists only of fixed fees (inclusive of superannuation).

To preserve independence and impartiality, non-executive Directors do not receive any performance related compensation.

Aggregate fees approved by shareholders

The current aggregate fee pool for the non-executive Directors of $950,000 was approved by shareholders at the 2013 AGM. As detailed in the Notice of Meeting, approval is sought from shareholders to increase the aggregate fee pool at the 2016 Annual General Meeting to $1.5 million. This will ensure sufficient capacity to continue to meet the Group's Non-Executive Director policy.

Board and Committee fees, as well as statutory superannuation contributions made on behalf of the non-executive Directors, are included in the aggregate fee pool.

Regular reviews of remuneration

The Chairman and non-executive Director fees are reviewed annually and set and approved by the Board based on independent advice received from external remuneration consultants (through the HR Committee).

As a result of advice received during the year, and to ensure fees remain at a level competitive with non-executive Directors of comparable companies, Board and Committee fees were increased effective 1 October 2015.

7.2 Non-executive director fees

The table below (Table 4) shows the structure and level of non-executive Director fees that applied from 1 October 2015, following the above mentioned review (on an annualised basis).

Fee applicable		**Chair $**	**Member $**
Board	**2016**	**375,000**	**150,000**
	2015	310,000	120,000
Audit, Risk & Compliance Committee	**2016**	**32,000**	**16,000**
	2015	30,000	14,000
Human Resources Committee	**2016**	**27,000**	**15,000**
	2015	26,000	13,000

7.3 Non-executive director remuneration

Details of remuneration for the Chairman and independent non-executive Directors are set out in Table 5 below. As outlined above, the majority of non-independent Directors do not receive any directors' fees.

$		Fees and allowances	Other	Post-Employment Benefits	Total
H McLennan (Chairman)	**2016**	**339,136**	**-**	**19,308**	**358,444**
	2015	291,217	-	18,783	310,000
R Amos	**2016**	**172,146**	**-**	**15,433**	**187,579**
	2015	148,858	-	14,142	163,000
K Conlon	**2016**	**168,721**	**-**	**15,238**	**183,959**
	2015	146,118	15,000[1]	15,306	176,424
R Freudenstein	**2016**	**34,247**	**-**	**3,253**	**37,500**
	2015	-	-	-	-
J McGrath	**2016**	**143,379**	**-**	**13,481**	**156,860**
	2015	121,461	-	11,539	133,000
Total	**2016**	**857,629**	**-**	**66,713**	**924,342**
	2015	707,654	15,000	59,770	782,424

1 Additional director related fees for strategic projects.

8. Shareholdings of key management personnel and Board of Directors

The numbers of ordinary shares in the company held during the financial year (directly and indirectly) by each Director and other key management personnel of the Group, including their related parties are set out below[1] (Table 6):

	Balance at 1 July 2015	Received during the year	Other changes during the year	Balance at 30 June 2016
Non-executive directors				
H McLennan	1,095	-	-	**1,095**
R Amos	2,481	-	-	**2,481**
K Conlon	2,248	-	-	**2,248**
J McGrath	146,080	-	-	**146,080**

1 If KMP or non-executive director is not listed, there are no shares held

9. Declaration

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

Mr Hamish McLennan
Chairman

Ms Tracey Fellows
Chief Executive Officer
Melbourne
9 August 2016

Consolidated Income Statement

for the year ended 30 June 2016

	Notes	2016 $'000	2015 $'000
Revenue from continuing operations		**629,803**	522,920
Other income	8	**40,827**	31,241
Total revenue & other income		**670,630**	554,161
Employee benefits expenses	9	**(136,938)**	(113,543)
Consultant and contractor expenses		**(19,027)**	(11,017)
Marketing related expenses		**(60,088)**	(48,841)
Technology expenses		**(16,392)**	(13,212)
Operations and administration expenses		**(59,340)**	(50,479)
Share of gains/(losses) of associates	6	**6,319**	(7,053)
Earnings before interest, tax, depreciation and amortisation (EBITDA)		**385,164**	310,016
Depreciation and amortisation expense	9	**(34,934)**	(26,943)
Profit before interest and tax (EBIT)		**350,230**	283,073
Net finance income/(expense)	9	**(6,474)**	3,453
Profit before income tax		**343,756**	286,526
Income tax expense	10	**(90,476)**	(86,028)
Profit from continuing operations		**253,280**	200,498
Discontinued operations			
Profit after tax from sale of discontinued operations	4	**-**	9,750
PROFIT FOR THE YEAR		**253,280**	210,248
Profit for the year is attributable to:			
Non-controlling interest		**322**	237
Owners of the parent		**252,958**	210,011
		253,280	210,248
Earnings per share attributable to the ordinary equity holders of REA Group Limited			Cents
Basic earnings per share	27	**192.0**	159.4
Diluted earnings per share	27	**192.0**	159.4
Basic earnings per share from continuing operations	27	**192.3**	152.0
Diluted earnings per share from continuing operations	27	**192.3**	152.0

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

Consolidated Statement of Comprehensive Income

for the year ended 30 June 2016

	Notes	2016 $'000	2015 $'000
Profit for the year		**253,280**	210,248
Other comprehensive income			
Items that may be reclassified subsequently to the Income Statement			
Exchange differences on translation of foreign operations, net of tax		**6,198**	31,792
Net (loss)/gain on cash flow hedges		**(22)**	22
Write back on disposal of available-for-sale financial assets, net of tax	8	**-**	(5,423)
Other comprehensive income for the year, net of tax		**6,176**	26,391
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**259,456**	236,639
Total comprehensive income for the year is attributable to:			
Non-controlling interest		**322**	237
Owners of the parent		**259,134**	236,402
		259,456	236,639

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

Consolidated Statement of Financial Position

as at 30 June 2016

	Notes	2016 $'000	2015 $'000
ASSETS			
Current assets			
Cash and cash equivalents	11	**126,834**	78,894
Trade and other receivables	12	**96,536**	79,636
Total current assets		**223,370**	158,530
Non-current assets			
Plant and equipment	13	**16,165**	17,389
Intangible assets	14	**955,383**	106,861
Deferred tax assets	10	**5,210**	4,950
Other non-current assets	12	**1,379**	258
Investment in associates	29	**281,777**	381,982
Total non-current assets		**1,259,914**	511,440
Total assets		**1,483,284**	669,970
LIABILITIES			
Current liabilities			
Trade and other payables	17	**170,850**	41,139
Current tax liabilities		**12,068**	22,306
Provisions	18	**8,181**	6,570
Deferred revenue		**37,903**	29,506
Interest bearing loans and borrowings	19	**4,000**	-
Total current liabilities		**233,002**	99,521
Non-current liabilities			
Other non-current payables		**8,155**	1,568
Deferred tax liabilities	10	**28,832**	6,289
Provisions	18	**5,267**	4,513
Interest bearing loans and borrowings	19	**492,253**	-
Total non-current liabilities		**534,507**	12,370
Total liabilities		**767,509**	111,891
Net assets		**715,775**	558,079
EQUITY			
Contributed equity	20	**97,109**	98,355
Reserves	21	**32,842**	26,112
Retained earnings		**585,274**	433,078
Parent interest		**715,225**	557,545
Non-controlling interest		**550**	534
Total equity		**715,775**	558,079

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

Consolidated Statement of Changes in Equity

for the year ended 30 June 2016

	Contributed equity	**Retained earnings**	**Reserves**	**Parent interest**	**Non-controlling interest**	**Total equity**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Balance at 1 July 2015	**98,355**	**433,078**	**26,112**	**557,545**	**534**	**558,079**
Profit for the year	-	**252,958**	**-**	**252,958**	**322**	**253,280**
Other comprehensive income	-	**-**	**6,176**	**6,176**	**-**	**6,176**
Total comprehensive income for the year	**-**	**252,958**	**6,176**	**259,134**	**322**	**259,456**
Transactions with owners in their capacity as owners						
Share-based payment expense for the year	**-**	**-**	**2,378**	**2,378**	**-**	**2,378**
Acquisition of treasury shares	**(1,012)**	**-**	**-**	**(1,012)**	**-**	**(1,012)**
Settlement of vested performance rights	**(234)**	**-**	**(1,824)**	**(2,058)**	**-**	**(2,058)**
Dividends paid	**-**	**(100,762)**	**-**	**(100,762)**	**(306)**	**(101,068)**
Balance at 30 June 2016	**97,109**	**585,274**	**32,842**	**715,225**	**550**	**715,775**

	Contributed equity	Retained earnings	Reserves	Parent interest	Non-controlling interest	Total equity
	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2014	102,075	308,020	(2,273)	407,822	490	408,312
Profit for the year	-	210,011	-	210,011	237	210,248
Other comprehensive income	-	-	26,391	26,391	-	26,391
Total comprehensive income for the year	-	210,011	26,391	236,402	237	236,639
Transactions with owners in their capacity as owners						
Share-based payment expense for the year	-	-	2,722	2,722	-	2,722
Acquisition of treasury shares	(1,885)	-	-	(1,885)	-	(1,885)
Settlement of vested performance rights	(1,835)	-	(728)	(2,563)	-	(2,563)
Dividends paid	-	(84,953)	-	(84,953)	(193)	(85,146)
Balance at 30 June 2015	98,355	433,078	26,112	557,545	534	558,079

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

Consolidated Statement of Cash Flows

for the year ended 30 June 2016

	Notes	2016 $'000	2015 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		**644,939**	566,716
Payments to suppliers and employees (inclusive of GST)		**(316,732)**	(288,108)
		328,207	278,608
Interest received		**1,889**	4,203
Interest paid		**(5,165)**	(159)
Income taxes paid		**(100,912)**	(88,352)
Share-based payment on settlement of LTI Plans		**(2,680)**	(2,945)
Net cash inflow from operating activities	11	**221,339**	191,355
Cash flows from investing activities			
Payment for acquisition of subsidiary		**(511,564)**	(2,763)
Investment in associates	29	**(17,289)**	(346,541)
Proceeds from the sale of available-for-sale financial assets		**-**	111,710
Payment for plant and equipment	13	**(3,847)**	(14,116)
Payment for intangible assets	14	**(36,183)**	(27,726)
Proceeds from sale of fixed assets		**-**	82
Net cash (outflow) from investing activities		**(568,883)**	(279,354)
Cash flows from financing activities			
Dividends paid to company's shareholders	22	**(100,762)**	(84,953)
Dividends paid to non-controlling interests in subsidiaries		**(306)**	(193)
Acquisition of treasury shares		**(1,682)**	(1,885)
Proceeds from borrowings		**498,000**	82,000
Repayment of borrowings		**-**	(82,000)
Net cash (outflow) from financing activities		**395,250**	(87,031)
Net (decrease) in cash and cash equivalents		**47,706**	(175,030)
Cash and cash equivalents at the beginning of the year		**78,894**	253,788
Effects of exchange rate changes on cash and cash equivalents		**234**	136
Cash and cash equivalents at end of the year	11	**126,834**	78,894

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 consolidated Financial Statements of the Company as at and for the year ended 30 June 2016 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. Summary of significant accounting policies

(a) Basis of preparation

These general purpose Financial Statements have been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB). REA Group Limited is a for-profit entity for the purposes of preparing the Financial Statements.

The Financial Statements of the Group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

These Financial Statements have been prepared under the historical cost convention except for available-for-sale financial assets and derivative instruments.

The preparation of the Financial Statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Financial Statements are disclosed in Note 5.

The consolidated Financial Statements of the Group for the year ended 30 June 2016 were authorised for issue in accordance with a resolution of the Directors on 9 August 2016.

(b) Principles of consolidation

(i) Subsidiaries

Subsidiaries are all those entities which the Group controls. Control is achieved when the Group is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if the Group has:

- Power over the investee (i.e. ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

The Financial Statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies, with the exception of iProperty which currently prepares its Financial Statements for the reporting period ending 31 December. In preparing the consolidated Financial Statements, all intercompany transactions, balances and unrealised gains and losses resulting from intra-group transactions and dividends have been eliminated in full on consolidation.

Investments in subsidiaries held by the Group are accounted for at cost in the separate Financial Statements of the Group less any impairment charges. Dividends received from subsidiaries are recorded as a component of other revenues in the separate Income Statement of the parent entity, and do not impact the recorded cost of the investment.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. The acquisition method of accounting involves recognising at acquisition date, separately from goodwill, the identifiable intangible assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair values.

The difference between the above items and the fair value of the consideration (including the fair value of any pre-existing investment in the acquiree) is goodwill or a discount on acquisition.

A change in ownership interest of a subsidiary that does not result in a loss of control is accounted for as an equity transaction.

Non-controlling interests are allocated their share of net profit or loss after tax in the Statement of Comprehensive Income and are presented within equity in the Consolidated Statement of Financial Position, separately from the equity of the owners of the parent. Losses are attributed to the non-controlling interest even if that results in a deficit balance.

The Group applies a policy of treating transactions with non-controlling interests as transactions with parties external to the Group. Disposals of non-controlling interests result in gains and losses for the Group that are recorded in the Income Statement. Purchases from non-controlling interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of identifiable net assets of the subsidiary.

(ii) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between approximately 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in the Income Statement, and the Group's share of movements in other comprehensive income (OCI) of the investee. Dividends received or receivables from associates are recognised as a reduction in the carrying amount of the investment.

Investments accounted for using the equity method are tested for impairment annually, or at each reporting date where there is an indication that the asset may be impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the Financial Statements of each of the Group's entities are measured using the currency of the primary economic environments in which the entity operates ('the functional currency'). The consolidated Financial Statements are presented in Australian dollars which is the Group's functional and presentational currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the Income Statement within finance costs. All other foreign exchange gains and losses are presented in the Income Statement on a net basis within operations and administration expenses.

Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. Translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in the Income Statement as part of the fair value gain or loss. Translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are included in the fair value reserve in equity.

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each Statement of Financial Position presented are translated at the closing rate at the date of that Statement of Financial Position;
- Income and expenses for each Income Statement are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- All resulting exchange differences are recognised in OCI.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

(d) Revenue recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Where services have been billed in advance and obligations are not complete the revenue will be deferred.

Revenue is recognised for major business activities as follows:

(i) Subscription services

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

(ii) Listing depth products

Transaction value is allocated to customer service obligations based on the fair value and revenue is recognised as each of the obligations are fulfilled.

(iii) Banner advertising

Revenues from banner advertising are recognised in the period over which the advertisements are placed or as the advertisements are displayed depending on the type of advertising contract.

(iv) Performance advertising and contracts

Revenues from performance advertising and performance contracts are recognised when the performance measure occurs and is generated (e.g. cost per click).

(v) Events

Event revenue is recognised on the date that the event takes place.

(vi) Interest income

Interest income is recognised as interest accrues using the effective interest rate method.

(vii) Dividends

Dividends are recognised as revenue when the right to receive payment is established.

(e) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statements of financial position as applicable.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(f) Rounding of amounts

The Company is of a kind referred to in Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the Financial Statements. Amounts in the Financial Statements have been rounded off in accordance with that Instrument to the nearest thousand dollars unless otherwise stated.

(g) New standards and interpretations

(i) New standards effective from 1 July 2015

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2015. The following standards have been identified as those which impact the entity in the current reporting period. There is no significant impact to the Group on adoption of these standards.

Summary	Application date of standard	Impact on Group Financial Statements	Application date for Group
AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments The Standard contains three main parts and makes amendments to a number of Standards and Interpretations. Part A and Part B are already effective. Part C makes amendments to a number of Australian Accounting Standards, including incorporating Chapter 6 *Hedge Accounting* into AASB 9 *Financial Instruments*.	Part C – 1 January 2015	There is no significant impact on the Group.	Part C – 1 July 2015
AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 *Materiality* The Standard completes the AASB's project to remove Australian guidance on materiality from Australian Accounting Standards.	1 January 2015	There is no significant impact on the Group.	1 July 2015

Summary	Application date of standard	Impact on Group Financial Statements	Application date for Group
AASB 2015-4 Amendments to Australia Accounting Standards – Financial Reporting Requirements for Australian Groups with a Foreign Parent The amendment aligns the relief available in AASB 10 *Consolidated Financial Statements* and AASB *128 Investments in Associates and Joint Ventures* in respect of the financial reporting requirements for Australian groups with a foreign parent.	1 January 2015	There is no significant impact on the Group.	1 July 2015

There are no other new accounting standards that have been adopted during the year that have an impact on the financial results of the Group.

(ii) New standards and interpretations not yet adopted

The following new accounting standards, amendments to new standards, and interpretations have been identified as those which may impact the entity in the period of initial application. They are not mandatory for 30 June 2016 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

Summary	Application date of standard	Impact on Group Financial Statements	Application date for Group
AASB 2015-9 – Amendments to Australian Accounting Standards – Scope and Application Paragraphs (AASB 8, AASB 133 & AASB 1057) This Standard inserts scope paragraphs into AASB 8 and AASB 133 in place of application paragraph text in AASB 1057. This is to correct inadvertent removal of these paragraphs during editorial changes made in August 2015. These is no change to the requirements or the applicability of AASB 8 and AASB 133.	1 January 2016	There is no significant impact on the Group.	1 July 2016
AASB 1057 Application of Australian Accounting Standards This Standard lists the application paragraphs for each other Standard (and Interpretation), grouped where they are the same. Accordingly, paragraphs 5 and 22 respectively specify the application paragraphs for Standards and Interpretations in general. Differing application paragraphs are set out for individual Standards and Interpretations or grouped where possible. The application paragraphs do not affect requirements in other Standards that specify certain paragraphs apply only to certain types of entities.	1 January 2016	There is no significant impact on the Group.	1 July 2016
AASB 2015-2 - Disclosure Initiative: Amendments to AASB 101 The Standard makes amendments to AASB 101 *Presentation of Financial Statements* arising from the IASB's Disclosure Initiative project. The amendments are designed to further encourage companies to apply professional judgment in determining what information to disclose in the Financial Statements. For example, the amendments make clear that materiality applies to the whole of Financial Statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. The amendments also clarify that companies should use professional judgment in determining where and in what order information is presented in the financial disclosures.	1 January 2016	There is no significant impact on the Group.	1 July 2016

Summary	Application date of standard	Impact on Group Financial Statements	Application date for Group
AASB 2014-3 Accounting for Acquisitions of Interests in Joint Operations (Amendments to AASB 116 and AASB 138) Amends AASB 11 *Joint Arrangements* to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business. The amendments require: The acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in AASB 3 *Business Combinations*, to apply all of the principles on business combinations accounting in AASB 3 and other Australian Accounting Standards except for those principles that conflict with the guidance in AASB 11; and The acquirer to disclose the information required by AASB 3 and other Australian Accounting Standards for business combinations.	1 January 2016	There is no significant impact on the Group.	1 July 2016
AASB 2014-4 Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to AASB 116 and AASB 138) AASB 116 *Property Plant and Equipment* and AASB 138 *Intangible Assets* both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. The AASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The amendment also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.	1 January 2016	There is no significant impact on the Group.	1 July 2016

Summary	Application date of standard	Impact on Group Financial Statements	Application date for Group
AASB 2015-1 Amendments to Australian Accounting Standards –Annual Improvements to Australian Accounting Standards 2012-2014 Cycle The following items are addressed by this standard: AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*: Changes in methods of disposal – where an entity reclassifies an asset (or disposal group) directly from being held for distribution to being held for sale (or vice versa), an entity shall not follow the guidance in paragraphs 27–29 to account for this change. AASB 7 *Financial Instruments: Disclosures*: Servicing contracts - clarifies how an entity should apply the guidance in paragraph 42C of AASB 7 to a servicing contract to decide whether a servicing contract is 'continuing involvement' for the purposes of applying the disclosure requirements in paragraphs 42E–42H of AASB 7. Applicability of the amendments to AASB 7 to condensed interim Financial Statements - clarify that the additional disclosure required by the amendments to AASB 7 Disclosure–Offsetting Financial Assets and Financial Liabilities is not specifically required for all interim periods. However, the additional disclosure is required to be given in condensed interim financial statements that are prepared in accordance with AASB 134 *Interim Financial Reporting* when its inclusion would be required by the requirements of AASB 134. AASB 119 *Employee Benefits*: Discount rate: regional market issue - clarifies that the high quality corporate bonds used to estimate the discount rate for post-employment benefit obligations should be denominated in the same currency as the liability. Further it clarifies that the depth of the market for high quality corporate bonds should be assessed at the currency level. AASB 134 *Interim Financial Reporting*: Disclosure of information 'elsewhere in the interim financial report' -amends AASB 134 to clarify the meaning of disclosure of information 'elsewhere in the interim financial report' and to require the inclusion of a cross-reference from the interim Financial Statements to the location of this information.	1 January 2016	There is no significant impact on the Group.	1 July 2016
AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107 This Standard amends AASB 107 *Statement of Cash Flows* (August 2015) to require entities preparing financial statements in accordance with Tier 1 reporting requirements to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.	1 January 2017	There is no significant impact on the Group.	1 July 2017
AASB 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses (AASB 112) This Standard amends AASB 112 Income Taxes (July 2004) and AASB 12 Income Taxes (August 2015) to clarify the requirements on recognition of deferred tax assets for unrealised losses on debt instruments measured at fair value.	1 January 2017	There is no significant impact on the Group.	1 July 2017

Summary	Application date of standard	Impact on Group Financial Statements	Application date for Group
AASB 9 Financial Instruments AASB 9 introduces a new expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis. AASB 9 includes the new hedge accounting requirements, including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures. AASB 9 includes requirements for a simpler approach for classification and measurement of financial assets compared with the requirements of AASB 139. AASB 9 also removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. This change in accounting means that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognised in profit or loss.	1 January 2018	There is not expected to be significant impact on the Group. The testing requirements for hedge effectiveness will be affected, however, this is not expected to have an impact on the Group's results.	1 July 2018
AASB 15 Revenue from Contracts with Customers Establishes principles for reporting useful information to users of Financial Statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The core principle is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps: Step 1: Identify the contract(s) with a customer; Step 2: Identify the performance obligations in the contract; Step 3: Determine the transaction price; Step 4: Allocate the transaction price to the performance obligations in the contract; Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.	1 January 2018	There is not expected to be a significant impact on the recognition or measurement of the Group's revenue. Management is preparing a full assessment of the impacts of AASB 15 for all the Group's revenue streams and additional disclosure regarding the nature, timing and uncertainty of revenue is expected. Also disclosures of performance obligations (typically providing services over time) and significant judgements that affect the amount or timing of revenue recognition will be included.	1 July 2018

Summary	Application date of standard	Impact on Group Financial Statements	Application date for Group
AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture AASB 2014-10 amends AASB 10 *Consolidated Financial Statements* and AASB 128 to address an inconsistency between the requirements in AASB 10 and those in AASB 128 (August 2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require: a) A full gain or loss to be recognised when a transaction involves a business (whether it is housed in a subsidiary or not) b) A partial gain or loss to be recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. AASB 2014-10 also makes an editorial correction to AASB 10. AASB 2015-10 defers the mandatory effective date (application date) of AASB 2014-10 so that the amendments are required to be applied for annual reporting periods beginning on or after 1 January 2018 instead of 1 January 2016.	1 January 2018	There is not expected to be significant impact on the Group.	1 July 2018
IFRS 2 (Amendments) Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2) This standard amends to IFRS 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for: • The effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments • Share-based payment transactions with a net settlement feature for withholding tax obligations A modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.	1 January 2018	There is not expected to be significant impact on the Group.	1 July 2018

Summary	Application date of standard	Impact on Group Financial Statements	Application date for Group
AASB 16 Leases The following items are addressed by this standard: *Lessee accounting* Lessees are required to recognise assets and liabilities for all leases with a term of no more than 12 months, unless the underlying asset is of low value. A lessee measures right-of-use assets similarly to other non-financial assets and lease liabilities similarly to other financial liabilities Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. AASB 16 contains disclosure requirements for lessees. *Lessor accounting* AASB 16 substantially carries forward the lessor accounting requirements in AASB 117. Accordingly, a lessor continues to classify its leases as operating leases or finance leases and to account for those two types of leases differently. Requires enhanced disclosures to be provided by lessors that will improve information disclosed about a lessor's risk exposure, particularly to residual value risk.	1 January 2019	The entity is yet to undertake a detailed assessment of the impact of AASB 16. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 31 June 2020. See Note 24 for details of the Group's operating lease commitments as at 30 June 2016.	1 July 2019

There are no other standards that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

3. Financial risk management

The financial risks arising from the Group's operations comprise market, liquidity and credit risk. The Group seeks to manage risks in ways that will generate and protect shareholder value. Management of risk is a continual process and an integral part of business management and corporate governance. The Group's risk management strategy is aligned with the corporate strategy and company vision to ensure that the risk management strategy contributes to corporate goals and objectives.

The Board determines the Group's tolerance for risk, after taking into account the strategic objectives, shareholder expectations, financial and reporting requirements and the financial position, organisational culture and the experience or demonstrated capacity in managing risks. Management is required to analyse its business risk in the context of Board expectations, specific business objectives and the organisation's risk tolerance.

Risk	Exposure arising from	Measurement	Management
Market risk – foreign exchange	Future commercial transactions Recognised financial assets and liabilities not denominated in AUD	Cash flow forecasting Sensitivity analysis	Forward foreign exchange contracts
Market risk – cash flow interest rate	The Group is exposed to long-term borrowings at variable rates	Sensitivity analysis	Balance working capital needs
Market risk – security prices	Investment in equity securities (for part of the financial year)	Sensitivity analysis	Monitor performance of underlying securities
Credit risk	Cash and cash equivalents, trade receivables, derivative financial instruments, available-for-sale debt instruments	Aging analysis Credit ratings	Diversification of bank deposits, credit limits Investment guidelines for available-for-sale
Liquidity risk	Other liabilities	Rolling cash flow forecasts	Availability of borrowing facilities

One of the key areas of the Group's risk management focus is on financial risk management of financial instruments. The main purpose of these financial instruments is to raise and distribute funds for the Group's operations and opportunities. The Group holds the following financial instruments:

Financial assets	Note	2016 $'000	2015 $'000
Cash and cash equivalents	11	**126,834**	78,894
Trade and other receivables	12	**97,915**	79,894
Investment in associates	29	**281,777**	381,982
Other financial assets (derivatives)	15	**-**	22

Financial liabilities	Note	2016 $'000	2015 $'000
Trade and other payables	17	**49,286**	41,139
Borrowings (principal)	19	**498,000**	-
Contingent consideration	16	**128,795**	1,834

Borrowings are issued at variable interest rates (refer to Note 19). Cash and cash equivalents (refer to Note 11) draw interest at variable interest rates. All other financial assets and liabilities are non-interest bearing.

(a) Market risk

Market risk is the risk that changes in market prices will affect the Group's financial performance or the value of its holdings of financial instruments. The Group's activities expose it to market risks associated with movements in foreign currencies, interest rates and equity prices.

(i) Foreign exchange risk

Foreign currency risk arises when future commercial transactions, recognised financial assets or financial liabilities are denominated in a currency that is not the entity's functional currency. The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures. The Group is predominately exposed to foreign exchange risk relating US dollar (USD) and the Euro (EUR).

The Group held the following balances in these non-functional currencies at the reporting date:

Cash and Cash equivalents	2016 AUD	2015 AUD
Euro	**12,660**	11,800
US Dollar	**14,477**	2,362

The Group has no significant exposure in relation to the Malaysian Ringgit, Hong Kong Dollar, Indonesian Rupiah, Thai Baht and Singapore dollar. The following table demonstrates the sensitivity to a reasonably possible change in EUR exchange rates, with other variables held constant.

	2016 $'000	2015 $'000
Impact on Post Tax Profit (lower)/higher		
AUD/EUR exchange rate – increase 5.0%	**(96)**	(484)
AUD/EUR exchange rate – decrease 5.0%	**96**	484

During the year, the net foreign exchange loss included within operations and administration expenses is $0.2 million (2015: $1.2 million loss).

Investment in associate

The Group's investment in Move, Inc. (Note 29) is materially exposed to changes in the AUD/USD exchange rate. The following table demonstrates the sensitivity to a reasonably possible change in USD exchange rates, with other variables held constant.

	2016 $'000	2015 $'000
Impact on Equity (lower)/higher		
AUD/USD exchange rate – increase 5.0%	**(12,752)**	(11,983)
AUD/USD exchange rate – decrease 5.0%	**14,084**	13,221

There is no other material exposure to foreign currency risk outside of each operating segment's functional currency.

(ii) Cash flow interest rate risk

The Group is exposed to variable interest rate risk on its interest bearing financial assets and liabilities due to the possibility that changes in interest rates will affect future cash flows. As at 30 June 2016, the Group's primary exposure to interest rate risk arises from borrowings and cash and cash equivalents.

Borrowings

The weighted average interest rate for the year ended 30 June 2016 was 3.2% (2015: nil). Refer to Note 19 for further details. The following table demonstrates the sensitivity to a reasonably possible change in weighted average interest rate, with other variables held constants.

	2016 $'000	2015 $'000
Impact on Interest Expense (lower)/higher		
+1.0% (100 basis points)	**1,868**	-
-1.0% (100 basis points)	**(1,868)**	-

Cash Balances

Cash and cash equivalents consist primarily of cash and short term deposits. The Group's bank accounts are predominately interest bearing accounts. Funds that are excess to short-term liquidity requirements are generally invested in short-term deposits. Domestic interest rate movements contribute to most of the overall interest rate risk exposure, therefore no further analysis of the impact of foreign interest rate changes was necessary. The Group is cash flow positive without any material long term cash commitments other than those disclosed under commitments and contingencies (refer to Note 24).

The following sensitivity is based on the exposure to interest rates throughout the year and was based on historic movements in interest rates. For the year ended 30 June 2016, with all other variables held constant, post tax profit and equity would have been affected by changes to interest rates on the average 12 month cash reserves as illustrated in the table below.

	2016	2015
	$'000	$'000
Impact on Post Tax Profit (lower)/higher		
+1.0% (100 basis points)	**708**	791
-1.0% (100 basis points)	**(708)**	(791)

The Group does not currently hedge against interest rate risk. Management believes the risk exposure at Statement of Financial Position date is representative of the risk exposure inherent in the financial instruments. There is uncertainty in the market if interest rates will rise further or drop in the near future. Management has consequently chosen the above variation which is representative for the annual average interest rate movements of the last two years.

(iii) Price risk

The Group's listed equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. As a result of the scheme arrangement for the acquisition of iProperty Group, REA's interest in iProperty increased from 22.7% (2015: 19.9%) to 100%. From the date of acquisition the Group has accounted for iProperty as a controlled entity. Prior to this, iProperty was accounted for under the equity method and was susceptible to market price risk. As at 30 June, the Group has no exposure to price risk (2015: $117,334).

(b) Credit risk

Credit risk can arise from the non-performance by counterparties of their contractual financial obligations towards the Group. To manage credit risk the receivable balances are monitored on an ongoing basis. The Group's exposure to bad debts is not significant. There are no significant concentrations of credit risk with single counterparties within the Group. Since the Group trades only with recognised third parties, there is no requirement for collateral.

Our policies determine on an individual debtor basis, the likelihood for default. In the history of the Group, there have not been significant write-offs of trade debtors. The monthly analysis performed of the trade debtor portfolio does not suggest any material credit risk exposure. Refer to Note 12 for an aging analysis of trade receivables and the movement in the provision for doubtful debts.

With respect to credit risk arising from the other financial assets of the Group, which comprises cash and cash equivalents, the Group's exposure to credit risk arises from default of the counter party.

The consolidated Group's maximum exposures to credit risk at balance date in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the Statement of Financial Position.

(c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations as they fall due. Liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due. At the end of the reporting period the Group held deposits at call of $50.1 million (2015: $25.2 million) that are expected to readily generate cash inflows for managing liquidity risk.

The Group maintains borrowing facilities to enable the Group to borrow funds when necessary. The Group had access to $498.0 million in borrowing facilities, which had been fully drawn at the end of the reporting period.

For details of these facilities, refer to Note 19.

As part of the Group's acquisition of iProperty (refer to Note 7), the Group has an obligation to acquire the remaining 13.1% minority shareholding over a two year period through a put and call option arrangement and is contingent on iProperty achieving certain revenue hurdles in calendar year 2016 and revenue and EBITDA hurdles in calendar year 2017.

Additionally, as part of the iProperty business combination, the Group recognised contingent consideration for businesses previously acquired by iProperty.

As part of the Group's acquisition of Flatmates.com.au (refer to Note 7), a contingent consideration has been agreed. This consideration is dependent on Flatmates.com.au achieving certain EBITDA hurdles in FY17 and FY18.

In 2015 the Group recognised the fair value of contingent liabilities as part of the property platform business combination. A portion of the consideration was based on an earn out arrangement depending on the performance of the acquired business for 5 years subsequent the acquisition date.

For details on contingent consideration, refer to Note 16.

The tables below details the Group's financial liabilities into relevant maturity groupings based on their contractual maturities. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant. There were no borrowings at 30 June 2015.

Contractual maturities of financial liabilities	**Less than 6 months $'000**	**6 to 12 months $'000**	**Between 1 and 2 years $'000**	**Over 2 years $'000**	**Total contractual cash flows $'000**	**Carrying amount (assets)/ liabilities $'000**
At 30 June 2016						
Trade Payables[1]	49,286	-	-	-	49,286	49,286
Contingent Consideration	3,405	118,196	7,265	975	129,841	128,795
Borrowings	4,000	-	134,000	360,000	498,000	496,253
Total	**56,691**	**118,196**	**141,265**	**360,975**	**677,127**	**674,334**

Contractual maturities of financial liabilities	Less than 6 months $'000	6 to 12 months $'000	Between 1 and 2 years $'000	Over 2 years $'000	Total contractual cash flows $'000	Carrying amount (assets)/ liabilities $'000
At 30 June 2015						
Trade Payables[1]	40,839	-	-	-	40,839	40,839
Contingent Consideration	-	300	451	2,048	2,799	1,834
Total	40,839	300	451	2,048	43,638	42,673

1 Carrying value is assumed to approximate fair value.

(d) Fair value

The Group uses various methods in estimating the fair value of financial instruments comprised of the following:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);

- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

At 30 June 2016, the Group held at fair value the following financial instruments which were classified as level 3:

- **Contingent Consideration –**The fair value of this contingent consideration is $128.8 million (2015: $1.8 million). Refer to Note 16 for review of fair value of contingent consideration.

4. Discontinued operations

On 14 October 2014 the Group announced the sale of its Hong Kong business, Squarefoot to iProperty Group Limited in consideration for 5 million iProperty shares. The gain recognised on the sale of the Squarefoot business was $9.8 million. The contributions of Squarefoot up to the date of sale and the comparative period are not considered material to the Group's consolidated results and therefore not reclassified to discontinued operations. During February 2016, as previously noted, REA Group acquired iProperty.

5. Significant accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(a) Significant accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 14. The recoverable amounts of cash generating units have been determined based on value in use calculations. These calculations require the use of assumptions. Refer to Note 14 for details of these assumptions and the potential impact of changes to the assumptions.

(ii) Income taxes

The Group is subject to income taxes in Australia and jurisdictions where it has foreign operations. Significant judgment is required in determining the worldwide provision for income taxes. There are transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group estimates its tax liabilities based on the Group's understanding of the tax law. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

In addition, the Group has recognised deferred tax assets relating to carried forward tax losses to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority and the same subsidiary against which the unused tax losses can be utilised. However, utilisation of the tax losses also depends on the ability of the entity to satisfy certain tests at the time the losses are recouped.

(iii) Estimation of useful lives of assets

The estimation of useful lives of assets has been based on historic experience, lease terms and turnover policies.

(iv) Business combinations

The Group has made assumptions and estimates to determine the purchase price of businesses acquired as well as its allocation to acquired assets and liabilities.

The Group is required to determine the acquisition date fair value of the identifiable assets acquired, including intangible assets such as brands, customer relationships, software and liabilities assumed. The assumptions and estimates made by the Group 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.

In step acquisition where the Group obtains control over an entity by acquiring an additional interest in that entity, the Group's previously held equity interest is remeasured to fair value at the date the controlling interest is acquired and a gain or loss is recognised in the Consolidated Income Statement.

The Group has also adopted the fair value method in measuring contingent consideration in recent acquisitions. The determination of these fair values involves management's judgement and the ability of the acquired entity to achieve certain financial results.

(b) Critical judgments in applying the company's accounting policies

(i) Impairment of non-financial assets other than goodwill

The Group assesses impairment of all assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment.

(ii) Share-based payment transactions

The Group measures the cost of equity settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The LTI Plan valuations were performed using the Black Scholes model. The retention and short term incentive plans valuation were determined using a five day VWAP. The accounting estimates and assumptions relating to equity settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

6. Segment information

Operating segments are reported in a manner consistent with internal reporting to be provided to the chief operating decision makers, being the Chief Executive Officer who 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 overhead includes the costs of certain head office functions 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 CEO 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.

Italy, Luxembourg and France do not 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.

(b) Type of service

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

The following table's present revenue and results by operating segments for the years ended 30 June 2016 and 30 June 2015.

2016	**Australia**	**Europe**	**North America**	**Asia**	**Corporate**	**TOTAL**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Segment revenue						
Total segment revenue	**556,146**	**50,744**	**-**	**25,588**	**-**	**632,478**
Inter-segment revenue	**(967)**	**-**	**-**	**(1,708)**	**-**	**(2,675)**
Revenue from external customers	**555,179**	**50,744**	**-**	**23,880**	**-**	**629,803**
Results						
Segment EBITDA from core operations	**345,878**	**9,058**	**-**	**9,330**	**(16,918)**	**347,348**
Share of losses of associates[1]	**-**	**-**	**(11,751)**	**(2,099)**	**-**	**(13,850)**
Proceeds from settlement of associate's legal case[1]	**-**	**-**	**-**	**-**	**20,169**	**20,169**
Business combination transaction costs	**-**	**-**	**-**	**-**	**(9,330)**	**(9,330)**
Fair value gain on step acquisition	**-**	**-**	**-**	**-**	**40,827**	**40,827**
EBITDA	**345,878**	**9,058**	**(11,751)**	**7,231**	**34,748**	**385,164**
Depreciation and amortisation						**(34,934)**
EBIT						**350,230**
Net finance income / (expense)						**(6,474)**
Profit before income tax						**343,756**

1 Net share of gains of associates = $6.3 million

2015	**Australia**	**Europe**	**North America**	**Asia**	**Corporate**	**TOTAL**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Segment revenue						
Total segment revenue	473,672	45,628	-	4,675	-	523,975
Inter-segment revenue	(903)	-	-	(152)	-	(1,055)
Revenue from external customers	472,769	45,628	-	4,523	-	522,920
Results						
Segment EBITDA from core operations	288,054	9,683	-	641	(12,550)	285,828
Share of losses of associates	-	-	(5,721)	(1,332)	-	(7,053)
Gain on sale of marketable securities	-	-	-	-	31,241	31,241
EBITDA	288,054	9,683	(5,721)	(691)	18,691	310,016
Depreciation and amortisation						(26,943)
EBIT						283,073
Net finance income / (expense)						3,453
Profit before income tax						286,526

7. Business Combination

Business combinations are accounted for using the acquisition method.

The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree 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 consultant and contractor expenses and operations and administrative 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 circumstances and relevant conditions as at the acquisition date.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with the changes in fair value recognised in the Income Statement.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests) and any previous interest held over the net identifiable assets acquired and liabilities assumed.

iProperty

On 2 February 2016, following a shareholder vote on 28 January 2016, the court approved the Group's acquisition of 86.9% of iProperty, a listed company incorporated in Australia. The Group has an obligation to acquire the remaining 13.1% minority shareholding over a two year period through a put and call option arrangement, as highlighted in the Scheme document.

The acquisition provides the Group a platform to further expand into Asia.

(a) Purchase consideration

The total purchase consideration is detailed below:

	$'000
Cash paid	482,251
Existing iProperty equity	170,282
Contingent consideration	106,744
Total purchase consideration	**759,277**

86.9% of shareholders of iProperty elected to receive $4 cash per share and 13.1% elected to receive mixed consideration. Shareholders who elected to receive mixed consideration received $1.20 cash per share and B-Class shares in a newly formed public unlisted company, RollCo. The B-Class shares hold a put option with a put price range of $4.14 - $4.60 in calendar year 2016 and $4.28 - $5.29 in calendar year 2017. The assessed fair value range of contingent consideration lies between $100.0 million and $113.4 million. The range of undiscounted outcomes is between $101.7 million and $130.0 million. The Group holds a reciprocal call option that must be exercised if shareholders have not exercised their put options in respect of calendar year 2017. The put price for Year 1 has a revenue hurdle and both a revenue and EBITDA hurdle for Year 2.

Management judgement is used to determine whether call options without a fixed price give REA Group a present ownership interest. As management determined that the majority of risks and rewards have been transferred to the Group, the transaction is treated as though the Group has effectively acquired 100% at the acquisition date.

(b) Details of net assets and liabilities acquired

Initial accounting

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

	Fair value recognised on acquisition $'000
Cash and cash equivalents	1,807
Trade and other receivables	5,342
Other assets	288
Property, plant and equipment	1,255
Intangibles	104,419
Other non-current assets	350
Trade and other payables	(21,812)
Deferred revenue	(4,601)
Provisions	(953)
Current tax liabilities	(536)
Other non-current payables	(7,543)
Deferred tax liability	(21,280)
Net identifiable assets acquired	**56,736**
Add: goodwill	702,541
Net assets	**759,277**
Cash flows on acquisition	
Cash consideration	482,251
Less: cash acquired	(1,807)
Outflow of cash	**480,444**

The goodwill acquired is attributable to iProperty's strong position in its market and the high growth potential of that market. Goodwill is not deductible for tax purposes.

The fair value of trade and other receivables is $5.3 million and includes trade receivables with a fair value of $4.0 million. The gross contractual amount of trade receivables due is $4.3 million of which $0.3 million is expected to be uncollectible.

The Group has recognised $15.3 million as the fair value of contingent liabilities acquired as part of the business combination. As at 30 June 2016, the outstanding liability was $8.9 million, which is expected to be paid in full by 30 June 2018. This amount is management's best estimate based on a range of possible outcomes, and relates to previous acquisitions by iProperty of Think Of Living, Brickz and Prakard. Contingent consideration for Think Of Living, Brickz and Prakard is dependent on revenue and EBITDA targets, continuing permission from the Department of Valuations and Land Services of Malaysia to publish historical transactional data and maintaining traffic to the website for a six month period post acquisition, respectively.

(c) Fair value gain

The Group previously owned 22.67% of iProperty which is valued at $170.2 million based on the acquisition price of $4.00 per share. Upon acquisition the Group will recognise a gain on the revaluation of the original investment of approximately $40.8 million. Carrying value included FY16 share of loss of $2.1 million.

	$'000
Fair value of 22.67% interest in iProperty	170,282
Less carrying value of 22.67% interest in iProperty	(129,455)
Fair value gain on step acquisition	**40,827**

(d) Year end

The statutory reporting entities within iProperty have a year end of 31 December. The statutory year end will be aligned to that of the Group at the completion of the two year put and call option arrangement. For group reporting purposes, the financial year end has been aligned to that of the Group.

(e) Acquisition related costs

Acquisition related costs of $9.2 million are accounted for as expenses within consultant and contractor expenses and operations and administration expenses in the period in which they are incurred.

(f) Revenue and profit before tax from continuing operations

From the date of acquisition, iProperty contributed $12.3 million of revenue and a $1.8 million loss to the profit before tax from continuing operations of the Group.

Flatmates.com.au

On 31 May 2016, the Group acquired 100% of shares in Flatmates.com.au Pty Ltd, a private company incorporated in Australia. Flatmates.com.au operates Australia's No.1 share accommodation website.

The acquisition allows the Group to consolidate its position in share accommodation and the opportunity to enter into a joint venture arrangement with the founders of Flatmates.com.au with respect to future international expansion.

(a) Purchase consideration

The total purchase consideration is detailed below:

	$'000
Cash consideration	26,151
Contingent consideration	9,255
Total purchase consideration	**35,406**

The contingent payments are based on the achievement of performance-related milestones and the range of undiscounted outcomes is between zero and $20.0 million.

(b) Details of net assets and liabilities acquired

Initial accounting

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

	Fair value recognised on acquisition $'000
Cash and cash equivalents	249
Property, plant and equipment	11
Intangibles	8,770
Other non-current assets	922
Provisions	(6)
Current tax liabilities	(14)
Net identifiable assets acquired	**9,932**
Add: goodwill	25,474
Net assets	**35,406**
Cash flows on acquisition	
Cash consideration	26,151
Less: cash acquired	(249)
Outflow of cash	**25,902**

The goodwill acquired is attributable to Flatmate's strong position in its market and the high growth potential of that market. Goodwill is not deductible for tax purposes.

(c) Acquisition related costs

Acquisition related costs of $0.1 million are accounted for as expenses within operations and administration expense in the period in which they are incurred.

(d) Revenue and profit before tax from continuing operations

From the date of acquisition, Flatmates.com.au contributed $0.3 million of revenue and $0.1 million to the profit before tax from continuing operations of the Group.

If all combinations had taken place at 1 July 2015, the Group's revenue from continuing operations would have been $651.5 million and the profit before tax from continuing operations would have been $343.3 million.

There were no material acquisitions in the prior year.

8. Other Income

	2016 $'000	2015 $'000
Fair value gain on step acquisitions	**40,827**	-
Gain on disposal of available for sale financial assets	**-**	31,241

Refer to Note 7 for a description of the fair value gain on the step acquisition.
The Group disposed of the available-for-sale (AFS) financial assets held at 30 June 2014 during 2015 for a $31.2 million gain ($22.2 million after tax). As a result of the disposal of available-for-sale financial assets the Group recycled the gain (net of tax) of $5.4 million recognised in 2014 to the Income Statement.

9. Expenses

	2016 $'000	2015 $'000
Profit before income tax includes the following specific expenses:		
Employee benefits		
Salary costs	**122,920**	100,462
LTI Plan expense	**2,378**	2,722
Defined contribution superannuation expense	**11,640**	10,359
Total employee benefits	**136,938**	113,543
Finance (income)/expense		
Interest (income)	**(1,914)**	(3,612)
Interest expense	**8,388**	159
Total finance (income)/expense	**6,474**	(3,453)
Expenses		
Depreciation of plant and equipment	**6,321**	6,057
Amortisation of intangibles	**28,613**	20,886
Minimum lease payments	**7,532**	6,122
Loss on disposal of assets	**22**	461
Net foreign exchange loss	**159**	1,161

Total employee benefits expensed is inclusive of:

(i) Short term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the Statement of Financial Position. The Group recognises a liability and an expense for bonuses and profit-sharing based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(ii) Other long term employee benefit obligations

The liabilities for long service leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of high quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in the Income Statement.

The obligations are presented as current liabilities in the Statement of Financial Position if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

(iii) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or 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 to providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted at present value.

(iv) Share-based payments

Refer to Note 23 for a description of share-based payments.

10. Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated Financial Statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Where there are current and deferred tax balances attributable to amounts recognised directly in equity, these are also recognised directly in equity.

Tax consolidation legislation

The Company and its wholly owned Australian controlled entities have implemented the tax consolidation legislation as of 1 July 2006.

The head entity, REA Group Limited and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a standalone taxpayer in its own right.

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

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group. Details about the tax funding agreement are disclosed in Note 26.

(a) Income tax expense

	2016	2015
	$'000	$'000
Current tax	**91,269**	85,104
Adjustments for current tax of prior periods	**(1,526)**	(894)
Deferred tax	**77**	1,247
Adjustments for deferred tax of prior periods	**656**	571
Aggregate income tax expense	**90,476**	86,028

(b) Numerical reconciliation of income tax expense to prima facie tax payable

	2016	2015
	$'000	$'000
Profit from continuing operations before income tax expense	**343,756**	286,526
Tax at the Australian tax rate of 30% (2015: 30%)	**103,127**	85,958
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Revaluation of subsidiary - iProperty	**(12,248)**	-
Research and development current year deduction	**(2,530)**	(2,863)
Share of losses of associates	**(2,525)**	2,116
Prior period adjustments including premium research and development claim	**(870)**	(323)
Effect of foreign tax rate	**(15)**	(140)
Tax losses not recognised	**1,611**	-
Other	**3,926**	1,280
Aggregate income tax expense	**90,476**	86,028

(c) Amounts recognised directly into equity

	2016	2015
	$'000	$'000
Aggregate current and deferred tax arising in the reporting period and not recognised in the Income Statement or other comprehensive income but directly (credited) or debited to equity:		
Current tax – (credited) directly to equity	**(76)**	(51)
Net deferred tax – (credited)/debited directly to equity	**(244)**	(1,303)
	(320)	(1,354)

(d) Summary of deferred tax

	2016	2015
	$'000	$'000
The balances comprise temporary differences attributable to:		
Tax losses	**428**	428
Employee benefits	**2,564**	2,447
Doubtful debts	**398**	444
Accruals and other	**1,820**	1,631
Intangible assets	**(26,778)**	(4,938)
Foreign currency revaluation of associate	**(2,054)**	(1,351)
	(23,622)	(1,339)
Deferred tax assets	**5,210**	4,950
Deferred tax liabilities	**(28,832)**	(6,289)
	(23,622)	(1,339)
Movements:		
Opening balance	**(1,339)**	(824)
(Debited)/credited to the Income Statement	**(733)**	(1,830)
(Debited)/credited to equity	**(320)**	1,303
Deferred taxes on acquisition of subsidiary	**(21,250)**	-
Exchange differences	**20**	12
	(23,622)	(1,339)
Deferred tax assets expected to be recovered within 12 months	**4,344**	4,358
Deferred tax assets expected to be recovered after more than 12 months	**866**	592
Deferred tax liabilities expected to be payable within 12 months	**-**	(456)
Deferred tax liabilities expected to be payable after more than 12 months	**(28,832)**	(5,833)
	(23,622)	(1,339)

(e) Unrecognised temporary differences

The Group has unused tax losses for which no deferred tax asset has been recognised of $54.1 million (2015: $21.7 million) on the basis that it is not probable that the Group will derive future assessable income of a nature and amount sufficient to enable the temporary difference to be realised.

11. Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short term deposits with an original maturity of less than three months and are subject to an insignificant risk of change in value.

For cash flow statement presentation purposes, cash and cash equivalents are as defined above, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the Statement of Financial Position.

(a) Cash and short term deposits	**2016 $'000**	2015 $'000
Cash at bank and in hand	**76,746**	53,708
Short term deposits	**50,088**	25,186
	126,834	78,894

(b) Cash flow reconciliation	**2016 $'000**	2015 $'000
Profit for the year	**253,280**	210,248
Depreciation and amortisation	**34,934**	26,943
Long Term Incentive Plan expense	**2,378**	2,722
Net exchange differences	**272**	(183)
Step up gain on acquisition	**(40,827)**	-
Gain on sale of available-for-sale financial assets	**-**	(31,241)
Gain on sale of business	**-**	(9,750)
Share of (gain)/losses of associates	**(6,319)**	7,053
Loss on disposal of fixed assets	**22**	461
Share-based payment on settlement of LTI Plans	**(2,680)**	(2,945)
Other non-cash items	**(69)**	(41)
Change in operating assets and liabilities		
(Increase) in trade receivables	**(11,380)**	(11,831)
Decrease/(increase) in other current assets	**1,033**	(1,594)
Decrease in deferred tax assets	**287**	539
(Increase)/decrease in other non-current assets	**(769)**	559
(Decrease) in trade and other payables	**(6,229)**	(763)
Increase in deferred revenue	**3,820**	2,796
Increase in provisions	**3,820**	1,204
Increase in deferred tax liabilities charged to the Income Statement	**560**	1,281
(Decrease) in current tax liabilities	**(10,794)**	(4,103)
Net cash inflow from operating activities	**221,339**	191,355

12. Trade receivables and other assets

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment. Trade receivables are generally due for settlement between 15 – 45 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is made when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows.

The amount of the impairment loss is recognised in the Income Statement within operations and administration expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against operations and administration expenses in the Income Statement.

Trade receivables and other assets	**2016 $'000**	2015 $'000
Current	**96,536**	79,636
Non-current	**1,379**	258

Trade receivables and other assets	**2016 $'000**	2015 $'000
Trade receivables (a)	**91,742**	78,518
Provision for impairment of receivables (b)	**(4,419)**	(6,572)
	87,323	71,946
Current prepayments	**5,268**	5,321
Non-current prepayments	**1,379**	258
Accrued income and other	**3,945**	2,369
	97,915	79,894

(a) Ageing of trade receivables	**2016 $'000**	2015 $'000
Not due	**67,423**	61,198
1-30 days past due not impaired	**13,654**	6,905
31-60 days past due not impaired	**3,022**	1,734
61+ days past due not impaired	**3,224**	2,109
Considered impaired	**4,419**	6,572
	91,742	78,518

(b) Provision for impairment of receivables

The individually impaired receivables mainly relate to customers in Europe which are in unexpectedly difficult economic situations.

Movements in the provision for impairment of receivables are as follows:

	2016 $'000	2015 $'000
Opening amount	**(6,572)**	(6,358)
Provision for impairment recognised during the year	**(2,001)**	(2,264)
Other business combinations	**(299)**	-
Receivables written off during the year as uncollectible	**4,453**	2,050
Closing amount	**(4,419)**	(6,572)

(c) Risk

Information about the Group's exposure to foreign currency, interest rate and credit risk in relation to trade and other receivables is provided in Note 3.

13. Plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. The cost of plant and equipment includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

- Leasehold improvements – the lease term
- Plant and equipment – over 2 to 5 years

The assets' residual values, useful lives and amortisation methods are reviewed and adjusted if appropriate, at each financial year end. Assets other than goodwill and intangible assets that have an indefinite useful life are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset is written down immediately if its carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the Income Statement.

	Plant and equipment $'000	Leasehold improvements $'000	Total $'000
Year ended 30 June 2016			
Opening net book amount	**9,197**	**8,192**	**17,389**
Exchange differences (net)	**98**	**(31)**	**67**
Additions	**2,899**	**948**	**3,847**
Other business combinations	**1,266**	**-**	**1,266**
Disposals (net of accumulated depreciation)	**(83)**	**-**	**(83)**
Depreciation charge	**(4,739)**	**(1,582)**	**(6,321)**
Closing net book amount	**8,638**	**7,527**	**16,165**
At 30 June 2016			
Cost	**22,716**	**11,109**	**33,825**
Accumulated depreciation	**(14,078)**	**(3,582)**	**(17,660)**
Net book amount	**8,638**	**7,527**	**16,165**
Year ended 30 June 2015			
Opening net book amount	7,124	2,279	9,403
Exchange differences (net)	24	27	51
Additions	6,765	7,351	14,116
Disposals (net of accumulated depreciation)	(124)	-	(124)
Depreciation charge	(4,592)	(1,465)	(6,057)
Closing net book amount	9,197	8,192	17,389
At 30 June 2015			
Cost	20,436	10,178	30,614
Accumulated depreciation	(11,239)	(1,986)	(13,225)
Net book amount	9,197	8,192	17,389

14. Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. 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. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash generating units for the purpose of impairment testing. Each of those cash generating units represents the Group's investment in each country of operation.

(ii) IT development and software

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised include external direct costs of materials and service and direct payroll and payroll related costs of employees' time spent on the project. Amortisation is calculated on a straight-line basis generally over 3 years.

IT development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility and where the Group has an intention and ability to use the asset.

(iii) Customer lists / domain names / advertising relationships

When these assets are acquired as part of a business combination they are recognised separately from goodwill. The assets are carried at their fair value at the date of acquisition less accumulated amortisation and impairment losses. Amortisation is calculated based on the timing of projected cash flows of the contracts over their estimated useful lives, which currently vary from 3 to 5 years.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Income Statement when the asset is derecognised.

(iv) Brand names

When these assets are acquired as part of a business combination they are recognised separately from goodwill. The assets are carried at their fair value at the date of acquisition less impairment losses. Brand names have an indefinite life and are not amortised.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Income Statement when the asset is derecognised.

	Goodwill $'000	Software[1] $'000	Customer contracts $'000	Brands $'000	Total $'000
Year ended 30 June 2016					
Opening net book amount	**59,283**	**45,158**	**2,420**	**-**	**106,861**
Additions - acquired and internally generated	**-**	**36,183**	**-**	**-**	**36,183**
Other business combinations[2]	**728,015**	**8,494**	**12,100**	**92,596**	**841,205**
Disposals (net of amortisation)	**-**	**(453)**	**-**	**-**	**(453)**
Amortisation charge	**-**	**(27,098)**	**(1,515)**	**-**	**(28,613)**
Exchange differences	**382**	**(77)**	**(105)**	**-**	**200**
Closing net book amount	**787,680**	**62,207**	**12,900**	**92,596**	**955,383**
At 30 June 2016					
Cost	**787,680**	**160,741**	**23,211**	**92,596**	**1,064,228**
Accumulated amortisation and impairment	**-**	**(98,534)**	**(10,311)**	**-**	**(108,845)**
Net book amount	**787,680**	**62,207**	**12,900**	**92,596**	**955,383**
Year ended 30 June 2015					
Opening net book amount	56,867	34,739	3,357	-	94,963
Additions - acquired and internally generated	-	27,726	-	-	27,726
Other business combinations[2]	2,259	3,000	-	-	5,259
Disposals (net of amortisation)	-	(476)	-	-	(476)
Amortisation charge	-	(19,888)	(998)	-	(20,886)
Exchange differences	157	57	61	-	275
Closing net book amount	59,283	45,158	2,420	-	106,861
At 30 June 2015					
Cost	62,126	116,881	11,237	-	190,244
Accumulated amortisation and impairment	(2,843)	(71,723)	(8,817)	-	(83,383)
Net book amount	59,283	45,158	2,420	-	106,861

1 Software includes capitalised development costs being an internally generated intangible asset.
2 Acquisition of iProperty and Flatmates.com.au. and in FY15 acquisition of a property platform which connects developers to end buyers and investors.

(a) Impairment tests for goodwill

The carrying amount of goodwill acquired through business combinations has been allocated to four individual cash generating units (CGU) for impairment testing as follows:

	2016	2015
	$'000	$'000
Asia	**702,542**	-
Australia	**64,159**	38,685
Italy	**15,960**	15,670
Greater Luxembourg Region	**5,019**	4,928
Total	**787,680**	59,283

Asia

The recoverable amount of this unit has been determined based on a value in use calculation using cash flow projections based on financial forecasts approved by senior management covering a ten year period. Cash flows are projected over a ten year period to appropriately reflect the current economic conditions in Asia and the growth profile of the business. The pre-tax discount rate applied to cash flow projections is 10.3% - 20.4% (2015: N/A) and cash flows beyond the ten year period are extrapolated using a growth rate of 2.0% - 5.9% (2015: N/A). Over the extended forecast period, growth rate assumptions are above the terminal growth rate as the Group operates in a high growth industry.

Australia

The recoverable amount of this unit has been determined based on a value in use calculation using cash flow projections based on financial forecasts approved by senior management covering a five year period. The pre-tax discount rate applied to cash flow projections is 13.5% (2015: 12.6%) and cash flows beyond the five year period are extrapolated using a growth rate of 2.5% (2015: 2.7%).

Italy

The recoverable amount of this unit has been determined based on a value in use calculation using cash flow projections based on financial forecasts approved by senior management covering a ten year period. Cash flows are projected over a ten year period to appropriately reflect the current economic conditions in Europe and the growth profile of the business. The pre-tax discount rate applied to cash flow projections is 15.9% (2015: 16.5%) and cash flows beyond the ten year period are extrapolated using a growth rate of 1.4% (2015: 1.6%). Over the extended forecast period, growth rate assumptions are above the terminal growth rate as the Group operates in a high growth industry.

Greater Luxembourg Region

The recoverable amount of this unit has been determined based on a value in use calculation using cash flow projections based on financial forecasts approved by senior management covering a five year period. The pre-tax discount rate applied to cash flow projections is 10.9% (2015: 10.4%) and cash flows beyond the five year period are extrapolated using a growth rate of 1.8% (2015: 2.1%).

(b) Key assumptions used for value in use calculations

The calculation of value in use for each CGU is most sensitive to the following assumptions:

Discount rates represent the current market specific to each CGU, taking into consideration the time value of money and individual risks that have not been incorporated in the cash flow estimates. The discount rate calculation is based on specific circumstances of the Group and the CGU and is derived from its weighted average cost of capital (WACC). CGU specific risk is incorporated by applying additional regional risk factors. The WACC is evaluated annually based on publically available market data.

Growth rate estimates are based on industry research and publically available market data. The rates used to extrapolate the cash flows beyond the budget period includes an adjustment to current market rates where required to approximate a reasonable long term average growth rate.

Real estate industry conditions impact assumptions including volume of real estate transactions, number of real estate agencies and new development project spend. Assumptions are based on research and publically available market data.

(c) Sensitivity to changes in assumptions

For all CGUs, there is no reasonable possible change in a key assumption used to determine the recoverable amount that would result in impairment.

15. Financial assets

Financial assets are classified, at initial recognition, as financial assets at fair value through the Income Statement, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through the Income Statement, transaction costs that are attributable to the acquisition of the financial assets.

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting period which are classified as non-current assets, refer to Note 12.

The Group had a hedging policy in place for the financial years 30 June 2016 and 30 June 2015 in relation to certain foreign currency expenditures. The foreign exchange forward contracts are cash flow hedges of forecasted USD denominated transactions and are designated hedging instruments. The hedging instruments were assessed to be highly effective for the year such that the gain or loss on the hedging instrument was recognised in OCI in the cash flow hedge reserve and amounts recognised as OCI subsequently recorded in the Income Statement in the same period as the hedged transaction affected the Income Statement. The Income Statement impact during the year of hedge instruments was $0.1 million (2015: nil). There are no open positions at 30 June 2016 (2015: US$10.4 million).

16. Financial liabilities

At the reporting date the Group held the following other financial liabilities:

	2016	2015
Current	**$'000**	$'000
Contingent consideration[1]	**121,563**	266
Non-current		
Contingent consideration[2]	**7,232**	1,568

1Included within Trade and other payables.

2 Included within Other non-current payables.

iProperty

As part of the Group's acquisition of iProperty (refer to Note 7), the Group has an obligation to acquire the remaining 13.1% minority shareholding over a two year period through a put and call option arrangement and is contingent on iProperty achieving certain revenue hurdles in calendar year 2016 and revenue and EBITDA hurdles in calendar year 2017.

The fair value of the contingent consideration arrangement of $106.7 million was estimated by applying the option pricing theory. The fair value measurement is based on significant inputs that are not observable in the market, which AASB 13 Fair Value Measurement refers to as level 3 inputs. Key assumptions include a discount rate range of 3.25% - 8.75% and assumed probability-adjusted annual revenues and EBITDA over a two year period as well as the assumed probability of options exercised in the first year. The carrying amount of $109.2 million approximates fair value at 30 June 2016.

Acquired contingent liabilities

As part of the iProperty business combination, the Group recognised contingent consideration with an estimated fair value of $15.3 million, of which $6.0 million has been paid. At the reporting date, the contingent consideration was $8.9 million. The fair value adjustment is recognised in operating profit.

The fair value of the contingent considerations included an assumption of discount rate ranging from 14.4% to 17.5%. An increase/decrease in the forecast cash flows and the growth rate for cash flows in the subsequent periods would both lead to an increase/decrease in the fair value of the contingent consideration instruments.

Flatmates.com.au

As part of the Group's acquisition of Flatmates.com.au (refer to Note 7), a contingent consideration has been agreed. This consideration is dependent on Flatmates.com.au achieving certain EBITDA hurdles in FY17 and FY18.

The fair value of the contingent consideration arrangement of $9.3 million was estimated by applying a discounted cashflow model. The fair value measurement is based on significant inputs that are not observable in the market, which AASB 13 Fair Value Measurement refers to as level 3 inputs. Key assumptions include a discount rate range of 3.25% - 8.75% and assumed EBITDA over a two year period. The carrying amount of $9.3 million approximates fair value at 30 June 2016.

Other

In 2015 the Group recognised the fair value of contingent liabilities as part of the property platform business combination. A portion of the consideration was based on an earn out arrangement depending on the performance of the acquired business for 5 years subsequent the acquisition date.

As part of the accounting for the acquisition of the property platform business, contingent consideration with an estimated fair value of $3.9 million, was recognised at the acquisition date. During FY15 the Group paid $2.4 million, with the remaining amounts expected to be paid over a 4 year period. At the reporting date, the contingent consideration was remeasured to $1.5 million. The fair value adjustment is recognised in operating profit.

The fair value of the contingent considerations included an assumption of discount rate of 13.5%. An increase/decrease in the forecast cash flows and the growth rate for cash flows in the subsequent periods would both lead to an increase/ decrease in the fair value of the contingent consideration instruments.

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

	2016 **$'000**	2015 $'000
Initial fair value of the contingent consideration at acquisition date	**136,452**	5,184
Payments	**(9,312)**	(3,350)
Unrealised fair value changes recognised in profit or loss	**2,130**	-
Total contingent consideration at 30 June 2016	**129,270**	1,834
Unrealised impact from applying foreign exchange rates as at 30 June 2016	**(475)**	-
Fair value of total consideration due	**128,795**	1,834

17. Trade and other payables

Trade and other payables are carried at amortised cost and are not discounted. These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are paid in accordance with vendor terms.

	2016 **$'000**	2015 $'000
Trade payables	**11,335**	9,017
Accrued expenses	**32,140**	24,774
Other payables	**5,812**	5,514
Contingent consideration	**121,563**	1,834
	170,850	41,139

Information regarding the effective interest rate and credit risk of current payables is set out in Note 3.

18. Provisions

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. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Employee benefits expenses are disclosed in Note 9.

Provision for make good obligations are recognised when the Group has a present obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

The liability for employment severance indemnity is an Italian employee benefit obligation and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to annual salaries and is revalued (indexed) annually. The provision decreases at each resignation/termination for the amount accrued during the service period.

	2016 **$'000**	2015 $'000
Current provisions		
Employee benefits	**8,040**	6,507
Rental lease incentive	**63**	63
Make good provision	**78**	-
Total current provisions	**8,181**	6,570
Non-current provisions		
Employee benefits	**1,952**	1,460
Employment severance indemnity	**2,381**	2,411
Rental lease incentive	**66**	129
Make good provision	**868**	513
Total non-current provisions	**5,267**	4,513

(a) Movements	Rental lease incentive $'000	Make good provision $'000	Total $'000
Balance at 1 July 2015	**192**	**513**	**705**
Additional provisions recognised	**-**	**355**	**355**
Other business combinations	**-**	**78**	**78**
Amounts used during the year	**(63)**	**-**	**(63)**
Balance at 30 June 2016	**129**	**946**	**1,075**
Current	**63**	**78**	**141**
Non-current	**66**	**868**	**934**

19. Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities, which are not an incremental cost relating to the actual draw-down of the facility, are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is amortised on a straight-line basis over the term of the facility.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Loan Facility

In December 2015, the Group entered into a $480.0 million unsecured syndicated revolving loan facility agreement (the loan facility). The loan facility consists of three sub facilities of $120.0 million, $120.0 million and $240.0 million which become due in December 2017, December 2018 and December 2019, respectively. The loan facility is provided by a syndicate comprising National Australia Bank, Australia and New Zealand Bank, Commonwealth Bank and Westpac Bank.

In February 2016, the Group drew down the full $480.0 million available and used it to fund the acquisition of iProperty. Transaction costs of $1.9 million which were incurred to establish the facility have been capitalised on the consolidated balance sheet, of which $1.7 million has not yet been amortised through the Consolidated Income Statement.

Borrowings under the loan facility bear interest at a floating rate of the Australian BBSY plus a margin in the range of 0.85% and 1.45% depending on the Group's net leverage ratio. As of 30 June 2016, the Group was paying a margin between 1.00% and 1.20%. The Group paid $5.1 million in interest for the year ended 30 June 2016 at a weighted average interest rate of 3.2%. The loan facility requires the Group to maintain a net leverage ratio of not more than 3.25 to 1.0 and an interest coverage ratio of not less than 3.0 to 1.0. As of 30 June 2016, the Group was in compliance with all of the applicable debt covenants. The carrying value of the debt approximates fair value.

Working Capital Facility

In February 2016, iProperty entered into a $14.0 million unsecured working capital facility (the facility) for which the Group is a guarantor. The facility becomes due in February 2018. In May 2016, iProperty increased the amount available under the facility by an additional $4.0 million, which becomes due in December 2016.

At 30 June 2016, the full amount of $18.0 million had been drawn. Borrowings under the Bank Facility bear interest at a floating rate of the Australian BBSY plus a 1.00% margin. iProperty paid $0.03 million in interest for the year ended 30

June 2016 at a weighted interest rate of 3.4%. Transaction costs of $0.07 million which were incurred to establish the facility have been capitalised on the consolidated balance sheet, of which $0.06 million has not yet been amortised through the Consolidated Income Statement. The carrying value of the debt approximates fair value.

Further details regarding the Group's exposure to interest rate and liquidity risk is in included in Note 3.

20. Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. No new shares were issued during the year (2015: nil).

	2016 Shares	2015 Shares
Ordinary shares	**131,714,699**	131,714,699

(a) Movements	**Contributed equity $'000**	**Other contributed equity $'000**	**Total $'000**
Balance at 1 July 2015	**102,603**	**(4,248)**	**98,355**
Acquisition of treasury shares	**-**	**(1,012)**	**(1,012)**
Settlement of vested performance rights	**-**	**(234)**	**(234)**
Balance at 30 June 2016	**102,603**	**(5,494)**	**97,109**
Balance at 1 July 2014	102,603	(528)	102,075
Acquisition of treasury shares	-	(1,885)	(1,885)
Settlement of vested performance rights	-	(1,835)	(1,835)
Balance at 30 June 2015	102,603	(4,248)	98,355

(b) Settlement of LTI Plan

The settlement of the LTI Plan during the year ended 30 June 2016 was performed through the on-market purchase of the shares, not issuing of shares. Refer to Note 23 for more details of LTI Plans.

21. Reserves

(a) Movements	**Share-based payments reserve $'000**	**Foreign currency translation reserve $'000**	**Available-for-sale reserve $'000**	**Cash flow hedge reserve $'000**	**Business combination reserve $'000**	**Total $'000**
Balance at 1 July 2015	**4,085**	**28,004**	**-**	**22**	**(5,999)**	**26,112**
Other comprehensive income/(loss):						
Foreign currency translation differences	-	**6,198**	-	-	-	**6,198**
Cash flow hedge reserve	-	-	-	**(22)**	-	**(22)**
Total other comprehensive income/(loss)	-	**6,198**	-	**(22)**	-	**6,176**
Transactions with owners in their capacity as owners						
Share-based payments expense	**2,378**	-	-	-	-	**2,378**
Settlement of vested performance rights	**(1,824)**	-	-	-	-	**(1,824)**
Balance at 30 June 2016	**4,639**	**34,202**	**-**	**-**	**(5,999)**	**32,842**

	Share-based payments reserve $'000	Foreign currency translation reserve $'000	Available-for-sale reserve $'000	Cash flow hedge reserve $'000	Business combination reserve $'000	Total $'000
Balance at 1 July 2014	2,091	(3,788)	5,423	-	(5,999)	(2,273)
Other comprehensive income/(loss):						
Foreign currency translation differences	-	31,792	-	-	-	31,792
Cash flow hedge reserve	-	-	-	22	-	22
Disposal of available-for-sale financial assets, net of tax	-	-	(5,423)	-	-	(5,423)
Total other comprehensive income/(loss)	-	31,792	(5,423)	22	-	26,391
Transactions with owners in their capacity as owners						
Share-based payments expense	2,722	-	-	-	-	2,722
Settlement of vested performance rights	(728)	-	-	-	-	(728)
Balance at 30 June 2015	4,085	28,004	-	22	(5,999)	26,112

(b) Nature and purpose of reserves

Share-based payments reserve

This amount represents the value of the grant of rights to executives under the Long Term Incentive Plans and other compensation granted in the form of equity. The amounts are transferred out of the reserve when the rights vest and the shares are purchased on-market. Refer to Note 23.

Currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the Financial Statements of its overseas subsidiaries and equity investments.

Available-for-sale reserve

The available-for-sale reserve is used to record changes in the fair value of available-for-sale financial assets.

Cash flow hedge reserve

The hedging reserve is used to record the portion of gains and losses on a hedging instrument that is determined to be an effective hedge.

22. Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the company, on or before the end of the reporting period but not distributed at the end of the reporting period.

(a) Dividends declared or paid

The following dividends were declared or paid by the Group:

2016	**Per share**	**Total amount $'000**	**Franked[1]**	**Payment date**
2015 Final	**40.5 cents**	**53,345**	**100%**	**14 September 2015**
2016 Interim	**36.0 cents**	**47,417**	**100%**	**11 March 2016**
Total amount		**100,762**		

2015	Per share	Total amount $'000	Franked[1]	Payment date
2014 Final	35.0 cents	46,100	100%	25 September 2014
2015 Interim	29.5 cents	38,853	100%	12 March 2015
Total amount		84,953		

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

(b) Dividends not recognised at year end

On release of the 2016 accounts, the Directors declared a final ordinary dividend for 2016 of $59.9 million (45.5 cents per share fully franked) to be paid on 15 September 2016 out of retained earnings as at 30 June 2016. The final dividend has not been recognised in the Financial Statements for the year ended 30 June 2016, but will be in subsequent Financial Statements. The impact on the franking account is disclosed in Note (c).

(c) Franked dividends

The franked portions of the final dividends recommended after 30 June 2016 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax for the year ending 30 June 2016.

	2016	2015
	$'000	$'000
Franking credits available for subsequent financial years based on a tax rate of 30% (2015: 30%)	**238,918**	181,551

The above amounts represent the balance of the franking account as at the end of the financial year net of tax refunds received, adjusted for franking credits and debits that will arise from the settlement of liabilities or receivables for income tax and dividends after the end of the year.

The consolidated amounts include franking credits that would be available to the parent entity if distributable profits of subsidiaries were paid as dividends.

The impact on the franking account of the dividend recommended by the Directors since year end, but not recognised as a liability at year end, will be a reduction in the franking account of $25.7 million (2015: $22.9 million).

23. Share-based payments

The Group provides benefits to its employees (including key management personnel) in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity settled transactions).

The cost of equity settled transactions is recognised, together with a corresponding increase in equity, 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 fully entitled to the award (the vesting date). At each subsequent reporting date until vesting, the cumulative charge to the Income Statement is in accordance with the vesting conditions.

Equity settled awards granted by the Company to employees of subsidiaries are recognised in the subsidiaries' separate Financial Statements as an expense with a corresponding credit to equity. As a result, the expense recognised by the Group is the total expense associated with all such awards. Until an award has vested, any amounts recorded are contingent and will be adjusted if more or fewer awards vest than were originally anticipated.

(a) Long Term Incentive Plan

The Group has a Long Term Incentive Plan for executives identified by the Board. The plan is based on the grant of performance rights that vest into shares on a one-to-one basis at no cost to the employee subject to performance hurdles. Settlement of the performance rights is made in ordinary shares purchased on-market.

The performance measures approved by the Board for all executives are based upon Group revenues and EPS.

If the executive leaves during or before the performance period due to illness, redundancy or death, the Board has discretion to allow any granted rights to vest, which otherwise will lapse. If the executive leaves due to other reasons, the granted rights may be forfeited at the Board's discretion.

Plan	**Performance period end date**	**Balance at start of the year**	**Granted during the year**	**Exercised during the year**	**Forfeited/ cancelled during the year**	**Balance at end of the year**
		Number	**Number**	**Number**	**Number**	**Number**
LTI Plan 2015 (Plan 6)	1 July 2015	45,205	-	45,205	-	**-**
LTI Plan 2016 (Plan 7)	1 July 2016	31,379	-	-	7,417	**23,962**
LTI Plan 2017 (Plan 8)	1 July 2017	44,864	-	-	7,683	**37,181**
LTI Plan 2018 (Plan 9)	1 July 2018	-	66,195	-	-	**66,195**
Total		**121,448**	**66,195**	**45,205**	**15,100**	**127,338**

Rights are vested after the performance period. The LTI Plan 2016 rights performance period ends at the end of the year and they will vest upon approval by the Board in August 2016.

As all other performance periods lie in the future, no performance rights are exercisable (or have been exercised) at balance date. The tables below sets out the number of performance rights granted under each plan at grant date.

Plan	Grant Date	Performance Period	Vesting date (and earliest exercise date)	Number of rights granted	Value of rights as at grant date
LTI Plan 2016 (Plan 7)	1 July 2013	2016	1 July 2016	69,863	$1,757,762
LTI Plan 2017 (Plan 8)	1 July 2014	2017	1 July 2017	51,308	$2,069,765
LTI Plan 2018 (Plan 9)	1 July 2015	2018	1 July 2018	66,195	$2,449,359

The fair value of each performance right is estimated on the grant date using the Black Scholes model.

The plan hurdles for the LTI Plan 2016 have been met or exceeded as noted in the rights granted during the year for LTI Plan 2016 (Plan 7). Refer to section 5.4 of the Remuneration Report.

Plan	Value per right at grant date[1]	Exercise price	Expected volatility	Risk-free interest rate	Expected life of performance rights
LTI Plan 2016 (Plan 7)	$25.16	$0.00	30.0%	2.8%	38 months
LTI Plan 2017 (Plan 8)	$40.34	$0.00	30.0%	2.6%	38 months
LTI Plan 2018 (Plan 9)	$37.00	$0.00	30.0%	2.0%	38 months

1 The value per right at grant date and the weighted average fair value per right.

The Black Scholes model used to value the rights at grant date required the following inputs:

1. The dividend yield in the LTI Plan 2018 of 2.25% (2015: 1.75%) applied reflects the fact that the Group only started paying dividends in 2009 and that the expected life of the right is up to the vesting date;
2. The share price at grant date for the LTI Plan 2018 was $39.55 (2015: $42.50); and
3. The expected volatility is based on the Group's historic volatility and is designed to be indicative of future trends, which may also not be the actual future outcome.

(b) Retention share plan

During 2014 the Board introduced a long term retention share plan. The retention share plan rights were granted on 12 February 2014 with 60% of the rights to vest two years after grant date and the remaining 40% to vest three years after grant date. The share rights automatically convert into one ordinary share at an exercise price of nil. The number of share rights granted was determined based on the dollar value of the retention plan divided by the weighted average price using a 5 day volume weighted average price ("VWAP") leading up to the date of grant.

Grant Date	Weighted average price of rights at grant date	Vesting date 60%	Vesting date 40%	Number of rights granted	Value of rights as at grant date
12 February 2014	$45.69	12 February 2016	12 February 2017	32,829	$1,499,957

Plan	Performance period end date	Balance at start of the year Number	Exercised during the year Number	Forfeited/ cancelled during the year Number	Balance at end of the year Number
Retention share plan	12 February 2016	13,132	13,132	-	-
Retention share plan	12 February 2017	8,754	-	-	8,754
Total		**21,886**	**13,132**	**-**	**8,754**

The long term retention share plan is subject to satisfactory individual performance and will be forfeited if the executive resigns or is terminated for cause or performance related issues prior to the vesting date. There were no other rights granted or forfeited during the year.

(c) STI deferred share plan

During 2015 the Board introduced short term incentive (STI) deferred share plan to selected senior employees below the executive leadership team by invitation of the Board. The 35,533 STI deferred share plan rights were granted on the 1st September 2014 with 50% of the rights to vest 12 months after grant date and the remaining 50% to vest two years after grant date. The share rights automatically convert into one ordinary share at an exercise price of nil. The number of share rights granted was determined based on the dollar value of the plan divided by the weighted average price using a 5 day volume weighted average price ("VWAP") of $45.13 leading up to the date of grant. The value of the rights granted were $1,603,604.

In 2016, the Board granted 27,177 deferred share plan rights on the 1st September 2015 with 100% of the rights to vest 24 months after grant date. The share rights automatically convert into one ordinary share at an exercise price of nil. The number of share rights granted was determined based on the dollar value of the plan divided by the weighted average price using a 5 day volume weighted average price ("VWAP") of $43.95 leading up to the date of grant. The value of the rights granted were $1,194,492.

Grant Date	Weighted average price of rights at grant date	Vesting date 50%	Vesting date 50%	Number of rights granted	Value of rights as at grant date
1 September 2014	$45.13	1 September 2015	1 September 2016	35,533	$1,603,604
1 September 2015	$43.95	1 September 2017	1 September 2017	27,177	$1,194,492

Plan	Performance period end date	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Forfeited/ cancelled during the year Number	Balance at end of the year Number
STI deferred share plan 2014	1 September 2015	16,193	-	15,253	940	-
STI deferred share plan 2014	1 September 2016	16,198	-	-	4,397	11,801
STI deferred share plan 2015	1 September 2017	-	27,177	-	910	26,267
Total		**32,391**	**27,177**	**15,253**	**6,247**	**38,068**

(d) Share option plan

The Company also operates an annual Exempt Employee Share Plan. The terms of the Plan enable eligible employees to contribute $500 per annum from their before-tax salary by way of a salary sacrifice to acquire shares in the Company. The contributed amount is deducted from their monthly pay in equal amounts over the twelve month period. The Company then contributes a bonus $500 per annum to the Plan on behalf of the participating employee.

Employees are eligible to participate in the Plan if they are a permanent full time or permanent part-time employee of the Group in Australia and have passed their probation period as at the invitation date and they are an Australian resident for tax purposes.

The shares acquired under the Plan are designed to be income tax-free upon initial acquisition provided the participating employee's adjustable taxable income for the year (which includes reportable fringe benefits, reportable superannuation contributions and negative gearing losses) is under the tax office's threshold. There is a three-year restriction period on selling, transferring or otherwise dealing with the Exempt Shares while the participating employee remains an employee of the Group.

24. Commitments and Contingencies

(a) Contingent liabilities

(i) Claims

Various claims arise in the ordinary course of business against REA Group Limited and its subsidiaries. The amount of the liability (if any) at 30 June 2016 cannot be ascertained, and the REA Group Limited entity believes that any resulting liability would not materially affect the financial position of the Group.

(ii) Guarantees

At 30 June 2016, the Group had bank guarantees totalling $5.7 million (2015: $5.7 million) in respect of various property leases for offices used by the Group. No liability is expected to arise.

(b) Lease commitments

(i) Non-cancellable operating leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Income Statement on a straight-line basis over the period of the lease.

The Group has entered into commercial leases for office property and motor vehicles. These leases have remaining lives ranging from 1 month up to 75 months. There are no restrictions placed upon the lessee by entering into these leases. Rentals paid under operating leases are charged to the Income Statement on a straight-line basis over the period of the lease. Future minimum rentals payable under non-cancellable operating leases as at 30 June are as follows:

Non-cancellable operating leases	**2016 $'000**	2015 $'000
Within one year	**6,229**	5,180
Later than one year but not later than five years	**17,207**	17,522
Greater than five years	**927**	4,712
	24,363	27,414

(ii) Finance Leases

Leases of plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The Group does not have any finance leases.

The Group has no capital commitments at 30 June 2016 (2015: nil).

25. Related party disclosures

(a) Parent entities

The parent entity within the Group is REA Group Limited. The ultimate parent entity of the Group is News Corp, a resident of the United States of America, which owns 61.6% of REA Group Limited via its wholly owned subsidiary News Corp Australia. News Corp is listed on the New York Stock Exchange.

(b) Transactions with related parties

(i) Sales of goods and services

During the year, the Group sold residential subscription, other advertising products and training sponsorships at arm's length terms, normal terms and conditions to the franchisees and offices of the John McGrath Estate Agents and McGrath Limited (Director-related entities). The Group also sold advertising space at arm's length terms, normal terms and conditions to News Corp Australia and recharged promotional costs for a total of $0.6 million. The outstanding receivable balance at 30 June 2016 was $0.1 million (2015: nil).

(ii) Purchases of goods and services

During the year, the Group utilised advertising and support services of News Corp Australia of $2.7 million (2015: $1.0 million) on commercial terms and conditions. There was no outstanding balance at 30 June 2016 in relation to this expense (2015: nil). Apart from these purchases, News Corp Australia promoted the Group by displaying the realestate.com.au logo at no charge in its real estate section of selected print publications. News.com.au and its sister sites (all owned by News Corp Australia) and realestate.com.au have in place cross promotion arrangements (reciprocal link exchanges) at no charge.

(iii) Other transactions

During the year the Group paid dividends of $62.1 million (2015: $52.4 million) to News Corp Australia in cash.

During the year the Group paid a management fee to News Corp Australia of $0.3 million (2015: $0.3 million). There was no balance outstanding at 30 June 2016 in relation to this expense (2015: nil). Additionally, during the year, insurance premiums were paid to News Corp Australia. News Corp Australia recharged the Group relating to the use of IT content delivery services and a staff salary.

(c) Transactions with key management personnel

For a list of key management personnel and additional disclosures, refer to the Remuneration Report.

Compensation of key management personnel of the Group

	2016	2015
	$	$
Short term employee benefits	**3,257,313**	5,693,174
Post-employment benefits	**105,329**	156,615
Long term employee benefits	**7,439**	34,761
Long Term Incentive Plan (LTIP)	**488,333**	1,265,029
	3,858,414	7,149,579

(d) Investment in subsidiaries and associates

The consolidated Financial Statements incorporate the assets, liabilities and results of the following subsidiaries and associates of REA Group Limited as at 30 June 2016 in accordance with the accounting policy described in Note 2(b):

Name of entity	Country of incorporation	Investment type	Equity interest	
			2016 %	2015 %
realestate.com.au Pty Ltd	Australia	Subsidiary	100	100
• 1Form Online Pty Ltd	Australia	Subsidiary	100	100
• Media Cell Pty Ltd	Australia	Subsidiary	56.2	56.2
• Ozhomevalue Pty Ltd[1]	Australia	Subsidiary	56.2	56.2
Property.com.au Pty Ltd	Australia	Subsidiary	100	100
Property Look Pty Ltd	Australia	Subsidiary	100	100
Flatmates.com.au Pty Ltd	Australia	Subsidiary	100	-
Hub Online Global Pty Ltd	Australia	Subsidiary	100	100
• Web Effect Int. Pty Ltd	Australia	Subsidiary	100	100
REA Austin Pty Ltd	Australia	Subsidiary	100	100
• iProperty Group Ltd	Malaysia	Associate	-	19.9
NL/HIA JV Pty Ltd	Australia	Subsidiary	100	100
REA US Holdings Co. Pty Ltd	Australia	Subsidiary	100	100
• Move, Inc.	United States	Associate	20	20
REA Group Europe Ltd	UK	Subsidiary	100	100
• REA Italia Srl	Italy	Subsidiary	100	100
• Casa.it Srl	Italy	Subsidiary	100	100
• atHome Group S.A.	Luxembourg	Subsidiary	100	100
• REA Group European Production Centre S.A.	Luxembourg	Subsidiary	100	100
• atHome International S.A.	Luxembourg	Subsidiary	100	100
Austin Bidco Pty Ltd	Australia	Subsidiary	86.9	-
• **iProperty Group Ltd**	Australia	Subsidiary	100	-
• IPGA Share Plan Pty Ltd	Australia	Subsidiary	100	-
• iProperty.com Pty Ltd	Australia	Subsidiary	100	-
• iProperty Group Asia Pte Ltd	Singapore	Subsidiary	100	-
• IPGA Management Services Sdn Bhd	Malaysia	Subsidiary	100	-
• iProperty.com Events Sdn Bhd	Malaysia	Subsidiary	100	-
• iProperty.com Malaysia Sdn Bhd	Malaysia	Subsidiary	100	-
• Brickz Research Sdn Bhd	Malaysia	Subsidiary	100	-
• Think iProperty Sdn Bhd	Malaysia	Subsidiary	100	-
• Info-Tools Pte Ltd	Singapore	Subsidiary	100	-
• iProperty.com Singapore Pte Ltd	Singapore	Subsidiary	100	-
• GoHome H.K. Co. Ltd	Hong Kong	Subsidiary	100	-
• Finance18.com Ltd	Hong Kong	Subsidiary	100	-
• House18.com Ltd	Hong Kong	Subsidiary	100	-
• vProperty Ltd	Macau	Subsidiary	100	-
• Big Sea International Ltd	Macau	Subsidiary	100	-
• SMART Expo Limited	Hong Kong	Subsidiary	100	-
• PT Web Marketing Indonesia	Indonesia	Subsidiary	100	-
• iProperty (Thailand) Co., Ltd	Thailand	Subsidiary	100	-
• Kid Ruang Yu Co., Ltd	Thailand	Subsidiary	100	-
• Flagship Studio Co., Ltd	Thailand	Subsidiary	100	-
• Parkard.com (Hong Kong) Limited	Hong Kong	Subsidiary	100	-
• REA Group Hong Kong Ltd	Hong Kong	Subsidiary	100	100
• Primedia Ltd	Hong Kong	Subsidiary	100	100
• REA HK Co. Ltd (previously Squarefoot Ltd)	Hong Kong	Subsidiary	100	100
• REA Group Consulting (Shanghai) Co. Ltd[2]	China	Subsidiary	100	100

1 Ozhomevalue Pty Ltd is 100% owned by Media Cell Pty Ltd.
2 REA Group Consulting (Shanghai) Co. Ltd is 100% owned by REA HK Co (previously Squarefoot Ltd.).

(e) Deed of Cross Guarantee

Pursuant to ASIC Class Order 98/1418, relief has been granted to realestate.com.au Pty Limited from the *Corporations Act 2001* requirements for the preparation, audit and lodgement of its Financial Statements.

As a condition of the Class Order, REA Group Limited and realestate.com.au Pty Limited (the Closed Group) entered into a Deed of Cross Guarantee on 26 May 2009. The effect of the deed is that REA Group Limited guarantees to each creditor payment in full of any debt in the event of winding up of realestate.com.au Pty Limited under certain provisions or if it does not meet its obligations under the terms of overdrafts, loans, leases or other liabilities subject to the guarantee. The controlled entities have also given a similar guarantee in the event that REA Group Limited is wound up or if it does not meet its obligations under the terms of overdrafts, leases or other liabilities subject to the guarantee.

The summarised Income Statement, Statement of Financial Position and Retained Earnings of REA Group Limited and realestate.com.au Pty Limited as members of the Closed Group is as follows:

	2016 $'000	2015 $'000
Consolidated Income Statement		
Profit from continuing operations before income tax	**308,391**	279,399
Income tax expense	**(88,495)**	(74,936)
Profit for the year	**219,896**	204,463
Other comprehensive income		
Total comprehensive income for the year, net of tax	**219,896**	204,463
Summary of movements in consolidated retained earnings		
Retained earnings at beginning of the financial year	**458,895**	339,388
Earnings for the year	**219,896**	204,463
Dividends provided for or paid during the year	**(100,762)**	(84,956)
Retained earnings at end of the financial year	**578,029**	458,895

(e) Deed of Cross Guarantee (continued)

	2016	2015
	$'000	$'000
ASSETS		
Current assets		
Cash and cash equivalents	**109,965**	65,559
Trade and other receivables	**115,895**	79,838
Total current assets	**225,860**	145,397
Non-current assets		
Plant and equipment	**13,496**	15,577
Intangible assets	**49,532**	40,638
Deferred tax assets	**5,186**	4,936
Other non-current assets	**1,014**	258
Investments in subsidiaries	**1,109,943**	445,671
Total non-current assets	**1,179,171**	507,080
Total assets	**1,405,031**	652,477
LIABILITIES		
Current liabilities		
Trade and other payables	**169,003**	32,210
Current tax liabilities	**8,404**	19,853
Provisions	**6,637**	5,253
Deferred revenue	**29,867**	25,502
Total current liabilities	**213,911**	82,818
Non-current liabilities		
Deferred tax liabilities	**5,333**	4,631
Provisions	**2,886**	2,103
Other non-current liabilities	**10,178**	1,568
Interest bearing loans and borrowings	**478,310**	-
Total non-current liabilities	**496,707**	8,302
Total liabilities	**710,618**	91,120
Net assets	**694,413**	561,357
EQUITY		
Contributed equity	**111,817**	98,355
Reserves	**4,567**	4,107
Retained earnings	**578,029**	458,895
Total Equity	**694,413**	561,357

26. Parent entity financial information

The individual Financial Statements for the parent entity, REA Group Limited show the following aggregate amounts:

Information relating to the parent entity, REA Group Limited	**2016**	2015
	$'000	$'000
Current assets	**16**	4,664
Non-current assets	**438,796**	437,088
Total assets	**438,812**	441,752
Current liabilities	**13,793**	14,154
Total liabilities	**13,793**	14,154
Net assets	**425,019**	427,598
Contributed equity	**98,150**	100,078
Reserves	**2,828**	2,324
Retained earnings	**324,041**	325,196
Total shareholders' equity	**425,019**	427,598
Profit and other comprehensive income of the parent entity	**99,606**	250,283

There were no contractual commitments or contingent liabilities by the parent entity for the acquisition of plant or equipment during the current financial year (2015: nil).

The financial information for the parent entity has been prepared on the same basis as the Consolidated Financial Statements, except as set out below.

(i) Investments in subsidiaries and associates

Investments in subsidiaries and associates are accounted for at cost in the Financial Statements of the Company. Dividends received from associates are recognised in the parent entity's Income Statement, rather than being deducted from the carrying amount of these investments.

(ii) Tax consolidation legislation

The Company and its wholly-owned Australian controlled entities implemented the tax consolidation legislation. The head entity, REA Group Limited, and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a standalone tax payer in its own right.

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

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate the Company for any current tax payable assumed and are compensated by the Company for any current tax receivable and deferred taxes relating to unused tax losses or unused tax credits that are transferred to REA Group Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' Financial Statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable or payable to other entities in the group. Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

(iii) Financial guarantees

Where the parent entity has provided financial guarantees in relation to loans and payables of subsidiaries for no compensation, the fair values of these guarantees are accounted for as contributions and recognised as part of the cost of the investment.

For details of any guarantees entered into by the parent entity in relation to the debts of its subsidiaries refer to Note 25.

27. Earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares; and
- by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(a) Earnings per share	**2016 Cents**	2015 Cents
Basic earnings per share attributable to the ordinary equity holders	**192.0**	159.4
Diluted earnings per share attributable to the ordinary equity holders	**192.0**	159.4

(b) Earnings per share from continuing operations	**2016 Cents**	2015 Cents
Basic earnings per share from continuing operations	**192.3**	152.0
Diluted earnings per share from continuing operations	**192.3**	152.0

(c) Weighted average number of shares	**2016 Shares**	2015 Shares
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**131,714,699**	131,714,699
Effect of share options on issue during the financial year	**-**	-
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**131,714,699**	131,714,699

Profit attributable to the ordinary equity holders of the company of $253.0 million (2015: $210.0 million) was used in calculating basic and diluted earnings per share.

There is no effect of the share options granted under the share-based payment plans (refer to Note 23) on the weighted average number of ordinary shares as shares are purchased on-market. There is no material effect on future settlement of LTI Plans.

28. Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	2016	2015
	$	$
(a) EY Australia		
Audit and review of Financial Statements	**822,075**	518,250
Taxation services	**202,100**	240,000
Other assurance services	**70,040**	102,100
Total remuneration of EY Australia	**1,094,215**	860,350
(b) Related practices of EY Australia		
Audit and review of Financial Statements	**142,153**	119,152
Total remuneration of EY	**1,236,368**	979,502
(c) Non EY audit firms		
Audit and review of Financial Statements	**79,660**	81,476
Taxation services	**196,464**	69,292
Other assurance services	**154,580**	22,986
Total remuneration of non EY audit firms	**430,704**	173,754

29. Investment in associate

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.

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 Income Statement.

The Group has a 20% interest in Move Inc. ("Move"), a leading provider of online real estate services in the United States. Move primarily operates realtor.com® a premier real estate information services marketplace, under a perpetual agreement and trademark license with the National Associate of Realtors® ("NAR"), the largest trade organisation in the USA. The holding was acquired in November 2014 for a cash consideration of $226.5 million (US$198.7 million). During the period an additional capital contribution of $3.1 million (US$2.3 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. News Corp. granted the Group a put option to require News Corp. to purchase the Group's interest in Move, which can be exercised at any time beginning two years from the date of acquisition at fair value. Carrying value of the investment approximates fair value.

The Group's interest in Move is accounted for using the equity method in the Consolidated Financial Statements.

The following illustrates the summarised financial information of the Group's investments in associate:

	Move **30 June 2016** **(adjusted)** **$'000**	Move 30 June 2015 (adjusted) $'000
Current assets	**288,721**	155,115
Non-current assets	**1,329,735**	1,356,922
Current liabilities	**(115,817)**	(87,752)
Non-current liabilities	**(93,755)**	(101,045)
Equity	**1,408,884**	1,323,240
Proportion of the Group's ownership	**20.0%**	20.0%
Carrying amount of the investment	**281,777**	264,648
Revenue	**489,424**	225,172
Profit/(loss) for the year from continuing operations	**42,091**	(28,604)
Total comprehensive profit/(loss)	**42,091**	(28,604)
The above profit for the year includes the following:		
Depreciation and amortisation (inclusive of amortisation of fair value uplift on acquisition of associates)	**(57,929)**	(24,837)
Interest/dividend income	**217**	89
Interest (expense)	**(14)**	(23)
Income tax (expense)/benefit	**(27,265)**	18,318

30. Events after the Statement of Financial Position 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

In the Directors' opinion:

(a) the Financial Statements and notes of the consolidated entity for the financial year ended 30 June 2016 set out on pages 31 to 85 are in accordance with the *Corporations Act 2001*, including:

giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the financial year ended on that date; and

complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;

(b) Note 2(a) confirms that the Financial Statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board;

(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;

(d) the Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001* for the financial year ending 30 June 2016; and

(e) as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in Note 25 will be able to meet any obligations or liabilities to which they are or may become subject, by virtue of the Deed of Cross Guarantee.

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

Mr Hamish McLennan
Chairman

Ms. Tracey Fellows
Chief Executive Officer

Melbourne
9 August 2016

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Independent auditor's report to the members of REA Group Limited

Report on the financial report

We have audited the accompanying financial report of REA Group Limited, which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated income statement and consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, 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 year's end or from time to time during the financial year.

Directors' responsibility 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 controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report 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 entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit 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.

Opinion

In our opinion:

a. the financial report of REA Group Limited is in accordance with the *Corporations Act 2001*, including:

   i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

   ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2016. 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.

Opinion

In our opinion, the Remuneration Report of REA Group Limited for the year ended 30 June 2016, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

David Petersen
Partner
Melbourne
9 August 2016

Historical results

A$'000 (except where indicated)	2016	2015	2014	2013	2012
Consolidated Results:					
Revenue from continuing operations	629,803	522,920	437,459	336,460	277,613
Profit before interest and tax (EBIT)	350,230	283,073	203,898	145,050	110,798
Profit before income tax	343,756	286,526	213,197	154,508	118,450
Profit for the year attributable to owners of the parent	252,958	210,011	149,728	109,711	86,971
Earnings per share from continuing operations (cents)	192.3c	152.0c	113.7c	83.3c	66.2c
Return on average shareholders' equity (% p.a.)	40%	44%	41%	39%	39%
Dividend and distribution	100,762	84,953	62,564	48,077	37,328
Dividend per ordinary share (cents)	81.5c	70.0c	57.0c	41.5c	33.0c
Dividend franking (% p.a)	100%	100%	100%	100%	100%
Dividend cover (times)	2.51	2.47	2.40	2.28	2.32
Financial Ratios:					
Net tangible asset backing per share ($)	(1.82)	3.43	2.38	1.85	1.38
Net EBITDA interest cover (times)	61.56	N/A	N/A	N/A	N/A
Gearing (net debt / net debt and shareholders' equity) (%)	41%	-	-	-	-
Financial Statistics:					
Income from dividends and interest	1,914	3,612	9,299	9,278	8,108
Depreciation and amortisation provided during the year	34,934	26,943	21,208	18,670	15,184
Net finance expense / (income)	6,474	(3,453)	(9,299)	(9,458)	(7,652)
Net cash inflow from operating activities	221,339	191,355	183,581	145,177	96,855
Capital expenditure and acquisitions	568,883	391,146	44,154	21,837	29,839
Balance Sheet Data as at 30 June:					
Current assets	223,370	158,530	319,976	311,475	224,069
Non-current assets	1,259,914	511,440	198,592	83,288	76,820
Total Assets	**1,483,284**	**669,970**	**518,568**	**394,763**	**300,889**
Current liabilities	233,022	99,521	100,913	73,001	45,070
Non-current liabilities	534,507	12,370	9,343	6,892	5,301
Total Liabilities	**767,509**	**111,891**	**110,256**	**79,893**	**50,371**
Net Assets	**715,775**	**558,079**	**408,312**	**314,870**	**250,518**
Shareholders' Equity					
Contributed equity	97,109	98,355	102,075	102,474	102,755
Reserves	32,842	26,112	(2,273)	(8,797)	(11,761)
Retained profits	585,274	433,078	308,020	220,856	159,222
Shareholders' equity attributable to REA	715,225	557,545	407,822	314,533	250,216
Non-controlling interests in controlled entities	550	534	490	337	302
Total Shareholders' equity	**715,775**	**558,079**	**408,312**	**314,870**	**250,518**
Other data as at 30 June:					
Fully paid shares (000's)	131,715	131,715	131,715	131,715	131,715
REA share price:					
– year's high ($)	59.89	51.28	52.05	33.30	15.10
– year's low ($)	39.15	37.40	26.70	13.33	10.61
– close ($)	59.49	39.21	42.71	27.53	13.46
Market capitalisation	7,836	5,165	5,626	3,626	1,773
Employee numbers	1,478	906	809	703	624
Number of shareholders	10,883	8,883	4,429	3,018	2,284