

Appendix 4D

for the half-year ended 31 December 2015

REA Group Limited

ABN 54 068 349 066

RESULTS FOR ANNOUNCEMENT TO THE MARKET

For the half-year ended 31 December 2015 (“current period”)

		31 Dec 2015	% Change from 6 months ended	31 Dec 2014
		A\$'000	31 Dec 2014	A\$'000
Revenue from ordinary activities (core operations) & other income	Up	314,835	8%	292,765
Revenue from core operations	Up	314,835	20%	261,524
Net Profit for the period attributable to members	Down	115,148	-9%	126,396
Net Profit from core operations	Up	121,044	28%	94,745
Net Profit for the period attributable to members of parent (before non-controlling interest)	Down	114,978	-9%	126,284
Dividend information				
		Amount per share (cents)	Franked amount per share (cents)	Tax rate for franking credit
2015 final dividend per share (paid 14 September 2015)		40.5	40.5	30%
2016 interim dividend per share (to be paid 11 March 2016)		36.0	36.0	30%
2016 interim dividend dates				
Ex-dividend date				2 March 2016
Record date				4 March 2016
Payment date				11 March 2016
		31 Dec 2015		30 June 2015
		Cents		Cents
Net tangible assets per security		396.3		342.6

Additional Appendix 4D disclosure requirements can be found in the notes to the Interim Financial Report and the Directors' Report for the half-year ended 31 December 2015. Information should be read in conjunction with REA Group Limited's 2014 Annual Report and the attached Interim Financial Report.

This report is based on the consolidated Interim Financial Report for the half-year ended 31 December 2015 which has been reviewed by Ernst & Young with the Independent Auditor's Review Report included in the Interim Financial Report.

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REA Group Limited

ABN 54 068 349 066

Interim Financial Report for the half year ended 31 December 2015



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Corporate Information

Directors	Mr Hamish McLennan (Chairman) Ms Tracey Fellows Mr Roger Amos Ms Kathleen Conlon Mr Richard Freudenstein Mr William Lewis (resigned 12 Nov 2015) Mr John McGrath Mr Michael Miller (appointed 12 Nov 2015) Mr Peter Tonagh
Chief Financial Officer	Mr Owen Wilson
Company Secretary	Ms Sarah Turner
Principal registered office	Level 3, 511 Church Street Richmond, Victoria, 3121 Australia Ph: +61 3 9897 1121 Fax: +61 3 9897 1114
Share register	Boardroom Pty Limited Level 12 Grosvenor Place 225 George Street Sydney NSW 2000 Australia Ph: 1300 737 760 (within Australia) +61 2 9290 9600 (outside Australia) Fax: +61 2 9279 0664
Auditor	Ernst & Young 8 Exhibition Street Melbourne, VIC 3000 Australia
Bankers	National Australia Bank Limited
Stock Exchange Listing	REA Group shares are listed on the Australian Stock Exchange (Listing code: REA)
Website	www.rea-group.com

Directors' report

The Directors present their report together with the financial statements of the consolidated entity (the "Group"), being REA Group Limited (the "Company") and its controlled entities, for the half year ended 31 December 2015 and the Independent Auditor's Review Report thereon.

Directors

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

- Mr Hamish McLennan (Chairman)
- Ms Tracey Fellows
- Mr Roger Amos
- Ms Kathleen Conlon
- Mr Richard Freudenstein
- Mr William Lewis (resigned 12 Nov 2015)
- Mr John McGrath
- Mr Michael Miller (appointed 12 Nov 2015)
- Mr Peter Tonagh

Principal activities

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

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

- providing digital tools, information and data for people interested in buying, selling, renting, letting or pricing property. We call these users of our services 'consumers'.
- helping real estate agents, property developers and other property-related businesses promote their services through our websites, mobile sites, apps and some print. We call these users of our services 'customers'.

Our growth focuses on the three pillars of our strategy:

Listings

The backbone of our business entails publishing online residential and commercial property listings. This pillar also includes providing some software and website development to property developers and real estate agents who list properties on our sites.

Media and property-related services

Media: Third parties advertise on our sites, giving them access to the largest audience of property seekers in Australia. We also provide them with digital products and services to help them manage their data.

Property-related services: This part of our business streamlines the process of moving – whether it's by helping consumers find a home loan, assisting with the connection of their utilities or applying for a rental property.

International operations and expansion

Australia remains our largest market – a market in which we operate the market leading website for residential and commercial property. In addition, we continue to expand internationally and have a presence in Europe, Asia and North America.

Review and results of operations

A summary of financial results from core operations for the half year ended 31 December 2015 is set out below.

For the purposes of this report, core operations is defined as the reported results per the Financial Statements adjusted for significant non-recurring items such as the gain on sale of marketable securities and sale of Squarefoot business, as well as the share of losses from Move, Inc. and iProperty Ltd associates.

Review and results of operations continued

A\$'000 (unless stated)	2012 HY	2013 HY	2014 HY	2015 HY	2016 HY	Growth
Revenue from core operations	134,618	161,427	209,422	261,524	314,835	20%
EBITDA ¹ from core operations	59,566	77,246	106,799	144,507	185,905	29%
<i>EBITDA margin</i>	44%	48%	51%	55%	59%	7%
Net profit from core operations	41,209	51,594	70,696	94,745	121,044	28%
Dividend (cents per share)	12.5	16.0	22.0	29.5	36.0	22%
Earnings per share from core operations	31.6	39.2	53.7	71.8	91.9	28%

Reconciliation of results from core operations

A reconciliation of results from core operations and non-IFRS measures compared to the reported results per the Financial Statements on page 11 is set out below:

A\$'000 (unless stated)	2016 HY	2015 HY	Growth
Revenue from core operations	314,835	261,524	20%
Other income - gain on sale of marketable securities	-	31,241	-
Reported revenue & other income	314,835	292,765	8%
EBITDA from core operations	185,905	144,507	29%
Gain on sale of marketable securities	-	31,241	-
Share of losses of associates	(5,896)	(300)	>100%
Reported EBITDA	180,009	175,448	3%
Net profit from core operations	121,044	94,745	28%
Gain on sale of marketable securities	-	31,241	-
Tax on gain on sale of marketable securities	-	(9,085)	-
Share of losses of associates	(5,896)	(300)	>100%
Gain on sale of Squarefoot business	-	9,795	-
Reported Net profit	115,148	126,396	(9%)

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

Group results from core operations

The Group achieved a 28% increase in Net Profit from core operations to \$121.0 million. Group revenue from core operations grew by 20% to \$314.8 million driven by the continued growth in listing depth products which are targeted to the needs of consumers, real estate agents and property owners.

The Group's property websites in Australia, Europe and Asia all recorded traffic growth in the half year. Revenue grew across all countries for the half year and Australia remained the primary revenue driver for the business, delivering 92% of the Group's revenue. Each of the Australian lines of business achieved revenue growth reflecting the success of the listing depth strategy and continued product innovation strengthening our customer relationships and consumer experience.

The Group's EBITDA from core operations increased 29% for the half year to \$185.9 million while the EBITDA margin increased to 59%. Operating expenses increased by 10% on the comparative half year due to different timing of marketing spend and strategic initiatives. The Group manages operating expenses on a full year basis and due to these timing differences cost growth will be weighted to the second half.

The Group's operations attracted combined average monthly visits² of 70.6 million³ for the half year ended 31 December 2015. This represents a 29% increase in average monthly visits on the comparative half year. Paying agents increased to 24,423 across all websites and total property listings remaining steady at 1.6 million in December 2015.

Corporate expansion and investment activities

The Group has continued to deliver on its intention to expand internationally. On 2 November 2015, the Group announced its intention to acquire the remaining shares in iProperty (the Group already owns 22.7% of iProperty) for \$4.00 per share, to be executed by way of a scheme arrangement. iProperty (IPP) shareholders were also able to elect to receive \$1.20 cash, as well as shares in a company which will provide indirect exposure to IPP for a period of 2 years post-closing.

IPP shareholders approved the scheme on 28 January 2016 and final court approval was obtained on 2 February 2016. As a result, we expect the transaction to complete in mid-February 2016. The investment in IPP has been accounted for as an associate in the half year results and will be consolidated from 1 February 2016.

The Group will primarily fund the acquisition from new debt facilities totalling \$480 million, with the remainder from existing cash.

Dividends

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

	Interim 2016	Final 2015
Per share	36.0	40.5
Total amount (\$'000)	47,417	53,345
Franked ¹	100%	100%
Payment date	11 March 2016	14 Sept 2015

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

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

³ Source: Nielsen Online Market Intelligence Home and Fashion Suite average monthly visits for the half year ended 31 December 2015 (websites and apps) (including international traffic).

Review and results of operations continued

Performance by segment

Half year ended	Australia	Europe	North America	Asia	Corporate	TOTAL
31 December 2015	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue	289,422	25,063	-	350	-	314,835
Segment EBITDA from core operations	190,225	4,176	-	(98)	(8,398)	185,905
Share of losses of associates	-	-	(4,564)	(1,332)	-	(5,896)
Reported EBITDA	190,225	4,176	(4,564)	(1,430)	(8,398)	180,009
Half year ended						
31 December 2014						
Revenue from external customers	236,421	22,270	-	2,833	-	261,524
Reported EBITDA	144,940	5,098	(300)	415	25,295	175,448

Australia

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

We have continued to cement this number one position with a 7% increase in the number of Australian real estate agent offices that list properties on our sites for the half year ended 31 December 2015. Average monthly revenue per agent (ARPA) increased by 11% to \$3,410.⁴

Overall, Australian revenues increased by 22% to \$289.4 million on the comparative half year driven by our premium listing contract, Premiere All.

In our residential business, revenues increased by 20% on the comparative half year.

Our commercial business, realcommercial.com.au, recorded a 8% revenue growth driven by the Elite listing product.

Media and developer revenue increased by 23%. This increase is a result of continued innovation in

display media products and strong take up of Project Profiles, making it easier to present large developments.

Further details relating to the Australian operations are set out below.

Revenues driven by greater uptake of 'depth products'

Our growing revenues are particularly pleasing, given flat volume of property listings across the market, as well as lower average days on-market for properties as a result of high auction clearance rates in Sydney and Melbourne.

The Group's positive results, despite this backdrop, can be attributed to the successful execution of our strategic initiatives. An important factor has been a change in the way we charge for our services.

Traditionally, real estate agents have paid subscriptions for the right to list properties on our sites. However, we now offer agents 'depth products', where they pay extra to feature a more detailed listing of a particular property. We have enhanced these 'depth products' and made them

⁴ ARPA calculated as residential and commercial revenue over the number of paying agents.

easier to purchase. This has led to increased take up of premium listing products by both residential and commercial property agents.

Innovation is driving consumer engagement

We have the most engaged audience of property seekers in Australia. Combined, realestate.com.au, realcommercial.com.au and property.com.au attracted average monthly visits of 59.3 million during the half year. This figure represents growth of 33% compared with the prior comparative period.⁵

Our high consumer engagement is due to our continued efforts to enhance the online experience of people looking to buy, sell, rent or share property. Recent innovations mean consumers can now find far more detailed, personalised and up-to-date information on more properties than ever – from local price trends to information on nearby schools.

Consumers are also able to access this personalised property data from even more devices. For example, they can now receive location specific alerts via the first ever real estate app on the Apple Watch⁶.

As a result of our drive to increase the range of devices we publish on, average monthly app visits grew by 49%⁷. Average monthly visits for realestate.com.au outperformed the nearest competitor site by 2.1 times.⁸ The average monthly total time on site for realestate.com.au for the half year was 247.8 million minutes, outperforming our nearest competitor by 5.6 times.⁹

The expanded reach of mobile, and the increased personalisation of our sites and apps, have supported the creation of better products for real estate agents. As a result of recent innovations, these customers can now present their offering to consumers in a much more timely and targeted way, which, in turn, increases consumer engagement. For example we have worked closely with real estate agents to profile their experience and approach to selling homes, to assist consumers in their selection process.

⁵ Source: Nielsen Online Market Intelligence Home and Fashion Suite average monthly visits for the audited sites of realestate.com.au, realcommercial.com.au and property.com.au for the half year ended 31 December 2015 (including international traffic).

⁶ The Apple Watch is a registered trademark of Apple Inc.

⁷ Source: Adobe SiteCatalyst average monthly visits for the audited app for realestate.com.au for the half year ended 31 December 2015.

⁸ Source: 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 half year ended 31 December 2015, excludes apps.

Europe

The European operations comprise Italy, Luxembourg and France.

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

The European operations achieved revenue growth in the half year of 13% to \$25.1 million and EBITDA of \$4.2 million following a drive to grow market penetration.

Average monthly visits to the aggregated European sites casa.it, atHome.lu, atHome.de, immoRegion.fr and atOffice.lu increased by 10% to 11.2 million.¹⁰

Asia

Our Chinese site, myfun.com, supports our Australian business by showcasing Australian property listings to Chinese buyers, investors and delivering leads to agents. The myfun.com site was launched in 2014 and attracted average monthly visits of 81 thousand during the half year.¹¹

As at 31 December 2015, REA owns a 22.7% share in IPP. IPP, an ASX listed company, owns and operates Asia's leading network of property websites across Malaysia, Thailand, Indonesia, the Hong Kong region, and Singapore.

On 2 February 2016, following a shareholder vote on 28 January 2016, the courts approved the Group's acquisition of IPP. As a result, we expect the transaction to complete in mid-February 2016. The investment in IPP has been accounted for as an

⁹ Source: Nielsen Online Market Intelligence Home and Fashion Suite share of combined minutes for the audited sites of realestate.com.au compared to domain.com.au for the half year ended 31 December 2015, excludes apps.

¹⁰ Source: Adobe SiteCatalyst average monthly visits for the half year ended 31 December 2015 for casa.it, atHome.lu, atHome.de, atOffice.lu and immoRegion.fr combined (website visits, includes international traffic to site) compared to the half year ended 31 December 2014.

¹¹ Source: Adobe SiteCatalyst average monthly visits for the half year ended 31 December 2015 for myfun.com (main site visits, includes international traffic to site).

associate in the half year results and will be consolidated from 1 February 2016.

IPP has previously announced that it expects full year revenue for calendar year 2015 of \$32.0 million, which is up 47% on 2014, and EBITDA of \$2.5 million compared to a loss of \$0.4 million in the previous year¹².

North America

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

The Group's share of Move, Inc. at the half year resulted in losses of \$4.6 million recognised in the Income Statement.

Rounding of amounts

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

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 10.

Declaration

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



Mr Hamish McLennan
Chairman



Ms Tracey Fellows
Chief Executive Officer

Sydney
5 February 2016

¹² iProperty Group Ltd ASX announcement (14 December 2015 'Scheme Booklet').



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

As lead auditor for the review of REA Group Limited for the half-year ended 31 December 2015, 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 review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of REA Group Limited and the entities it controlled during the financial period.

Ernst & Young

David Petersen
Partner
Melbourne
5 February 2016

Consolidated Income Statement

for the half year ended 31 December 2015

	Notes	31 Dec 2015 \$'000	31 Dec 2014 \$'000
Revenue from continuing operations		314,835	261,524
Other income – gain on sale of marketable securities		-	31,241
Total revenue		314,835	292,765
Employee benefits expenses		(62,125)	(55,873)
Consultant and contractor expenses		(7,164)	(5,998)
Marketing related expenses		(25,463)	(24,901)
Technology expenses		(7,115)	(5,871)
Operations and administration expense		(27,063)	(24,374)
Share of loss of associates	5	(5,896)	(300)
Earnings before interest, tax, depreciation and amortisation (EBITDA) ¹³		180,009	175,448
Depreciation and amortisation expense	7	(15,767)	(13,126)
Profit before tax and interest (EBIT)		164,242	162,322
Finance income	7	739	2,960
Profit before income tax		164,981	165,282
Income tax expense	8	(49,833)	(48,681)
Profit for the half year from continuing operations		115,148	116,601
Discontinued operations			
Profit/(loss) after tax for the half year from discontinued operations	4	-	9,795
Profit for the half year		115,148	126,396
		Cents	Cents
Earnings per share attributable to the ordinary equity holders of REA Group Limited			
Basic earnings per share		87.3	95.9
Diluted earnings per share		87.3	95.9
Basic earnings per share from continuing operations		87.3	88.4
Diluted earnings per share from continuing operations		87.3	88.4

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

¹³ The Directors deem the EBITDA measures to be relevant and useful in measuring the financial performance of the Group. EBITDA is defined as Earnings before Interest, Tax, Depreciation and Amortisation.

Consolidated Statement of Comprehensive Income

for the half year ended 31 December 2015

	31 Dec 2015 \$'000	31 Dec 2014 \$'000
Profit for the period	115,148	126,396
Other comprehensive income		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Exchange differences on translation of foreign operations, net of tax	14,802	17,801
Write back on disposal of available-for-sale assets	-	(5,423)
Other comprehensive income for the period, net of tax	14,802	12,378
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	129,950	138,774
Profit for the period is attributable to:		
Non-controlling interest	170	112
Owners of the parent	114,978	126,284
	115,148	126,396
Total comprehensive income for the period is attributable to:		
Non-controlling interest	170	112
Owners of the parent	129,780	138,662
	129,950	138,774

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

Consolidated Statement of Financial Position

as at 31 December 2015

	Notes	31 Dec 2015 \$'000	30 June 2015 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	6	108,449	78,894
Trade and other receivables		78,101	79,636
Derivatives		284	-
Total current assets		186,834	158,530
Non-current assets			
Plant and equipment		16,052	17,389
Intangible assets		111,035	106,861
Deferred tax assets		5,227	4,950
Other non-current assets		1,438	258
Investment in associates	5	405,038	381,982
Total non-current assets		538,790	511,440
Total assets		725,624	669,970
LIABILITIES			
Current liabilities			
Trade and other payables		36,695	41,139
Current tax liabilities		12,497	22,306
Provisions		6,268	6,570
Deferred revenue		23,127	29,506
Total current liabilities		78,587	99,521
Non-current liabilities			
Other non-current payables		1,568	1,568
Deferred tax liabilities		7,348	6,289
Provisions		5,120	4,513
Total non-current liabilities		14,036	12,370
Total liabilities		92,623	111,891
Net assets		633,001	558,079
EQUITY			
Contributed equity	9	96,859	98,355
Reserves		40,902	26,112
Retained earnings		494,711	433,078
Parent interest		632,472	557,545
Non-controlling interest		529	534
Total equity		633,001	558,079

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

Consolidated Statement of Changes in Equity

for the half year ended 31 December 2015

	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 half year	-	114,978	-	114,978	170	115,148
Other comprehensive income	-	-	14,802	14,802	-	14,802
Total comprehensive income for the period	-	114,978	14,802	129,780	170	129,950
Transactions with owners in their capacity as owners						
Share-based payment expense for the period	-	-	1,145	1,145	-	1,145
Acquisition of treasury shares	(1,012)	-	-	(1,012)	-	(1,012)
Settlement of vested performance rights	(484)	-	(1,157)	(1,641)	-	(1,641)
Dividends paid	-	(53,345)	-	(53,345)	(175)	(53,520)
Balance at 31 December 2015	96,859	494,711	40,902	632,472	529	633,001

	Contributed equity \$'000	Retained earnings \$'000	Reserves \$'000	Parent interest \$'000	Non- controlling interest \$'000	Total equity \$'000
Balance at 1 July 2014	102,075	308,020	(2,273)	407,822	490	408,312
Profit for the half year	-	126,284	-	126,284	112	126,396
Other comprehensive income	-	-	12,378	12,378	0	12,378
Total comprehensive income for the half year	-	126,284	12,378	138,662	112	138,774
Transactions with owners in their capacity as owners						
Share-based payment expense	-	-	1,718	1,718	-	1,718
Acquisition of treasury shares	(1,723)	-	-	(1,723)	-	(1,723)
Settlement of vested performance rights	(2,165)	-	(729)	(2,894)	-	(2,894)
Dividends paid	-	(46,100)	-	(46,100)	(61)	(46,161)
Balance at 31 December 2014	98,187	388,204	11,094	497,485	541	498,026

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

Consolidated Statement of Cash Flows

for the half year ended 31 December 2015

	Notes	31 Dec 2015 \$'000	31 Dec 2014 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		329,805	280,202
Payments to suppliers and employees (inclusive of GST)		(152,097)	(151,834)
		177,708	128,368
Interest received		730	3,783
Interest paid		-	(158)
Income taxes paid		(59,300)	(40,294)
Share-based payment on settlement of long term incentive plans		(1,823)	(2,945)
Net cash inflow from operating activities		117,315	88,754
Cash flows from investing activities			
Payment for acquisition of subsidiary		-	(1,500)
Investment in associates		(15,302)	(339,991)
Payment for plant and equipment		(1,611)	(10,998)
Payment for intangible assets		(16,315)	(12,162)
Proceeds from sale of available for sale financial asset		-	111,710
Proceeds on sale of fixed asset		-	12
Net cash outflow from investing activities		(33,228)	(252,929)
Cash flows from financing activities			
Payment of dividend	10	(53,520)	(46,161)
Proceeds of borrowings		-	82,000
Repayment of borrowings		-	(82,000)
Acquisition of treasury shares	9	(1,012)	(1,723)
Net cash outflow from financing activities		(54,532)	(47,884)
Net increase/(decrease) in cash and cash equivalents		29,555	(212,059)
Cash and cash equivalents at the beginning of the half year		78,894	253,788
Effects of exchange rate changes on cash and cash equivalents		-	187
Cash and cash equivalents at end of the half year	6	108,449	41,916

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

Notes to the Consolidated Financial Statements

1. Corporate information

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

The condensed consolidated financial statements of the Company as at and for the half year ended 31 December 2015 comprise the financial statements of the Company and its subsidiaries (together referred to in these financial statements as the “Group” and individually as “Group entities”).

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

2. Basis of preparation

The condensed consolidated interim financial statements for the half year ended 31 December 2015 has been prepared in accordance with AASB 134 *Interim Financial Reporting*.

The interim condensed consolidated financial statements do not include all the information and disclosures required in annual financial statements, and should be read in conjunction with the Group’s annual financial statements as at 30 June 2015.

The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent as those adopted in the Group’s annual financial report for the year ended 30 June 2015, except for the adoption of new standards and interpretations as of 1 July 2015 as disclosed in the 30 June 2015 financial accounts and noted below:

- AASB 2012-3 *Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities*
- Annual Improvements to IFRSs 2010-2012 Cycle
- Annual Improvements to IFRSs 2011-2014 Cycle

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

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

3. Segment information

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

Identification of segments

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

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

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

(b) Type of service

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

The following tables present revenue and results by operating segments for the half year ended 31 December 2015 and 31 December 2014.

3. Segment note continued

Half year ended	Australia	Europe	North America	Asia	Corporate	TOTAL
31 December 2015	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Segment revenue						
Total segment revenue	289,895	25,063	-	492	-	315,450
Inter-segment revenue	(473)	-	-	(142)	-	(615)
Revenue from external customers	289,422	25,063	-	350	-	314,835
Results						
Segment EBITDA from core operations	190,225	4,176	-	(98)	(8,398)	185,905
Share of losses of an associate	-	-	(4,564)	(1,332)	-	(5,896)
EBITDA	190,225	4,176	(4,564)	(1,430)	(8,398)	180,009
Depreciation and amortisation						(15,767)
EBIT						164,242
Net finance income						739
Profit before income tax						164,981
Half year ended						
31 December 2014						
Segment revenue						
Total segment revenue	237,335	22,270	-	2,861	-	262,466
Inter-segment revenue	(914)			(28)		(942)
Revenue from external customers	236,421	22,270	-	2,833	-	261,524
Segment EBITDA from core operations	144,940	5,098	-	415	(5,946)	144,507
Share of losses of an associate	-	-	(300)	-	-	(300)
Gain on sale of marketable securities	-	-	-	-	31,241	31,241
EBITDA	144,940	5,098	(300)	415	25,295	175,448
Depreciation and amortisation						(13,126)
EBIT						162,322
Net finance income						2,960
Profit before income tax						165,282

4. Discontinued operation

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

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

5. Investment in associates

At 31 December 2015, the Group had a 22.7% interest in iProperty Group Limited ("IPP"), a public company listed on the Australian Stock Exchange. IPP has online property advertising operations in Malaysia, Indonesia, Hong Kong, Macau, Thailand and Singapore. The holding was acquired in stages during the 2015 and 2016 financial years for total consideration of \$118.2 million cash in addition to the sale of the Squarefoot business to IPP (fair valued deemed to be \$12.5 million). The total investment was \$130.7 million, representing an average price of \$3.06 per share held. The Group's share of losses for the period is \$1.3 million.

As at 31 December 2015 the number of shares held are 42,570,393 and the quoted share price was \$3.95. On 2 November 2015, the Group announced the intent to acquire 100% of IPP.

The Group also has a 20% interest in Move Inc. ("Move"), a leading provider of online real estate services in the United States. Move primarily operates realtor.com® a premier real estate information services marketplace, under a perpetual agreement and trademark license with the National Association of Realtors® ("NAR"), the largest trade organisation in the USA. The holding was acquired in November 2014 for a cash consideration of \$226.5 million (US\$198.7 million). During the half year period an additional capital contribution of \$1.1 million (US\$0.8 million) cash was paid by the Group relating to the funding of rollover awards held by Move employees. The Group has representation on the Advisory Board designed to advise on key strategic and operating matters impacting Move. The remaining 80% of Move is held by News Corp. News Corp. granted the Group a put option to require News Corp. to purchase the Group's interest in Move, which can be exercised at any time beginning two years from the date of acquisition at fair value. The Group's share of losses for the period is \$4.6 million.

The Group's interests in IPP and Move are accounted for using the equity method in the Consolidated Financial Statements.

6. Cash and cash equivalents

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

	31 Dec 2015	30 June 2015
	\$'000	\$'000
Cash at bank	68,361	53,708
Short term deposits	40,088	25,186
	108,449	78,894

7. Expenses

	31 Dec 2015 \$'000	31 Dec 2014 \$'000
Profit before income tax includes the following specific expenses:		
Employee benefits		
Salary costs	55,310	49,144
Defined contribution superannuation expense	5,670	5,012
Share-based payments	1,145	1,717
Total employee benefits	62,125	55,873
Finance (income)/costs		
Interest income	(739)	(3,118)
Interest paid	-	158
Total finance (income)	(739)	(2,960)
Expenses		
Depreciation of plant and equipment	3,004	2,866
Amortisation	12,763	10,260
Lease expense	2,457	3,092
(Gain)/loss on disposal of plant and equipment	10	537
Net foreign exchange (gain)/loss	(206)	(184)

8. Income tax expense

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

	31 Dec 2015 \$'000	31 Dec 2014 \$'000
Income taxes:		
Current income tax expense	49,455	47,924
Deferred income tax expense related to origination and reversal of deferred taxes	378	757
Income tax expense	49,833	48,681

9. Contributed equity

At 31 December 2015 the Group had 131,714,699 ordinary shares on issue. There has not been any issue of shares during the half year ended 31 December 2015.

	Contributed equity \$'000	Other contributed equity \$'000	Total \$'000
Balance at 1 July 2014	102,603	(528)	102,075
Acquisition of treasury shares	-	(1,885)	(1,885)
Settlement of vested performance rights	-	(1,835)	(1,835)
Balance at 30 June 2015	102,603	(4,248)	98,355
Acquisition of treasury shares	-	(1,012)	(1,012)
Settlement of vested performance rights via treasury shares	-	897	897
Settlement of vested performance rights	-	(1,381)	(1,381)
Balance at 31 December 2015	102,603	(5,744)	96,859

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

A deduction of \$1.0 million (31 December 2014: \$1.7 million) was made to other contributed equity during the half year to reflect the acquisition of treasury shares on market held for the short term incentive deferred share plan (STIP), of which \$0.9m were settled in the period. A deduction of \$1.4 million (31 December 2014: \$2.2 million) was made for the settlement of the Long Term Incentive Plan (LTIP). This reflects the difference between the amount paid for the shares on market and the grant value previously recognised in the Income Statement.

10. Dividends

(a) Dividends declared or paid

The following dividends were declared or paid by the Group:

	Per share	Total amount \$'000	Franked at 30%	Payment date
Half year ended 31 Dec 2015:				
2015 Final dividend (fully franked)	40.5 cents	53,345	100%	14 Sept 2015
Half year ended 31 Dec 2014:				
2014 Final dividend (fully franked)	35.0 cents	46,100	100%	25 Sept 2014

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

On release of the interim financial statements, the Directors declared an interim ordinary dividend for 2016 of \$47.4 million (36.0 cents per share fully franked) to be paid on 11 March 2016 out of retained earnings as at 31 December 2015. The interim dividend has not been recognised in the financial statements for the half year ended 31 December 2015, but will be in subsequent financial reports.

11. Contingencies

Various claims arise in the ordinary course of business against REA Group Limited and its subsidiaries. The amount of the liability (if any) at 31 December 2015 cannot be ascertained, and the REA Group Limited entity believes that any resulting liability would not materially affect the financial position of the Group.

12. Commitments

As a result of the Move, Inc. transaction, the Group entered a commitment of US\$5.0 million relating to the funding of rollover awards held by Move, Inc. employees as at 31 December 2015. Of this commitment, US\$0.8 million has been paid during the half year, with the balance expected to be paid within five years.

13. Events after the balance sheet date

On 2 February 2016, following a shareholder vote on 28 January 2016, the court approved the Group's acquisition of 86.9% of IPP, a listed company incorporated in Australia. REA has an obligation to acquire the remaining 13.1% minority shareholding over a two year period through a put and call option arrangement, as highlighted in the Scheme document. The acquisition price of the minority shares will be based on a prescribed formula set out in the Scheme Booklet that reflects the financial performance of iProperty Limited during the two years to 31 December 2017. The acquisition provides the Group a platform to further expand into Asia.

At date of signing the half year financial statements a formal purchase price allocation has not occurred. A formal purchase price allocation exercise will be carried out in the next 12 months. Purchase consideration including the subsequent buy out of minorities is estimated at approximately \$580.6 million, of which \$480.0 million will be funded via debt. The Group previously owned 22.7% which is valued at \$170.2 million based on the acquisition price of \$4.00 per share. Upon acquisition the Group will recognise a gain on the revaluation of the original investment of approximately \$39.5m.

Acquisition related costs are accounted for as expenses within operations and administration expense in the period in which they are incurred. We anticipate the total acquisition related costs to be \$7.0-\$8.0 million, of which the majority will be incurred in the second half of FY16.

Directors' Declaration

For the half year ended 31 December 2015:

In the Directors' opinion:

- (a) the financial statements and notes of the consolidated entity set out on pages 11 to 23 are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half year ended on that date; and
 - (ii) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



Mr Hamish McLennan
Chairman



Ms Tracey Fellows
Chief Executive Officer

Sydney
5 February 2016

To the members of REA Group Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of REA Group Limited, which comprises the condensed statement of financial position as at 31 December 2015, the condensed income statement, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of REA Group Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



Ernst & Young



David Petersen
Partner
Melbourne
5 February 2016