REA Group Limited
ABN 54 068 349 066

Audited Financial Statements
for the year ended 30 June 2017

Index

Corporate information

Directors	Hamish McLennan (Chairman) Tracey Fellows (Chief Executive Officer) Roger Amos Kathleen Conlon Richard J Freudenstein John D McGrath Michael Miller Susan Panuccio (resigned 14 July 2017) Ryan O'Hara (appointed 14 July 2017)
Chief Financial Officer	Owen Wilson
Company Secretary	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
Securities Exchange Listing	REA Group shares are listed on the Australian Securities Exchange (ASX: REA)
Website	www.rea-group.com

Directors' Report

The Directors present their report together with the Financial Statements of the consolidated entity (the "Group"), being REA Group Limited (the "Company") and its controlled entities, for the year ended 30 June 2017 and the Independent Auditor's Report thereon.

Directors' Information

Hamish McLennan

Non-executive Director appointed 21 February 2012 and Chairman since 10 April 2012. Age 51

Independent: No – 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 and 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 (March 2011 to March 2013)

Board Committee membership:
- Chairman of the Board
- Member of the Human Resources Committee

Tracey Fellows BEc

Executive Director and Chief Executive Officer appointed 20 August 2014. Age 52

Independent: No

Skills and experience: As CEO of REA Group, Ms Fellows leads the Group's strategy, operations and investments in Australia, Asia, India and North America.

Ms Fellows joined REA Group in 2014 from Australia Post where she was responsible for the physical and digital mail.

Previously, Ms Fellows was based in Singapore as Microsoft Vice-President, Asia-Pacific where she was responsible for the management, sales, marketing and operations for 12 countries across the region. Prior to this, Ms Fellows was CEO 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)

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

Roger Amos FCA, FAICD

Independent non-executive Director appointed 4 July 2006. Age 69

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 Contango Asset Management 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 Ltd (May 2008 to April 2013)
- Former Chairman of the Opera Foundation of Australia (2009 to 2013)

Board Committee membership:
- Chair of the Audit, Risk and Compliance Committee
- Member of the Human Resources Committee

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

Independent non-executive Director appointed 27 June 2007. Age 53

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, member of the Compliance Committee and member of the Strategic Risk Committee
- Director of Benevolent Society (since February 2013)
- Member of Chief Executive Women
- Chair Audit Committee for the Commonwealth Department of Health

Recent directorships and offices:

- Former Director of CSR Limited (from December 2004 to November 2015)

Board Committee membership:

- Chair of the Human Resources Committee
- Member of the Audit, Risk and Compliance Committee

Richard J Freudenstein BEc, LLB (Hons)

Non-executive Director appointed 21 November 2006. Age 52

Independent: No - Nominee Director of News Corp Australia

Skills and experience: Mr Freudenstein was Chief Executive Officer of Foxtel from 2011 to 2016, prior to which he was CEO of News Digital Media (the digital division of News Limited) and The Australian newspaper. Mr Freudenstein was previously the Chief Operating Officer of British Sky Broadcasting.

Other current directorships and offices:

- Director of Wenona School Limited (since September 2012)
- Director of Astro Malaysia Holdings Berhad, member of the Audit Committee and Remuneration Committee (since September 2016)

Recent directorships and offices:

- Former CEO of Foxtel Management Pty Limited (December 2011 to March 2016)
- Former Director of Ten Network Holdings Ltd (November 2015 to March 2016)
- Former Director of Bell Shakespeare Company Limited (February 2007 to June 2013)
- Former Chairman of REA Group Limited (April 2007 to April 2012)

Board Committee membership:

- Member of the Human Resources Committee (appointed September 2016)
- Member of the Audit, Risk and Compliance Committee (appointed July 2017)

John D McGrath

Independent non-executive Director appointed 15 September 1999. Age 53

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 integrated property services groups, listing McGrath Limited on the Australian Securities Exchange in November 2015. 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:

- Founder and Executive Director of McGrath Limited and related subsidiaries
- Director South Sydney Rabbitohs Rugby League Club

Board Committee membership:

- Member of the Human Resources Committee

Michael Miller B.A.Sc, Communication and Media

Non-executive Director appointed 12 November 2015. Age 48

Independent: No – Nominee Director of News Corp Australia

Skills and experience: Mr Miller was appointed Executive Chairman of News Corp Australasia in November 2015. He has over 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, Adshel, Australian Radio Network, carsguide.com.au, Sky Network Television NZ Limited, the Committee for Sydney, the South Australian Rugby Union Limited and Waratahs Rugby.

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

Other current directorships and offices:
- Executive Chairman of News Corp Australasia
- Chairman of NewsMediaWorks
- Director of Unruly Group Limited
- Director of Foxtel Management Pty Limited
- Director of Fox Sports

Board Committee membership: N/A

Susan Panuccio B. Bus (Hons), ICAA

Non-executive Director appointed 22 March 2016 and resigned 14 July 2017. Age 45

Independent: No – Nominee Director of News Corp Australia

Skills and experience: Ms Panuccio has extensive media experience across the UK and Australia. She was appointed News Corp's Chief Financial Officer in March 2017, based in New York. Prior to this, she served as Chief Financial Officer of News Corp Australia, beginning in September 2013.

Before joining News Corp Australia, Ms Panuccio worked 11 years with the News UK business in various roles including Chief Financial Officer, Director of Strategic Program Management and Director of Corporate Planning.

Prior to joining News UK, Ms Panuccio worked in the finance teams of companies such as AngloGold Ashanti, Ansett Australia and KPMG.

Other current directorships and offices:
- Director of Dow Jones & Company, Inc.
- Director of Move, Inc.
- Executive Vice President and CFO of News Corporation
- Director of News Group/Times Newspapers U.K., Inc.
- Director of News Corp Investments LLC
- Director of News Limited of Australia, Inc.
- Director of NYP Holdings, Inc.

Board Committee membership:
- Member of the Audit, Risk and Compliance Committee (until 14 July 2017)

Ryan O'Hara BEc, MBA

Non-executive Director appointed 14 July 2017. Age 48

Independent: No – Nominee Director of News Corp Australia

Skills and experience: Mr O'Hara is Chief Executive Officer of Move, Inc., a leading provider of online real estate services and the operator of realtor.com® websites and mobile experiences in the United States. He assumed the role in January 2015, shortly after News' acquisition of the company.

Mr O'Hara served as a President at The Madison Square Garden Company, the sports and entertainment firm for which he led media assets MSG and Fuse network, technology and sales. Previously, he was Chief Executive Officer of The Topps Company, a leading consumer products business.

Move, Inc., represented Mr O'Hara's return to News Corp following several roles with affiliated companies, including Gemstar-TV Guide, where he led TV Guide Network and TVG. Earlier he held senior roles at Fox Cable Networks in Los Angeles and with BSkyB in London. Previously, Mr O'Hara served in consulting with PwC and in brand management with Nestlé.

Other current directorships and offices: N/A

Recent directorships and offices:
- Former Director of The Topps Company (February 2010 to February 2013)

Board Committee membership: N/A

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
Hamish McLennan	18	18	-	5*	4	4
Tracey Fellows	18	18	-	8*	-	4*
Roger Amos	18	17	8	8	4	4
Kathleen Conlon	18	18	8	8	4	4
Richard J Freudenstein[1]	18	18	-	-	3	2
John D McGrath	18	17	-	-	4	4
Michael Miller	18	17	-	-	-	-
Susan Panuccio	18	15	8	8	-	-

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 – Appointed to the Human Resources Committee on 13 September 2016.

Principal activities

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

Its purpose is to 'change the way the world experiences property'. It fulfils this purpose by:

- Providing digital tools, information and data for people interested in property. REA calls these users of its services 'consumers'.
- Helping real estate agents, developers, property-related businesses and advertisers promote their services. REA calls these users of its services 'customers'.

REA's growth focuses on the three pillars of its strategy; property advertising, lifestyle and property-related services, and global. 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 2017 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 revaluation and unwind of contingent consideration, foreign exchange ('FX') on proceeds from European operations, impairment charge, transaction costs and discontinued operations (net of gain on sale). In 2016, this included the step-up gain on iProperty acquisition, proceeds from settlement of a legal case between Move and Zillow (a US real estate advertising portal) and transaction costs relating to the iProperty acquisition.

A reconciliation of results from core operations and non-IFRS (International Financial Reporting Standards) measures compared with the reported results in the financial statements on page 32 is set out below. The following non-IFRS measures have not been audited, but have been extracted from the audited financial statements.

Core and reported results	**2017 $'000**	**2016 $'000**	**Growth**
Revenue from core operations	**671,206**	579,059	16%
Fair value gain on step-up acquisition	**-**	40,827	n/m
Reported revenue & other income	**671,206**	619,886	8%
EBITDA from core operations (excluding share of losses of associates)*	**385,323**	341,678	13%
Share of losses of associates	**(4,417)**	(13,850)	(68%)
EBITDA from core operations*	**380,906**	327,828	16%
Revaluation of contingent consideration	**2,783**	-	n/m
FX on proceeds from European operations	**(4,112)**	-	n/m
Impairment charge	**(182,837)**	-	n/m
Fair value gain on step-up acquisition	**-**	40,827	n/m
Proceeds from settlement of legal case of associate	**-**	20,169	n/m
Business combination transaction costs	**(2,545)**	(9,330)	(73%)
Reported EBITDA*	**194,195**	379,494	(49%)
Net profit from core operations	**228,298**	204,251	12%
Revaluation and unwind of contingent consideration	**7,864**	(2,130)	(>100%)
FX on proceeds from European operations, net of tax	**(2,879)**	-	n/m
Discontinued operations (net of gain on sale)	**158,423**	(1,456)	(>100%)
Impairment charge	**(182,837)**	-	n/m
Fair value gain on step-up acquisition	**-**	40,827	n/m
Proceeds from settlement of legal case of associate	**-**	20,169	n/m
Business combination transaction costs, net of tax	**(2,536)**	(8,381)	(70%)
Reported Net profit	**206,333**	253,280	(19%)

* 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 16% to $671.2 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) and the inclusion of iProperty revenue, which was held for five months in the prior comparative period. This was achieved in a market that had lower listing volumes. The Group achieved a 16% increase in EBITDA from core operations to $380.9 million and a 12% increase in net profit from core operations to $228.3 million. Operating expenses increased due to the inclusion of iProperty expenses for the full year, an increase in marketing in both Australia and Asia, and continued investment in product innovation.

Revenue grew across all segments for the year and Australia remained the primary revenue driver for the business, delivering 94% of the Group's revenue. The revenue growth in Australia reflects 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 visits with a 14% increase across REA Group's Australian residential and commercial listings sites[1]. This figure is particularly impressive, given that property listings were down for the year ending 30 June 2017.

Corporate expansion and investment activities

The Group has continued to deliver on its global strategy and corporate expansion:

- On 19 December 2016 the Group announced it had entered into a five-year partnership with National Australia Bank (NAB) to create an integrated digital home loan experience on realestate.com.au. The partnership will see realestate.com.au and NAB work together to develop an innovative end-to-end digital property buying experience.

[1] Source: Nielsen Online Market Intelligence Home and Fashion Suite average monthly visits for the audited sites of realestate.com.au and realcommercial.com.au for the year ended 30 June 2017 compared to the year ended 30 June 2016. Excludes apps.

- On 20 December 2016 the Group announced it had entered into an agreement to sell its European businesses, atHome Group S.à r.l. and REA Italia S.r.l. The sale enables us to focus on our key growth areas in the Australian, Asian and North American markets. The consideration was $193.7 million (€132.6 million). This resulted in a gain of $161.6 million (€111.5 million), after deducting net assets, accumulated foreign exchange reserves and transaction costs. The profit from the discontinued operations for the year ended 30 June 2017 was $158.4 million, including the gain on sale. The sale was completed on 1 February 2017.

- On 10 January 2017, the Group announced its intention to acquire a 14.7% stake on a fully diluted basis (16.4% on a non-diluted basis) in PropTiger, a leading digital real estate marketing platform in India. PropTiger owns and operates proptiger.com, makaan.com and housing.com. The Group's stake was acquired for cash consideration of $67.9 million (US$50.0 million) and was funded by cash reserves. The investment was completed on 20 January 2017.

- On 27 June 2017, the Group announced an intention to acquire an 80.3% majority stake in Smartline, a premier mortgage broking franchise group. The Group's final purchase consideration of $69.4 million was funded from existing cash reserves and the transaction completed on 31 July 2017. The Group also announced that it had strengthened its partnership with NAB to build a realestate.com.au broking service.

Strong operational results and key investment activities offset by shareholder returns in the form of dividends, resulted in a cash balance of $358.5 million as at 30 June 2017.

Dividends

Dividends paid or declared by the Company during, and since, the end of the year are set out in Note 9 to the Financial Statements and below:

	Final 2017	**Interim 2017**	**Final 2016**
Per share (cents)	**51.0**	40.0	45.5
Total amount ($'000)	**67,174**	52,686	59,930
Franked*	**100%**	100%	100%
Payment date	**14 Sept 2017**	15 Mar 2017	15 Sept 2016

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

Performance by region

2017	**Australia**	**Asia**	**North America**	**Corporate**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Segment revenue					
Total segment revenue	**634,102**	**38,110**	**-**	**-**	**672,212**
Inter-segment revenue	**(575)**	**(431)**	**-**	**-**	**(1,006)**
Revenue from external customers	**633,527**	**37,679**	**-**	**-**	**671,206**
Results					
Segment EBITDA from core operations (excluding share of losses of associates)	**404,089**	**2,462**	**-**	**(21,228)**	**385,323**
Share of losses of associates	**-**	**(3,300)**	**(1,117)**	**-**	**(4,417)**
Segment EBITDA from core operations	**404,089**	**(838)**	**(1,117)**	**(21,228)**	**380,906**
Revaluation of contingent consideration	**-**	**-**	**-**	**2,783**	**2,783**
FX on proceeds from European operations	**-**	**-**	**-**	**(4,112)**	**(4,112)**
Impairment charge	**-**	**-**	**-**	**(182,837)**	**(182,837)**
Business combination transaction costs	**-**	**-**	**-**	**(2,545)**	**(2,545)**
EBITDA	**404,089**	**(838)**	**(1,117)**	**(207,939)**	**194,195**
Depreciation and amortisation					**(37,816)**
EBIT					**156,379**
Net finance expense					**(5,692)**
Profit before income tax					**150,687**

2016	**Australia**	**Asia**	**North America**	**Corporate**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Segment revenue					
Total segment revenue	556,146	25,588	-	-	581,734
Inter-segment revenue	(967)	(1,708)	-	-	(2,675)
Revenue from external customers	555,179	23,880	-	-	579,059
Results					
Segment EBITDA from core operations (excluding share of losses of associates)	349,266	9,330	-	(16,918)	341,678
Share of losses of associates	-	(2,099)	(11,751)	-	(13,850)
Segment EBITDA from core operations	349,266	7,231	(11,751)	(16,918)	327,828
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	349,266	7,231	(11,751)	34,748	379,494
Depreciation and amortisation					(29,658)
EBIT					349,836
Net finance expense					(6,467)
Profit before income tax					343,369

Performance by region (continued)

Benefits of continued expansion

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

Australia

The Group operates Australia's number one residential, commercial and share property sites, realestate.com.au, realcommercial.com.au[2] and Flatmates.com.au[3].

Customers value our number one[2] position with a 5% increase in the number of Australian real estate agent offices that list properties on our sites for the year ended 30 June 2017.

Overall, Australian revenues increased by 14% to $633.5 million during the year.

Australia's listing depth revenue increased 18% to $481.8 million. This was driven by the success of our residential Premiere All offering and increased yield, despite the decrease in listing volumes.

Developer and commercial listing depth and subscription revenue increased 15%. This growth was due to the positive take-up of our premium developer product, Project Profiles, which showcases large developments. We achieved this strong result during a period of decline in new dwelling commencements.

Our media and other business revenue increased 2% to $95.3 million with the inclusion of revenues from Flatmates.com.au and the NAB partnership. Media display revenue, in particular developer advertising, has been impacted by the decline in both dwelling commencements and display advertising on content sites[4].

Flatmates.com.au is the number one site in share accommodation by visits[3]. It receives over 2.4 million average monthly visits, representing growth of 19% compared with the previous comparative period[5]. The Group is well placed to strengthen this leadership position through the sharing of technology, expertise and marketing.

Innovation is driving consumer engagement

The Group has the largest and most engaged audience of property seekers in Australia. Combined, realestate.com.au and realcommercial.com.au attracted average monthly visits of 51.7 million[6] during the year, which represents growth of 14%[7] compared with the previous period and an average time on site of 269.0 million minutes[8].

The high consumer engagement is due to the Group's continued efforts to enhance the online experience for people looking to buy, sell, rent or share property. Additionally, this large audience provides rich data into how people search, where they look and what they look for. This information enables us to personalise consumers' experiences based on their own search behaviour.

Recent innovations mean consumers can now find more detailed, relevant and up-to-date information on more properties.

Examples of such innovations are:

realestate VR App – This was Australia's first virtual reality property app available on Daydream, which is Google's mobile virtual reality platform.

Seller Hub – This gives consumers access to the best information and insights before their property is auctioned.

Frontpage – This is a new depth product that gives customers the opportunity to prominently advertise their properties on the realestate.com.au homepage. It

[2] Source: Nielsen Online Market Intelligence Home and Fashion Suite average monthly visits and average monthly minutes for the audited sites of realestate.com.au and realcommercial.com.au, compared to domain.com.au and commercialrealestate.com.au, for the year ended 30 June 2017. Excludes apps.

[3] Source: Google Analytics average monthly visits for the Flatmates.com.au site for the year ended 30 June 2017 compared to the nearest market competitor.

[4] Source: Standard Media Index (SMI) Advertising Expenditure for Digital Content Sites for the eleven month period July 2016-May 2017 compared to the eleven month period July 2015-May 2016.

[5] Source: Google Analytics average monthly visits for the year ended 30 June 2017 compared to the year ended 30 June 2016.

[6] Source: Nielsen Online Market Intelligence Home and Fashion Suite average monthly visits for the audited sites of realestate.com.au and realcommercial.com.au for the year ended 30 June 2017. Excludes apps.

[7] Source: Nielsen Online Market Intelligence Home and Fashion Suite average monthly visits for the audited sites of realestate.com.au and realcommercial.com.au for the year ended 30 June 2017 compared to the year ended 30 June 2016. Excludes apps.

[8] Source: Nielsen Online Market Intelligence Home and Fashion Suite combined minutes for the audited sites of realestate.com.au and realcommercial.com.au for the year ended 30 June 2017. Excludes apps.

is personalised for consumers based on their search behaviour.

Lifestyle – This is a video-led content experience for consumers to help them to upgrade all aspects of their property.

Spacely – This new listings site makes it easier for Australians to find a short-term commercial space that meets their specific needs whether it be retail, event, office, co-working, or creative spaces.

Builder Profiles – This is a new section on realestate.com.au for consumers looking to build a new home, search for a range of builders in their preferred location and preview designs.

As a result of the Group's focus to deliver an exceptional mobile experience, launches of our apps grew by 52%[9] and app downloads exceeded 6.7 million[10]. Average monthly visits for realestate.com.au's sites outperformed the nearest competitor site by more than 2.5 times.[11]

Revenues increased, due to greater uptake of 'listing depth products'

The Group's revenue growth is particularly strong, given lower property listing volumes and the lower average days on-market due to high auction clearance rates in Sydney and Melbourne, compared with the previous year.

The Group's results can be attributed to the implementation of its strategic initiatives. An important factor has been the expansion and innovation of depth products, increasing adoption by both residential and commercial property agents.

Asia

The Group's Asian operations comprise iProperty, which operates leading property portals across Malaysia[12] and Indonesia[13], and prominent portals in Hong Kong, Thailand and Singapore, as well as Chinese site, myfun.com. Additionally the Group holds a strategic investment in PropTiger, which operates in India.

The Asian business recorded $37.7 million of revenue for the year. The Asian financial results have been affected in the year by a cyclical decline in several Asian property markets as a result of changes to government and banking regulations.

Following the completion of the company's annual intangible asset impairment testing process, a non-cash impairment charge of $182.8 million was recorded pre-tax ($182.8 million post-tax) for the year ended 30 June 2017 in relation to the carrying value of the Group's goodwill for the Asian reporting segment.

In Malaysia, stricter lending rules have resulted in a decrease in loan applications and approvals[14] and there has also been a 33% reduction in the number of properties sold[15]. In Hong Kong, the Government has introduced a number of cooling measures to try to soften a highly competitive market, including the increase of stamp duty for residential property transactions to 15%. The Group remains focused on the long-term growth opportunities in the region. Investment in innovation, marketing and people positions the Group well for a market recovery.

We experienced a 38% growth in Malaysian visits[16] and a 94% growth in Indonesian app visits[17]. The release of innovative android and iOS apps in Malaysia, Indonesia and Hong Kong brought a best in class mobile experience to these markets. In Malaysia, as a market-first, we combined developer and existing property listings to improve search functionality.

iProperty and Brickz.my have partnered to launch iPropertyIQ, which is a subscription-based data service providing transaction insights on the property market in Malaysia.

The Group is investing in senior leadership based in-region, strengthening the Asian management team to implement the strategy and greater connectivity to Australia.

[9] Source: Adobe Analytics average monthly launches of the app for realestate.com.au for the year ended 30 June 2017 compared to the year ended 30 June 2016.

[10] Source: Google Play and iTunes, total downloads for the realestate.com.au iOS and Android apps to June 2017.

[11] Nielsen Online Market Intelligence Home and Fashion Suite average monthly visits for the audited sites of realestate.com.au compared to domain.com.au, for the year ended 30 June 2017. Excludes apps.

[12] Source: SimilarWeb average monthly visits for iproperty.com.my site in Malaysia for the six months ended 30 June 2017 compared to the nearest market competitor.

[13] Source: SimilarWeb average monthly visits for rumah123.com site in Indonesia for the six months ended 30 June 2017 compared to the nearest market competitor.

[14] Source: Bank of Negara Malaysia Monthly Highlights and Statistics May 2017 loans applied by sector and loans approved by sector for the period July 2016 to May 2017 compared to the period July 2015 to May 2016.

[15] Source: Malaysia National Property Information Center 2016 Annual Property Market Report - Newly Launched Units sold for the twelve months ended 31 December 2016 compared to the twelve months ended 31 December 2015.

[16] Source: Adobe Analytics average monthly visits for iproperty.com.my site in Malaysia for the year ended 30 June 2017 compared to the year ended 30 June 2016. Excludes apps.

[17] Source: Adobe Analytics average monthly visits for rumah123.com app in Indonesia for the year ended 30 June 2017 compared to the year ended 30 June 2016.

On 20 January 2017, the Group acquired a 14.7% stake on a fully diluted basis (16.4% on a non-diluted basis) in PropTiger, a leading digital real estate marketing platform in India. News Corp, the parent of REA Group's majority shareholder News Corp Australia, is currently the largest shareholder of PropTiger, holding a 23% investment. This investment, coupled with iProperty, extends our footprint in Asia and strengthens our presence within the region. PropTiger has been accounted for as an associate since 20 January 2017 and is included in the Asian segment.

North America

The Group holds 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%. During the period, the Group paid additional capital contributions of $1.6 million (US $1.2 million) cash to fund rollover awards held by Move employees.

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

Knowledge and technology sharing between REA and Move, Inc. across product and consumer experience has led to a number of new innovations. Realtor.com is the number two property portal in the United States, the world's largest real estate market. Reported revenue growth of 10% to US$394 million[18] was primarily due to the strength in its Connections℠ for Buyers product, as well as growth in non-listing Media revenues. Average monthly unique users for the year grew 11% year-over-year to approximately 52 million[19].

The Group's share of Move, Inc. for the year resulted in a $1.1 million loss recognised in the Income Statement.

State of affairs

In the Directors' opinion, other than the investments and divestment 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 2017 that has significantly affected the operations of the Group, the results of the operations or the state of affairs of the Group, except for those outlined in Note 24.

Business strategies and future developments

The online advertising market continues to grow and we will continue to invest in innovation.

Our growth strategy reflects three priorities: property advertising, lifestyle and property-related services, and global.

Property advertising

The foundation of the business is online advertising of property listings, supported by data on residential and commercial property. Agents continue to play an important role, and increasing engagement is important for future growth.

The aim of property advertising is to improve both the existing products and become more personalised to consumers. By continuing to innovate and develop new products and services, the Group assists property developers and real estate agents, as well as making it easier for our consumers to find properties.

Lifestyle and property-related services

The Group is now one of the largest sources of property-related information, insights and inspiration in Australia. In particular, the depth, breadth and increased personalisation of our consumer data increases the opportunities to engage a wider range of advertisers.

The Group has also announced it will enter the Financial Services segment. As part of this, the Group has entered into a five-year partnership with NAB to create an integrated digital home loan experience on realestate.com.au. It has also announced strategic investments into the mortgage broking market. This

[18] Source: NewsCorp's Earnings Release stated in US Dollars (10 August 2017) for the year ended 30 June 2017. Revenue was partially offset by a $12 million decline in revenue associated with the sale of TigerLead® in November 2016 and a $6 million impact from the absence of the additional week in the prior year resulting in underlying revenue growth of 16%.

[19] Source: Move internal data average monthly unique users for the year ended 30 June 2017 compared to the year ended 30 June 2016.

includes the intention to acquire an 80.3% majority stake in Smartline, and strengthening its relationship with NAB to build a realestate.com.au mortgage broking offering which will be called realestate.com.au Home Loans at launch in the first half of financial year 2018.

The 1Form online application for renters received 2.5 million[20] rental applications for the year, representing 45%[20] year-on-year growth. This technology provides early visibility of consumers who are planning to move. Advertisers can utilise this information to target these consumers through initiatives such as Connections.

Connections helps consumers compare and connect services to their property, such as electricity, telecommunications and pay TV, etc.

Global

We will continue to expand into new markets, and people will increasingly be able to search for property all over the world with us. We will leverage our global scale, knowledge and capability to increase our speed to market and competitiveness.

Our acquisition of iProperty and our strategic investment in PropTiger gives exposure to the Asian market, which represents an opportunity for growth.

With average property prices in Singapore and Hong Kong already higher than in Australia, and the volume of transactions exceeding that of Australia, the iProperty acquisition is important for our expansion.

Our investment in Move Inc., a leading digital real estate advertising business in the United States, gives us access to the largest real estate market in the world.

In January 2017, the Group completed the sale of its European businesses, atHome Group S.à r.l. and REA Italia S.r.l., which enables us to focus in our key growth areas in the Australian, Asian and North American markets.

Opportunities and risks

Everything we do is driven by our purpose to 'change the way the world experiences property' – from product innovation to our international investments. Having a clearly defined and committed purpose provides us with opportunities to drive further value. These 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.
- Expansion of our international presence, either through acquisition or investment.
- Utilising our data to provide a new or enhanced experience for our consumers and/or further support our customers in achieving their strategic aims.
- Building a market-leading home loan offering by entering into the mortgage brokering industry and utilising our leading digital capability.

Our growth and success are a result of seeking out opportunities. These also come with risks. We take our responsibility to shareholders and employees very seriously and are never complacent about risk. This year we continued our focus on strengthening our risk culture by:

- Further developing our Risk Management Framework by enabling responsible risk management with alignment to our strategic business objectives; and
- Raising the profile of risk management throughout the Group, with the primary intent to both educate and enable our people to:
    - Take responsibility for risk management as part of their business as usual roles; and
    - Make good business decisions, by taking the right risks (within Board approved Risk Appetite), at the right time, based on quality data and information.

The Executive Risk Committee oversees the implementation of our risk-management framework and ensures management fulfils its risk-management responsibilities. The Executive Risk Committee is focused on operational, financial and strategic risks,

[20] Source: REA internal data for the year ended 30 June 2017 compared to the year ended 30 June 2016.

including IT-related risks such as IT Security, Data Privacy and Disaster Recovery.

Key REA business risks include:

- The development of new technologies and increased competition from existing or new sites and apps 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 incidents caused by adversarial, accidental or environmental threat which may result in the theft or destruction of confidential consumer/customer data and/or loss of REA system integrity. 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 availability or downtime of our websites and apps may result in a poor experience for our consumers and customers. 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.

- A decline in market conditions could result in a significant reduction in the number of property listings on our sites. 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.

- A breach of REA's privacy obligations could occur. REA recognises that privacy compliance is critical to maintaining consumer trust. We maintain a comprehensive privacy compliance program and update our program to align with changes in the law. REA is committed to the 'privacy by design' method of embedding privacy considerations into the company's products, processes and systems.

Corporate governance

REA Group is committed to being ethical, transparent and accountable. We believe this is essential for the long-term performance and sustainability of our Company and supports the interests of our shareholders. The REA Group Board of Directors is responsible for ensuring that the Company has an appropriate corporate governance framework to protect and enhance company performance and build sustainable value for shareholders. This corporate governance framework acknowledges the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (ASX Principles and Recommendations) and is designed to support our business operations, deliver on strategy, monitor performance and manage risk.

Our Corporate Governance Statement addresses the recommendations contained in the third edition of the ASX Principles and Recommendations and is available on our website at www.rea-group.com/corporate-governance. This statement should be read in conjunction with our website and with the Directors' Report, including the Remuneration Report.

Sustainability

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

- 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 evolved our Senior Women's Networks at REA to include our broader female employee base and welcomed multiple external thought leaders to encourage diversity of thought, innovation and critical thinking.

- In alignment with our focus on gender equity and our work towards obtaining White Ribbon accreditation, we also introduced Domestic Violence Sensitivity Training for people managers as well as 20 days paid leave for employees who disclose that they are experiencing domestic violence.

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 6 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 7 of this report.

Details of directorships of other listed companies held by each current Director in the three years before the end of the 2017 financial year are listed on pages 4 to 6 of this report.

Company Secretary's qualifications and experience

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

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 its 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 its 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	**2017 $**	2016 $
Tax compliance services	**268,160**	171,050
International tax consulting	**118,510**	31,050
Other assurance services	**103,842**	199,040
Total remuneration for non-audit services	**490,512**	401,140

Further details on the compensation paid to Ernst & Young is provided in Note 22 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.

Ernst & Young
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
ey.com/au

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 2017, I declare to the best of my knowledge and belief, there have been:

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

Ernst & Young

Ernst & Young

David McGregor
Partner
11 August 2017

Remuneration Report

This report details REA Group's remuneration framework and outcomes for Key Management Personnel (KMP) for the financial year ending 30 June 2017. This report forms part of the Directors' Report for this period.

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 2017 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 2017 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
John McGrath	Independent Director
Michael Miller	Director
Susan Panuccio	Director

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), the Chief Financial Officer (CFO) and other executives. 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 may seek independent advice and data 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. Any remuneration recommendations and data are provided by the external consultant directly to the Chair of the Committee.

During the 2017 financial year, the HR Committee engaged *Aon Hewitt* to provide benchmarking data as an input into our annual remuneration process. *Aon Hewitt* was paid a total of $13,600 for these services during the year. No actual remuneration recommendations were provided by *Aon Hewitt*.

3. Executive remuneration philosophy and framework

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			
Shareholder aligned	**Rewards for high performance**	**Consistency & transparency**	**Simplicity**

3.1 Remuneration structure

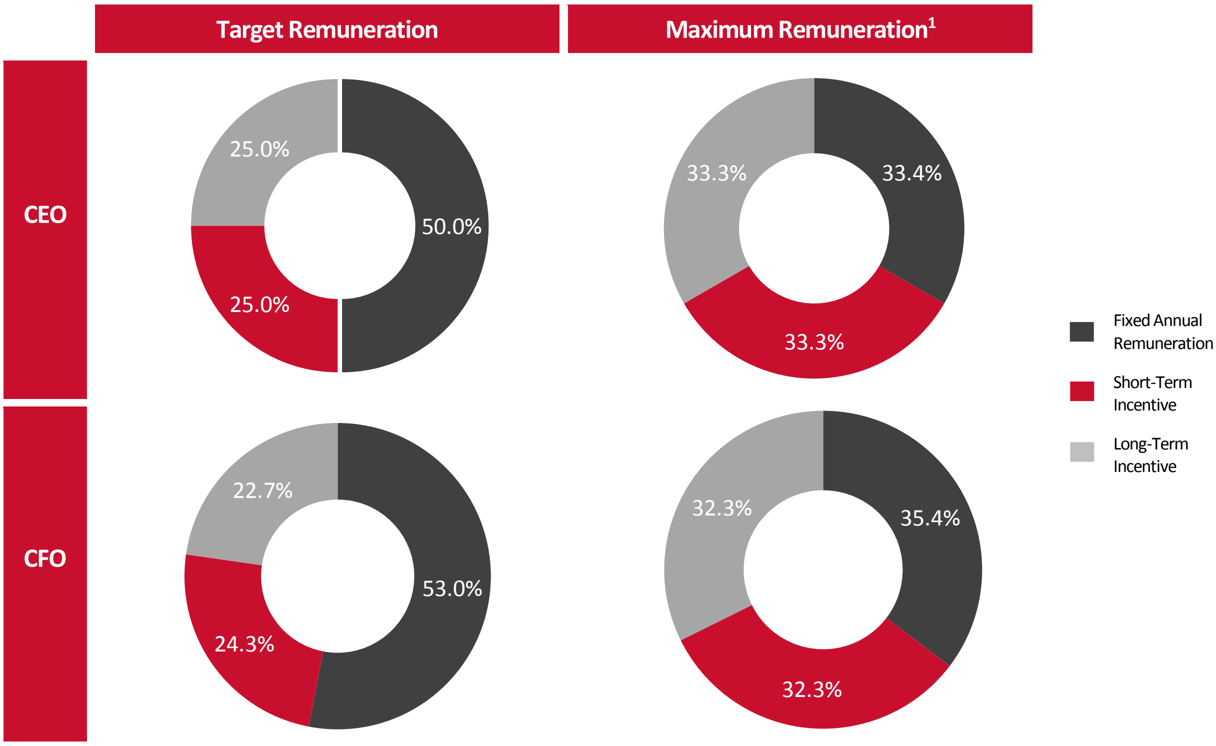
Executive total remuneration is made up of the following three components:

Component	What is it?	How does it link to strategy & performance?
Fixed Annual Remuneration ('FAR')	Fixed remuneration consists of base compensation and statutory superannuation contributions. KMP may also elect to have other benefits provided out of their FAR, including additional superannuation and the provision of a motor vehicle.	• Provides competitive ongoing remuneration in recognition of day-to-day accountabilities.
Short-Term Incentive ('STI')	The 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.	• Rewards delivery of key strategic and financial objectives in line with the annual business plan. • Enables differentiation of reward on the basis of individual performance. • Ensures annual remuneration is competitive.
Long-Term Incentive ('LTI')	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.	• Rewards delivery against longer-term strategy and sustained shareholder value creation. • Provides greater alignment between shareholder and executive outcomes.

Details on each of the individual components are set out in section 5 of this report.

3.2 Remuneration mix

Remuneration mix refers to the proportion of Total Remuneration that is made up of each remuneration component. The following diagrams set out the remuneration mix for each KMP at both target (the amount that would be paid for delivering target performance) and maximum (the amount that would be paid for delivering stretch performance) remuneration levels.



1 Pay mix for maximum based on value of performance rights at grant date.

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

A key underlying principle of the Group's executive remuneration framework is that executive remuneration outcomes should be linked to performance. Understanding REA Group's performance over both the financial year ending 30 June 2017 and the longer-term will provide shareholders and other interested stakeholders with important context when reviewing our remuneration framework and outcomes in more detail over the following pages of this report.

4.1 REA Group performance

It has been another strong year for REA Group, with revenue increasing by 16% and EBITDA from core operations increasing by 16% on prior comparative period.

Summary of Group performance

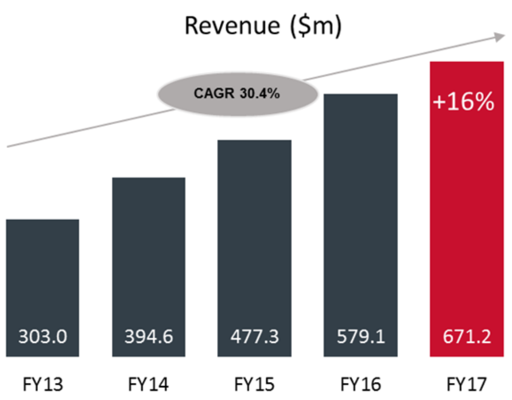
The table on the following page summarises key indicators of the Group's performance and the effect on shareholder value over the past five years.

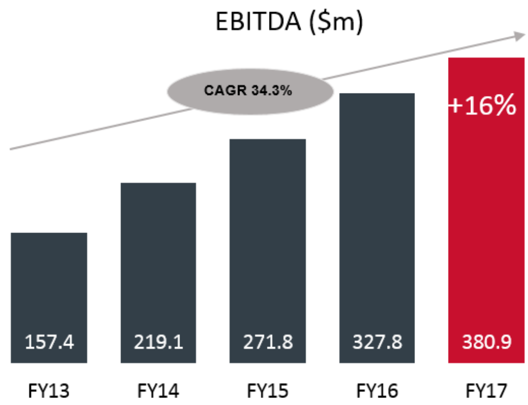
Key Indicators	2013	2014	2015	2016	**2017**
Revenue*	302,966	394,602	477,292	579,059	**671,206**
EBITDA*	157,424	219,114	271,785	327,828	**380,906**
Net profit after tax*	105,965	148,263	177,435	204,251	**228,298**
Earnings per share*	80.5c	112.6c	134.7c	155.1c	**173.3c**
Dividends per share	41.5c	57.0c	70.0c	81.5c	**91.0c**
Share Price 30 June	$27.53	$42.71	$39.21	$59.49	**$66.40**

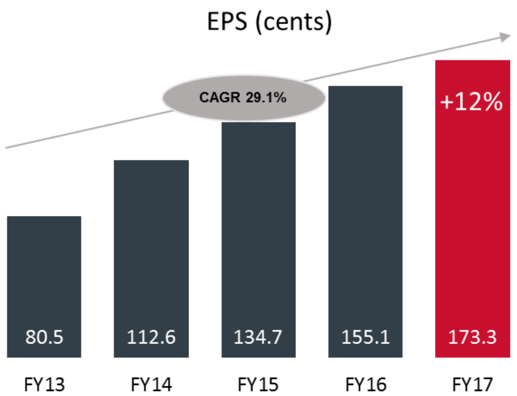
* From core operations $'000. Information for 2013 – 2016 is restated to exclude discontinued operations.

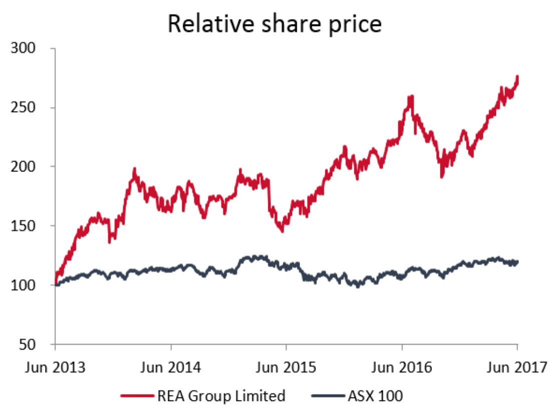
Compound Annual Growth & Share price performance

REA Group's growth over the last five years has been exceptional, and as detailed in the following graphs, has delivered strong revenue and earnings per share ('EPS') compound annual growth rates ('CAGR'). REA Group's relative share price in comparison to the ASX 100 is also outlined below. REA's share price has significantly outperformed the ASX 100 in the last 3 years.









4.2 KMP performance outcomes

The following table provides a summary of KMP financial and non-financial objectives and outcomes for the 2017 financial year:

Category	Objective	Outcome
Financial	Group revenue targets Group EBITDA targets	Threshold
Consumer and customer satisfaction	Increase consumer satisfaction across all platforms Increase customer satisfaction across all lines of business	Exceeded
Growth	Lifestyle and adjacencies Financial Services Asia	Threshold Exceeded Below target
People	Employee engagement	Exceeded

4.3 KMP remuneration outcomes

The following table sets out the short-term incentive (STI) outcomes for the 2017 financial year based on achievement of financial and non-financial objectives:

Executives	Actual STI payment	% of Target STI payable	% of Target STI forfeited
CEO	577,200	89%	11%
CFO	357,600	112%	0%

The following table sets out details of performance rights held by and granted to the CEO and CFO during the 2017 financial year under the LTI Plans, along with the number of performance rights forfeited.

Name	Balance at 1 July 2016	Rights granted during year	Balance at 30 June 2017	$ 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
LTI Plan 2019 (Plan 10)	-	11,122	11,122	649,973
Total	**23,722**	**11,122**	**34,844**	**1,564,973**
O Wilson				
LTI Plan 2017 (Plan 8)	5,164	-	5,164	208,316
LTI Plan 2018 (Plan 9)	8,108	-	8,108	300,000
LTI Plan 2019 (Plan 10)	-	5,133	5,133	299,974
Total	**13,272**	**5,133**	**18,405**	**808,290**

* No performance rights vested, exercised or forfeited during the year.

The table below sets out the details of the percentage performance achieved and percentage vested against the applicable LTI Plan. Refer to section 5.5 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	-
LTI Plan 2019 (Plan 10)	1 July 2016	1 July 2019	$55.82	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. Executive remuneration components

5.1 How REA Group determines appropriate remuneration levels

As we continue to grow and diversify into different markets and business lines, it is important that we check in to ensure that our remuneration levels support us in attracting and retaining high-calibre talent within what is a competitive market. We therefore review our Executive remuneration on an annual basis.

Market positioning

How much we pay each Executive depends on a number of things including the scope of their role and their overall contribution to REA Group, but as a starting position, we compare current fixed remuneration to the 50th percentile and target total remuneration to a position between the 50th and 75th percentiles. This aligns with our principle of rewarding for above threshold performance.

Benchmarking methodology

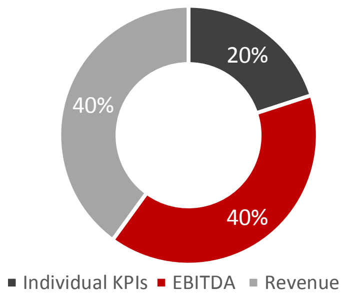
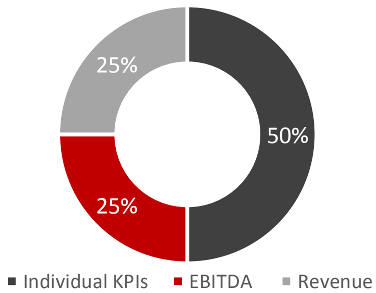
The HR Committee utilises market data provided by external consultants as part of the review process. We compare our remuneration levels to the following two comparator groups:

1. Size-based comparator group taking cognisance of both revenue and 12-month average market capitalisation (excluding companies from outside our market for talent, e.g., resources sector)
2. All companies within the ASX 51 – 100.

We feel that this methodology provides us with a balanced approach factoring in both company size and general ASX market practice into our remuneration decision making. Full details of remuneration received during the 2017 financial year are detailed in section 5.5.

5.2 Short-term incentive arrangements

The table on the following page summarises the key components, operation and outcomes of REA Group's 2017 short-term incentive plan:

<table>
<tr><th></th><th colspan="2">Short-term Incentive Summary</th></tr>
<tr><td>Participants</td><td colspan="2">CEO and CFO</td></tr>
<tr><td>Award type</td><td colspan="2">Cash</td></tr>
<tr><td>Performance period</td><td colspan="2">One year performance period beginning 1 July 2016 and ending on 30 June 2017</td></tr>
<tr><td>When are performance conditions tested?</td><td colspan="2">• Performance against financial measures are determined in line with approval of the Financial Statements at the end of the financial year
• Performance against non-financial measures within individual KPIs are determined after a review of executive performance by the CEO, in consultation with the HR Committee and in the case of the CEO, by the Board.</td></tr>
<tr><td rowspan="2">Performance metrics and weightings</td><td>CEO</td><td>CFO</td></tr>
<tr><td></td><td></td></tr>
<tr><td>Target [21]</td><td>$650,000</td><td>$320,000</td></tr>
<tr><td>Maximum [22]</td><td>$1,300,000</td><td>$640,000</td></tr>
<tr><td rowspan="7">Relationship between performance and payment</td><td>Financial measures – level of performance</td><td>% of Target incentive awarded*</td></tr>
<tr><td>Below Threshold (i.e. ≤ 85% of Target)</td><td>0%</td></tr>
<tr><td>85-89%</td><td>50%</td></tr>
<tr><td>95%</td><td>90%</td></tr>
<tr><td>Target</td><td>100%</td></tr>
<tr><td>Above Target (i.e. ≥ 120% of Target)</td><td>200%</td></tr>
<tr><td colspan="2">* Pro-rata payment is made between Threshold and Target, as well as Target and Above Target points.
Individual performance is determined based on performance against KPIs with the individual component paying out between 0% and 200% of target.</td></tr>
<tr><td>Calculation of outcome</td><td colspan="2">Revenue outcome + EBITDA outcome + Individual outcome = STI outcome</td></tr>
</table>

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 strategic initiatives, 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.

21 Amount that would be paid for delivering on-target performance

22 Amount that would be paid for delivering stretch performance

5.3 Long-term incentive

The following table summarises the key components and operation REA Group's long-term incentive plan:

	Long-term Incentive Summary
Participants	CEO and CFO
Award type	Performance rights
Performance period	The performance rights allocated during the year are subject to a three year performance period beginning 1 July 2016 and ending on 30 June 2019. The Group refers to this grant as the "LTI Plan 2019" as the performance period ends in FY19.
Performance metrics	**Metric** / **Weighting** Compound Annual Growth Rate (CAGR) - Revenue: 50% CAGR – Earnings Per Share (EPS): 50%
When are performance conditions tested?	Incentive payments are determined in line with the approval of the Financial Statements at the end of the performance period.
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. The value per right is determined on a face value basis using a 5-day VWAP prior to the issuance of performance rights. Each performance right is a right to acquire one share in REA upon vesting.
Target LTI value	**CEO**: $650,000 delivered in performance rights **CFO**: $300,000 delivered in performance rights
Relationship between performance and vesting	The following vesting schedule applies to both performance hurdles and to both the LTI Plan 2019 granted this year, and the LTI Plan 2017 that vested during this financial year. **Performance level** / **% of awards vesting** Below Threshold: 0% vesting Threshold: 80% vesting Target: 100% vesting Stretch*: 200% vesting * Vesting of over-performance (between Target and Stretch) provides acceleration to provide greater differentiation for out-performance.
Calculation of outcome	Revenue CAGR outcome + EPS CAGR outcome = LTI outcome

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.

Why don't we publish performance target information?

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.

For the LTI Plan 2019 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.

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 due to their own resignation, any unvested performance rights will lapse. Where REA Group terminates an executive's employment with notice (a 'good leaver'), 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.

5.4 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

5.5 Executive remuneration table

Details of the remuneration paid to the current executives for the 2017 and 2016 financial years are set out as follows:

KMP	Short-term employee benefits		Post-employment benefits	Long-term employee benefits	LTI Plan[2]	Total	Performance related %	LTIP %
	Salary	STI Plan[1]						
T Fellows (Chief Executive Officer)								
2017	**1,280,384**	**577,200**	**19,616**	**15,322**	**475,941**	**2,368,463**	**44%**	**20%**
2016	915,692	520,800	19,308	4,584	305,000	1,765,384	47%	17%
O Wilson (Chief Financial Officer)								
2017	**680,384**	**357,600**	**19,616**	**7,600**	**220,498**	**1,285,698**	**45%**	**17%**
2016	580,692	382,500	19,308	2,855	183,333	1,168,688	48%	16%
Total								
2017	**1,960,768**	**934,800**	**39,232**	**22,922**	**696,439**	**3,654,161**	**45%**	**19%**
2016	1,496,384	903,300	38,616	7,439	488,333	2,934,072	47%	17%

1 STI Plan represents accrued payment for current year net of under/over accrual from prior year.
2 LTI Plan represents accrued expenses amortised over vesting period of grant. Refer to Note 15 of the Financial Statements.

6. Non-executive director remuneration

6.1 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 2017 the Board's policy was that the Chairman and independent non-executive Directors receive remuneration for their services as Directors.

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 $1,500,000 was approved by shareholders at the 2016 AGM and backdated to 1 October 2015.

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 regularly and set and approved by the Board based on independent advice received from external remuneration consultants (through the HR Committee). The last increases to Chairman and non-executive Director fees were effective 1 October 2015.

6.2 Non-executive director fees

The table below shows the structure and level of annualised non-executive Director fees that have applied since 1 October 2015.

Fee applicable	Year	Chair $	Member $
Board	**2017**	**375,000**	**150,000**
	2016	375,000	150,000
Audit, Risk & Compliance Committee	**2017**	**32,000**	**16,000**
	2016	32,000	16,000
Human Resources Committee	**2017**	**27,000**	**15,000**
	2016	27,000	15,000

6.3 Non-executive director remuneration

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

Remuneration applicable	Year	Fees and allowances $	Post-Employment Benefits $	Total $*
H McLennan (Chairman)	**2017**	**355,384**	**19,616**	**375,000**
	2016	339,136	19,308	358,444
R Amos	**2017**	**179,909**	**17,091**	**197,000**
	2016	172,146	15,433	187,579
K Conlon	**2017**	**176,256**	**16,744**	**193,000**
	2016	168,721	15,238	183,959
R Freudenstein	**2017**	**147,260**	**13,990**	**161,250**
	2016	34,247	3,253	37,500
J McGrath	**2017**	**150,685**	**14,315**	**165,000**
	2016	143,379	13,481	156,860
Total	**2017**	**1,009,494**	**81,756**	**1,091,250**
	2016	857,629	66,713	924,342

*Difference in total fees between 2016 and 2017 arises as a result of increase in fees taking effect part way through the 2016 financial year.

7. 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]:

	Balance at 1 July 2016	Balance at 30 June 2017[2]
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.
2 No shares received or disposed of during the year.

8. 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
11 August 2017

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Consolidated Income Statement
for the year ended 30 June 2017

	Notes	2017 $'000	2016 $'000
Revenue from continuing operations		**671,206**	579,059
Other income	3	**-**	40,827
Total revenue & other income		**671,206**	619,886
Employee benefits expenses	14	**(145,767)**	(117,663)
Consultant and contractor expenses		**(11,434)**	(17,213)
Marketing related expenses		**(60,415)**	(44,388)
Technology expenses		**(17,991)**	(15,865)
Operations and administration expenses		**(54,150)**	(51,582)
Impairment expenses		**(182,837)**	-
Share of (losses)/gains of associates		**(4,417)**	6,319
Earnings before interest, tax, depreciation and amortisation (EBITDA)		**194,195**	379,494
Depreciation and amortisation expense	3	**(37,816)**	(29,658)
Profit before interest and tax (EBIT)		**156,379**	349,836
Net finance expense	3	**(5,692)**	(6,467)
Profit before income tax		**150,687**	343,369
Income tax expense	6	**(102,777)**	(88,633)
Profit from continuing operations		**47,910**	254,736
Discontinued operations			
Profit/(loss) after tax from sale of discontinued operations	17	**158,423**	(1,456)
Profit for the year		**206,333**	253,280
Profit for the year is attributable to:			
Non-controlling interest		**267**	322
Owners of the parent		**206,066**	252,958
		206,333	253,280
Earnings per share attributable to the ordinary equity holders of REA Group Limited			
Basic earnings per share	4	**156.4**	192.0
Diluted earnings per share	4	**156.4**	192.0
Basic earnings per share from continuing operations	4	**36.1**	193.1
Diluted earnings per share from continuing operations	4	**36.1**	193.1

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 2017

	2017	2016
	$'000	$'000
Profit for the year	**206,333**	253,280
Other comprehensive income		
Items that may be reclassified subsequently to the Income Statement		
Exchange differences on translation of foreign operations, net of tax	**(3,946)**	6,198
Net loss on cash flow hedges	**-**	(22)
Other comprehensive income for the year, net of tax	**(3,946)**	6,176
Total comprehensive income for the year	**202,387**	259,456
Total comprehensive income for the year is attributable to:		
Non-controlling interest	**267**	322
Owners of the parent	**202,120**	259,134
Total comprehensive income for the year	**202,387**	259,456

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 2017

	Notes	2017 $'000	2016 $'000
ASSETS			
Current assets			
Cash and cash equivalents	7	**358,500**	126,834
Trade and other receivables	11	**99,684**	96,536
Total current assets		**458,184**	223,370
Non-current assets			
Plant and equipment	20	**19,767**	16,165
Intangible assets	5	**753,163**	955,383
Deferred tax assets	6	**8,364**	5,210
Other non-current assets	11	**413**	1,379
Investment in associates	18	**338,922**	281,777
Total non-current assets		**1,120,629**	1,259,914
Total assets		**1,578,813**	1,483,284
LIABILITIES			
Current liabilities			
Trade and other payables	12	**168,994**	170,850
Current tax liabilities		**20,002**	12,068
Provisions		**9,456**	8,181
Deferred revenue		**46,815**	37,903
Interest bearing loans and borrowings	8	**133,828**	4,000
Total current liabilities		**379,095**	233,002
Non-current liabilities			
Other non-current payables		**2,938**	8,155
Deferred tax liabilities	6	**28,337**	28,832
Provisions		**4,595**	5,267
Interest bearing loans and borrowings	8	**359,118**	492,253
Total non-current liabilities		**394,988**	534,507
Total liabilities		**774,083**	767,509
Net assets		**804,730**	715,775
EQUITY			
Contributed equity	10	**95,215**	97,109
Reserves	10	**36,323**	32,842
Retained earnings		**672,712**	585,274
Parent interest		**804,250**	715,225
Non-controlling interest		**480**	550
Total equity		**804,730**	715,775

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 2017

	Contributed equity $'000	Retained earnings $'000	Reserves $'000	Parent interest $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 July 2016	**97,109**	**585,274**	**32,842**	**715,225**	**550**	**715,775**
Profit for the year	**-**	**206,066**	**-**	**206,066**	**267**	**206,333**
Other comprehensive income	**-**	**-**	**(3,946)**	**(3,946)**	**-**	**(3,946)**
Total comprehensive income for the year	**-**	**206,066**	**(3,946)**	**202,120**	**267**	**202,387**
Transactions with owners in their capacity as owners						
Discontinued operations	**13**	**(6,012)**	**5,999**	**-**	**-**	**-**
Share-based payment expense for the year	**-**	**-**	**2,963**	**2,963**	**-**	**2,963**
Acquisition of treasury shares	**(1,261)**	**-**	**-**	**(1,261)**	**-**	**(1,261)**
Settlement of vested performance rights	**(646)**	**-**	**(1,535)**	**(2,181)**	**-**	**(2,181)**
Dividends paid	**-**	**(112,616)**	**-**	**(112,616)**	**(337)**	**(112,953)**
Balance at 30 June 2017	**95,215**	**672,712**	**36,323**	**804,250**	**480**	**804,730**

	Contributed equity $'000	Retained earnings $'000	Reserves $'000	Parent interest $'000	Non-controlling interest $'000	Total equity $'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

The 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 2017

	Notes	2017 $'000	2016 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		**763,847**	644,939
Payments to suppliers and employees (inclusive of GST)		**(358,361)**	(316,732)
		405,486	328,207
Interest received		**2,525**	1,889
Interest paid		**(13,899)**	(5,165)
Income taxes paid		**(95,079)**	(100,912)
Share-based payment on settlement of LTI Plans		**(2,217)**	(2,680)
Net cash inflow from operating activities	7	**296,816**	221,339
Cash flows from investing activities			
Payment for acquisition of subsidiary		**(4,557)**	(511,564)
Investment in associates	18	**(69,552)**	(17,289)
Payment for plant and equipment	20	**(11,664)**	(3,847)
Payment for intangible assets	5	**(42,491)**	(36,183)
Proceeds from sale of subsidiaries		**181,810**	-
Net cash inflow/(outflow) from investing activities		**53,546**	(568,883)
Cash flows from financing activities			
Dividends paid to company's shareholders	9	**(112,616)**	(100,762)
Dividends paid to non-controlling interests in subsidiaries		**(337)**	(306)
Acquisition of treasury shares		**(1,261)**	(1,682)
Proceeds from borrowings		**655**	498,000
Repayment of borrowings		**(4,655)**	-
Net cash (outflow)/inflow from financing activities		**(118,214)**	395,250
Net increase in cash and cash equivalents		**232,148**	47,706
Cash and cash equivalents at the beginning of the year		**126,834**	78,894
Effects of exchange rate changes on cash and cash equivalents		**(482)**	234
Cash and cash equivalents at end of the year	7	**358,500**	126,834

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

Notes to the Consolidated Financial Statements

Basis of preparation

- REA Group Limited is a for-profit entity for the purposes of preparing the Financial Statements.
- 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).
- 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 derivative instruments and financial liabilities relating to contingent consideration.
- 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 separately in each relevant note.
- 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.

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 2017 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.

OUR PERFORMANCE

This section highlights the performance of the Group for the year, including results by operating segment, revenue, income, expenses, earnings per share, income tax expense, intangibles and our annual impairment assessment.

2. Segment information

Accounting policies

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

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.

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 tables present revenue and results by operating segments for the years ended 30 June 2017 and 30 June 2016.

2017	**Australia $'000**	**Asia $'000**	**North America $'000**	**Corporate $'000**	**Total $'000**
Segment revenue					
Total segment revenue	**634,102**	**38,110**	**-**	**-**	**672,212**
Inter-segment revenue	**(575)**	**(431)**	**-**	**-**	**(1,006)**
Revenue from external customers	**633,527**	**37,679**	**-**	**-**	**671,206**
Results					
Segment EBITDA from core operations (excluding share of losses of associates)	**404,089**	**2,462**	**-**	**(21,228)**	**385,323**
Share of losses from associates	**-**	**(3,300)**	**(1,117)**	**-**	**(4,417)**
Segment EBITDA from core operations	**404,089**	**(838)**	**(1,117)**	**(21,228)**	**380,906**
Revaluation of contingent consideration	**-**	**-**	**-**	**2,783**	**2,783**
FX on proceeds from European operations	**-**	**-**	**-**	**(4,112)**	**(4,112)**
Impairment charge	**-**	**-**	**-**	**(182,837)**	**(182,837)**
Business combination transaction costs	**-**	**-**	**-**	**(2,545)**	**(2,545)**
EBITDA	**404,089**	**(838)**	**(1,117)**	**(207,939)**	**194,195**
Depreciation and amortisation					**(37,816)**
EBIT					**156,379**
Net finance expense					**(5,692)**
Profit before income tax					**150,687**

2016	**Australia $'000**	**Asia $'000**	**North America $'000**	**Corporate $'000**	**Total $'000**
Segment revenue					
Total segment revenue	556,146	25,588	-	-	581,734
Inter-segment revenue	(967)	(1,708)	-	-	(2,675)
Revenue from external customers	555,179	23,880	-	-	579,059
Results					
Segment EBITDA from core operations (excluding share of losses of associates)	349,266	9,330	-	(16,918)	341,678
Share of losses of associates	-	(2,099)	(11,751)	-	(13,850)
Segment EBITDA from core operations	349,266	7,231	(11,751)	(16,918)	327,828
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	349,266	7,231	(11,751)	34,748	379,494
Depreciation and amortisation					(29,658)
EBIT					349,836
Net finance income expense					(6,467)
Profit before income tax					343,369

3. Revenue, income and expenses

(a) Revenue recognition

Accounting policies

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, agency commissions, 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.

Type of revenue	Recognition criteria
Subscription services	Subscription revenues are recognised on a straight-line basis over the contract period.
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.
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.
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).
Events	Event revenue is recognised on the date that the event takes place.
Interest income	Interest income is recognised as interest accrues using the effective interest rate method.
Dividends	Dividends are recognised as revenue when the right to receive payment is established.

(b) Other income

	2017 **$'000**	2016 $'000
Fair value gain on step acquisitions	**-**	40,827

In 2016, the Group recognised a gain of $40.8 million on the revaluation of its original investment in iProperty. The Group previously owned a 22.67% share, which was valued at $170.2 million based on the acquisition price of $4.00 per share. The original investment was carried at $129.5 million, which included the FY16 share of loss of $2.1 million.

(c) Expenses

Profit before income tax includes the following specific expenses:	**2017** **$'000**	2016 $'000
Finance (income)/expense		
Interest income	**(3,727)**	(1,819)
Revaluation and unwind of contingent consideration	**(5,081)**	2,130
Interest expense from borrowings	**14,500**	6,156
Total finance expense	**5,692**	6,467
Expenses		
Depreciation of plant and equipment	**6,133**	5,674
Amortisation of intangibles	**31,683**	23,984
Minimum lease payments	**6,444**	6,320
(Gain)/loss on disposal of assets	**(11)**	24
Net foreign exchange loss	**4,450**	261
Impairment	**182,837**	-

(d) Goods and services tax (GST)

Accounting policies

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 Statement of Financial Position. 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.

4. Earnings per share (EPS)

Accounting policies

The Group presents basic and diluted EPS in the Income Statement.

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 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	**2017 Cents**	2016 Cents
Basic and diluted earnings per share from continuing operations[1]	**36.1**	193.1
Basic and diluted earnings per share from discontinued operations[1]	**120.3**	(1.1)
Total basic and diluted earnings per share attributable to the ordinary equity holders of the company	**156.4**	192.0

(b) Weighted average number of shares	**2017 Shares**	2016 Shares
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share[1]	**131,714,699**	131,714,699

(c) Reconciliation of earnings used in calculating earnings per share	**2017 $'000**	2016 $'000
Profit attributable to the ordinary equity holders of the company used in calculating basic and diluted earnings per share:		
From continuing operations	**47,643**	254,414
From discontinued operations	**158,423**	(1,456)
Total profit attributable to the ordinary equity holders of the company	**206,066**	252,958

1 The Group currently does not have any dilutive potential ordinary shares. There is no effect of the share options granted under the share-based payment plans on the weighted average number of ordinary shares as shares are purchased on-market.

5. Intangible assets and impairment

Accounting policies

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 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. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. For impairment testing purposes the Group identifies its cash generating units (CGUs), which are the smallest identifiable groups of assets that generate cash inflows largely independent of cash inflows of other assets or other groups of assets. Each of those cash generating units represents the Group's investment in each region of operation.

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 three 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.

Other intangible assets such as customer contracts acquired by the Group are stated at cost less accumulated amortisation and impairment losses. Amortisation is charged to the Income Statement on a straight-line basis over the estimated useful lives of the intangible assets, ranging from three to five years, except for brands, which have an indefinite useful life.

Key estimate and judgement	The assets' residual values, useful lives and amortisation methods are reviewed and adjusted if appropriate, at each financial year end. The estimation of useful lives of assets has been based on historic experience and turnover policies. Any changes to useful lives may affect prospective amortisation rates and asset carrying values. 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. 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. Management judgment is applied to identify CGUs. The determination of value-in-use requires the estimation and discounting of future cash flows. These estimates include establishing forecasts of future financial performance, discount rates and terminal growth rates. Each of these estimates is based on a ‘best estimate’ at the time of performing the valuation, by definition, the estimate will seldom equal the related actual results.

5. Intangible assets and impairment (continued)

	Goodwill $'000	Software[1] $'000	Customer contracts $'000	Brands $'000	Total $'000
Year ended 30 June 2017					
Opening net book amount	**787,680**	**62,207**	**12,900**	**92,596**	**955,383**
Additions - acquired and internally generated	**-**	**42,491**	**-**	**-**	**42,491**
Disposals (net of amortisation)	**-**	**(125)**	**-**	**-**	**(125)**
Divestment	**(20,611)**	**(5,230)**	**(995)**	**-**	**(26,836)**
Amortisation charge – continuing operations	**-**	**(29,769)**	**(1,914)**	**-**	**(31,683)**
Amortisation charge – discontinued operations	**-**	**(2,311)**	**(341)**	**-**	**(2,652)**
Impairment charge	**(182,837)**	**-**	**-**	**-**	**(182,837)**
Exchange differences	**(369)**	**(216)**	**(22)**	**29**	**(578)**
Closing net book amount	**583,863**	**67,047**	**9,628**	**92,625**	**753,163**
At 30 June 2017					
Cost	**766,700**	**183,668**	**17,024**	**92,625**	**1,060,017**
Accumulated amortisation and impairment	**(182,837)**	**(116,621)**	**(7,396)**	**-**	**(306,854)**
Net book amount	**583,863**	**67,047**	**9,628**	**92,625**	**753,163**
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 – continuing operations	-	(23,158)	(826)	-	(23,984)
Amortisation charge – discontinued operations	-	(3,940)	(689)	-	(4,629)
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

1 Software includes capitalised development costs being an internally generated intangible asset.
2 Acquisition of iProperty and Flatmates.com.au.

(a) Impairment tests for goodwill

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

	Discount rates		Terminal growth rates		$'000	
	2017	2016	**2017**	2016	**2017**	2016[1]
Asia	**10.6% - 18.7%**	10.3% - 20.4%	**2.0% - 5.8%**	2.0% - 5.9%	**519,704**	702,542
Australia	**12.8%**	13.5%	**2.4%**	2.5%	**64,159**	64,159
Total					**583,863**	766,701

1 Balance excludes $16.0 million and $5.0 million of goodwill relating to Italy and GLR investments, which were disposed in December 2016.

(i) 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. Over the extended forecast period, growth rate assumptions are above the terminal growth rate as the Group operates in a high growth industry.

(ii) 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.

(iii) Result of impairment testing

In June 2017, REA Group announced that it had conducted a full review of its business and its operating model in the context of the ongoing conditions facing the Asian market. As a result, the Group recognised the following impairment charge:

CGU & Segment	**Goodwill impairment $'000**	**Recoverable amount $'000**
Asia	**182,837**	**588,945**

The impairment charge of $182.8 million is disclosed within impairment expenses in the Consolidated Income Statement.

(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

The value-in-use calculations are sensitive to changes in discount rates, terminal growth, earnings and working capital adjustments varying from the assumptions and forecast data used in the impairment testing. As such, sensitivity analysis was undertaken to examine the effect of a change in a variable on each CGU.

(i) Asian CGU

As the impairment assessment indicated that the estimated recoverable amount of the Asian CGU was less than its carrying value, any adverse change in key assumptions would, in isolation, have caused a further impairment to goodwill to be recognised. The calculations are sensitive to changes in key assumptions as follows; increase in discount rate of 1% would result in a further impairment loss of $88.8 million, decrease in terminal growth rate of 1% would result in a further impairment loss of $52.8 million, decrease in revenue growth rates of 2% would result in a further impairment loss of $84.6 million, increase in expenses growth rates of 2% would result in a further impairment loss of $40.9 million and increase in working capital adjustment of 2% would result in a further impairment loss of $29.6 million.

(ii) Australian CGU

There is no reasonable possible change in a key assumption used to determine the recoverable amount that would result in impairment.

6. Income tax

Accounting policies

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 law in the countries where the subsidiaries and associates operate and generate taxable income. Management 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 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. Utilisation of tax losses also depends on the ability of the entity to satisfy certain tests at the time the losses are recouped. 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. 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 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. Details about the tax funding agreement in place between REA Group Ltd and wholly-owned entities are disclosed in Note 19.

Key estimate and judgement	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.

(a) Income tax expense	**2017 $'000**	2016 $'000
Current tax	**106,238**	89,579
Adjustments for current tax of prior periods	**(1,091)**	(1,526)
Deferred tax	**(3,126)**	(75)
Adjustments for deferred tax of prior periods	**756**	655
Income tax expense reported in the Consolidated Income Statement	**102,777**	88,633

(b) Numerical reconciliation of income tax expense to prima facie tax payable	**2017 $'000**	2016 $'000
Profit from continuing operations before income tax expense	**150,687**	343,369
Profit from discontinued operations before income tax expense	**155,428**	387
Accounting profit before income tax	**306,115**	343,756
Tax at the Australian tax rate of 30% (2016: 30%)	**91,835**	103,127
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	**(1,887)**	(2,530)
Share of losses of associates	**1,325**	(2,525)
Prior period adjustments including premium research and development claim	**(336)**	(870)
Effect of foreign tax rate	**717**	(15)
Tax losses not recognised	**3,579**	1,611
Impairment of goodwill in subsidiaries	**54,851**	-
Revaluation of contingent consideration	**(2,170)**	-
Non-taxable gain on sale of foreign subsidiaries	**(49,257)**	-
Other	**1,125**	3,926
Aggregate income tax expense	**99,782**	90,476
Income tax expense reported in the Consolidated Income Statement	**102,777**	88,633
Income tax expense attributable to discontinued operation	**(2,995)**	1,843

(c) Amounts recognised directly into equity	**2017 $'000**	2016 $'000
Aggregate current and deferred tax arising in the reporting period and not recognised in the Income Statement or other comprehensive income but directly debited or (credited) to equity:		
Current tax – credited directly to equity	**(36)**	(76)
Net deferred tax – debited/(credited) directly to equity	**452**	(244)
Total amount recognised directly into equity	**416**	(320)

(d) **Summary of deferred tax**	**2017** **$'000**	2016 $'000
The balances comprise temporary differences attributable to:		
Tax losses	**-**	428
Employee benefits	**3,350**	2,564
Doubtful debts	**269**	398
Accruals and other	**4,745**	1,820
Intangible assets	**(26,699)**	(26,778)
Foreign currency revaluation of associate	**(1,638)**	(2,054)
Total temporary differences	**(19,973)**	(23,622)
Deferred tax assets	**8,364**	5,210
Deferred tax liabilities	**(28,337)**	(28,832)
Net deferred tax liabilities	**(19,973)**	(23,622)
Movements:		
Opening balance	**(23,622)**	(1,339)
Credited/(debited) to the Income Statement	**3,126**	(733)
Credited/(debited) to equity	**416**	(320)
Deferred taxes on acquisition of subsidiary	**-**	(21,250)
Exchange differences	**107**	20
Closing balance	**(19,973)**	(23,622)
Deferred tax assets expected to be recovered within 12 months	**6,765**	4,344
Deferred tax assets expected to be recovered after more than 12 months	**1,599**	866
Deferred tax liabilities expected to be payable within 12 months	**-**	-
Deferred tax liabilities expected to be payable after more than 12 months	**(28,337)**	(28,832)
Net deferred tax liabilities	**(19,973)**	(23,622)

(e) Unrecognised temporary differences

The Group has unused tax losses for which no deferred tax asset has been recognised of $36.9 million (2016: $54.1 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.

RETURNS, RISK AND CAPITAL MANAGEMENT

This section sets out the policies and procedures applied to manage our capital structure and the related risks and rewards. We manage our capital structure in order to maximise shareholder return, maintain optimal cost of capital and provide flexibility for strategic investment.

7. Cash and cash equivalents

Accounting policies

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of less than 12 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	**2017 $'000**	2016 $'000
Cash at bank and in hand	**193,383**	76,746
Short-term deposits	**165,117**	50,088
Total cash and short-term deposits	**358,500**	126,834

(b) Cash flow reconciliation	**2017 $'000**	2016 $'000
Profit for the year	**206,333**	253,280
Depreciation and amortisation (including discontinued operations)	**40,706**	34,934
Impairment charge	**182,837**	-
Incentive plan expense	**2,963**	2,378
Net exchange differences	**6,397**	272
Step up gain on acquisition	**-**	(40,827)
Gain on sale of business	**(161,600)**	-
Share of losses/(gain) of associates	**4,417**	(6,319)
Loss on disposal of fixed assets	**217**	22
Share-based payment on settlement of LTI Plans	**(2,216)**	(2,680)
Contingent consideration re-measurement and unwind	**(7,864)**	-
Working capital divested	**6,981**	-
Other non-cash items	**198**	(69)
Change in operating assets and liabilities		
Increase in trade receivables	**(2,041)**	(11,380)
(Increase)/decrease in other current assets	**(1,107)**	1,033
(Increase)/decrease in deferred tax assets	**(3,154)**	287
Decrease/(increase) in other non-current assets	**966**	(769)
Increase/(decrease) in trade and other payables	**9,012**	(6,229)
Increase in deferred revenue	**5,250**	3,820
Increase in provisions	**603**	3,820
(Decrease)/increase in deferred tax liabilities charged to the Income Statement	**(16)**	560
Increase/(decrease) in current tax liabilities	**7,934**	(10,794)
Net cash inflow from operating activities	**296,816**	221,339

8. Financial risk management

(a) Financial assets and liabilities

The financial risks arising from the Group's operations comprise market, credit and liquidity 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.

One of the key areas of the Group's risk management focus is on financial risk management of financial instruments, used to raise and distribute funds for the Group's operations and opportunities. Borrowings are issued at variable interest rates. Cash and cash equivalents draw interest at variable interest rates. All other financial assets and liabilities are non-interest-bearing. The Group holds the following financial instruments:

	Notes	**2017** **$'000**	2016 $'000
Financial assets/(liabilities) at amortised cost			
Cash and cash equivalents	7	**358,500**	126,834
Trade receivables and other assets	11	**99,684**	96,536
Investment in associates	18	**338,922**	281,777
Trade and other payables	12	**(55,338)**	(49,287)
Borrowings		**(133,828)**	(4,000)
Financial liabilities at fair value through profit or loss			
Contingent consideration	16	**(113,656)**	(121,563)
Total current financial assets		**494,284**	330,297
Financial assets/(liabilities) at amortised cost			
Other non-current assets	11	**413**	1,379
Borrowings		**(359,118)**	(492,253)
Financial liabilities at fair value through profit or loss			
Contingent consideration	16	**(2,769)**	(7,232)
Total non-current financial liabilities		**(361,474)**	(498,106)

Management assessed that the fair values of cash and cash equivalents, trade receivables and other assets, trade payables and borrowings approximate their carrying amounts largely due to the short-term maturities of these instruments. Refer to Note 16 for details on the methods and assumptions used to estimate the carrying and fair value of contingent consideration.

(b) Borrowings

Accounting policies

Borrowings are initially recognised at fair value, net of transaction costs incurred and 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 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.

Facility[1]	Interest rate	Maturity	2017 $'000	2016 $'000
Unsecured syndicated revolving loan facility[2]				
Sub facility A	BBSY +	December 2017	**120,000**	120,000
Sub facility B	0.85% -	December 2018	**120,000**	120,000
Sub facility C	1.45%[3]	December 2019	**240,000**	240,000
Unsecured working capital facility[4]				
Tranche 1	BBSY	February 2018	**14,000**	14,000
Tranche 2	+1%	December 2016	**-**	4,000

1 The carrying value of the debt approximates fair value.
2 The loan facility is provided by a syndicate comprising National Australia Bank, Australia and New Zealand Bank, Commonwealth Bank and Westpac Bank.
3 Interest rate margin is dependent on the Group's net leverage ratio.
4 REA Group Ltd is a guarantor for this facility.

(i) Unsecured syndicated revolving loan facility

As of 30 June 2017, the Group was paying a margin between 0.85% and 1.05%. The Group paid $13.4 million in interest for the year ended 30 June 2017 (2016: $5.1 million) at a weighted average interest rate of 2.7% (2016: 3.2%). At 30 June 2017, $1.0 million (2016: $1.7 million) of capitalised transaction costs had not yet been amortised through the Income Statement.

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 2017, the Group was in compliance with all of the applicable debt covenants.

(ii) Unsecured working capital facility

The Group paid $0.6 million (2016: $0.03 million) in interest for the year ended 30 June 2017 at a weighted interest rate of 3.1% (2016: 3.4%).

(c) Market risk – foreign exchange

Nature of risk	Risk management	Material arrangements	Exposure
Foreign currency risk arises when future transactions or financial assets and liabilities are denominated in a currency other than the entity's functional currency. The Group operates internationally and is therefore exposed to foreign exchange risk, relating to the US Dollar (USD), Singapore Dollar (SGD), Hong Kong Dollar (HKD), Malaysian Ringgit (MYR), Thai Baht (THB) and Indonesian Rupiah (IDR).	The Group manages its foreign currency risk by evaluating its exposure to fluctuations and entering forward foreign currency contracts, where appropriate. The Group also holds foreign currency cash balances in order to fund significant transactions denominated in non-functional currencies.	At the reporting date, cash and cash equivalents included $13.0 million (2016: $14.5 million) of USD. The Group's investment in Move, Inc. (Note 18) is materially exposed to changes in the AUD/USD exchange rate. The Group's investment in PropTiger (Note 18) is materially exposed to changes in the AUD/SGD and AUD/USD exchange rates. The Group's exposure to foreign currency changes for all other currencies is not material.	Sensitivity analyses were performed for reasonable possible movements in USD. With all other variables held constant and utilising a range of +5% to -5%: Cash and cash equivalents: the impact to the profit and loss would be between ($0.6 million) and $0.6 million. Move, Inc.: the impact on equity would be between ($13.1 million) and $14.5 million. PropTiger: the impact on equity would be between ($2.5 million) and $4.0 million.

(d) Market risk – cash flow interest rate

Nature of risk	Risk management	Material arrangements	Exposure
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 2017, the Group's primary exposure to interest rate risk arises from borrowings and cash and cash equivalents. Cash and cash equivalents consist primarily of cash and short-term deposits, which 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 is necessary. Management believes the risk exposure at reporting 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.	As at 30 June 2017, the Group held cash and cash equivalents of $358.5 million (2016: $126.8 million), of which $165.1 million (2016: $50.1 million) was held in short-term deposits. See further details in Section (b) on the Group's borrowing facilities.	Sensitivity analyses were performed for exposure to interest rate risk, with all other variables held constant. Borrowings: the weighted average interest rate for the year ended 30 June 2017 was 2.8% (2016: 3.2%). Utilising a range of +1% to -1%, the impact to the interest expense would be between $0.6 million and ($0.6 million). Cash and cash equivalents: utilising a range of +1% to -1% and based on historic interest rates, the impact to post-tax profit would be between $0.9 million and ($0.9 million).

(e) Market risk – price

The Group's listed equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. At June 2017, investments in associates were carried at $338.9 million (2016: $281.8 million).

(f) Credit risk

Nature of risk	Risk management	Material arrangements	Exposure
Credit risk can arise from the non-performance by counterparties of their contractual financial obligations towards the Group. The Group is exposed to credit risk from its operating activities (primarily from customer receivables) and from its financing activities, including deposits with financial institutions and foreign exchange transactions.	Receivable balances are monitored on an ongoing basis. Our policies determine the likelihood for default on an individual debtor basis. Credit risk arising from other financial assets, i.e. cash and cash equivalents, arises from default of the counter party. The Group's treasury policy only authorises dealings with financial institutions that have an appropriate rating.	The gross trade receivables balance at 30 June 2017 was $91.7 million (2016: $91.7 million). Refer to Note 11 for an aging analysis of this balance.	Historically 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. The 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.

(g) Liquidity risk

Nature of risk	Risk management	Material arrangements	Exposure
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.	The Group maintains deposits at call that are expected to readily generate cash inflows for managing liquidity risk and maintains borrowing facilities to enable the Group to borrow funds when necessary.	At the end of the reporting period the Group held deposits at call of $165.1 million (2016: $50.1 million). See Section (b) above for details on the borrowing facilities currently in place.	The table below categorises the Group's financial liabilities into their relevant maturity groupings. The amounts included are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant, excluding contingent consideration.

(h) Contractual maturities of financial liabilities	**< 6 months $'000**	**6- 12 months $'000**	**1-2 years $'000**	**>2 years $'000**	**Total contractual cash flows $'000**	**Carrying amount $'000**
At 30 June 2017						
Trade Payables	**55,338**	**-**	**-**	**-**	**55,338**	**55,338**
Contingent Consideration	**7,108**	**109,314**	**1,862**	**1,406**	**119,690**	**116,425**
Borrowings	**120,000**	**14,000**	**120,000**	**240,000**	**494,000**	**492,946**
Total	**182,446**	**123,314**	**121,862**	**241,406**	**669,028**	**664,709**
At 30 June 2016						
Trade Payables	49,287	-	-	-	49,287	49,287
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	56,692	118,196	141,265	360,975	677,128	674,335

9. Dividends

Accounting policies

Dividend declared is provided for when it is 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.

	2017 $'000	2016 $'000
Declared and paid during the period (fully-franked at 30%)		
Interim dividend for 2017: 40.0 cents (2016: 36.0 cents)	**52,686**	47,417
Final dividend for 2016: 45.5 cents (2015: 40.5 cents)	**59,930**	53,345
Total dividends provided for or paid	**112,616**	100,762
Proposed and unrecognised as a liability (fully-franked at 30%)		
Final dividend for 2017: 51.0 cents (2016: 45.5 cents). Proposed dividend is expected to be paid on 14 September 2017 out of retained earnings at 30 June 2017 but is not recognised as a liability at year end	**67,174**	59,930
Franking credit balance (based on a tax rate of 30%)		
Franking credits available for future years, 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	**285,751**	238,918
Impact on the franking account of the dividend recommended by the Directors since year end, but not recognised as a liability at year end	**28,789**	25,684

10. Equity and reserves

(a) Equity

Accounting policies

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.

The number of ordinary shares issued at 30 June 2017 was 131,714,699 (2016: 131,714,699).

	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 and 1 July 2016	**102,603**	**(5,494)**	**97,109**
Divestment of European business	**13**	**-**	**13**
Acquisition of treasury shares	**-**	**(1,261)**	**(1,261)**
Settlement of vested performance rights	**-**	**(646)**	**(646)**
Balance at 30 June 2017	**102,616**	**(7,401)**	**95,215**

The settlement of the LTI Plan during the year ended 30 June 2017 was performed through the on-market purchase of the shares, not issuing of shares. Refer to Note 15 for more details of LTI Plans.

(b) Reserves

Accounting policies

Share-based payments reserve 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 15.

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

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

	Share-based payments reserve $'000	Currency translation 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
Foreign currency translation differences	-	6,198	-	-	6,198
Cash flow hedge reserve	-	-	(22)	-	(22)
Total other comprehensive income/(loss)	-	6,198	(22)	-	6,176
Share-based payments expense	2,378	-	-	-	2,378
Settlement of vested performance rights	(1,824)	-	-	-	(1,824)
Balance at 30 June 2016 and 1 July 2016	**4,639**	**34,202**	**-**	**(5,999)**	**32,842**
Foreign currency translation differences	**-**	**(3,946)**	**-**	**-**	**(3,946)**
Total other comprehensive loss	**-**	**(3,946)**	**-**	**-**	**(3,946)**
Divestment of European business	**-**	**-**	**-**	**5,999**	**5,999**
Share-based payments expense	**2,963**	**-**	**-**	**-**	**2,963**
Settlement of vested performance rights	**(1,535)**	**-**	**-**	**-**	**(1,535)**
Balance at 30 June 2017	**6,067**	**30,256**	**-**	**-**	**36,323**

11. Trade receivables and other assets

Accounting policies

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 and 45 days. 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. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows.

Impairment losses are recognised in the Income Statement within impairment 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.

Trade receivables and other assets	**2017 $'000**	2016 $'000
Trade receivables (a)	**91,733**	91,742
Provision for doubtful debts	**(2,369)**	(4,419)
Net trade receivables	**89,364**	87,323
Current prepayments	**5,484**	5,268
Accrued income and other	**4,836**	3,945
Current trade and other receivables	**99,684**	96,536
Non-current prepayments	**413**	1,379
Other non-current assets	**413**	1,379
Total trade receivables and other assets	**100,097**	97,915

(a) Ageing of trade receivables	**2017 $'000**	2016 $'000
Not due	**73,334**	67,423
1-30 days past due not impaired	**10,610**	13,654
31-60 days past due not impaired	**3,686**	3,022
61+ days past due not impaired	**1,734**	3,224
Considered impaired	**2,369**	4,419
Trade receivables	**91,733**	91,742

During the year, a total expense of $1.7 million (2016: $1.9 million) was recognised in the Income Statement in relation to the provision for doubtful debts.

(b) 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 8.

12. Trade and other payables

Accounting policies

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.

	2017 $'000	2016 $'000
Trade payables	**14,680**	11,335
Accrued expenses	**35,528**	32,140
Other payables	**5,130**	5,812
Contingent consideration	**113,656**	121,563
Total trade and other payables	**168,994**	170,850

Information regarding the effective interest rate and credit risk of current payables is set out in Note 8.

13. 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 2017 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 2017, the Group had bank guarantees totalling $5.8 million (2016: $5.7 million) in respect of various property leases for offices used by the Group. No liability is expected to arise.

(b) Non-cancellable operating leases

Accounting policies

Operating leases are those where a significant portion of the risks and rewards of ownership are not transferred to the Group, as lessee. 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, with remaining lives ranging from 1 to 69 months. There are no restrictions placed upon the lessee by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases as at 30 June are as follows:

Non-cancellable operating leases	2017 $'000	2016 $'000
Within one year	**6,205**	6,229
Later than one year but not later than five years	**20,006**	17,207
Greater than five years	**705**	927
Total	**26,916**	24,363

The Group has no capital commitments at 30 June 2017 (2016: nil).

OUR PEOPLE

This section provides information about our employee benefit obligations, including annual leave, long service leave and post-employment benefits. It also includes details about our employee share plans.

14. Employee benefits

Accounting policies

Wage and salary liabilities 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.

Long service leave liabilities are 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. 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. Re-measurements as a result of experience adjustments and changes in actuarial assumptions are recognised in the Income Statement.

Termination benefits are payable when employment is terminated before the normal retirement date or an employee accepts voluntary redundancy in exchange for these benefits. It is recognised when the Group is demonstrably committed to either terminating employment 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.

Share-based payments are further described in Note 15.

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.

	2017 $'000	2016 $'000
Employee benefits		
Salary costs	**132,206**	103,822
LTI Plan expense	**1,737**	4,324
Defined contribution superannuation expense	**11,824**	9,517
Total employee benefits expense	**145,767**	117,663
Provisions		
Current employee benefit provisions[1]	**9,250**	8,040
Non-current employee benefit provisions[2]	**2,306**	1,952
Non-current employment severance indemnity[2]	**-**	2,381
Total provision for employee benefits	**11,556**	12,373

1 Included within current liabilities.
2 Included within non-current liabilities.

The liability for employment severance indemnity of $2.4 million in 2016 was an Italian employee benefit obligation. As European operations were disposed of in December 2016, this provision is now zero.

15. Share-based payments

Accounting policies

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.

The Group has an **LTI 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.

Rights are vested after the performance period. The LTI Plan 2017 rights performance period ends at the end of the year and they will vest upon approval by the Board in August 2017. As all other performance periods are in the future, no performance rights are exercisable (or have been exercised) at balance date.

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

Key estimate and judgement	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.

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 2016 (Plan 7)	1 July 2016	23,962	4,790	(28,752)	-	-
LTI Plan 2017 (Plan 8)	1 July 2017	36,148	-	-	(618)	**35,530**
LTI Plan 2018 (Plan 9)	1 July 2018	66,195	-	-	(10,477)	**55,718**
LTI Plan 2019 (Plan 10)	1 July 2019	-	44,400	-	(4,170)	**40,230**
Retention share plan (Hurdle 2)	12 February 2017	8,754	-	(8,754)	-	-
STI deferred share plan 2014	1 September 2016	11,801	-	(9,114)	(2,687)	-
STI deferred share plan 2015	1 September 2017	26,267	-	-	(2,548)	**23,719**
STI deferred share plan 2016	1 September 2018	-	29,806	-	(760)	**29,046**
Total		**173,127**	**78,996**	**(46,620)**	**(21,260)**	**184,243**

(a) Long-Term Incentive Plan

Plan	Grant Date	Performance Period	Vesting date (and earliest exercise date)	Number of rights granted	Value of rights as at grant date
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
LTI Plan 2019 (Plan 10)	1 July 2016	2019	1 July 2019	44,400	$2,594,749

Plan	Fair value per right at grant date	Exercise price	Expected volatility	Risk-free interest rate	Expected life of performance rights
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
LTI Plan 2019 (Plan 10)	$58.44	$0.00	27.5%	1.5%	38 months

(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

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

100% of share plan rights granted 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") leading up to the date of grant.

Grant Date	Weighted average price of rights at grant date	Vesting date	Number of rights granted	Value of rights as at grant date
1 September 2015	$43.95	1 September 2017	27,177	$1,194,492
1 September 2016	$59.59	1 September 2018	29,806	$1,776,095

GROUP STRUCTURE

This section provides information on our structure and how this impacts the results of the Group as a whole, including parent entity information, details of investments in associates, business combinations and discontinued operations.

16. Business combinations

Accounting policies

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.

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. All identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair values. 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 AASB 139 Financial Instruments: Recognition and Measurement, is measured at fair value with the changes in fair value recognised in the Income Statement.

Acquisition-related costs are expensed as incurred and included in consultant and contractor expenses and operations and administrative expenses.

Key estimate and judgement

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 and 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 acquisitions 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.

There have been no business acquisitions during the year ended 30 June 2017. At the reporting date the Group held the following financial liabilities in respect of previous business combinations:

	2017	2016
	$'000	$'000
Current		
Contingent consideration[1]	**113,656**	121,563
Non-current		
Contingent consideration[2]	**2,769**	7,232

1Included within Trade and other payables.
2 Included within Other non-current payables.

iProperty

As part of the Group's acquisition of iProperty, the Group has an obligation to acquire the remaining 13.1% shareholding over a two year period through a put and call option arrangement and is contingent on the revenue hurdles iProperty achieved in calendar year 2016 and the revenue and EBITDA hurdles it will achieve in calendar year 2017. In March 2017, some shareholders opted to exercise their put options based on calendar year 2016 results. The remaining shareholders will exercise their put options following the 2017 calendar year. At the reporting date, the contingent consideration was remeasured to $102.3 million. The fair value adjustment is recognised in finance expense.

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 $6.3 million has been paid. At the reporting date, the contingent consideration was remeasured to $4.4 million. The fair value adjustment is recognised in operating profit.

Flatmates.com.au

As part of the Group's acquisition of Flatmates.com.au, a contingent consideration was recorded. This consideration is dependent on Flatmates.com.au achieving certain EBITDA hurdles in FY17 and FY18. At the reporting date, the contingent consideration was remeasured to $8.2 million. The fair value adjustment is recognised in operating profit.

Other

As part of the Group's acquisition of Property Platform, a contingent consideration was recorded. A portion of the consideration was based on an earn-out arrangement depending on the revenue performance of the acquired business for five years subsequent the acquisition date. At the reporting date, the contingent consideration was remeasured to $1.5 million. The fair value adjustment is recognised in operating profit.

The Group has 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. Contingent consideration is categorised as Level 3 in the fair value hierarchy. At 30 June 2017, key unobservable inputs and valuation techniques used in determining the fair value of contingent consideration are:

	Valuation technique	**Discount rate**	**Hurdle**	**Period**	**Carrying value[1] 2017 $'000**	Carrying value[1] 2016 $'000
Acquired contingent liabilities[2]	Discounted cash flow	14.4% - 17.4%	Revenue	3 years	**4,373**	8,892
Flatmates.com.au[2]	Discounted cash flow	6.00%	EBITDA	2 years	**8,171**	9,300
iProperty	Option pricing theory	3.25%	Revenue & EBITDA	2 years	**102,335**	109,144
Property Platform[2]	Discounted cash flow	12.8%	Revenue	5 years	**1,546**	1,459

1 Carrying value approximates fair value.
2 An increase/decrease in forecasted cash flows and associated future growth rates 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:

	2017 $'000	2016 $'000
Opening fair value balance	**128,795**	136,452
Payments	**(4,557)**	(9,312)
Fair value changes recognised in profit or loss[1]	**(7,864)**	2,130
Impact from applying foreign exchange rates as at 30 June[2]	**51**	(475)
Closing fair value balance[3]	**116,425**	128,795

1 Included within Operations and administration expense and Net finance income/(expense).
2 Included within Operations and administration expense.
3 Included within Trade and other payables and Other non-current payables.

17. Discontinued operations

On 20 December 2016, the Group publicly announced the decision to divest the European operations, which included the wholly owned subsidiaries, atHome Group S.à r.l. and REA Italia S.r.l., via the sale of shares. At 31 December 2016 the European operations are disclosed as discontinued operations. The atHome Group S.à r.l. and REA Italia S.r.l. represented the entirety of the Group's European operations, therefore the Europe segment is no longer presented in the segment note.

The consideration was $193.7 million (€132.6 million), which was recognised in Trade and other receivables as at 31 December 2016. This resulted in a gain of $161.6 million (€111.5 million), after deducting the net assets, accumulated foreign exchange reserve and transaction costs. The results of the Europe segment for the year are presented below:

	30 Jun 2017 $'000	30 Jun 2016 $'000
Revenue	**24,930**	50,744
Expenses	**(28,212)**	(45,074)
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**(3,282)**	5,670
Depreciation and amortisation	**(2,890)**	(5,276)
Profit before interest and tax (EBIT)	**(6,172)**	394
Finance costs	**-**	(7)
Gain on sale of the discontinued operations (net of transaction costs)	**161,600**	-
Profit before tax from discontinued operations	**155,428**	387
Income tax income/(expense) relating to (loss)/profit before tax	**2,995**	(1,843)
Income tax expense relating to gain on sale of the discontinued operation	**-**	-
Profit/(loss) after tax from discontinued operations	**158,423**	(1,456)
Total profit before tax		
(Loss)/profit before tax from discontinued operations	**(6,172)**	387
Gain on sale of the discontinued operation (net of transaction costs)	**161,600**	-
Total profit before tax	**155,428**	387
The net cash flows (incurred)/generated by the European operations included within the Consolidated Statement of Cash Flows are, as follows:		
Operating	**(1,119)**	9,627
Investing	**(1,851)**	(4,474)
Financing	**(3,247)**	(4,469)
Net cash (outflow)/inflow	**(6,217)**	684
Earnings/(loss) per share	**Cents**	Cents
Basic, profit/(loss) for the year from discontinued operations	**120.3**	(1.1)
Diluted, profit/(loss) for the year from discontinued operations	**120.3**	(1.1)

The major classes of assets and liabilities of the European operations as at 31 December 2016 were as follows:

	31 Dec 2016 $'000
ASSETS	
Current assets	
Cash and cash equivalents	**6,151**
Trade and other receivables	**10,456**
Current tax assets	**472**
Total current assets	**17,079**
Non-current assets	
Plant and equipment	**1,579**
Intangible assets	**26,836**
Total non-current assets	**28,415**
Total assets	**45,494**
LIABILITIES	
Current liabilities	
Trade and other payables	**11,869**
Provisions	**932**
Deferred revenue	**4,998**
Total current liabilities	**17,799**
Non-current liabilities	
Deferred tax liabilities	**63**
Provisions	**2,564**
Total non-current liabilities	**2,627**
Total liabilities	**20,426**
Net assets directly associated with disposal group	**25,068**

18. Investment in associate

Accounting policies

Investments in associates are accounted for using the equity method. The investment in an associate is initially recognised at cost and 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. 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.

In January 2017, the Group purchased a 14.7% strategic stake on a fully diluted basis (16.4% on a non-diluted basis) in PropTiger, a leading online real estate services company in India. The acquisition was effective from 21 January 2017.

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

	Move		PropTiger
	30 June 2017 (adjusted)	30 June 2016 (adjusted)	**30 June 2017 (estimated & adjusted)[1]**
	$'000	$'000	**$'000**
Current assets	**304,931**	288,721	**55,458**
Non-current assets	**1,231,008**	1,329,735	**355,697[2]**
Current liabilities	**(107,717)**	(115,817)	**(10,546)**
Non-current liabilities	**(52,852)**	(93,755)	**(11,291)**
Equity	**1,375,370**	1,408,884	**389,318**
Proportion of the Group's ownership	**20.0%**	20.0%	**16.4%**
Carrying amount of the investment	**275,074**	281,777	**63,848**
Revenue	**510,249**	489,424	**4,432**
Other operating costs	**(462,421)**	(362,342)	**(21,231)**
Interest/dividend income	**1,895**	217	**95**
Interest/Other expense	**(254)**	(14)	**(2,673)**
Depreciation and amortisation (inclusive of amortisation of fair value uplift on acquisition of associates)	**(57,739)**	(57,929)	**(745)**
Income tax benefit/(expense)	**2,685**	(27,265)	**-**
(Loss)/profit for the year from continuing operations	**(5,585)**	42,091	**(20,122)**
Total comprehensive (loss)/profit	**(5,585)**	42,091	**(20,122)**
Share of (loss)/gain of associates	**(1,117)**	8,418	**(3,300)**

1 Estimation on PropTiger results is based on most recent information available, adjusted for acquisition fair value and other adjustments on REA's acquisition of PropTiger shares. As such these amounts do not represent and cannot be reconciled to PropTiger standalone entity results.
2 Amount includes fair value uplift of intangible assets acquired.

19. Parent entity financial information

Accounting policies

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

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

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. 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.

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.

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

	2017 $'000	2016 $'000
Current assets	**197,404**	16
Non-current assets	**394,983**	438,796
Total assets	**592,387**	438,812
Current liabilities	**155,526**	13,793
Non-current liabilities	**10**	-
Total liabilities	**155,536**	13,793
Net assets	**436,851**	425,019
Contributed equity	**97,094**	98,150
Reserves	**3,442**	2,828
Retained earnings	**336,315**	324,041
Total shareholders' equity	**436,851**	425,019
Profit and other comprehensive income of the parent entity	**134,331**	99,606

Guarantees entered into by the parent entity

The parent entity has provided unsecured financial guarantees in respect of loans of subsidiaries amounting to $14.0 million (2016: $18.0 million). For further details of this facility, see Note 8. A liability has been recognised in relation to these financial guarantees in accordance with the policy set out above.

In addition, there are cross guarantees given by REA Group Limited and realestate.com.au Pty Limited as described in Note 21. No deficiencies of assets exist in either of these companies.

OTHER DISCLOSURES

This section includes other balance sheet and related disclosures not included in the other sections, for example our fixed assets, related parties, remuneration of auditors, other significant accounting policies and subsequent events.

20. Plant and equipment

Accounting policies

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. The estimated useful life of leasehold improvements is the lease term; plant and equipment is over two to five years. 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.

Key estimate and judgement	The assets' residual values, useful lives and depreciation methods are reviewed and adjusted if appropriate, at each financial year end. The estimation of useful lives of assets has been based on historic experience, lease terms and turnover policies. Any changes to useful lives may affect prospective depreciation rates and asset carrying values. 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.

	Plant and equipment $'000	Leasehold improvements $'000	Total $'000
Year ended 30 June 2017			
Opening net book amount	**8,638**	**7,527**	**16,165**
Exchange differences (net)	**(303)**	**283**	**(20)**
Additions	**5,589**	**6,075**	**11,664**
Disposals (net of accumulated depreciation)	**(92)**	**-**	**(92)**
Divestment	**(1,026)**	**(553)**	**(1,579)**
Depreciation charge – continued operations	**(4,049)**	**(2,084)**	**(6,133)**
Depreciation charge – discontinued operations	**(232)**	**(6)**	**(238)**
Closing net book amount	**8,525**	**11,242**	**19,767**
At 30 June 2017			
Cost	**21,817**	**16,435**	**38,252**
Accumulated depreciation	**(13,292)**	**(5,193)**	**(18,485)**
Net book amount	**8,525**	**11,242**	**19,767**
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 – continued operations	(4,206)	(1,468)	(5,674)
Depreciation charge – discontinued operations	(533)	(114)	(647)
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

21. Related parties

(a) Transactions with related parties

	2017 $	2016 $
Ultimate parent entity (News Corp) and group entities		
Sale of goods and services	**140,350**	603,558
Purchase of goods and services	**5,327,352**	2,661,065
Dividends paid	**69,371,509**	62,069,243
Management fee	**310,000**	310,000
Amounts receivable from parent entity	**144,888**	53,439
Amounts owing to parent entity	**76,891**	-
Key management personnel compensation		
Short-term employee benefits	**3,905,062**	3,257,313
Post-employment benefits	**120,988**	105,329
Long-term employee benefits	**22,922**	7,439
Long-Term Incentive Plan (LTIP)	**696,439**	488,333

(i) 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.

During the year, the Group sold advertising space at arm's length terms, normal terms and conditions to News Corp Australia and recharged promotional costs. The Group also utilised advertising and support services of News Corp Australia on commercial terms and conditions.

In addition to the above, insurance premium recharges were paid to News Corp Australia and News Corp Australia recharged the Group relating to the use of IT content delivery services. The Group has entered certain agreements with independent third parties under the same terms and conditions negotiated by News Corp.

(ii) Key management personnel

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

During the year, the Group sold residential subscriptions, 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).

(iii) Commitments

As a result of the Move transaction, the Group entered a commitment relating to the funding of rollover awards held by Move employees. $1.6 million of payments were made during the year and the outstanding balance of US$0.6 million is expected to be paid within two years.

(b) Investment in subsidiaries and associates

Accounting policies

Subsidiaries are all those entities which the Group controls. Control exists 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. A change in ownership interest of a subsidiary that does not result in a loss of control is accounted for as an equity transaction.

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.

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. They are 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.

The consolidated Financial Statements incorporate the assets, liabilities and results of the following subsidiaries and associates of REA Group Limited as at 30 June 2017 in accordance with the above accounting policy.

(c) Name of entity	2017 %	2016 %	Name of entity	2017 %	2016 %
Subsidiaries:			**Subsidiaries (cont'd):**		
realestate.com.au Pty Ltd[2]	**100**	100	> iProperty.com Malaysia Sdn Bhd[9]	**100**	100
> 1Form Online Pty Ltd[2]	**100**	100	> Brickz Research Sdn Bhd[9]	**100**	100
> REA Austin Pty Ltd[2]	**100**	100	> Think iProperty Sdn Bhd[9]	**100**	100
> Flatmates.com.au Pty Ltd[2]	**100**	100	> Info-Tools Pte Ltd[10]	**100**	100
> NOVII Pty Ltd (previously Media Cell Pty Ltd)[2]	**56.2**	56.2	> iProperty.com Singapore Pte Ltd[10]	**100**	100
> Ozhomevalue Pty Ltd[1, 2]	**56.2**	56.2	> GoHome H.K. Co. Ltd[4]	**100**	100
Property.com.au Pty Ltd[2]	**100**	100	> Finance18.com Ltd[4]	**100**	100
Property Look Pty Ltd[2]	**100**	100	> House18.com Services Ltd[4]	**100**	100
Hub Online Global Pty Ltd[2]	**100**	100	> GoHome Macau Co Ltd (previously vProperty Ltd)[8]	**100**	100
> Web Effect Int. Pty Ltd[2]	**100**	100	> Big Sea International Ltd[8]	**100**	100
NL/HIA JV Pty Ltd[2]	**100**	100	> SMART Expo Limited[4]	**100**	100
REA US Holdings Co. Pty Ltd[2]	**100**	100	> PT Web Marketing Indonesia[5]	**100**	100
REA Group Europe Ltd[12]	**100**	100	> **iProperty (Thailand) Co., Ltd[11]**	**100**	100
> REA Italia Srl[6, 14]	**-**	100	> Prakard IPP Co., Ltd[11]	**100**	100
> Casa.it Srl[6, 14]	**-**	100	> **Kid Ruang Yu Co., Ltd[11]**	**100**	100
> atHome Group S.A.[7, 14]	**-**	100	> Flagship Studio Co., Ltd[11]	**100**	100
> REA Group European Production Centre S.A.[7, 14]	**-**	100	> Prakard.com (Hong Kong) Limited[4]	**100**	100
> atHome International S.A.[7, 14]	**-**	100	> **REA Group Hong Kong Ltd[4]**	**100**	100
> Austin Bidco Pty Ltd[2]	**87**	86.9	> Primedia Ltd[4]	**100**	100
> iProperty Group Ltd[2]	**100**	100	**> REA HK Co. Ltd (previously Squarefoot Ltd)[4]**	**100**	100
> IPGA Share Plan Pty Ltd[2, 15]	**-**	100	> REA Group Consulting (Shanghai) Co. Ltd[3]	**100**	100
> iProperty.com Pty Ltd[2]	**100**	100			
> iProperty Group Asia Pte Ltd[10]	**100**	100	**Associates:**		
> IPGA Management Services Sdn Bhd[9]	**100**	100	Move, Inc.[13, 17]	**20**	20
> iProperty.com Events Sdn Bhd[9]	**100**	100	Elara Technologies Pte Ltd[10, 16]	**14.7**	-

1 Ozhomevalue Pty Ltd is 100% owned by NOVII Pty Ltd (previously Media Cell Pty Ltd).
Incorporated in (2) Australia, (3) China, (4) Hong Kong, (5) Indonesia, (6) Italy, (7) Luxembourg, (8) Macau. BVI registered company, (9) Malaysia, (10) Singapore, (11) Thailand, (12) UK, (13) United States.
14 Since 31 December 2016, the European operations have been disclosed as discontinued operations.
15 Deregistered on 7 December 2016.
16 Effective from 21 January 2017. Shareholding is 16.4% on a non-diluted basis (14.7% fully-diluted bases). Elara Technologies Pte Ltd owns 100% of Aarde Technosoft Pvt. Ltd (owner of PropTiger India)
17 Investment in Move, Inc. is held by REA US Holdings Co. Pty Ltd.

(d) Deed of Cross Guarantee

Pursuant to ASIC Corporations Instrument 2016/785, 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 are on the following page.

Consolidated Income Statement	2017 $'000	2016 $'000
Profit from continuing operations before income tax	**477,973**	308,391
Income tax expense	**(101,937)**	(88,495)
Profit for the year	**376,036**	219,896
Summary of movements in consolidated retained earnings		
Retained earnings at beginning of the financial year	**578,029**	458,895
Earnings for the year	**376,036**	219,896
Other[1]	**(9,440)**	-
Dividends provided for or paid during the year	**(112,616)**	(100,762)
Retained earnings at end of the financial year	**832,009**	578,029

1 Funds repatriated from REA Group Europe.

Consolidated Statement of Financial Position	2017 $'000	2016 $'000
ASSETS		
Current assets		
Cash and cash equivalents	**348,975**	109,965
Trade and other receivables	**145,992**	115,895
Total current assets	**494,967**	225,860
Non-current assets		
Plant and equipment	**18,516**	13,496
Intangible assets	**61,784**	49,532
Deferred tax assets	**8,200**	5,186
Other non-current assets	**358**	1,014
Investments in subsidiaries	**1,100,351**	1,109,943
Total non-current assets	**1,189,209**	1,179,171
Total assets	**1,684,176**	1,405,031
LIABILITIES		
Current liabilities		
Trade and other payables	**182,356**	169,003
Current tax liabilities	**19,821**	8,404
Provisions	**9,027**	6,637
Deferred revenue	**40,992**	29,867
Interest bearing loans and borrowings	**119,881**	-
Total current liabilities	**372,077**	213,911
Non-current liabilities		
Deferred tax liabilities	**5,463**	5,333
Provisions	**4,401**	2,886
Other non-current liabilities	**10,624**	10,178
Interest bearing loans and borrowings	**359,118**	478,310
Total non-current liabilities	**379,606**	496,707
Total liabilities	**751,683**	710,618
Net assets	**932,493**	694,413
EQUITY		
Contributed equity	**95,211**	111,817
Reserves	**5,273**	4,567
Retained earnings	**832,009**	578,029
Total Equity	**932,493**	694,413

22. 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:

	EY Australia		Related practices of EY Australia		Non-EY audit firms	
	2017	2016	**2017**	2016	**2017**	2016
	$	$	**$**	$	**$**	$
Audit and review of Financial Statements	**690,578**	693,075	**222,850**	142,153	**4,236**	79,660
Taxation services	**386,670**	202,100	**-**	-	**219,128**	196,464
Other assurance services	**103,842**	199,040	**-**	-	**180,613**	154,580
Total remuneration	**1,181,090**	1,094,215	**222,850**	142,153	**403,977**	430,704

23. Other significant accounting policies

Accounting policies

Foreign currency translation
The consolidated Financial Statements are presented in Australian dollars, which is the Group's **functional and presentational 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').

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.

All 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 are included in the fair value reserve in equity.

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, with all resulting exchange differences are recognised in OCI:

- 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; and
- 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).

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.

New and amended Accounting Standards and Interpretations
New standards effective from 1 July 2016: The Group has not adopted any new or amended Accounting Standards and Interpretations this year that have had a material impact on the Group.

New standards and interpretations not yet adopted: the following standards, amendments to standards and interpretations are relevant to current operations. They are available for early adoption but have not been applied by the Group in this financial report.

Summary	Impact on Group Financial Statements	Application date of standard	Application date for Group
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.	Disclosures will be included with the Cash Flow Statement to detail changes in liabilities arising from financing activities for both cash flows and non-cash items. Changes will typically arise due to borrowings and lease liabilities (the latter upon adoption of AASB 16).	1 January 2017	1 July 2017
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.	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 the Standard for all the Group's revenue streams. Additional disclosure regarding the nature, timing and uncertainty of revenue are 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 January 2018	1 July 2018
AASB 9 Financial Instruments AASB 9 replaces AASB 139 and addresses the classification, measurement and derecognition of financial assets and financial liabilities. It also addresses the new hedge accounting requirements, including changes to hedge effectiveness testing, treatment of hedging costs and risk components that can be hedged. AASB 9 introduces a new expected-loss impairment model that will require entities to account for expected credit losses at the time or recognising the asset.	The Group does not expect the adoption of the new Standard to have a material impact on its classification and measurement of the financial assets and liabilities or its results on adoption of the new impairment model. The new Standard will result in some extended credit risk disclosures in the financial statements.	1 January 2018	1 July 2018
AASB 16 Leases Lessees will be required to recognise assets and liabilities for all leases with a term of 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 AASB 16 contains disclosure requirements for lessees.	The entity is currently undertaking a detailed assessment of the impact of AASB 16 and the Standard will be first adopted for the year ending 31 June 2020. This includes evaluating current contracts to assess if any contain embedded operating lease terms. Under AASB 16, entities are required to separate lease and non-lease components and account for them individually, if certain criteria are met. Information on the undiscounted amount of the Group's operating lease commitments at 30 June 2017 under AASB 117, the current leases standard, is disclosed in Note 13. Under AASB 16, the present value of these commitments would be shown as a liability on the balance sheet together with an asset representing the right-of-use. The ongoing Income Statement classification of what is currently predominantly presented as Operations and administration expenses will be split between depreciation and interest expense. The Standard is not expected to materially change the profit after tax, but will change the Segment EBITDA.	1 January 2019	1 July 2019

* Other new accounting standards have been issued but are not yet effective, however these are not expected to have a material impact on the financial statements of the Group.

24. Events after the Statement of Financial Position date

On 27th June 2017, REA announced its strategic investments in the mortgage broking market. realestate.com.au Pty Ltd has entered into an agreement to acquire 80.3% in one of Australia's premier mortgage broking franchise businesses, Smartline. The transaction completed on 31 July 2017. The final purchase consideration of $69.4 million was funded from existing cash reserves. The minority shareholders hold a put option to sell the remaining 19.7% of shares which can only be exercised after three years, at a price dependent on the financial performance of Smartline. If not exercised, REA will acquire the remaining shares at the end of the four years.

REA also announced it had entered into a strategic mortgage broking partnership with NAB, expanding on its existing partnership creating an Australian-first end-to-end digital property search and financing experience. To help achieve this, NAB will provide an opportunity for its Choice Home Loans brokers to join this new broking solution enabling REA to offer a realestate.com.au broking service at the launch of realestate.com.au Home Loans expected in September 2017.

Directors' Declaration

In the Directors' opinion:

a) the Financial Statements and notes of the consolidated entity for the financial year ended 30 June 2017 set out on pages 32 to 72 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 2017 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) The Basis of Preparation note 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 2017; 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 21 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.

Hamish McLennan

Mr Hamish McLennan
Chairman

Tracey Fellows

Ms Tracey Fellows
Chief Executive Officer

Melbourne
11 August 2017

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Independent Auditor's Report to the Members of REA Group Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of REA Group Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated income statement, the 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.

In our opinion:

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

(i) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2017 and of its consolidated financial performance for the year ended on that date; and

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

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES110 *Code of Ethics for Professional* Accountants (the Code) that are relevant to our audit of the financial report in Australia; and we have fulfilled our other ethical responsibilities in accordance with the Code.

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

Key Audit Matters

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

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

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Revenue recognition and its reliance on automated processes and controls

Why significant	How this matter was addressed in the audit
The Group recognised $671.2m in revenue for the year ended 30 June 2017. The recognition of revenue is considered a key audit matter due to the significance of revenue to the financial report, with the associated disclosures found in Note 3(a). The Group's revenue recognition processes are heavily reliant on IT systems with automated processes and controls over the capturing, valuing and recording of transactions. These processes include a mix of manual and automated controls implemented by the Group to address the relevant risks on accounting records and financial reporting processes. The understanding and testing of these IT systems and controls that form part of the revenue process is a key part of our audit.	We assessed the design and operating effectiveness of relevant controls over the capture and measurement of revenue transactions, including the relevant IT systems. We examined the processes and controls over the capture and assessment of the timing of revenue recognition as well as tested a sample of transactions to supporting evidence. We understood and tested the Group's controls over IT systems relevant to the revenue processes. When testing controls was not considered an appropriate or efficient testing approach, alternative audit procedures were performed on the financial information being produced by systems. We assessed the Group accounting policies set out in Note 3(a), for compliance with the revenue recognition requirements of AASB 118 *Revenue*.

Recoverability assessment of indefinite life assets

Why significant	How this matter was addressed in the audit
As at 30 June 2017 the Group held $583.9m in goodwill and $92.6m indefinite-life brand names. As detailed in Note 5 to the financial report, the goodwill and brand names are tested by the Group for impairment annually. The recoverable amount has been determined based on a value in use model referencing discounted cash flows for Australia and Asia, each as a separate cash generating unit (CGU). This model contains estimates and significant judgments regarding future projections which are critical to the assessment of impairment.	In obtaining sufficient audit evidence on the valuation of goodwill and brand names, including our valuation specialists, we: ▶ Assessed the application of valuation methodologies applied. ▶ Assessed the key inputs and assumptions including board approved cash flows, discount rates and growth rates adopted in the valuation. ▶ Evaluated the determination of CGUs in accordance with Australian Accounting Standard - AASB 136 *Impairment of Assets*. ▶ Compared the cash flows used in the valuation to the actual and budgeted financial performance of the underlying CGUs. ▶ Performed sensitivity analysis around the key assumptions to determine whether any reasonably possible changes would result in an impairment charge. ▶ Compared earnings multiples derived from the Group's value in use model to those observable from external market data of comparable listed entities, where available. ▶ Benchmarked key assumptions used by the Group to the independent views of EY and external market data. ▶ Assessed the adequacy of the disclosures made in the financial report.

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Divestment of the European operations

Why significant	How this matter was addressed in the audit
As detailed in Note 17 to the financial report, the Group completed the divestment of their European operations during the financial year. This is a key audit matter as the gain on sale of the discontinued operations of $161.6m had a significant effect on the financial report.	As part of our audit response we performed the following procedures on the divestment: ► Assessed the accounting treatment of the divestment and disclosures made in the financial report against the requirements of Australian Accounting Standards - AASB *5 Non-Current Assets Held for Sale and Discontinued Operations*. ► We assessed the result for the financial year of the European operations through to the date of the divestment. We examined the relevant disposal costs and the proceeds received through to bank statements and assessed whether this had been accounted for in line with the underlying share purchase agreements.

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

The directors are responsible for the other information. The other information comprises the information in the Group's Annual Report for the year ended 30 June 2017, but does not include the financial report and the auditor's report thereon. We obtained the Directors' Report that is to be included in the Annual Report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting in the preparation of the financial report. We also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events and conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the disclosures in the financial report about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial report. However, future events or conditions may cause an entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 19 to 30 of the Directors' Report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of REA Group Limited for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

Ernst & Young

Ernst & Young

David McGregor
Partner

Melbourne
11 August 2017

Historical results

A$'000 (except where indicated)	2017	2016	2015	2014	2013
Consolidated Results:					
Revenue from continuing operations[1]	671,206	579,059	477,292	394,602	302,966
Profit before interest and tax (EBIT)[1]	156,379	349,836	280,174	200,873	140,180
Profit before income tax[1]	150,687	343,369	283,624	210,169	149,630
Profit for the year attributable to owners of the parent	206,066	252,958	210,011	149,728	109,711
Earnings per share from continuing operations (cents)[1]	36.1	193.1	151.3	112.7	80.4
Return on average shareholders' equity (% p.a.)	27%	40%	44%	41%	39%
Dividend and distribution	112,616	100,762	84,953	62,564	48,077
Dividend per ordinary share (cents)	91.0	81.5	70.0	57.0	41.5
Dividend franking (% p.a)	100%	100%	100%	100%	100%
Dividend cover (times)	1.83	2.51	2.47	2.40	2.28
Financial Ratios:					
Net tangible asset backing per share ($)	0.39	(1.82)	3.43	2.38	1.85
Net EBITDA (continuing operations) interest cover (times)[1]	14.05	63.73	N/A	N/A	N/A
Gearing (debt / debt and shareholders' equity) (%)	38%	41%	N/A	N/A	N/A
Financial Statistics:					
Income from dividends and interest[1]	3,727	1,819	3,611	9,292	9,268
Depreciation and amortisation provided during the year[1]	37,816	29,658	22,852	18,240	17,244
Net finance expense / (income)[1]	5,692	6,467	(3,450)	(9,296)	(9,450)
Net cash inflow from operating activities	296,816	221,339	191,355	183,581	145,177
Capital expenditure and acquisitions	128,264	568,883	391,146	44,154	21,837
Balance Sheet Data as at 30 June:					
Current assets	458,184	223,370	158,530	319,976	311,475
Non-current assets	1,120,629	1,259,914	511,440	198,592	83,288
Total Assets	**1,578,813**	**1,483,284**	**669,970**	**518,568**	**394,763**
Current liabilities	379,095	233,002	99,521	100,913	73,001
Non-current liabilities	394,988	534,507	12,370	9,343	6,892
Total Liabilities	**774,083**	**767,509**	**111,891**	**110,256**	**79,893**
Net Assets	**804,730**	**715,775**	**558,079**	**408,312**	**314,870**
Shareholders' Equity					
Contributed equity	95,215	97,109	98,355	102,075	102,474
Reserves	36,323	32,842	26,112	(2,273)	(8,797)
Retained profits	672,712	585,274	433,078	308,020	220,856
Shareholders' equity attributable to REA	**804,250**	**715,225**	**557,545**	**407,822**	**314,533**
Non-controlling interests in controlled entities	480	550	534	490	337
Total Shareholders' equity	**804,730**	**715,775**	**558,079**	**408,312**	**314,870**
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 ($)	67.97	59.89	51.28	52.05	33.30
– year's low ($)	47.50	39.15	37.40	26.70	13.33
– close ($)	66.40	59.49	39.21	42.71	27.53
Market capitalisation ($000,000)	8,746	7,836	5,165	5,626	3,626
Employee numbers (continuing operations)[1]	1,423	1,277	715	643	545
Number of shareholders	12,324	10,883	8,883	4,429	3,018

1 Information for 2013 – 2016 is restated to exclude discontinued operations.