REA Group® 2013 Annual Report

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About Us

REA Group Limited is a market-leading digital advertising business specialising in property. Established in Melbourne in 1995 and listed on the Australian Securities Exchange (ASX:REA) in 1999, the Group now has over 700 employees across Australia, Europe and Hong Kong.

Our business develops and operates property sites - including mobile sites and apps - to meet the needs of consumers, property owners and advertising clients. Our portfolio includes Australia's leading residential and commercial property sites, realestate.com.au and realcommercial.com.au; market-leading sites in Italy and Greater Luxembourg, casa.it and atHome.lu; and the squarefoot.com.hk site in Hong Kong.

THE REALLY **BIG** PICTURE

"Our absolute focus on our purpose and strategy is driving profitable growth across the Group and delivering attractive returns for our shareholders."

Hamish McLennan, Chairman

Net Profit up 26% in 2013

Our Growth Record 2009-2013 (Net Profit from continuing operations)

Chairman's Message

It is my pleasure to present the 2013 REA Group Annual Report. As a result of our deliberate and consistent focus on our purpose and strategy, take-up of our depth advertising products accelerated this year and the Group delivered record financial growth.

While the markets in which we operate remain as competitive as ever, our enhanced product offerings and strong market position continue to create value for shareholders.

Financial highlights for 2013 included:

- Revenue increased by 21% to $336.5 million
- EBITDA increased by 30% to $163.7 million
- Net Profit grew by 26% to $109.7 million
- Cash balance increased by 42% to $257.3 million
- Earnings Per Share grew by 26% to 83.3 cents

Increased returns to shareholders

We are delighted to reward shareholders with a final dividend of 25.5 cents per share fully franked, at the top end of our payout ratio. This brings the total dividend for 2013 to 41.5 cents per share fully franked, which is a 26% increase on 2012.

In light of our previously stated intention to expand our international operations, the Board believes this is an appropriate balance between returning capital to shareholders and retaining funds for future investment opportunities.

Investing in our future

As a digital media business at the forefront of the market, investing in our continued growth is a priority. Each year, we invest over $45 million in our technology platform and product innovation. This ensures we have robust technology and products to support the growing needs of our markets.

We also invest in the continued development of our people and in ensuring REA Group remains an employer of choice. The Board is proud of the Group's globally benchmarked high levels of employee engagement and commitment to creating an environment that supports diversity.

REA Group was recently named top employer in the *2013 Women in the Media Awards* and the Group has also received an *EOWA Employer of Choice for Women* citation.

The Board

This year we will farewell non-executive director John Pittard. John has announced his intention to step down from the Board at our AGM on 13 November to coincide with his retirement from News Corp Australia. The Board would like to thank John for his valuable contribution and wish him well.

Another great year

Our shareholders have benefited from REA Group's continued growth over the past 12 months. The Group is now the largest Australian media company listed on the Australian Securities Exchange (ASX) and in June 2013 we entered the Standard & Poor's/ASX200 Index for the first time.

On behalf of the Board, I congratulate Greg Ellis and his team on the Group's tremendous performance and this year's record result.

I would also like to thank you, our shareholders, for your support this year and assure you of our continued focus on cementing REA Group's leadership position in all of our markets.

Hamish McLennan
Chairman

Managing Director & CEO's Review

This has been a great year for REA Group as our strategy to focus on increasing our product range delivered excellent growth and returns for shareholders.

Implemented over the past three years, this strategy supports our purpose of helping people live their property dreams and has seen us create a suite of products for property listings, which we refer to as listing or depth products in our financial accounts. These products provide an upgrade path for property listings across our residential, commercial and new development markets.

Market demand for these products accelerated in 2013, reinforcing our Group strategy and supporting the continued transition of our business from a subscriptions focus to a product focus.

Strong growth in Australian and international markets

In Australia, our largest market, 2013 revenue growth increased by 22%, primarily due to the increased take-up of our advertising products. Listing product revenue grew by 49% this year, surpassing subscription revenue for the first time.

The success of realestate.com.au's listing products, particularly the Highlight and Premiere products, contributed to 25% revenue growth for our Australian residential business. Strong take-up of longer-duration realcommercial.com.au listing products in the second half increased the portion of revenue deferred into FY2014. As a result, the commercial business recorded 9% revenue growth, however, the business grew 23% on a cash basis.

REA Media, our advertising business focused on the developer and display media markets, recorded 21% revenue growth this year and our Project Profile mini-site for new developments achieved take-up in excess of our expectations.

From a consumer perspective, our audience continues to grow. This year our Australian sites achieved average monthly visits of 20.6 million and realcommercial.com.au achieved a record one million visits in June 2013.

It is a credit to our international businesses that they contributed 11% of total Group revenue in 2013, despite the strong performance of our Australian business.

In difficult local market conditions, our Italian business, casa.it, achieved 14% revenue growth and 73% EBITDA growth.[1] A 60% increase in listing depth revenue this year indicates strong market readiness for a full range of listing depth products which are now being rolled out.

Our profitable atHome business serves the Greater Luxembourg region. It achieved 23% revenue growth and 34% EBITDA growth this year[1] and continues to expand into the neighbouring Trier region of Germany and the Alsace and Lorraine regions of France.

In Hong Kong, our reinvigorated squarefoot.com.hk business expanded its digital product offerings to include commercial and developer advertising. Given the continued focus on migrating users from print to online in this market, we were very pleased to achieve revenue growth of 18%[1] and a 93% increase in traffic.

Robust technology supports mobile innovation

Together, our property sites serve around one billion page views each month. This is made possible by continued investment in our technology platform and our dedicated team working behind the scenes to deliver a great consumer experience.

Recognising that consumers are increasingly accessing the internet – and our sites – via mobile devices, our business has adopted a 'mobile first' approach. This means we develop products for mobile devices first, then for desktop. With downloads of our Australian mobile apps exceeding 2.2 million in June 2013, we expect the majority of traffic to our sites will come via mobile devices by the end of the 2013 calendar year.

Our 'small screen' focus was rewarded in August 2012 with an *Australian Mobile Award for Mobile Innovation – Best Mobile Expanded Service or Application* (realestate.com.au iPhone® and iPad® app).

We are constantly looking to the future and our strategy is to increase our role in the property value chain. This could include connecting our property communities with the practical services they need to live their property dreams such as energy, telecommunications and finance.

Our high-performing team is integral to our success

We are very fortunate to have a team of over 700 talented and engaged individuals across Australia, Europe and Hong Kong. Our employee engagement continues to grow and now ranks alongside global high performing companies in several key areas.

I am proud to lead such a fantastic team and thank them for their hard work in 2013. I would also like to thank the Board for their support during the year.

Greg Ellis
Managing Director & CEO

1. In local currency.
iPad and iPhone are trademarks of Apple Inc.

Key Figures

20.6 million average monthly visits to our Australian websites[1] (excluding m.sites and apps)

196% growth in visits via our Australian apps[2]

74% of total minutes spent on Australian property sites was on REA Group's sites[1]

7.7 million average monthly visits to our Italian site[2]

2.2 million Australian mobile app downloads as at June 2013[3]

1. Nielsen Online Market Intelligence. 2. Adobe Omniture SiteCatalyst. 3. Google Play store and Apple app store.
All figures are for 2013. Refer to Financial Report for further information (page 32)

Group Business Summary

"In Australia, our residential business recorded one of its best growth years to date. We are now increasing our product range in international markets, where strong demand for premium products contributed to double-digit revenue growth this year."

Greg Ellis, Managing Director & CEO

Widespread take-up of our full range of property listing products was a key growth driver in 2013, delivering excellent returns for shareholders.

These products provide an upgrade path for standard property listings and deliver an exceptional return on investment through increased visits and enquiries. In Australia, more property owners and agents chose to upgrade listings in 2013, resulting in a 49% increase in property listing product revenue (also referred to as depth revenue).

REA Media, which connects property developers and leading brands with our highly engaged audience, recorded 21% revenue growth this year and contributed 27% of total Australian revenue.

Internationally, our operations generated 11% of Group revenue, an excellent result in light of the strong performance of our Australian business and subdued economic conditions in Europe.

Further information on our Group performance is available in our Financial Report on pages 21 - 66.

REVENUE UP 21%

2013 $336.5 million

2012 $277.6 million

EBITDA UP 30%

2013 $163.7 million

2012 $126.0 million

NET PROFIT UP 26%

2013 $109.7 million

2012 $86.8 million

TOTAL DIVIDEND UP 26%

2013 41.5 cents per share

2012 33.0 cents per share

EARNINGS PER SHARE UP 26%

2013 83.3 cents per share

2012 66.2 cents per share

Australian and International Operations

"Across our Australian and international operations, new products and increased take-up of those products were key growth drivers in 2013."

Jenny Macdonald, Chief Financial Officer

Our business develops and operates property sites – including mobile sites and apps – across Australia, Europe and Hong Kong.

In Australia, our market-leading realestate.com.au and realcommercial.com.au sites are supported by REA Media which connects property developers and media advertising clients with our Australian property communities. In 2013, visits to our Australian sites increased by 7% to an average of 20.6 million visits per month[1] and visits to our mobile sites (m.sites) increased by 65% to an average of 4.7 million visits per month.[2]

In Europe, our sites include Italy's market-leading property site, casa.it. In 2013, casa.it recorded an average of 7.7 million visits per month, up 18% from 2012.[2]

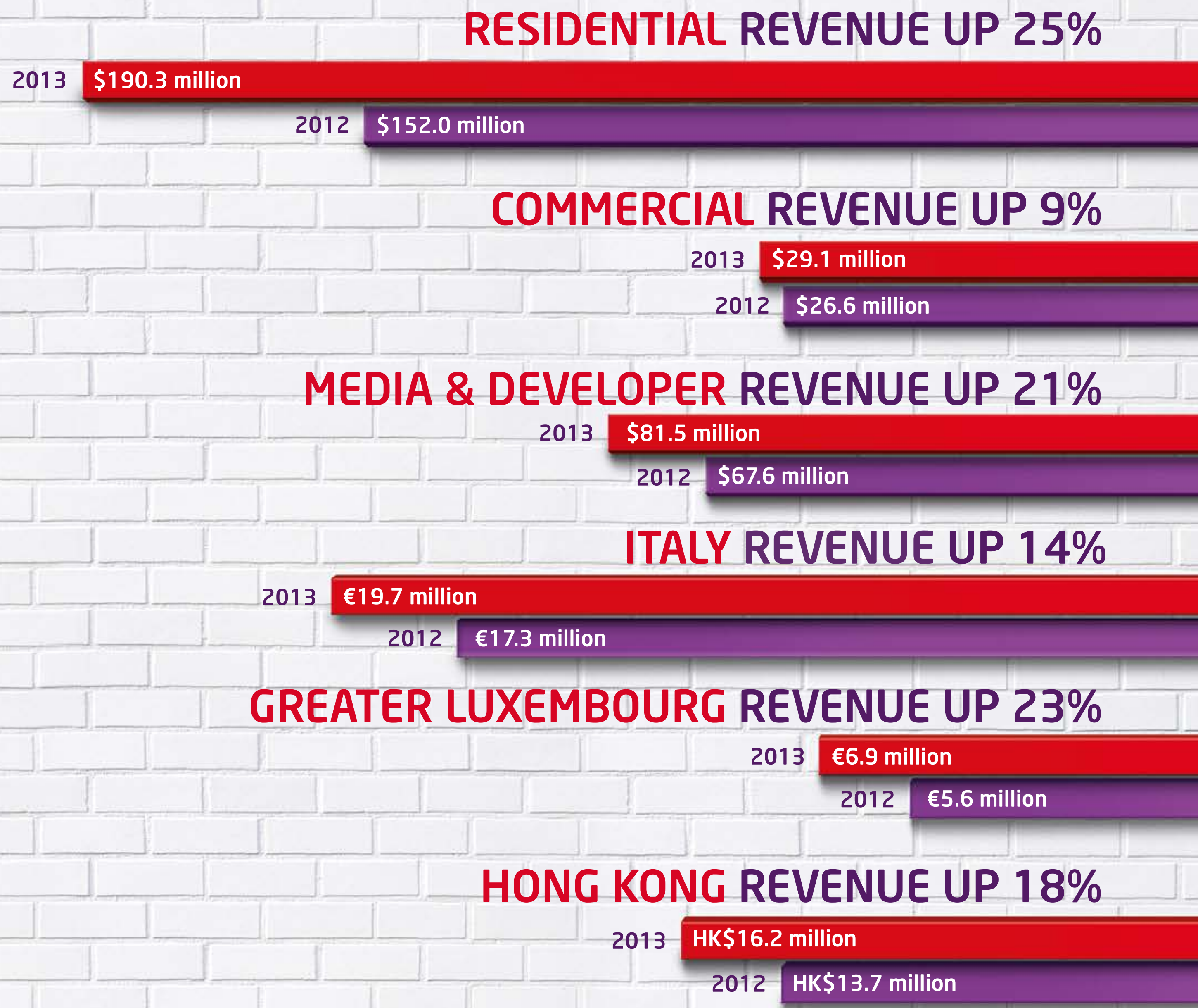
Our sites in Greater Luxembourg include Luxembourg's leading property site, atHome.lu, as well as growing sites in the neighbouring Trier region of Germany (atHome.de) and the Alsace and Lorraine regions of France (immoRegion.fr). Together, these sites recorded average monthly visits of 798,000, a 36% increase on 2012.[2]

In Hong Kong, our squarefoot.com.hk site serves the residential, commercial and property developer markets. As a result of continued investment and the successful migration of its audience from print to online, in 2013 visits to the site increased by 93% to 345,000 average monthly visits.[2]

Further information is available in our Financial Report on pages 21 - 66.

1. Nielsen Online Market Intelligence.

2. Adobe Omniture SiteCatalyst.



Helping people live their property dreams

We're in the business of helping people to live their property dreams.

In Australia, over two thirds of householders own their home[1] and houses turnover every nine-and-a-half years on average.[2] Combine this with the 32.9 hours[3] each week that Australians spend online – increasingly via mobile devices – and it's easy to see why realestate.com.au is the 'first port of call' for 8 out of 10 consumers researching property.[4]

Buying a home is the largest investment most people will make so we aim to make the entire process as simple, efficient and stress-free as possible. This means using our sites, apps and digital capability to help people at all stages of the property cycle – from researching to buying, selling, renting or renovating a home or investment property.

In addition to helping people find properties to buy or rent, we provide information and tools to help property owners research the market before they plan their next move. Our tools include local neighbourhood profiles, find an agent, integrated home loan calculators and myrealestate for saving and sharing favourite properties. We also offer property advice and inspiration through our realestate.com.au blog, #propchat Twitter chats, and Home Ideas section.

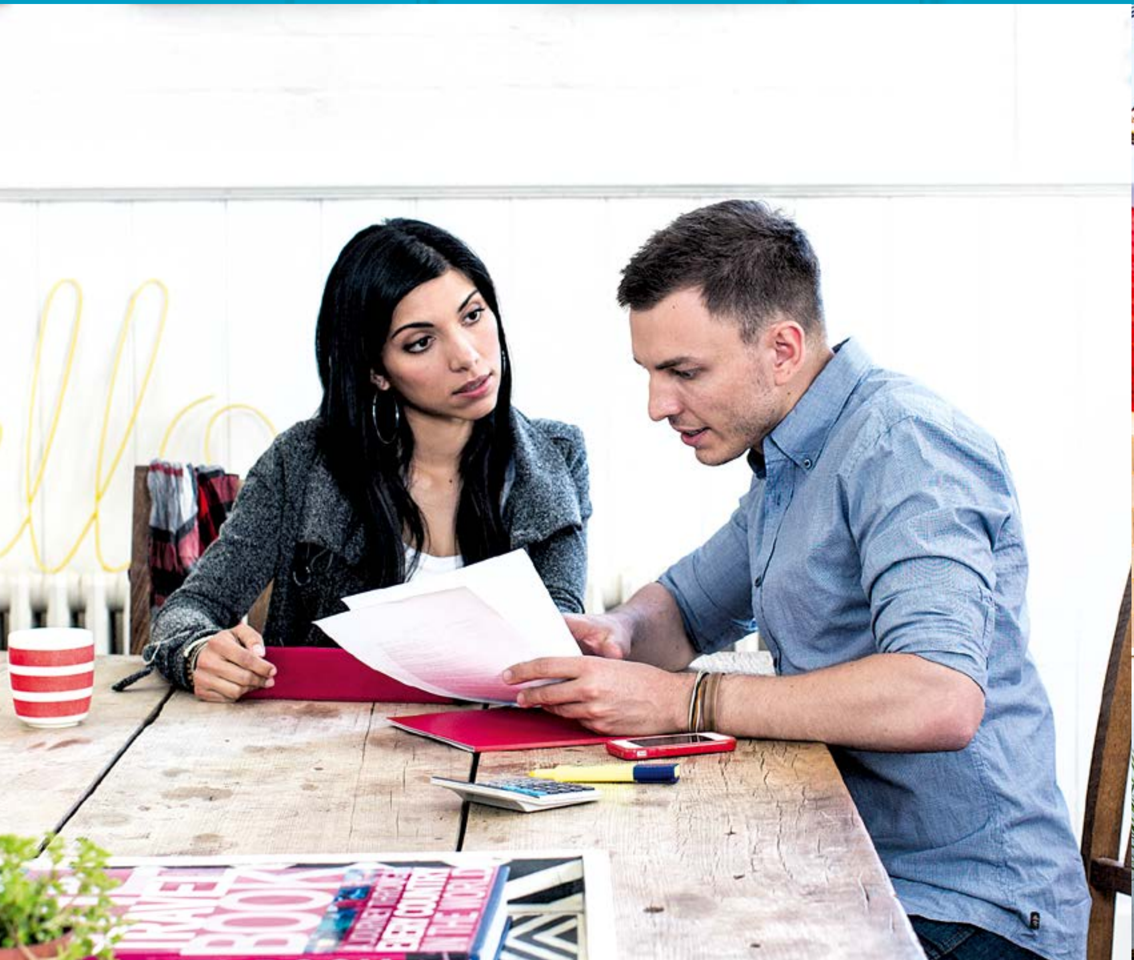
1. ABS Household Wealth & Wealth Distribution 2010-2012. 2. RPData – based on turnover period of sales for 12 months to August 2013. 3. Nielsen Australian Connected Consumer Report 2013. 4. REA Group research November 2012. 5. REA Internal Data Warehouse. This is based on activity on realestate.com.au between 1st February – 30th April 2012. Our property sample includes suburbs that had Premiere Property, Highlight, Feature Property and Standard ads during the same time period. 6. REA Group research November 2012.

Our advertising products for residential, commercial and new development listings have expanded to include a wide range of advertising options. Property owners can choose from standard property listing advertisements or larger, more prominent advertisements which appear higher in the search results and generate more enquiry and up to 15 times more views.[5]

This year we saw particularly strong take-up of our residential Highlight and Premiere products as well as our commercial listing products and Project Profiles for developers. We also launched new tools to help agents demonstrate the products available to property owners and enable property owners to upgrade their property listing directly via our sites.

With 71% of property owners using realestate.com.au to research the market before listing their property for sale[6], our sites can help connect property owners with local agents. We also provide agents with detailed reporting on the performance of individual property listings relative to similar properties on the market, facilitating discussions with property owners.

Over the past 12 months, recognition for our sites and apps has included winning the *2012 Australian Mobile Awards* for Best Mobile Expanded Service or App and being named an honoree in the international *2013 Webby Awards,* and a finalist in the *19th AIMIA Awards* (Best App on a Mobile).



Connecting advertisers to our property communities

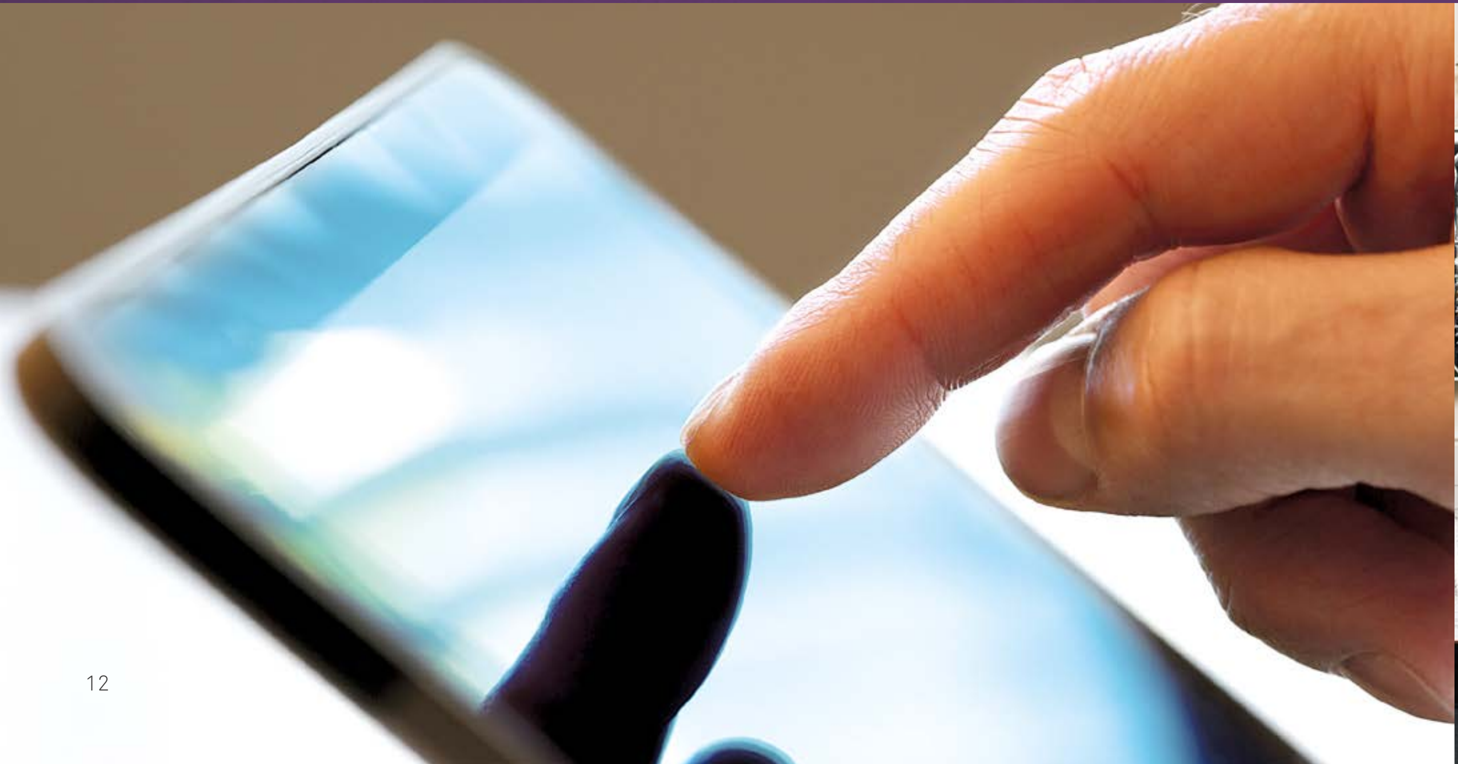
Our sites provide opportunities for advertising clients to reach our large and engaged property communities in Australia, Europe and Hong Kong. Together, our multinational portfolio of sites attracted average monthly visits of 46.3 million in 2013.[1]

REA Group is Australia's fifth largest digital advertising publisher by revenue.[2] We have been recognised in media and digital industry awards as one of Australia's leading media brands, including as a finalist for Media Brand of the Year in both the *2013 Mumbrella Awards* and *2013 B&T Awards*.

We continue to focus on delivering lead generation and a strong return on investment to our advertising clients. This year we launched a range of innovations and enhancements including:

- Australia's first dedicated property iPhone app for realcommercial.com.au (July 2012), and more recently, the realcommercial.com.au iPad app (August 2013).
- Providing enhanced reporting on individual property listings directly to the agent responsible for the property.
- Project Profiles, a rich-media mini-site to assist property developers communicate the lifestyle benefits of their development.
- New integrated mobile advertising products including our sponsored mortgage calculator for the realestate.com.au iPad app.
- Continuing our successful Agent Innovation seminar series, attended by over 2,600 residential agents in 2013.
- Across Australia, we hosted over 4,000 residential and commercial agents at our events this year.

1. Nielsen Online Market Intelligence Total Traffic for Audited sites and Adobe Omniture SiteCatalyst. 2. Frost & Sullivan September 2012.



People & Brand

"We have accelerated our performance by creating a collaborative environment where diverse thinkers can focus on a common, purpose-driven goal."

Greg Ellis, Managing Director & CEO

Our business success is the result of being focused on our purpose and doing things differently. We take the same approach to our greatest assets, our people and our brands.

We are proud of our employee engagement which is significantly above the national benchmark. Globally, we rank above global high performing companies on diversity, collaboration and learning and career development.[1]

Our diverse team of over 700 people across the globe includes specialists in technology, customer service, account management, marketing, product development and digital strategy.

Over the past 12 months we have taken an innovative approach to our operating structure, creating cross-functional, customer-focused 'lines of business'. These nimble businesses empower our people to collaborate and accelerate the delivery of new products to market. Our new structure is supported by 'agile' work practices that guide the way we work and interact. Agile emphasises collaboration, transparency and iterative changes that can be tested in-market and further developed as needed.

According to Simone Carroll, General Manager of People and Brand, "Our business is proud to operate using non-traditional methodologies and structures. We use a collaborative cross-functional approach to business that helps us enrich the growth of our brands as well as the individuals within it."

We believe diversity in all its forms is integral to our business success and we were delighted to be recognised with the inaugural *Women in Media* Employer Award in July 2013. This follows our *EOWA Employer of Choice for Women* citation in 2012.

1. Source: Towers Watson

Our Directors

Mr Hamish McLennan

Non-executive Director. Age 47

Director since 21 February 2012 and Chairman since 10 April 2012

Independent: No – Mr McLennan is a Nominee Director of News Corp Australia (formerly News Limited)

Mr McLennan is Chief Executive Officer and Managing Director of Ten Network Holdings. Prior to his appointment to Ten, Mr McLennan was Executive Vice President, Office of the Chairman, at News Corp (formerly News Corporation) where he was responsible for developing and enhancing its large-scale global brand and media partnerships. Previously, Mr McLennan was global Chairman and CEO of Young & Rubicam, part of WPP, one of the world's largest communications services groups. Mr McLennan joined Young & Rubicam in 2002 as Chairman and CEO of Y&R Brands Australia/New Zealand, one of the largest marketing services groups in Australasia, and led the firm's global business operations from 2006.

Other directorships and offices (current & recent):

- Managing Director and Chief Executive Officer of Ten Network Holdings Limited (since March 2013)
- Former Executive Vice President, Office of the Chairman of News Corp (from March 2011 to March 2013)
- Former Chairman and Chief Executive Officer of Young & Rubicam (from August 2006 to December 2011)

Board Committee membership:

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

Interests in shares and options*: Nil

Mr Greg Ellis BBus.

Managing Director and Chief Executive Officer. Age 51

Managing Director and Chief Executive Officer since 23 September 2008

Independent: No

Mr Ellis is a seasoned online executive having held senior management roles in internet-based companies in Australia and internationally. He joined REA Group from Microsoft where he was Marketing Director Asia Online Services. Prior to that, he was Managing Director Online for Truvo BV, a leading local search and advertising business operating in six countries: the Netherlands, Belgium, Ireland, Portugal, South Africa and Romania. Mr Ellis established Truvo BV's online directory business in all six markets. In Australia, his prior roles have included Managing Director of Sensis Interactive and Group Manager Marketing for Telstra Corporation.

Other directorships and offices (current & recent):

- Member of the Business Council of Australia (since October 2011)

Board Committee membership:

- Mr Ellis is invited to attend the Audit, Risk and Compliance Committee and Human Resources Committee meetings by the Board

Interests in shares and options*: 40,170 ordinary shares in REA Group Limited

Mr Roger Amos FCA, FAICD.

Independent non-executive Director. Age 65

Director since 4 July 2006

Independent: Yes

Mr Amos is an experienced non-executive Director with extensive finance and management expertise gained during a long and distinguished career in accounting. Specialising in the information, communications and entertainment sectors, he was a partner in international accounting firm KPMG for 25 years before retiring in 2006.

Other directorships and offices (current & recent):

- Chairman and non-executive Director of Tyrian Diagnostics Limited (since November 2007 and June 2007 respectively) and member of Tyrian Diagnostics Limited Audit Committee and Remuneration Committee
- Director of Enero Group Limited, formally Photon Group Limited (since November 2010), Chair of Enero Group Limited Audit Committee and member of the Human Resources Committee
- Chairman of the Opera Foundation of Australia
- Governor of the Cerebral Palsy Alliance Research Foundation
- Former independent Director of Austar United Communications Limited (from May 2008 to April 2012)

Board Committee membership:

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

Interests in shares and options*: 2,481 ordinary shares in REA Group Limited

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

Independent non-executive Director. Age 49

Director since 27 June 2007

Independent: Yes

Ms Conlon brings over 20 years of professional management consulting experience to the role. She is a recognised thought leader in the fields of strategy and business improvement and has advised leading companies across a wide range of industries and countries. In her seven years as a partner and Director of the Boston Consulting Group (BCG), Ms Conlon led BCG's Asia Pacific Operations Practice Area and, previously, the Sydney Office. In 2003, Ms Conlon was awarded a Centenary Medal for service to business.

Other directorships and offices (current & recent):

- Director of CSR Limited (since Dec 2004), Chair of the Human Resources Committee and member of the Audit Committee
- Director of Lynas Corporation Limited (since November 2011) and Chair of the Remuneration Committee and member of the Audit Committee
- President of the NSW Council and National Board Member of the Australian Institute of Company Directors (since November 2012)
- Director of Benevolent Society (since February 2013)
- Member of Chief Executive Women

Board Committee membership:

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

Interests in shares and options*: 2,248 ordinary shares in REA Group Limited (indirect)

Mr Richard J Freudenstein BEc, LLB (Hons).

Non-executive Director. Age 48

Director since 21 November 2006

Independent: No – Nominee Director of News Corp Australia

Mr Freudenstein is the Chief Executive Officer of FOXTEL and was formerly the CEO of News Digital Media (the digital division of News Limited) and The Australian newspaper. Mr Freudenstein returned to Australia in August 2006 after seven years at British Sky Broadcasting, the last six as Chief Operating Officer.

Other directorships and offices (current & recent):

- Chief Executive Officer of Foxtel Management Pty Limited (since December 2011)
- Director of the Bell Shakespeare Company Limited (from February 2007 to June 2013)
- Director of Astra (since December 2011)
- Director of MCN - Multi Channel Network Pty Ltd (since December 2011)
- Former Chief Executive Officer of News Digital Media (from August 2006 to November 2011)
- Former Chairman of REA Group Limited (from April 2007 to April 2012)

Board and Committee membership: N/A

Interests in shares and options*: Nil

Mr John D McGrath

Independent non-executive Director. Age 49

Director since 15 September 1999

Independent: Yes

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

Other directorships and offices (current & recent):

- Founder and Director of McGrath Group Limited (incorporated February 2000)

Board Committee membership:

- Member of the Human Resources Committee

Interests in shares and options*: 146,080 ordinary shares in REA Group Limited

Mr John Pittard BSc.

Non-executive Director. Age 60

Director since 30 June 2010

Independent: No – Nominee Director of News Corp Australia

Mr Pittard is the Chief Information Officer for News Corp Australia, providing technical leadership for News Corp Australia's mastheads throughout Australia as well as its online properties such as theaustralian.com.au, news.com.au, careerone.com.au and carsguide.com.au. Mr Pittard contributes over 30 years of experience in senior technology roles with some of Australia's largest companies including Telstra, Pioneer Australia and Shell International.

Other directorships and offices (current & recent):

- Chief Information Officer of News Corp Australia (since August 2003)
- Director of CareerOne Pty Limited (since March 2012)
- Former Director of RecruitAdvantage (from December 2008 to July 2012)

Board Committee membership: N/A

Interests in shares and options*: 22,200 options over Class A News Corporation Limited shares

Mr Stephen P Rue CA, BBS, DPA.

Non-executive Director. Age 47

Director since 1 Sep 2003

Independent: No – Nominee Director of News Corp Australia

Mr Rue is the Chief Financial Officer of News Corp Australia (previously News Limited), the Australian arm of News Corp. He was appointed to his current role in May 2003, and previously was the company's Group Finance Manager. Mr Rue first joined News Limited in 1996 and moved into the role of Treasurer and Special Projects Manager prior to being appointed Group Finance Manager. Mr Rue is a Chartered Accountant and holds a Bachelor of Business Studies and a Diploma in Professional Accounting. His experience includes eight years at Arthur Andersen where he held the position of Senior Manager in the Audit and Business Advisory division.

Other directorships and offices (current & recent):

- Director and Chief Financial Officer of News Corp Australia (since May 2003)
- Director of Australian Associated Press Pty Limited (since January 2003)
- Director of Foxtel Management Pty Limited (since November 2012)
- Former Chairman of Community Newspaper Group Limited (July 2004 to February 2013)
- Former Chairman of Melbourne Storm Rugby League Club Limited (July 2010 to May 2013)

Board Committee membership:

- Member of the Audit, Risk and Compliance Committee

Interests in shares and options*: Nil

** As at 30 June 2013*

Corporate Governance Statement 2013

The corporate governance arrangements for REA Group Limited and its subsidiaries (the Group) are set by the Board having regard to the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, corporate best practice and the best interests of all shareholders. REA Group is committed to adopting best practice in corporate governance where these practices are appropriate and add value, having regard to the particular circumstances of the Group. To meet these objectives, the governance arrangements are reviewed regularly by the Board.

Unless otherwise indicated, the information contained in this statement is true for the whole of the 2013 financial year commencing on 1 July 2012. The information provided below contains references to the REA Group website (www.rea-group.com/investors). This statement should be read in conjunction with this website and with the Directors' Report, including the Remuneration Report, on pages 21-31 of this Annual Report.

ASX Corporate Governance Council – Corporate Governance Principles and Recommendations

ASX Listing Rules require REA Group to report on the extent to which it has followed the recommendations that are contained in the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations with 2010 Amendments (2nd Edition) (ASX Principles and Recommendations). Details of REA Group's application of the ASX Principles and Recommendations during the year are set out below.

Principle 1: Lay solid foundations for management and oversight

Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions

Role of the Board and management

The Board has adopted a formal *Board Charter* that details the functions and responsibilities of the Board, Chairman and individual directors. Responsibility for the day to day management and administration of REA Group is delegated by the Board to the Managing Director and Chief Executive Officer (MD and CEO), assisted by the executive team. The MD and CEO manages REA Group in accordance with the strategy, plans and delegations approved by the Board.

The Board comprises directors with an appropriate range of skills, experience and expertise together with a proper understanding of, and competence to deal with, current and emerging issues of the business. Further, directors are expected to effectively review and challenge the performance of management.

Non-executive directors are appointed pursuant to formal letters of appointment setting out the key terms and conditions of the appointment and including further details regarding directors' remuneration, directors' duties and responsibilities, board performance evaluation, confidentiality of information, disclosure of interests and matters affecting independence and entering into deeds of indemnity, insurance and access.

Responsibilities of the Board

The Board retains full responsibility for overseeing and appraising the Company's strategies, policies and performance, however, to assist with discharging its responsibilities it has established the following committees:

- Audit, Risk and Compliance (ARC) Committee; and
- Human Resources (HR) Committee.

The Board is responsible for ensuring that management's objectives and activities are aligned with the expectations and risks identified by the Board. The Board has a number of mechanisms in place to ensure this is achieved including:

- approval of REA Group's corporate strategy which is designed to meet stakeholders' needs and manage business risk;
- approving initiatives and strategies designed to ensure the continued growth and success of the entity; and
- implementation of budgets by senior management and monitoring progress against budget – via the establishment and reporting of both financial and non financial key performance indicators.

Other functions reserved to the Board include:

- appointing and removing the CEO;
- approval and monitoring of the annual and half year financial reports;
- approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestitures;
- ensuring that any significant risks that arise are identified, assessed, appropriately managed and monitored; and
- reporting to shareholders.

At the end of the year, the REA Group Board approved an updated *Board Charter, HR Committee Charter* and *ARC Committee Charter*. However, references in this document refer to the previous Charters which governed the Board and Committees during the year. A copy of the current updated *REA Group Board Charter, HR Committee Charter* and *ARC Committee Charter* are available on the Company's website.

Companies should disclose the process for evaluating the performance of senior executives

The HR Committee, together with the MD and CEO, reviews and makes recommendations to the Board on the guidelines for evaluation of senior executive performance.

The performance of senior executives is reviewed regularly against both measurable and qualitative indicators. The MD and CEO conducts an annual performance assessment that involves an assessment of each senior executive's performance against specific and measurable qualitative and quantitative performance criteria. The performance criteria against which the executives are assessed are aligned with the financial and non-financial objectives of the Company.

A performance evaluation for senior executives took place during the year in accordance with the process referred to above. Further details of the performance assessment for senior executives are set out in the Remuneration Report on pages 25-31 of this report.

Principle 2: Structure the Board to add value

A majority of the Board should be independent directors

The *Board Charter* sets out that the Board is to comprise a minimum of three independent non-executive directors, together with four directors appointed by News Limited (now known as News Corp Australia), the majority shareholder of the Company. The current composition of the Board is three independent directors, four non-independent directors (appointed by News Corp Australia) and an executive director, being the MD and CEO.

Due to the size of the Company, and the strategic relationships, the Board has determined that it is not appropriate to have a majority of independent directors on the Board. However, this decision does not preclude the appointment of additional directors in accordance with the Company's Constitution, if deemed appropriate.

Independent decision-making

The *Board Charter* further dictates that each director will exercise independent judgement, rigour and objectivity in the performance of their director's duties, and is committed to creating sustainable and long term value for all shareholders.

Independent directors

REA Group considers a director to be independent when they are a non-executive director who is free of any business or other relationship that could materially interfere with – or could reasonably be perceived to materially interfere with – the independent exercise of their judgement.

In the context of director independence, "materiality" is considered from both the Company and individual director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal to or less than 5% of the appropriate base amount. It is presumed to be material (unless there is qualitative evidence to the contrary) if it is equal to or greater than 10% of the appropriate base amount. Qualitative factors considered include whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it, and other factors which point to the actual ability of the director in question to shape the direction of the Company's strategy.

Assessing independence

The Board makes an assessment of the independence of each director upon their appointment and annually thereafter. Directors are required on an ongoing basis to disclose to the Board relevant personal interests and conflicts of interest. Upon any such disclosure, a director's independence is reassessed.

In accordance with the definition of independence above, and the materiality thresholds set, the following Directors of REA Group Limited are considered to be independent:

- Mr Roger Amos
- Ms Kathleen Conlon
- Mr John D McGrath

The Chair should be an independent director

The Chairman of the REA Group Board, Mr Hamish McLennan, is not assessed as an independent director as during the year he held an executive position with News Corp, the parent of the Company's majority shareholder. The Board is of the opinion that the Chairman has the necessary skills and experience to undertake the role notwithstanding his non-independent status.

The roles of the Chair and Chief Executive Officer should not be exercised by the same individual

There is a clear division of responsibility between the Chairman, Mr Hamish McLennan, and the MD and CEO, Mr Greg Ellis. The Chairman role is primarily to provide leadership to the Board and ensure the effective organisation and conduct of the Board, while the CEO responsibilities include the implementation of strategic objectives, plans and budgets approved by the Board. The details of their respective roles are clearly outlined in the *Board Charter* and the Board-approved delegated authority matrix.

The Board should establish a nomination committee

The Board has delegated the functions of a nomination committee, being the review of Board composition and management succession, to the HR Committee.

Charter

Under the terms of the *HR Committee Charter*, the HR Committee reviews and makes recommendations to the Board on the appropriate size and composition of the Board; the appropriate criteria for appointment of independent non-executive directors; and on the appointment and removal of directors.

Composition of committee

The HR Committee consists of a majority of independent directors, is chaired by an independent director and has at least three members, one being the Chairman of the Board.

The members of the HR Committee during the year and up to the date of this statement are:

- Ms Kathleen Conlon (Chair of the Committee)
- Mr Roger Amos
- Mr John D McGrath
- Mr Hamish McLennan (Chairman of the Board)

Responsibilities

The responsibilities of the HR Committee relating to Board nomination and composition are to review and make recommendations to the Board on:

- the appropriate size and composition of the Board;
- the appropriate criteria (necessary and desirable skills and experience) for appointment of independent non-executive directors;
- appointment and removal of directors; and
- the terms and conditions of appointment to and retirement from the Board.

A copy of the Board's current *HR Committee Charter* is available on the Company's website.

Companies should disclose the process for evaluating the performance of the Board, its committees and individual directors

In accordance with the *Board Charter*, the Performance of the Board is reviewed annually by the Chairman, assisted by the HR Committee. The evaluation is intended to review the Board's role; review Board and Committee processes to support that role; and review the Board's performance.

The HR Committee agreed that an internal review of the Board's performance during the year should be conducted via questionnaire. Accordingly, an internal review of the Board was undertaken by the Chairman, with the assistance of the Company Secretary. All directors were provided with a questionnaire which obtained each director's view on Board performance with relation to Board structure, behaviours and outcomes. All questionnaires were confidentially completed by directors and a summary report, including areas for development, was prepared for review by the Chairman and shared with the full Board.

The Chairman also continues to assess the performance of the Board informally throughout the year, by speaking to individual directors, including the MD & CEO, to obtain feedback on the workings of the Board, the Committees and the role of the Chairman.

The Board considers the appointment or retirement of directors, where appropriate, and with regard to the size of the Company. The director concerned does not participate in the decision.

Induction and education

A company information pack is sent to new directors on their appointment to assist the director to gain a full understanding of the Company. It contains a copy of all relevant Board Charters and Policies, the Constitution, a current set of audited Financial Statements and other relevant information. Ongoing directors also have access to continuing education in the form of regular updates by senior executives and external legal and financial advisors.

Access to information

The *Board Charter* sets out that directors may access such information and seek such independent advice as they individually or collectively consider necessary to fulfill their responsibilities and permit independent judgment in decision making. Further, the directors are entitled to seek independent advice at the expense of the Company, with the Chairman's prior consent.

The Board and the Company Secretary

The Company Secretary reports directly to the Chairman of the Board and has an internal reporting line through to the CEO. The appointment of the Company Secretary was a collaborative decision between the then Chairman of the Board, the Chair of the HR Committee, and the CEO. The Company Secretary is accountable to the Board, through the Chairman, on all governance matters.

Directors' information

The skills, experience and expertise held by each director in office as at the date of this report are set out on pages 14 - 15 of this report.

Details of the period of office held by each director in office at the date of this report, membership of each Board Committee and each director's attendance at each Board and Committee meeting are set out on page 21 of this report.

Principle 3: Promote ethical and responsible decision making

Companies should establish a code of conduct and disclose the code or a summary of the code

REA Group has adopted a *Code of Conduct* to guide the standards of ethical behaviour expected of REA Group Directors, executives and employees in the performance of their work. In summary, the *Code of Conduct* requires compliance with the following minimum standards of behaviour: to treat each other respectfully, courteously and with dignity; to be fair and honest in our dealings; to use REA Group property responsibly and in the best interests of the Company and its reputation; to be responsible for our actions and accountable for their consequences; to respect the law and act accordingly; and to respect and adhere to REA Group's values.

A summary of the *Code of Conduct* is available on the Company's website. A full copy of the *Code of Conduct* is documented on the REA Group intranet and is supplemented by the *REA Group Grievance Policy* and the *REA Group Whistleblower Policy*. The *Group Grievance Policy* details a process for resolving staff grievances so that work-related concerns and problems are dealt with fairly, sensitively and quickly; and the *Whistleblower Policy* facilitates the reporting by employees of anyone suspected of fraudulent or corrupt conduct, where an employee wishes to remain anonymous or feels unable to utilise the *Grievance Policy*.

Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy

In recognition that diversity is critical to its business success, REA Group has adopted a *REA Group Diversity Policy* which includes requirements for the Board to establish measurable objectives for achieving gender diversity and for the Board to assess annually both the objectives and progress in achieving them. A copy of the *Diversity Policy* is available on the Company's website.

Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them

To assist REA Group to continue its work in achieving gender diversity in the workplace, the following measurable objectives were reviewed by the HR Committee and approved by the Board during the year. A summary of progress achieved during the year is summarised below the relevant objective.

- *To conduct an annual Employee Opinion Survey monitoring the engagement and enablement of all employee groups, with particular focus on women and responding to any trends requiring action*

  The result of REA Group's annual group-wide Employee Opinion Survey showed that the Company has maintained strong employee engagement, continuing a positive momentum since 2009.

  With regard to a particular focus on women, a breakdown of survey result categories by gender does not show any significant variation from the overall REA Group trend. Further analysis into the Diversity category demonstrates that REA Group has either maintained or improved on its scores from 2011 and ranks significantly better than the external benchmarks on "My work schedule allows sufficient flexibility to meet my personal/family needs", "Women and men have the same opportunities to advance in the REA Group" and "I feel that management supports equal opportunity for all employees".

  The results of this survey are reviewed by the senior executive group and communicated throughout the organisation utilising a range of communication channels including face to face briefings, blog posts and Action Planning workshops. The results are taken seriously by REA Group and act as a key input into the creation of the annual People Strategy, which is approved by the Board as part of the Company's annual strategy plan.

- *To conduct an internal review of remuneration by gender across all employment groups, monitoring pay equity and responding to any trends requiring action*

  During this internal review, the remuneration of all employees was reviewed against a range of factors including internal and external benchmarks. The review identified a slight increase in the gender pay gap from 2011 to 2012 in both the Employee and Manager groups, however, a significant decrease in the pay gap for senior managers.

  A further review was conducted during the year to compare the REA Group gender pay gap to the Workplace Gender Equality Agency statistics. This demonstrated that REA Group continues to have a far smaller gender pay gap than the Australian average in all groups excluding the senior executive group.

- *To be in the top quartile of companies as reported by WGEA and demonstrate diversity year on year.*

Female employees as a percentage of workforce population

Group:	2011 (as at 06/2011)	2012 (as at 05/2012)	2013 (as at 05/2013)	WGEA Statistics
Managers	32%	36%	36%	34.7%
IT Business Unit	19%	16%	20%	19.7%*
Total	41%	38%	44.5%	45.8%

**Australian Computer Society 2012 Australian ICT Statistical Compendium*

Whilst not yet in the top quartile of companies, REA Group is sitting about par with current WGEA statistics for female workforce participation. The trend is heading in the right direction with a significant improvement in both our female IT workforce and overall female participation. There is a focus for 2014 to further increase female participation in our IT roles and increase the number of females in sales roles.

- *To implement a formal talent identification and succession planning process based on performance and capability with the intention of maintaining a pipeline of talent that reflects diversity of gender, background and experience.*

  Talent identification and succession planning was undertaken during the year, commencing with the senior executives of the Company. In conjunction with this, key and immediate risks are addressed as required, including creation of talent pools for short supply and high volume roles.

  The focus for 2014 is a talent identification and succession planning program for roles below the senior executive group. This program will contain initiatives to ensure an appropriate diversity of gender and remuneration strategies to retain key individuals.

  In addition, we have recently launched an initiative to support our pipeline of female talent with opportunities to lead high value projects in our non-hierarchical business model. The work develops broad commercial skills whilst increasing the manager's exposure to potential career paths and networking opportunities with colleagues, senior management and the Board.

- *To increase uptake of flexible work arrangements, in particular engagement in part time work arrangements, within the Manager population.*

  Flexible work arrangements continue to be utilised broadly throughout the Group on an informal, ad hoc basis assisting all employees to balance work and personal commitments. During 2013 and to date, 16 employees were due to return from parental leave and of this 16, only three did not return to work. Of the 13 remaining employees who returned from parental leave, ten were able to return on a part time basis with four phasing in their return to work by progressively increasing their work hours. Three of these employees are Managers.

  In addition, a further eight employees adjusted their part-time hours during the year in order to manage a work/life balance.

EOWA Employer of Choice for Women

In 2012, REA Group received the Equal Opportunity for Women in the Workplace Agency's (EOWA) Employer of Choice for Women citation for the first time. This citation is in recognition of our inclusive culture, our values and our people programs. It acknowledges REA Group as a women-friendly organisation, with programs that recognise and advance our female workforce.

Following our citation in 2012, the Equal Opportunity for Women Agency was replaced with the Workplace Gender Equality Agency and our citation as an Employer of Choice for Women was extended a further 12 months to 2014. REA Group intends to reapply for citation in the next application process in April 2014.

Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board.

As part of the process towards achieving gender diversity at REA Group, the proportion of women employees in the whole organisation, senior executive positions and women on the Board are reported below (as at 30 June 2013). The proportion of women in the senior executive Group has declined during 2013 due to the strategic merger of two executive positions (both held by women) and the current vacancy in one of our executive roles (previously held by a woman). REA Group believes it provides a balanced workplace which continues to support diversity.

Proportion of women employees in REA Group as at 30 June 2013

REA Group	Board	Senior Executive[1]	Manager[2]	Employee[3]
Female	12.5%	29%	38%	47%
Male	87.5%	71%	62%	53%

1. *Senior executive represents the Executive Leadership Team who report through to the MD and CEO.*
2. *Manager represents all people managers.*
3 *Employee represents all other staff (total employees minus senior executives and managers).*

Principle 4: Safeguard integrity in financial reporting

The Board should establish an audit committee

Purpose of the Audit Committee

The Board has established an Audit, Risk and Compliance (ARC) Committee that operates under a charter approved by the Board. The ARC Committee has been established to review and make recommendations to the Board on areas including financial reporting, internal audit, risk management, compliance, external audit and related party transactions.

Composition of the Audit Committee

The ARC Committee is structured so that it has at least three members; consists only of non-executive directors; consists of a majority of independent directors; and is chaired by an independent Chair, who is not Chairman of the Board.

Technical expertise

The *ARC Committee Charter* states that the Committee will comprise a minimum of three non-executive directors who can read and understand Financial Statements; and at least one director who is a qualified accountant or other financial professional with experience of financial and accounting matters. The current Committee composition meets these requirements.

The members of the ARC Committee during the year and up to the date of this statement were:

- Mr Roger Amos (Chair of the Committee)
- Ms Kathleen Conlon
- Mr Stephen P Rue.

For details of the qualifications of the ARC Committee members refer to the Directors' Information on page 14 - 15 of this report.

The Audit Committee should have a formal charter

Charter

An *Audit, Risk & Compliance Committee Charter* has been adopted by the Board and sets out the functions and responsibilities of the ARC Committee. A copy of the current *ARC Charter* is available on the Company's website.

The details of the names and qualifications of those appointed to the ARC Committee and their attendance at committee meetings is set out on page 21 of this report.

Responsibilities

The ARC Committee is responsible for reviewing and making recommendations to the Board on areas including the following:

- the Financial Statements and reports intended for publication, including the annual statutory Financial Statements and the ASX financial reports at half year and full year;
- the adequacy of accounting and business policies and practices, approving and ensuring appropriate application of new policies; and revisions to existing policies to ensure compliance with Australian accounting standards;
- approval of the appointment and remuneration of the external auditor;
- facilitation of the external audit process and ensuring an appropriate response from management in addressing any issues raised by the external auditor; and
- approving all audit and non-audit services provided by the external auditor.

Meetings

The *ARC Committee Charter* dictates that the number of meetings is to be determined by the Chair of the Committee in order to permit the Committee to fulfill its obligations, but shall not be less than three each year. Further, that the Company Secretary will attend and maintain minutes of each meeting.

For details of the number of meetings of the ARC Committee held during the year, and the attendees at those meetings, refer to Meetings of Directors on page 21 of this report.

Reporting

The Chair of the ARC Committee communicates the findings of the Committee to the Board after each meeting.

The ARC Committee meets at least twice a year with the external auditors to discuss the results of their work, fee arrangements and other work performed. To ensure that the auditor remains independent at all times, all non-audit work is authorised by the ARC Committee.

While the Company has not adopted a formal policy on the appointment of the external auditor, REA Group's external auditor has a policy of rotating their external audit partner every five years. The lead audit partner was last rotated during the 2012 financial year.

Principle 5: Make timely and balanced disclosure

The Board should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies

The Board has adopted the *REA Group Market Disclosure Policy*, which sets out the key obligations of the Board and senior management to ensure that REA Group complies with its disclosure obligations under the ASX Listing Rules and the *Corporations Act 2001* (Cth). The Board has overall responsibility for the establishment, implementation and supervision of the Company's continuous disclosure system, however, it has delegated authority to the Market Disclosure Committee to be responsible for the Company's compliance in accordance with the *Market Disclosure Policy*, including what information will be disclosed to the market via the ASX. The Market Disclosure Committee comprises the Chairman, the Chair of the ARC Committee, the MD and CEO, the Chief Financial Officer and the Company Secretary.

A copy of REA Group's *Market Disclosure Policy* is available on the Company's website.

Principle 6: Respect the rights of shareholders

Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy

REA Group aims to communicate all important information relating to the Company to its shareholders. The Board has adopted a *Shareholder Communication Policy*, which sets out the means to enable REA Group to meet this aim including the following:

- ASX announcements – announcements are made to the ASX in respect of annual and half-year results and on other occasions when the Company becomes aware of disclosable information.

- the REA Group corporate website – copies of all Board Charters and policies are made available in the Corporate Governance section of the Company's website and all ASX and media releases are made available via the investor section of the website after they have been released to the ASX;
- shareholder alerts – shareholders can sign up to receive ASX announcements via email;
- Annual Report – the Annual Report is distributed to all relevant shareholders and includes relevant information about the operations of the Company during the year, changes in the state of affairs of the Company and details of future developments, in addition to other required disclosures; and
- Annual General Meeting – each shareholder receives a Notice of Meeting invitation to attend the Annual General Meeting and has the opportunity to attend and participate in the meeting.

Further, REA Group webcasts the announcement of full year and half year financial results briefings made by the Chief Executive Officer and Chief Financial Officer.

A copy of the *Shareholder Communication Policy* is available on the Company's website.

Principle 7: Recognise and manage risk

Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies

The Board is responsible for ensuring material risks facing the Company have been identified and that appropriate and adequate control, monitoring and reporting mechanisms are in place.

REA Group has adopted a *Risk Management Policy* that is based on the requirements of the AS/NZS ISO 31000: 2009 Risk Management - Principles and guidelines. The policy sets out the framework for risk management at REA Group.

Further, the Board has delegated the review of risk management, audit and compliance matters to the ARC Committee. The ARC Committee Charter has a section dealing with the monitoring and management of business, operational and financial risks, ensuring the adequacy of the systems of compliance and internal control of the Company, including delegated authorities and to ensure accountability at an executive level for risk oversight and management.

The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks

The Risk Management Framework, (required by the *Risk Management Policy*) sets out the Group's processes of risk management including:

- ongoing identification and assessment of risks that may materially impact the Group's objectives;
- formulating risk treatment strategies, including assessment of internal controls, to manage identified risks; and
- ongoing management and ARC Committee reporting on the operation and performance of the Risk Management Framework.

Additionally, REA Group has an internal audit function which reports to the ARC Committee and the Chief Financial Officer. The ARC Committee is responsible for assessing the performance and objectivity of the internal audit function; including recommending the appointment and/or dismissal of the Group Risk and Assurance Manager. The Group Risk and Assurance Manager meets regularly with the Chair of the ARC Committee in the absence of management. This function has full access to personnel and information and is independent of the external auditor.

The *Risk Management Policy* is available on the Company's website.

The Board should disclose whether it has received assurance from the Chief Executive Officer and the Chief Financial Officer that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks

The Chief Executive Officer and the Chief Financial Officer have provided a written statement to the Board in accordance with s295A CA that their view provided on the Group's financial report is founded on a sound system of risk management and internal compliance and control which implements the financial policies adopted by the Board; and that the Group's risk management and internal compliance and control system is operating effectively in all material respects. This signed statement was received by the Board during the year, prior to the acceptance of the annual Financial Statements.

Principle 8: Remuneration fairly and responsibly

The Board should establish a remuneration committee

Purpose of the HR Committee

The Board has delegated the functions of a remuneration committee, which is to review and make recommendations to the Board on the remuneration and performance of the Board and senior executives, to the Human Resources (HR) Committee.

The HR Committee is responsible for establishing and maintaining an appropriate framework for remuneration issues within the Company. This function includes the determination of remuneration policies and of executives' remuneration based on individual performances and the financial and operating performance of the Company.

HR Committee Charter

The HR Committee acts in accordance with the terms of reference set out in the *HR Committee Charter,* approved by the Board. The *HR Committee Charter* sets out the responsibilities of the HR Committee to review and make recommendations to the Board on:

- remuneration and performance of the Board
- executive remuneration including the remuneration of the Managing Director and senior executives, remuneration incentive and KPI policies and guidelines for the business;
- superannuation arrangements; and
- guidelines for employee share plans.

The Charter confirms that no executive should be directly involved in deciding their remuneration.

A copy of the current *HR Committee Charter* is available on the Company's website.

Composition of the HR Committee

The HR Committee is structured so that it consists of a majority of independent directors; is chaired by an independent director; and has at least three members.

The details of the names and qualifications of those appointed to the HR Committee and the number of, and attendance at Committee meetings are set out on page 21 of the Directors' Report.

Remuneration policy

For further details of the remuneration policies of the Company, please refer to the Remuneration Report on pages 25 - 31 of this report.

Companies should clearly distinguish the structure of non executive directors' remuneration from that of executive directors and senior executives

The non-executive Directors' remuneration is fixed and non executive directors do not participate in any "at risk" incentive plans. Remuneration paid to executives in the 2013 financial year includes fixed and variable components.

REA Group does not provide any scheme for retirement benefits, other than statutory superannuation, for non-executive Directors.

The Company's *Share Trading Policy* prohibits the entering into of transactions in associated products which limit the economic risk of participating in unvested entitlements under any equity-based remuneration schemes.

Further details of the non-executive Directors' remuneration and that of the MD and CEO and senior executives can be found in the Remuneration Report on pages 25 - 31 of this report.

For further information on corporate governance policies adopted by REA Group Limited refer to the Company's website: www.rea-group.com/corporategovernance.

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 2013 and the Independent Auditor's Report thereon.

Directors

The following persons were Directors of the Group during the whole of the financial year and up to the date of the report unless stated otherwise:

- Mr Hamish McLennan (Chairman)
- Mr Greg Ellis (Managing Director & Chief Executive Officer)
- Mr Roger Amos
- Ms Kathleen Conlon
- Mr Richard J Freudenstein
- Mr John D McGrath
- Mr John Pittard
- Mr Stephen P Rue

Details of the qualifications, experience and responsibilities of the Directors are set out on pages 14 - 15 of this Report.

Meetings of Directors

Director	Board		Audit, Risk & Compliance Committee		Human Resources Committee	
	Held^	Attended	Held^	Attended	Held^	Attended
Mr Hamish McLennan	11	11	-	2#	7	6
Mr Greg Ellis	11	11	-	5#	-	4#
Mr Roger Amos	11	11	5	5	7	7
Ms Kathleen Conlon	11	11	5	5	7	7
Mr Richard J Freudenstein	11	10	-	-	-	2#
Mr John D McGrath	11	11	-	-	7	5
Mr John Pittard	11	11	-	-	-	2#
Mr Stephen P Rue	11	11	5	5	-	2#

 # The Director attended these meetings at the invitation of the Committee

^ The number of meetings held whilst the Director was a member

Principal activities

The Group's principal activity during the year was the provision of real estate online advertising and related services, which includes:

- online advertising of residential properties for sale and rent;
- online advertising of commercial properties for sale and lease;
- provision of online display advertising space for advertisers in various industries;
- provision of website development services to the Australian real estate industry through web design services;
- provision of property market related information to customers and consumers including publications to advertise properties for sale and rent; and
- other services.

In the delivery of the online advertising services, the Group produces consumer and customer (agent, developer, display advertiser) products. Consumer products are our websites, mobile websites and applications for iPhone®, android™ and iPad®, as well as print publications in Hong Kong and Luxembourg. The Group's customer products can be grouped into the following categories: subscriptions, agency depth products, listing depth products, media sales and search, website and listings.

Operating and financial review

A summary of financial results for the years ended 30 June are below:

A$'000 (unless stated)	2013	2012	Growth
Revenues	336,460	277,613	21%
EBITDA*	163,720	125,982	30%
EBITDA margin	*49%*	*45%*	*9%*
Net Profit (after tax)	109,746	86,782	26%
Earnings per Share	83.3	66.2	26%
Cash Balance at 30 June	257,344	181,599	42%

** Information additional to IFRS measures included in the report has been used for prior period consistency and user readability. These measures have been derived from audited information contained in the Financial Statements. The Directors believe these measures are relevant and useful in measuring the financial performance of the Group.*

The Group continued its previous growth trend in 2013 and achieved a 26% increase in Net Profit to $109.7 million. Revenue grew by 21% to $336.5 million as the Group focused on its strategy to deliver listing depth products and services to increase the success of real estate agents and property owners.

The Group's property websites in Australia, Europe and Asia all recorded growth in 2013 and continued to strengthen their competitive positions. Australia and Italy remained the primary revenue drivers for the business together delivering 96% of Group revenue. Australia achieved double-digit revenue growth across its residential, commercial and developer and display media businesses, while Italy delivered 11% (14% in local currency) revenue growth and 73% EBITDA growth.

The Group's EBITDA increased 30% to $163.7 million with the EBITDA margin growing to 49%, a 9% improvement over the prior period. The Group's operating expenses increased by 14% on the previous year, as the Group balanced a disciplined approach to internal cost management with continued investment in customers, technology and product innovation.

Overall, the Group's cash balance increased 42% to $257.3 million in 2013 as a result of incremental growth and strategies to maximise interest return.

The Group's multinational operations attracted combined monthly average visits[1] of 46.3 million[2] for the year ended 30 June 2013. Property listings across all sites were consistent at 1.6 million in June 2013 and paying agents decreased 4% year on year to 21,440 across all websites due to overall agency contraction and a focus on profitable growth in Italy.

1. *Visits = number of visits to the site for the month. If a person returns within 30 minutes, it is considered the same visit.*
2. *Monthly average visits (desktop for Group-wide websites utilising Nielsen Online Market Intelligence Total Traffic for Audited sites and Adobe Omniture SiteCatalyst).*

Operating and financial review (continued)

Country Performance (AUD)		Revenue $'000	EBITDA $'000	Margin %	Depreciation and amortisation $'000	Net finance income $'000	Profit before income tax $'000	Income tax expense $'000	Net Profit for the period $'000
30 June 2013	Australia	300,933	164,913	55%					
	Italy	24,821	1,474	6%					
	Other overseas countries	10,706	3,163	30%					
	Corporate	-	(5,830)	-					
	Total	336,460	163,720	49%	(18,670)	9,458	154,508	(44,762)	109,746
30 June 2012									
	Australia	246,224	129,620	53%					
	Italy	22,414	875	4%					
	Other overseas countries	8,975	2,495	28%					
	Corporate	-	(7,008)	-					
	Total	277,613	125,982	45%	(15,184)	7,652	118,450	(31,668)	86,782

Dividends

Dividends paid or declared by the Company during and since the end of the year are set out in Note 20 to the Financial Statements.

	Final 2012	Interim 2013	Final 2013
Per share	20.5	16.0	25.5
Total amount ($000)	27,003	21,074	33,587
Franked[a]	100%	100%	100%
Payment date	27 Sept 2012	20 Mar 2013	24 Sept 2013

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

Australia

The Group operates Australia's number one residential and commercial property sites, realestate.com.au and realcommercial.com.au, as well as REA Media which serves the property development and display media markets.

Australian revenues increased by 22% to $301 million during 2013. Residential revenue rose 25%.

Commercial revenue recorded a 9% growth in 2013. Both the residential and commercial businesses have seen an increase in revenue deferred into the 2014 financial year due to take-up of longer-duration products in the second half of 2013. In particular, market demand for longer-duration commercial listing depth products (between 90 and 360 days) has resulted in more revenue deferred into the 2014 financial year. This has impacted the year on year growth for the commercial business, however on a cash basis the business grew 23%.

Media and developer revenue increased by 21% due to continued display media innovation and strong take-up of the Project Profile product by developers.

Key growth drivers were the increased take-up of listing depth products across all segments increasing by 49% year on year as well as the number of Australian agent offices stabilising during the year.

The continued commitment to product development contributed to the 2013 results including the roll out of 'Highlight', a residential listing depth product, which expanded the residential product ladder and performed strongly. Commercially, 'Project Profiles' was launched in 2013 with steady take-up by Developer customers allowing the combined showcasing of their property developments. These innovations have contributed to monthly average revenue per agent (ARPA) growth of 26% to $1,989.[3]

The combined Australian sites realestate.com.au, realcommercial.com.au and property.com.au attracted average monthly desktop visits of 20.6 million during 2013, approximately 2.5 times that of its nearest competitor.[4] The combined sites also accounted for 74% of total minutes Australians spent on property portals in June 2013 (nearest competitor 19%).[5]

International businesses

Italy

Casa.it is a wholly owned subsidiary of the Group and is Italy's number one property site.

Casa.it performed soundly in 2013 given difficult economic conditions in Italy. Casa.it recorded an 11% (14% in local currency) increase in revenue during 2013 to $24.8 million and its first full-year positive EBITDA of $1.5 million, a 68% increase on 2012.

Monthly average ARPA increased to €126 (2012: €99). A major contributor of this growth was the 'Diamond Package' which offers agents higher listings visibility as well as a range of other benefits.

Average monthly visits to Casa.it increased by 18% to 7.7 million during the period and average monthly audience increased by 13% to 2.8 million, 1.5 times that of its nearest competitor.[6]

Luxembourg, Germany, France

The atHome Group comprises the number one property sites in the Greater Luxembourg area, athome.lu and atoffice.lu. It also operates sites in the neighbouring Trier region of Germany (athome.de) and the Alsace and Lorraine regions of France (immoRegion.fr). The operations of the atHome Group increased revenue by 19% (23% in local currency) in 2013 and recorded a $3.4 million EBITDA level (€2.7 million in local currency). Paying agents increased in the regions with monthly average ARPA increasing by 45%. Visits to the combined Greater Luxembourg region sites grew by 36% to a monthly average of 798,000.[7]

3. ARPA calculated as average residential and commercial revenue per month for the 12 months ended 30 June 2013 over the average monthly number of paying agents for the 12 months ended 30 June 2013.

4. Nielsen Online Market Intelligence Total Traffic for Audited sites, average monthly desktop visits for the 12 months ended 30 June 2013 for realestate.com.au, realcommercial.com.au and property.com.au compared to domain.com.au and commercialrealestate.com.au

5. Neilsen Online Market Intelligence Total Traffic for Audited sites, average monthly time on site for the 12 months ended 30 June 2013 for realestate.com.au, realcommercial.com.au and property.com.au compared to domain.com.au and commercialrealestate.com.au.

6. Audiweb statistic: Average monthly unique audience for the 12 months ended 30 June 2013 compared to nearest competitor.

Hong Kong

The Squarefoot Group operates the real estate portal squarefoot.com.hk, as well as a print publication in the real estate and lifestyle segments, targeting the English and Chinese speaking communities of Hong Kong. Revenue grew 19% (18% in local currency) during 2013, monthly average visits increased by 93% to 345,000[8] in 2013 and agent numbers are up 16%. There was a reduction in ARPA for the year due to the continued transition of the print magazine to online. Further accelerated investment in the business model has resulted in reduction of EBITDA margin to minus13% down from minus 8% in the prior period.

State of affairs

In the Directors' opinion there have been no significant changes in the state of affairs of the Group during the year. A further review of matters affecting the Group's state of affairs is contained in the Operating and financial review on pages 21 - 22 of this report.

Events since the end of the financial year

As at the date of this report, the Directors are not aware of any circumstance that has arisen since 30 June 2013 that has significantly affected, or may significantly affect the Group's operations in future financial years; the results of those operations in future financial years; or the Group's state of affairs in future financial years.

Future developments

The Group operates websites and apps to meet the needs of digital real estate advertisers and consumers in Australia, Europe and Hong Kong.

The online advertising market continues to grow in all of the regions in which we operate and we are investing in new digital advertising products which maximise the migration from print media to online. Following the continued shift to online in 2013, we estimate online real estate advertising now represents around 50% of the total real estate advertising market in Australia.

Our increased product depth and market demand for our listing products were key drivers of our growth in 2013. This has enabled us to diversify our revenue streams and in Australia, listing depth revenue surpassed subscription revenue for the first time in 2013. We will continue to focus on creating tailored digital advertising products to meet market needs going forward.

Our strategy will also see us playing an increasing role in the property value chain, linking our consumers and property owners with the products and services they need to live their property dreams such as property finance, utilities and removalists.

As our performance this year has demonstrated, the Group remains resilient to global economic volatility. This is due to our business model which is increasingly linked to transaction volumes - people buying and selling property - rather than property cycles.

We are aware that risks to our business could include new technologies or increased competition from existing or new sites and apps. We understand that the development and adoption of new technologies can occur quickly and can take new forms that could impact our existing business model. We constantly monitor global markets to understand and assess new technologies and identify potential opportunities and risks for our business.

We operate in highly competitive markets and understand that our market leadership position is reliant upon us delivering optimum value to our consumers, customers and property owners. While this remains our primary focus, we monitor and assess competitive risks to our Australian and international operations. As a business with international operations, we also have a small exposure to currency fluctuations which we monitor and manage.

Our investment in our people, technology and operating model has built flexibility into our business which enables us to quickly respond to market developments and bring new products to market where there is a need. Our response to rapid consumer take-up of mobile devices is one example – we now have a 'mobile first' approach which means new products are created for mobile devices first, then for desktop.

In Australia, agent numbers stabilised in 2013 as the market strengthened and agency consolidations slowed. Interest rates remain low and we do not see any significant risks in relation to the other drivers of transaction volumes in Australia, namely employment levels and consumer confidence.

In Italy, agent numbers decreased by 8%, primarily smaller agents impacted by the subdued economy. This decline was offset by a 27% increase in monthly Average Revenue Per Agent (APRA) as listing depth products were launched in the market. The market remains challenging and we expect growth will continue to be dampened by the economic environment. However, we continue to see growth in traffic to the site and as in Australia during the GFC, the cost-effectiveness of digital advertising makes it an attractive proposition in a difficult economic climate.

Given the success of our depth products in Australia, we will increase our focus on the development and rollout of listing depth products for Italy, Hong Kong and our other European businesses next year and beyond.

Environmental regulation

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

Directors' qualifications, experience and special responsibilities

The Board comprises seven non-executive Directors who 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 are contained on pages 14 - 15 of this report.

Details of the number of Board and Board Committee meetings held during the year, Directors' attendance at those are shown on page 21 of this report.

Details of directorships of other listed companies held by each current Director in the three years prior to the end of the 2013 financial year are listed on pages 14 - 15 of this report.

Company Secretary's qualifications and experience

Ms Rebecca Liatis was appointed Company Secretary of the Company on 24 February 2011. Ms Liatis has over 14 years of experience working in company secretarial roles with ASX listed companies. Ms Liatis' qualifications include a Bachelor of Laws and a Graduate Diploma of Applied Corporate Governance. She is an Associate Member of the Institute of Chartered Secretaries and Administrators and Graduate Member 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.*

7. Adobe Omniture SiteCatalyst. Average site visits per month for the 12 months ended 30 June 2013.

8. Adobe Omniture SiteCatalyst. Average site visits per month for the 12 months ended 30 June 2013.

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 2001*, and liabilities arising from conduct involving a lack of good faith. REA Group Limited is obliged to maintain an insurance policy in favour of non-executive Directors for liabilities they incur as Directors of REA Group Limited and to grant them a right of access to certain company records. In addition, each Director is indemnified, as authorised by the Constitution, on a full indemnity basis and to the full extent permitted by law, for all losses or liabilities incurred by the Director as a Director of a member of the Group. The indemnity operates only to the extent that the loss or liability is not covered by insurance.

During the year, the Company paid premiums totalling $113,432 (2012: $76,204) in respect of contracts insuring the Directors and Officers of REA Group Limited against costs incurred in defending proceedings for conduct involving:

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

Up to 11 November 2005 the Company held a Directors' and Officer's (D&O) Liability Insurance Policy on behalf of current Directors and Officers of REA Group Limited and its controlled entities. On 11 November 2005 (when News Corp Australia increased its share in the Group to a controlling shareholding), this policy was converted into a seven year run off cover expiring in November 2012. During the year the Group has been covered under the D&O insurance policy for the News Corp Group of companies. This cover excludes certain claims brought by major shareholders (News Corp Australia (previously News Limited)). In addition, REA Group Limited took out a further D&O policy to cover certain exclusions in the News Corp Group D&O policy.

Non-audit services

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

The Board of Directors has considered the position and, in accordance with advice received from the Audit, Risk and Compliance Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that these services did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

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

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

Consolidated REA Group	2013 $	2012 $
Tax compliance services	118,000	-
International tax consulting	-	7,000
Total remuneration for non-audit services	118,000	7,000

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 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

The lead auditor's independence declaration given under section 307C of the *Corporations Act 2001* is set out below and forms part of this Directors' Report for the year ended 30 June 2013.

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

In relation to our audit of the financial report of REA Group Limited for the financial year ended 30 June 2013, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

David Petersen
Partner

13 August 2013
Melbourne, Australia

Liability limited by a scheme approved under Professional Standards Legislation

Remuneration Report for the year ended 30 June 2013

This report forms part of the Directors' Report for the year ended 30 June 2013.

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 2013 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 2013 financial year and unless otherwise indicated were classified as KMP for the entire year:

Executive Director	
Greg Ellis	Managing Director and Chief Executive Officer

Senior Executives	
Jennifer Macdonald	Chief Financial Officer
Henry Ruiz	Chief Product Officer
Nigel Dalton	Chief Information Officer

Non-Executive Directors	
Hamish McLennan	Chairman
Roger Amos	Independent Director
Kathleen Conlon	Independent Director
Richard Freudenstein	Director
John McGrath	Independent Director
John Pittard	Director
Stephen Rue	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 Directors, the MD and CEO and the senior executive team. Further information on the HR Committee's role and responsibilities is contained in its Charter, which is available on the Group's website at www.rea-group.com.

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

During the 2013 financial year, the HR Committee engaged jws consulting to provide benchmarking data for the remuneration of the CEO, the Executive Leadership Team (ELT), certain other senior executive roles and the non-executive Directors and recommendations in relation to the remuneration of the CEO and the ELT. Under the terms of the engagement jws consulting provided remuneration advice (inclusive of remuneration recommendations as defined in section 9B of the *Corporations Act 2001*). jws consulting was paid a total of $105,317 for these services during the year, comprising $38,500 for remuneration recommendations in relation to remuneration levels for the CEO, ELT and non-executive Directors for the 2013 financial year and $66,817 for remuneration recommendations in relation to remuneration levels for the CEO and ELT for the 2014 financial year. For each remuneration recommendation the Board is satisfied that the recommendations were made free from any undue influence. jws consulting provided a formal declaration confirming that the recommendations provided were free from undue influence by the members of the key management personnel to whom the recommendations related.

In addition to providing remuneration recommendations, jws consulting provided remuneration benchmarking data and advice on other aspects of the Group's remuneration structure and was paid a total of $40,433 for these other services.

3. Executive remuneration philosophy and framework

3.1 Remuneration philosophy and principles

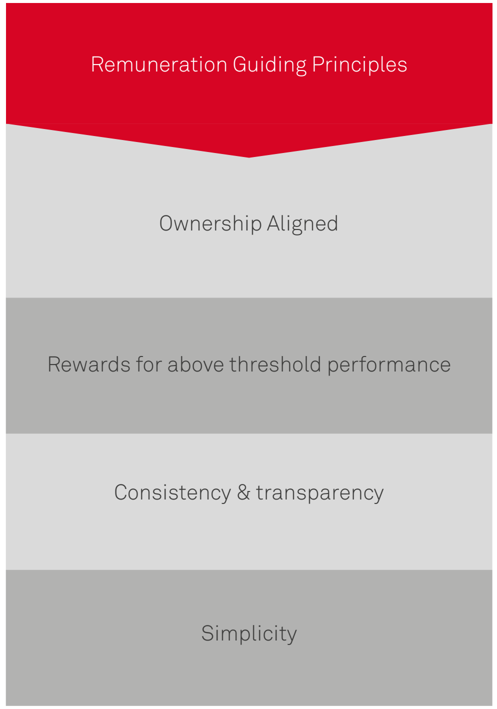
The Group's executive remuneration philosophy is founded on the objectives of:

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

The four core 'guiding principles' of our executive reward programs previously approved by the Board are shown in the diagram right.

3.2 Overview of components

The diagram right sets out an overview of the components of the executive remuneration framework, as well as what the Board considered to be the optimal mix between the fixed and total 'at-risk' components for the CEO and senior executives. Details on each of the individual components are set out in section 5 of this Report



4. Linking performance to executive remuneration

A key underlying principle of the Group's executive remuneration framework is that remuneration levels should be linked to Group performance.

The Group's performance for the 2013 financial year has been strong and the STI target performance levels for the EBIT and Revenue financial measures have been met and exceeded. This performance is reflected in the STI payments to the executive team, as set out in section 5.5.

In 2013, the number of performance rights forfeited to participating executives under the LTI Plan 4 granted in 2010 vested as a result of achievement of 95% of the Revenue and EBIT growth hurdles. The number of rights that were forfeited are shown in the Table 2 of the Remuneration report.

Further detail of the Group's revenue, EBIT and EPS performance for the past two years is set out in the Directors' Report on page 21.

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

Fixed Annual Remuneration ("FAR")	Short Term Incentive ("STI")	Long Term Incentive ("LTI")
50 - 60% of total remuneration	40 - 50% of total remuneration	
• Fixed salary set by reference to appropriate benchmark information and individual performance • Includes superannuation and salary-sacrificed non-monetary benefits	• Annual cash incentive • 12 month period • Targets linked to Group and individual performance	• Grant of performance rights under the LTI plan • 3 year performance period • Performance hurdles linked to revenue growth and EPS growth

Performance Indicator	2009	2010	2011	2012	2013
Net profit after tax from continuing operations ($000's)	28,703	49,366	67,505	86,782	**109,746**
Dividends per share	10.0c	16.0c	26.0c	33.0c	**41.5c**
Earnings per share	0.7c	39.5c	53.1c	66.2c	**83.3c**
Profit after tax attributable to owners of parent ($000's)	946	50,657	68,739	86,971	**109,711**
Share Price 30 June	5.95	10.67	11.90	13.46	**27.53**

5. Executive remuneration components

5.1 Fixed remuneration

Fixed remuneration

Fixed remuneration consists of base compensation and statutory superannuation contributions.

Executives may also elect to have other benefits provided out of their fixed remuneration, including additional superannuation and the provision of a motor vehicle.

Regular reviews of remuneration

Remuneration levels for the CEO and senior executives are reviewed annually, taking into account individual performance and overall Group performance.

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

A review was undertaken during the 2013 financial year. Fixed remuneration levels for the CEO and a number of senior executives increased effective 1 July 2012, based on individual performance and to align to market remuneration levels.

5.2 Short term incentive

Detail of STI Arrangements

What is the STI and who participates?

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

What is the amount that executives can earn?

The 'Target' STI opportunity is currently 54% of fixed remuneration for the CEO and between 20 – 40% for the senior executives.

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

Financial measures – level of performance	% of Target incentive awarded
Below Threshold (i.e. ≤ 85% of Target)	0%
Target	100%
Above Target (ie. ≥ 120% of Target)	200%
Pro-rata between these points	

What are the performance measures?

For the 2013 financial year, the performance measures are as follows:

Performance measure	Senior executive allocation	CEO allocation
EBIT	35%	40%
Revenue	35%	40%
Individual performance (based on specific Key Performance Indicators)	30%	20%

Why were these performance measures chosen?

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

The non-financial performance measures have been set to drive leadership performance and behaviours consistent with the Group's corporate philosophy.

When are the performance conditions tested?

Incentive payments are determined after the preparation of the Financial Statements each year (in respect of the financial measures) and after a review of performance against non-financial measures by the CEO (and in the case of the CEO, by the Board).

Payments of annual incentives are made once results are released in August, after the reviews are completed.

Table 1 – STI for the 2013 financial year

Specific information relating to the STI payable for the 2013 financial year based on achievement of the STI objectives for the CEO and senior executives is set out below:

Name	Actual STI payment	% of Target STI payable	% of Target STI forfeited
G Ellis	$663,480	171%	0%
J Macdonald	$245,245	172%	0%
H Ruiz	$369,000	164%	0%
N Dalton	$238,400	149%	0%

5.3 Long term incentive

Detail of LTI Arrangements

What is the LTI and who participates?

The LTI plan is designed to link long-term executive reward with ongoing creation of shareholder value, with the allocation of equity awards which are subject to satisfaction of long-term performance conditions.

A comprehensive review of the LTI arrangements was undertaken during 2012, with the HR Committee receiving independent advice regarding the structure of arrangements. The structure of Plan 3 (LTI Plan 2012) and Plan 4 (LTI Plan 2013) that were currently in place did not change. However, upon establishment of Plan 5 (LTI Plan 2014) and Plan 6 (LTI Plan 2015), the LTI arrangements were structured to include EPS targets rather than EBIT targets.

All senior executives (including the CEO) participate in the LTI plan.

How is the LTI grant determined?

The number of performance rights issued to each executive is calculated by dividing their 'target LTI' value (which is currently 47% of fixed remuneration for the CEO and between approximately 20% to 35% for the senior executives) by the value per right.

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

What is the performance period?

The performance rights are subject to a three year performance period beginning 1 July 2012 and ending on 30 June 2015.

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

What are the performance conditions?

The performance hurdles for the FY15 grant are based on the following:

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

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

What vesting schedules apply?

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

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

The Board has approved challenging Threshold, Target and Stretch growth rates (using the 2012 financial year as the base) in respect of both the Revenue and EPS hurdles, which are based on the Company's strategic plan. Both hurdles require strong double digit growth at the threshold level for any vesting to occur.

The Board considers that the growth rates required to attract full or partial vesting are commercially sensitive and therefore they will not be disclosed at this time.

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 is currently in a phase of growth.

In addition, the Board selected EPS as a performance measure for the FY15 grant on the basis that it:

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

Are there any restrictions placed on the rights?

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

What happens in the event of a change of control?

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

What happens if the executive ceases employment?

Where an executive ceases employment with the Group any unvested performance rights will lapse, unless approved by the Board in accordance with the LTI plan rules.

Table 2 - Summary of Awards under the LTI Plans

The table below sets out details of performance rights held by and granted to executives during the 2013 financial year under the LTI Plans.

Current executives	Held at 1 July 2012	Granted during year	Number vested during year	Value of rights at grant date	Number forfeited during year	Held at 30 June 2013
G Ellis						
LTI Plan 2012 (Plan 3)	34,965	4,369[1]	39,334	$24,991	-	-
LTI Plan 2013 (Plan 4)	27,027	-	-	-	1,307[2]	25,720
LTI Plan 2014 (Plan 5)	28,802	-	-	-	-	28,802
LTI Plan 2015 (Plan 6)	-	24,571	-	$329,989	-	24,571
Total	90,794	28,940	39,334		1,307	79,093
J Macdonald						
LTI Plan 2014 (Plan 5)	12,376	-	-	-	-	12,376
LTI Plan 2015 (Plan 6)	-	10,647	-	$142,989	-	10,647
Total	12,376	10,647	-		-	23,023
H Ruiz						
LTI Plan 2012 (Plan 3)	4,371	545[1]	4,916	$3,117	-	-
LTI Plan 2013 (Plan 4)	10,010	-	-	-	485[2]	9,525
LTI Plan 2014 (Plan 5)	11,251	-	-	-	-	11,251
LTI Plan 2015 (Plan 6)	-	9,307	-	$124,993	-	9,307
Total	25,632	9,852	4,916		485	30,083
N Dalton						
LTI Plan 2015 (Plan 6)	-	9,158	-	$122,992	-	9,158
Total	-	9,158	-		-	9,158

The terms and conditions of each performance right affecting the remuneration in the current or a future reporting period as follows:

Plan	Grant date	Vesting date[3]	Value per performance right at grant date[4]	Performance achieved	% vested
LTI Plan 2012 (Plan 3)	1 July 2009	1 July 2012	$5.72	100-120%	100%
LTI Plan 2013 (Plan 4)	1 July 2010	1 July 2013	$9.99	90-100%	95%
LTI Plan 2014 (Plan 5)	1 July 2011	1 July 2014	$11.11	to be determined	-
LTI Plan 2015 (Plan 6)	1 July 2012	1 July 2015	$13.43	to be determined	-

1. These performance rights were granted as a result of combined average of 116% over-performance of hurdles rates on the LTI Plan 2012.

2. The performance rights were forfeited as a result of combined average of 95% of performance hurdle rates on the LTI Plan 2013 were achieved.

3 Subject to board approval of the performance hurdles being met.

4. The values of the performance rights at the grant date are determined using a Monte Carlo simulation. The LTI Plan 2014 and 2015 values were determined using the Black Scholes model.

5.4 Service agreements

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

Name	Notice Period / Termination Payment
CEO	• 6 months either party (or payment in lieu) • Immediate for misconduct, breach of contract or bankruptcy • Statutory entitlements only for termination with cause
Senior executives	• 3 months either party (or payment in lieu) • Immediate for misconduct, breach of contract or bankruptcy • Statutory entitlements only for termination with cause

5.5 Executive remuneration table

Details of the remuneration paid to the CEO and senior executives[1] for the 2013 and 2012 financial years are set out below.

Name	Short term employee benefits			Post-employment benefits	Long term employee benefits	Termination benefits	LTI Plan**	Total	Performance related %	LTIP %
	Salary	STI Plan*	Other							
G Ellis (CEO and Managing Director)										
2013	701,530	663,480	-	16,470	15,325	-	302,307	1,699,112	57%	18%
2012	674,224	256,780	-	15,775	12,610	-	288,322	1,247,711	44%	22%
J Macdonald (Chief Financial Officer)										
2013	415,530	245,245	-	16,470	3,348		93,496	774,089	44%	12%
2012	400,000	151,388	-	15,775	6,805	-	45,832	619,800	32%	7%
H Ruiz (Chief Product Officer)										
2013	450,000	369,000	-	16,470	8,570		115,052	959,092	50%	12%
2012	450,000	201,900	-	15,775	7,520	-	86,452	761,647	38%	11%
N Dalton[2] (Chief Information Officer)										
2013	408,530	238,400		16,470	1,047		40,997	705,444	40%	6%
2012	31,479	-	-	2,833	486	-	-	34,798	-	-

1 The remuneration report for 2012 reported the total remuneration for the top five highest paid executives, as well as the KMP, in that year. In the report for 2013, the Corporations Act 2001 only requires information on the KMP for that year.

2 Employment commenced 4 June 2012.

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

*** Long Term Incentive Plan (LTIP) represents accrued expenses amortised over vesting period of grant. Refer to Note 30 of the Financial Statements.*

6. Non-executive director remuneration

6.1 Policy

Overview of policy

The Board seeks to set 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 2013 the Board's policy was that the non-executive Directors receive remuneration for their services as Directors.

Aggregate fees approved by shareholders

The current aggregate fee pool for the non-executive Directors of $700,000 was approved by shareholders at the 2011 AGM (increasing from $400,000).

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.

Promote independence and objectivity

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.

Regular reviews of remuneration

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

As a result of advice received during the year, and to ensure fees remain at a level competitive with non-executive Directors of comparable companies, Board and Committee fees were increased effective 1 January 2013.

6.2 Non-executive director fees

The table below shows the structure and level of non-executive Director fees for the 2012 and 2013 financial years. During 2013 and 2012, only the independent Directors received a fee.

Fee applicable for 2013[1]		Chair $	Member $
Board	**2013**	**N/A**	**86,000**
	2012	N/A	80,000
Audit, Risk & Compliance Committee	**2013**	**17,500**	**9,000**
	2012	15,000	7,500
Human Resources Committee	**2013**	**17,500**	**9,000**
	2012	15,000	7,500

1 The fees became effective from 1 January 2013.

6.3 Non-executive director remuneration

Details of remuneration for the independent non-executive Directors are set out in the table below. As outlined above, the News Corp Australia nominee Directors did not receive any directors' fees.

		Fees and allowances $	Short-term benefits $	Post-Employment benefits $	Total $
R Amos	**2013**	**98,624**	**-**	**8,876**	**107,500**
	2012	94,037	-	8,463	102,500
K Conlon	**2013**	**98,624**	**-**	**8,876**	**107,500**
	2012	94,037	-	8,463	102,500
J McGrath	**2013**	**87,156**		**7,844**	**95,000**
	2012	80,275	-	7,224	87,499
TOTAL	**2013**	**284,404**	**-**	**25,596**	**310,000**
	2012	268,349	-	24,150	292,499

6.4 Chairman's remuneration

During the year, the Board approved the payment of a Chairman's fee of $250,000 payable from 1 July 2013. The Board agreed that this was appropriate as the Chairman no longer holds an executive position with the majority shareholder, News Corp.

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

Mr Hamish McLennan
Chairman

Mr Greg Ellis
Managing Director & Chief Executive Officer

Melbourne
13 August 2013

Consolidated Income Statement for the year ended 30 June 2013

	Notes	2013 $'000	2012 $'000
Revenue from continuing operations		336,460	277,613
Employee benefits expenses	6	(85,108)	(74,013)
Consultant and contractor expenses		(9,682)	(8,838)
Marketing related expenses		(41,372)	(32,315)
Technology expenses		(8,742)	(10,132)
Operations and administration expense		(27,836)	(26,333)
Depreciation and amortisation expense	6	(18,670)	(15,184)
Profit before tax and interest (EBIT)		145,050	110,798
Finance income	6	9,492	8,108
Finance costs	6	(34)	(456)
Profit before income tax		154,508	118,450
Income tax expense	7	(44,762)	(31,668)
PROFIT FOR THE YEAR		109,746	86,782

		Cents	Cents
Earnings per share attributable to the ordinary equity holders of REA Group Limited			
Basic earnings per share	29	83.3	66.2
Diluted earnings per share	29	83.3	66.2

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 2013

	2013 $'000	2012 $'000
Profit for the year	109,746	86,782
Other comprehensive income *Items that may be reclassified subsequently to profit or loss*		
Exchange differences on translation of foreign operations, net of tax	2,528	(962)
Other comprehensive income for the year, net of tax	2,528	(962)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	112,274	85,820
Profit for the year is attributable to:		
Non-controlling interest	35	(189)
Owners of the parent	109,711	86,971
	109,746	86,782
Total comprehensive income for the year is attributable to:		
Non-controlling interest	35	(189)
Owners of the parent	112,239	86,009
	112,274	85,820

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 2013

	Notes	2013 $'000	2012 $'000
ASSETS			
Current assets			
Cash and cash equivalents	8	257,344	181,599
Trade and other receivables	9	54,131	42,470
Total current assets		311,475	224,069
Non-current assets			
Plant and equipment	10	8,348	5,652
Intangible assets	11	71,026	68,123
Deferred tax assets	12	3,914	3,045
Total non-current assets		83,288	76,820
Total assets		394,763	300,889
LIABILITIES			
Current liabilities			
Trade and other payables	13	31,663	20,835
Current tax liabilities		16,351	7,161
Provisions	15	4,546	3,315
Other current liabilities	14	20,441	13,759
Total current liabilities		73,001	45,070
Non-current liabilities			
Deferred tax liabilities	16	3,403	3,185
Provisions	15	3,489	2,116
Total non-current liabilities		6,892	5,301
Total liabilities		79,893	50,371
Net assets		314,870	250,518
EQUITY			
Contributed equity	17	102,474	102,755
Reserves	18	(8,797)	(11,761)
Retained earnings	19	220,856	159,222
Parent interest		314,533	250,216
Non-controlling interest		337	302
Total equity		314,870	250,518

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 2013

	Contributed Equity $000	Other Contributed Equity $000	Retained Earnings $000	Other Reserves $000	Owners of the parent $000	Non-controlling interest $000	Total equity $000
Balance at 1 July 2012	102,603	152	159,222	(11,761)	250,216	302	250,518
Profit for the year	-	-	109,711	-	109,711	35	109,746
Foreign currency translation differences	-	-	-	2,528	2,528	-	2,528
Total comprehensive income for the year	-	-	109,711	2,528	112,239	35	112,274
Transactions with owners in their capacity as owners							
Share-based Payment expense for the year	-	-	-	787	787	-	787
Settlement of vested performance rights	-	(281)	-	(351)	(632)	-	(632)
Dividends paid	-	-	(48,077)	-	(48,077)	-	(48,077)
Balance at 30 June 2013	102,603	(129)	220,856	(8,797)	314,533	337	314,870

	Contributed Equity $000	Other Contributed Equity $000	Retained Earnings $000	Other Reserves $000	Owners of the parent $000	Non-controlling interest $000	Total equity $000
Balance at 1 July 2011	88,404	-	109,579	(5,280)	192,703	4,233	196,936
Profit for the year	-	-	86,971	-	86,971	(189)	86,782
Foreign currency translation differences	-	-	-	(962)	(962)	-	(962)
Total comprehensive income for the year	-	-	86,971	(962)	86,009	(189)	85,820
Transactions with owners in their capacity as owners							
Share-based Payment expense for the year	-	-	-	551	551	-	551
Settlement of vested performance rights	(559)	152	-	(389)	(796)	-	(796)
Acquisition of non-controlling interests (REA Italia)	-	-	-	(5,681)	(5,681)	(3,742)	(9,423)
Shares issued via DRP	14,758	-	-	-	14,758	-	14,758
Dividends paid	-	-	(37,328)	-	(37,328)	-	(37,328)
Balance at 30 June 2012	102,603	152	159,222	(11,761)	250,216	302	250,518

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

Consolidated Statement of Cash Flows for the year ended 30 June 2013

	Notes	2013 $'000	2012 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		365,696	299,967
Payments to suppliers and employees (inclusive of goods and services tax)		(192,803)	(178,418)
		172,893	121,549
Interest received		9,318	7,548
Interest paid		(34)	-
Income taxes paid		(36,036)	(31,056)
Share-based payment on settlement of long term incentive plans		(964)	(1,186)
Net cash inflow from operating activities	28	145,177	96,855
Cash flows from investing activities			
Payment for acquisition of non-controlling interests in REA Italia		-	(9,224)
Payment for plant and equipment	10	(6,106)	(3,709)
Payment for intangible assets	11	(15,731)	(16,906)
Net cash (outflow) from investing activities		(21,837)	(29,839)
Cash flows from financing activities			
Payment of dividend		(48,077)	(22,570)
Net cash (outflow) from financing activities		(48,077)	(22,570)
Net increase in cash and cash equivalents		75,263	44,446
Cash and cash equivalents at the beginning of the financial year		181,599	137,543
Effects of exchange rate changes on cash and cash equivalents		482	(390)
Cash and cash equivalents at end of year	8	257,344	181,599

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

Notes to the Consolidated Financial Statements

1. Corporate information

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

The Consolidated Financial Statements of the Company as at and for the year ended 30 June 2013 comprise the Financial Statements of the Company and its subsidiaries (as outlined in Note 26) (together referred to in these Financial Statements as the "Group" and individually as "Group entities").

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

2. Summary of significant accounting policies

(a) Basis of preparation

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

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

These Financial Statements have been prepared under the historical cost convention.

New standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2012 are further detailed in Note 2(y). The Group has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2012.

The preparation of the Financial Statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgments in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Financial Statements are disclosed in Note 4.

The Consolidated Financial Statements of the Group for the year ended 30 June 2013 was authorised for issue in accordance with a resolution of the Directors on 13 August 2013.

(b) Principles of consolidation

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. Control exists when the Group has the power, directly or indirectly to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

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

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

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. The acquisition method of accounting involves recognising at acquisition date, separately from goodwill, the identifiable intangible assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair values (refer to Note 2(h)).

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

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

Non-controlling interests are allocated their share of net profit after tax in the statement of comprehensive income and are presented within equity in the consolidated statement of financial position, separately from the equity of the owners of the parent. Losses are attributed to the non-controlling interest even if that results in a deficit balance.

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

(c) Operating segments

Operating segments are reported in a manner consistent with internal reporting to be provided to the chief operating decision makers, being the Executive Leadership Team (ELT). The ELT consists of the Managing Director and Chief Executive Officer and other Senior Executives of the consolidated entity. The ELT provides the strategic direction and management oversight of the entity in terms of monitoring results and approving strategic planning for the business.

Further information on identification of operating segments and information about the business are detailed in Note 5.

(d) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

Foreign exchange gains and losses that relate to borrowings are presented in the income statement within finance costs. All other foreign exchange gains and losses are presented in the income statement on a net basis within other income and other 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 profit or loss as part of the fair value gain or loss. Translation differences on non-monetary assets such as equities classified as available for sale financial assets are included in the fair value reserve in equity.

(iii) Group companies

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

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

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.

(e) Revenue recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised for major business activities as follows:

(i) Subscription services

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

(ii) Listing depth products

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

(iii) Banner advertising

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

(iv) Performance advertising

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

(v) Interest income

Revenue is recognised as interest accrues using the effective interest rate method.

(vi) Dividends

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

(f) Income tax

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

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 or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

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

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

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

Tax consolidation legislation

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

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

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

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group. Details about the tax funding agreement are disclosed in Note 2(z).

(g) Leases

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

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (Note 24). Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statements on a straight-line basis over the period of the lease.

(h) Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination shall be measured at fair value, which shall be calculated as the sum of the acquisition date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity issued by the acquirer, and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition related costs are expensed as incurred.

All financial assets and liabilities assumed on acquisition are assessed as at the date of acquisition for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and any other relevant conditions.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured through the profit or loss. Upon loss of control, the Group derecognises the assets and liabilities of the subsidiary and non-controlling interests and other components of equity related to the subsidiary. Any surplus or deficit is measured in the profit or loss. If the group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available for sale financial asset depending on the level of influence retained.

Any contingent consideration on the acquisition will be recognised at fair value at the acquisition date. Any changes to the fair value will be recognised in accordance with AASB 139 either in profit or loss or in other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured.

2. Summary of significant accounting policies (continued)

(i) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(j) Cash and cash equivalents

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

For cash flow statements presentation purposes, cash and cash equivalents are as defined above, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

(k) Trade receivables

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 – 30 days.

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

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

(l) Investments and other financial assets

A financial asset or, where applicable, a part of a financial asset or part of a group of similar financial assets is derecognised when:

- The rights to receive cash flows from the asset have expired;
- The Group retains the right to receive cash flows from the asset but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- The Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting period which are classified as non-current assets. Loans and receivables are included in current trade and other receivables (Note 9) in the statement of financial position.

(m) Plant and equipment

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

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

- Leasehold improvements - the lease term
- Plant and equipment – over 2 to 10 years

The assets' residual values, useful lives and amortisation methods are reviewed and adjusted if appropriate, at each financial year end.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2(i)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statements. When revalued assets are sold, it is Group policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

(n) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash generating units for the purpose of impairment testing. Each of those cash generating units represents the Group's investment in each country of operation by each primary reporting segment (Note 5).

(ii) IT development and software

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

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

(iii) Customer lists / domain names / brand names / advertising relationships

When these assets are acquired as part of a business combination they are recognised separately from goodwill. The assets are carried at their fair value at the date of acquisition less accumulated amortisation and impairment losses. Amortisation is calculated based on the timing of projected cash flows of the contracts over their estimated useful lives, which currently vary from 5 to 10 years.

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

(o) Trade and other payables

Trade and other payables are carried at amortised cost due to their short term 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 usually paid within 60 days of recognition.

(p) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statements over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities 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 capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

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 reporting date.

(q) Borrowing costs

Borrowing costs are recognised as an expense when incurred.

(r) Provisions

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

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.

(s) Employee benefits

(i) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave due to be settled within 12 months of the reporting date are recognised in other payables or provisions in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Share-based payments

The Group provides benefits to its employees (including key management personnel) in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity settled transactions). There is currently one plan in place, the Long Term Incentive Plan (LTIP), which provides benefits to executives identified by the Board. The fair value of each performance right is estimated at grant date using a Monte Carlo simulation up until LTI Plan 2013. The Black Scholes model has been used for the LTI Plan 2014 and 2015 valuations.

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 as set out under the Group's Long Term Incentive Plan (Note 30).

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 dilutive effect, if any, of outstanding rights is considered as immaterial for the current financial year and consequently is not reflected as additional share dilution in the computation of diluted earnings per share.

The Group currently does not provide benefits in the form of cash settled share-based payments.

(iv) Short term incentive plans

The Group recognises a liability and an expense for bonuses payable under short term incentive plans. Short term incentive plans are based on the achievement of targeted performance levels set at the beginning of each financial year. The Group recognises a liability to pay out short term incentives when contractually obliged based on the achievement of the stated performance levels, or where there is a past practice that has created a constructive obligation.

(v) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or to providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted at present value.

(t) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(u) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares; and
- by the weighted average number of ordinary shares outstanding during the financial year (Note 29).

(ii) Diluted earnings per share

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.

(v) Dividends

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

(w) Goods and Services Tax (GST)

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

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

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

(x) Rounding of amounts

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars unless otherwise stated.

2. Summary of significant accounting policies (continued)

(y) New standards and interpretations

(i) New standards effective from 1 July 2012

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2012. The following standards have been identified as those which will impact the entity in the current reporting period.

Reference	Title	Summary	Application date
AASB 2011-9	Presentation of items of other comprehensive income (OCI)	Amendment required entities to separate items presented in OCI into two groups, based on whether they may be recycled to profit or loss in the future. Items that will not be recycled such as revaluation gains on property, plant and equipment will be presented separately from items that may be recycled in the future, such as deferred gains and losses on cash flow hedges. Entities that choose to present OCI items before tax will be required to show the amount of tax related to the two groups separately.	1 July 2012

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

(ii) New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations (refer to table at right) have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2013, but have not been applied in preparing these Financial Statements.

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 9	Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9, AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) and AASB 2012-6 Amendments to Australian Accounting Standards - Mandatory Effective Date of AASB 9 and Transition Disclosures	Addresses the classification, measurement and derecognition of financial assets and liabilities.	1 January 2015	There will be no impact on the Group's accounting for financial assets or liabilities as the Group does not have any such items that may be impacted.	1 July 2015
AASB 10	Consolidated Financial Statements	AASB 10 replaces all of the guidance on control and consolidation in AASB 127. The core principal that a consolidated entity presents a parent and its subsidiary as if they are single economic entity remains unchanged, as do the mechanics of consolidation. AASB 10 introduces a single definition of control that applies to all entities. It focuses on the need to have power, rights or exposure to variable returns and the ability to use its power to affect those returns before control is present. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both.	1 January 2013	There will be no impact on the composition of the Group's consolidated entities as the structure stands today.	1 July 2013
AASB 11	Joint Ventures	AASB 11 replaces AASB 131 *Interests in Joint Ventures and UIG-113 Jointly- controlled Entities - Non-monetary Contributions by Ventures*. AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition it removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement.	1 January 2013	There is no impact on the Group as the structure stands today.	1 July 2013
AASB 12	Disclosure of Interests in Other Entities	AASB 12 sets out the required disclosures for entities reporting under AASB 10 and AASB 11 and replaces the disclosure requirements currently found in AASB 127, AASB 128 and AASB 131.	1 January 2013	There will be no impact on any amounts in the Financial Statements but will impact disclosure in relation to the Group's investments.	1 July 2013
AASB 128	Investments in Associates and Joint ventures	AASB 128 clarifies that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership change.	1 January 2013	There is no impact on the Group as the structure stands today.	1 July 2013
AASB 13	Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13	IFRS 13 explains how to measure fair value and aims to enhance fair value disclosures; it does not change when an entity is required to use fair value to measure an asset or liability. The standard defines fair values as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as the measurement date (exit price). It also provides guidance on how fair value should be measured.	1 January 2013	There will be no significant impact on the Group's fair value measurement.	1 July 2013
AASB 119	Employee Benefits, AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119	The IASB has yet again clarified the distinction between short-term and long-term employee benefits. For example, many annual leave provisions will be long-term obligations in their entirety. This will also affect the presentation in remuneration disclosures.	1 January 2013	There will be no significant impact on the Group's employee benefit classification and disclosure.	1 July 2013
AASB 2012-2	Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities	AASB 2012-2 principally amends AASB 7 Financial Instruments: Disclosures to require disclosure of the effect or potential effect of netting arrangements. This includes rights of set-off associated with the entity's recognised financial assets and liabilities on the entity's financial position, when the offsetting criteria of AASB 132 are not all met.	1 January 2013	There will be no significant impact on the Group as there is no netting arrangements	1 July 2013
AASB 2012-3	Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities	AASB 2012-3 adds application guidance to AASB 132 Financial Instruments: Presentation to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.	1 January 2014	There will be no significant impact on the Group as there is no netting arrangements	1 July 2014

2. Summary of significant accounting policies (continued)

(z) Parent entity information

The financial information for the parent entity, REA Group Limited, disclosed in Note 27 has been prepared on the same basis as the consolidated Financial Statements, except as set out below.

(i) Investments in subsidiaries, associates and joint ventures

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

(ii) Tax consolidation legislation

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

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

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

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

(iii) Financial guarantees

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

3. Financial risk management

The Group's principal financial instruments comprise receivables, payables, bank and intercompany loans, cash and short term deposits.

The Group seeks to manage risk 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 risk management program has been designed to establish a system of risk oversight and management and internal controls by having the framework in place to identify, assess, monitor and manage risk. The risk management methodology has been developed in line with the AS/NZS IS0 31000:2009. The program and methodology seek to promote awareness of risks and intelligent risk taking and management in, and among, all levels of the business.

The Board determines the Group's tolerance for risk, after taking into account the strategic objectives and other factors including 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. The main purpose of these financial instruments (cash and cash equivalents) is to raise and distribute funds for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables which arise directly from its operations. It is, and has been throughout the period, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are:

- Foreign currency risk – as a result of foreign operations;
- Interest rate risk – as a result of short term funding and finance leases;
- Liquidity risk – as a result of short term funding; and
- Credit risk – as a result of holding financial assets.

(a) Foreign currency risk

Foreign currency risk arises when future commercial transactions and recognised financial assets and financial liabilities are denominated in a currency that is not the entity's functional currency. As there is no material exposure to foreign currency risk within the financial assets and financial liabilities outside of each operating segment's functional currency, no sensitivity analysis has been prepared.

(b) Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank and related party loans. All funding requirements are coordinated and established via corporate head office in Australia for all Group operations, thereby enabling a centralised treasury management approach. The Group minimises liquidity risk by maintaining a sufficient level of cash and equivalents, as well as ensuring the Group has access to short term credit facilities as required. Assuming all variables are equal, no long term facilities are required.

Maturity analysis of financial assets and liabilities

All instruments mature in the short term. The Group is cash flow positive without any material long term cash commitments other than those disclosed under commitments and contingencies. As a result of this, external funding usually matures within one year, therefore the two maturity bands as shown in the following table were chosen which focus on the first 12 months.

As at 30 June 2013

	Less than 6 months $'000	6-12 months $'000	Greater than 1 year $'000	Total $'000
Financial assets				
Cash and cash equivalents	257,344	-	-	**257,344**
Trade and other receivables	54,131	-	-	**54,131**
	311,475	-	-	**311,475**
Financial liabilities				
Trade and other payables	31,663	-	-	**31,663**
	31,663	-	-	**31,663**

As at 30 June 2012

	Less than 6 months $'000	6-12 months $'000	Greater than 1 year $'000	Total $'000
Financial assets				
Cash and cash equivalents	181,599	-	-	181,599
Trade and other receivables	42,470	-	-	42,470
	224,069	-	-	224,069
Financial liabilities				
Trade and other payables	20,835	-	-	20,835
	20,835	-	-	20,835

(c) Interest rate risk

The Group's exposure to the risk of change in market interest rates relates primarily to the Group's holdings of cash and short term deposits. Domestic interest rate movements contribute to 100% (2012: 100%) of overall interest rate risk exposure, therefore no further analysis of the impact of foreign interest rate changes was necessary.

As at 30 June 2013, the Group had the following financial assets and liabilities exposed to interest rate risk:

	2013 $'000	2012 $'000
Financial assets		
Cash and cash equivalents	257,344	181,599
	257,344	181,599
Financial liabilities	-	-
Net exposure	257,344	181,599

The Group has managed its interest rate risk during the year by maximising the interest earned from the funds balanced against the working capital needs in line with the Group's cash management policy.

The following sensitivity is based on the interest rate risk exposure in existence at balance sheet date and was based on historic movements in interest rates. As at 30 June 2013, with all other variables held constant, post tax profit and equity would have been affected by changes to interest rates on the cash reserves as illustrated in the table below.

	2013 $'000	2012 $'000
Post Tax Profit Higher /(Lower)		
+1.0% (100 basis points)	1,801	1,271
-1.0% (100 basis points)	(1,801)	(1,271)

Management believes the risk exposure at balance sheet date is representative of the risk exposure inherent in the financial instruments. There is uncertainty in the market if interest rates will rise further or drop in the near future. Management has consequently chosen the above variation which is representative for the annual average interest rate movements of the last two years.

(d) Credit risk

Receivable balances are monitored on an ongoing basis. The Group's exposure to bad debts is not significant. There are no significant concentrations of credit risk with single counterparties within the Group. Since the Group trades only with recognised third parties, there is no requirement for collateral. The consolidated Group's maximum exposures to credit risk at balance date in relation to each class of recognised financial asset is the carrying amount of those assets as indicated in the balance sheet.

In the history of the Group, there have not been significant write-offs of trade debtors. Our policies determine on an individual debtor basis, the likelihood for default. The monthly analysis performed of the trade debtor portfolio does not suggest any material credit risk exposure. With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, the Group's exposure to credit risk arises from default of the counter party with a maximum exposure equal to the carrying amount of these instruments.

All assets and liabilities recognised in the balance sheet whether carried at cost or at fair value are recognised at amounts that represent a reasonable approximation of fair value unless otherwise stated.

4. Significant accounting estimates and judgments

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

(a) Significant accounting estimates and assumptions

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

(i) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2(i). The recoverable amounts of cash generating units have been determined based on value in use calculations. These calculations require the use of assumptions. Refer to Note 11 for details of these assumptions and the potential impact of changes to the assumptions.

(ii) Income taxes

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

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

(iii) Long service leave provision

The liability for long service leave provision is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at balance sheet date. In determining the present value of the liability, attrition rates and pay increases through promotion and inflation have been taken into account.

(iv) Estimation of useful lives of assets

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

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

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

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

(ii) Share-based payment transactions

The Group measures the cost of equity settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined with the assistance of an external valuation previously using a Monte Carlo model, with the assumptions detailed in Note 30. The LTI Plan 2014 (Plan 5) and LTI Plan 2015 (Plan 6) valuations were performed using the Black Scholes model. 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.

5. Segment information

(a) Identification of segments

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

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

Operating segments that meet quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to the users of the Financial Statements. Information about other business activities and operating segments that are below the quantitative criteria are combined and disclosed in a separate category for 'Other International'.

(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 year ended 30 June 2013 and 30 June 2012.

2013	Australia $000	Italy $000	Other - International $000	Total $000
Segment revenue				
Total segment revenue	303,995	24,821	10,706	339,522
Inter-segment revenue	(3,062)	-	-	(3,062)
Revenue from external customers	300,933	24,821	10,706	336,460
Result				
Country EBITDA[1]	164,913	1,474	3,163	169,550
Corporate overhead				(5,830)
EBITDA				163,720
Depreciation and amortisation				(18,670)
EBIT				145,050
Net finance income				9,458
Profit before income tax (EBT)				154,508
Income tax expense				(44,762)
Net profit for the year				109,746

2012	Australia $000	Italy $000	Other - International $000	Total $000
Segment revenue				
Total segment revenue	246,224	22,414	8,975	277,613
Revenue from external customers	246,224	22,414	8,975	277,613
Result				
Country EBITDA[1]	129,620	875	2,495	132,990
Corporate overhead				(7,008)
EBITDA				125,982
Depreciation and amortisation				(15,184)
EBIT				110,798
Net finance income				7,652
Profit before income tax (EBT)				118,450
Income tax expense				(31,668)
Net profit for the year				86,782

1. Information additional to IFRS measures included in the report has been used for prior period consistency and user readability. These measures have been derived from audited information contained in the Financial Statements. The Directors believe these measures are relevant and useful in measuring the financial performance of the Group.

6. Expenses

	2013 $'000	2012 $'000
Profit before income tax includes the following specific expenses:		
Expenses		
Depreciation of plant and equipment	3,429	3,639
Amortisation	15,241	11,545
Minimum lease payments	3,530	3,245
Loss on disposal of plant and equipment	27	7
Employee benefits		
Salary costs	77,041	67,147
Defined contribution superannuation expense	7,280	6,315
Share-based payments	787	551
Total employee benefits	85,108	74,013
Finance (income)/costs		
Interest income	(9,278)	(8,108)
Interest paid	34	-
Net foreign exchange (gain)/loss	(214)	456
Total finance (income)	(9,458)	(7,652)

7. Income tax expense

	2013 $'000	2012 $'000
(a) Income tax expense		
Current tax	45,620	32,762
Adjustments for current tax of prior periods	(404)	(3,627)
Deferred tax	(454)	908
Adjustments for deferred tax of prior periods	-	1,625
Aggregate income tax expense	44,762	31,668
Deferred income tax (credit)/expense included in income tax expense comprises:		
(Increase)/decrease in deferred tax assets (Note 12)	(672)	268
Increase in deferred tax liabilities (Note 16)	218	2,265
	(454)	2,533

	2013 $'000	2012 $'000
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit from continuing operations before income tax expense	154,508	118,450
Tax at the Australian tax rate of 30% (2012-30%)	46,352	35,535
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Effect of foreign tax rate	(168)	(28)
Foreign subsidiary losses not recognised in the Group	99	117
Foreign subsidiary losses recognised by the Group (i)	-	(428)
Foreign subsidiary losses utilised by the Group	(272)	-
Long term incentive plan	80	(57)
Research and development tax deduction	(1,565)	(1,645)
Prior year adjustments including premium research and development claim	(404)	(2,002)
Non deductible legal fees	-	185
Other	640	(9)
Aggregate income tax expense	44,762	31,668

(i) This represents losses recognised at REA Group level in respect of Italian losses as a deferred tax asset (refer Note 12).

	2013 $'000	2012 $'000
(c) Amounts recognised directly in equity		
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss or other comprehensive income but directly debited or credited to equity:		
Current tax – credited directly to equity	(30)	(240)
Net deferred tax – credited directly to equity	(298)	(152)
	(328)	(392)
(d) Tax losses		
Unused tax losses for which no deferred tax asset has been recognised (not tax effected)	19,116	18,570

8. Current assets - Cash and cash equivalents

	2013 $'000	2012 $'000
Cash at bank and in hand	11,631	7,447
Short term deposits	245,713	174,152
	257,344	181,599

9. Current assets - Trade and other receivables

	2013 $'000	2012 $'000
Trade receivables (b)	55,238	44,187
Provision for impairment of receivables (a)	(4,360)	(4,278)
	50,878	39,909
Prepayments	1,578	1,292
Other receivables (c)	1,675	1,269
	54,131	42,470

(a) Impaired trade receivables

As at 30 June 2013 the amount of the provision was $4,360,000 (2012: $4,278,000). The individually impaired receivables mainly relate to customers which are in unexpectedly difficult economic situations.

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

	2013 $'000	2012 $'000
At 1 July	(4,278)	(3,918)
Provision for impairment recognised during the year	(3,182)	(2,604)
Receivables written off during the year as uncollectible	3,100	2,244
At 30 June	(4,360)	(4,278)

Trade receivables are non-interest bearing and are on 14 to 45 day terms. An allowance for doubtful debts is made when there is objective evidence that a trade receivable is impaired. An allowance has been recognised as an expense in profit or loss for the current year for specific debtors for which such evidence exists. The amount of the allowance/impairment loss has been measured as the difference between the carrying amount of the trade receivables and the estimated future cash flows expected to be received from the relevant debtors. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

(b) Ageing of trade receivables

	2013 $'000	2012 $'000
Not due	40,888	32,614
1-30 days past due not impaired	5,607	4,086
31-60 days past due not impaired	1,401	893
61+ days past due not impaired	2,982	2,316
Considered impaired	4,360	4,278
	55,238	44,187

(c) Other receivables

The other receivables balance is mainly attributable to accrued interest.

(d) Foreign exchange and interest rate risk

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

10. Non-current assets - Plant and equipment

	Plant and equipment $'000	Leasehold improvements $'000	Total $'000
Year ended 30 June 2013			
Opening net book amount	4,715	937	5,652
Exchange differences (net)	42	60	102
Additions	5,293	813	6,106
Disposals (net of accumulated depreciation)	(80)	(3)	(83)
Depreciation charge	(3,005)	(424)	(3,429)
Closing net book amount	6,965	1,383	8,348
At 30 June 2013			
Cost	17,253	2,099	19,352
Accumulated depreciation	(10,288)	(716)	(11,004)
Net book amount	6,965	1,383	8,348
Year ended 30 June 2012			
Opening net book amount	4,834	850	5,684
Exchange differences (net)	(38)	(38)	(76)
Additions	3,184	525	3,709
Disposals (net of accumulated depreciation)	(26)	-	(26)
Transfer	(142)	142	-
Depreciation charge	(3,097)	(542)	(3,639)
Closing net book amount	4,715	937	5,652
At 30 June 2012			
Cost	13,003	1,861	14,864
Accumulated depreciation	(8,288)	(924)	(9,212)
Net book amount	4,715	937	5,652

11. Non-current assets - Intangible assets

	Goodwill $'000	Software[1] $'000	Customer contracts $'000	Total $'000
Year ended 30 June 2013				
Opening net book amount	40,506	25,692	1,925	68,123
Additions	-	15,731	-	15,731
Disposals (net of amortisation)	-	(305)	-	(305)
Amortisation charge[2]	-	(14,705)	(536)	(15,241)
Exchange differences	2,532	28	158	2,718
Closing net book amount[3]	43,038	26,441	1,547	71,026
At 30 June 2013				
Cost	43,038	61,467	8,018	112,523
Accumulated amortisation and impairment	-	(35,026)	(6,471)	(41,497)
Net book amount	43,038	26,441	1,547	71,026
Year ended 30 June 2012				
Opening net book amount	41,570	19,854	2,547	63,971
Additions	-	16,906	-	16,906
Amortisation charge	-	(11,002)	(543)	(11,545)
Exchange differences	(1,064)	(66)	(79)	(1,209)
Closing net book amount	40,506	25,692	1,925	68,123
At 30 June 2012				
Cost	40,506	45,599	7,496	93,601
Accumulated amortisation and impairment	-	(19,907)	(5,571)	(25,478)
Net book amount	40,506	25,692	1,925	68,123

1 Software includes capitalised development costs being an internally generated intangible asset.
2 Amortisation charge is included in depreciation and amortisation expense in profit or loss.
3 No impairment charge in 2013 applicable to all cash generating units (2012: NIL).

(a) Impairment tests for goodwill

Goodwill acquired through business combinations has been allocated to three individual cash generating units for impairment testing as follows:

Australia

The recoverable amount of this unit has been determined based on a value in use calculation using cash flow projections based on financial forecasts approved by senior management covering a five year period. The pre-tax discount rate applied to cash flow projections 14.2% (2012: 17.8%) and cash flows beyond the five year period are extrapolated using a growth rate of 2.5% (2012: 1.5%).

Italy

The recoverable amount of this unit has been determined based on a value in use calculation using cash flow projections based on financial forecasts approved by senior management covering a five year period. The pre-tax discount rate applied to cash flow projections is 22.2% (2012: 19.1%) and cash flows beyond the five year period are extrapolated using a growth rate of 1.8% (2012: 3.8%).

Greater Luxembourg region

The recoverable amount of this unit has been determined based on a value in use calculation using cash flow projections based on financial forecasts approved by senior management covering a five year period. The pre-tax discount rate applied to cash flow projections is 13.4% (2012: 15.0%) and cash flows beyond the five year period are extrapolated using a growth rate of 2.0% (2012: 2.9%).

Carrying amount of goodwill allocated to each of the cash generating units:

	2013 $'000	2012 $'000
Australia	23,289	23,289
Italy	14,942	12,981
Greater Luxembourg region	4,807	4,236
TOTAL	43,038	40,506

There were no other intangibles with indefinite lives.

(b) Key assumptions used for value in use calculations

The following describes each key assumption on which management has based its cash flow projections when determining the value in use of the cash generating unit.

(i) Key assumptions used in "value in use" calculations for the Australia unit

For the purpose of this model, revenues are expected to grow at rates reflecting the expected growth of revenue per agent in Australia and continued innovation of products. EBITDA margin is expected to grow consistent with prior periods.

(ii) Key assumptions used in "value in use" calculations for the Italy unit

For the purpose of this model, revenues are expected to grow at rates reflecting the expected growth of revenue per agent in Italy and the expected increase in agent ARPA.

(iii) Key assumptions used in "value in use" calculations for the Greater Luxembourg region unit

For the purpose of this model, revenues are expected to grow at rates reflecting the expected growth of revenue per agent in the Greater Luxembourg region and the expected increase in agent ARPA.

For all cash generating units, there is no reasonable possible change that would result in an impairment.

12. Non-current assets - Deferred tax assets

	2013 $'000	2012 $'000
The balance comprises temporary differences attributable to:		
Tax losses	428	428
Employee benefits	1,642	1,314
Doubtful debts	384	579
Accruals and other	1,460	724
	3,914	3,045
Deferred tax assets expected to be recovered within 12 months	3,382	2,041
Deferred tax assets expected to be recovered after more than 12 months	532	1,004
	3,914	3,045

Movements

	Employee benefits $'000	Provision for doubtful debts $'000	Tax losses $'000	Accruals & Other $'000	Total $'000
At 1 July 2011	2,718	595	-	(152)	3,161
(Charged)/credited to the income statements	(1,404)	(16)	428	724	(268)
Credited to equity	-	-	-	152	152
At 30 June 2012	1,314	579	428	724	3,045
(Charged)/credited to the income statements	328	(195)	-	539	672
Credited to equity	-	-	-	197	197
At 30 June 2013	1,642	384	428	1,460	3,914

13. Current liabilities - Trade and other payables

	2013 $'000	2012 $'000
Trade payables	9,016	4,254
Accrued expenses	19,184	13,800
Other payables	3,463	2,781
	31,663	20,835

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

14. Current liabilities - Other current liabilities

	2013 $'000	2012 $'000
Deferred revenue – see Note 2(e)	20,236	13,759
Other	205	-
	20,441	13,759

The Group and the parent entity do not have any borrowing facilities at reporting date, nor any undrawn borrowing facilities.

15. Provisions

	2013 $'000	2012 $'000
Current provisions		
Employee benefits	4,503	3,268
Rental lease incentive	43	47
	4,546	3,315
Non-current provisions		
Employee benefits	870	640
Employment severance indemnity	1,502	976
Rental lease incentive	141	-
Make good provision	905	500
Other provisions	71	-
	3,489	2,116

The current provision for employee benefits includes all accrued annual leave and long service leave which is expected to be used within the next 12 months. The make good provision was recognised in 2012 as a result of renegotiation of new and existing leases.

(a) Movements in provisions

	Rental lease incentive $'000	Make good provision $'000	Total $'000
Balance at 1 July 2012	47	500	547
Additional provisions recognised	220	440	660
Unused amounts reversed	-	-	-
Amounts used during the year	(83)	(35)	(118)
Balance at 30 June 2013	184	905	1,089
Current	43	-	43
Non-Current	141	905	1,046
Balance at 1 July 2011	277	-	277
Additional provisions recognised	-	500	500
Amounts used during the year	(230)	-	(230)
Balance at 30 June 2012	47	500	547
Current	47	-	47
Non-Current	-	500	500

16. Non-current liabilities - Deferred tax liabilities

	2013 $'000	2012 $'000
The balance comprises temporary differences attributable to:		
Intangible assets	3,403	3,185
	3,403	3,185

Movements

	Intangible assets $'000	Accrued income $'000	Unrealised FX gains $'000	Total $'000
At 30 June 2011	793	105	22	920
Charged/(credited) to the income statement	2,392	(105)	(22)	2,265
At 30 June 2012	3,185	-	-	3,185
Charged to the income statement	218	-	-	218
At 30 June 2013	3,403	-	-	3,403

17. Contributed equity

(a) Movement

	2013 Shares	2012 Shares	2013 $'000	2012 $'000
Ordinary shares				
Fully paid	131,714,699	131,714,699	102,603	102,603
Other contributed equity	-	-	(129)	152
Total consolidated contributed equity	131,714,699	131,714,699	102,474	102,755

(b) Capital risk management

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders.

The Group's Dividend Policy provides scope for the Board to determine whether to pay a dividend, the timing of any dividend payment and the amount of any dividend payment. The Board bases its decision on existing financial data, forecasts and existing growth projections.

Management has no current plans to issue further shares on the market.

At 30 June 2013, the Group is in a positive net cash position and has no outstanding bank facilities.

The gearing ratios based on continuing operations at 30 June 2013 and 2012 were as follows:

	2013 $'000	2012 $'000
Total borrowings	-	-
Less: cash and cash equivalents	257,344	181,599
Net debt	Not existing	Not existing
Total equity	314,870	250,518
Total capital	314,870	250,518
Gearing ratio	0%	0%

The Group is not subject to externally imposed capital requirements.

(c) Movement in ordinary share capital:

Date		Number of shares	Issue price	$'000
1 July 2012	Opening balance	131,714,699	-	102,603
30 June 2013	Balance	131,714,699	-	102,603

(d) Dividend reinvestment plan

On 21 February 2012, the REA Group Board advised that following a review of the capital management plan it had suspended the operation of the Plan indefinitely. In accordance with the Plan Rules, instead of receipt of REA shares under the Plan, the Plan's participants received a cash payment for the 2012 interim and final dividends as well as the 2013 interim dividend.

(e) Settlement of LTI Plan

The settlement of the LTI Plan during the year ended 30 June 2013 was performed through purchase of the shares directly from market, not issuing of shares. REA Group Limited does not hold treasury shares for the purpose of settlement of LTI Plans. Refer to Note 30 for more details of LTI Plans.

18. Reserves

2013	Share-based payments reserve $'000	Foreign currency translation reserve $'000	Business combination reserve $'000	Total $'000
Balance at 1 July 2012	1,022	(6,784)	(5,999)	**(11,761)**
Other comprehensive income/(loss):				
Foreign currency translation differences	-	2,528	-	**2,528**
Total other comprehensive income	-	**2,528**	-	**2,528**
Transactions with owners in their capacity as owners				
Share-based payments expense	787	-	-	**787**
Settlement of vested performance rights	(351)	-	-	**(351)**
Balance at 30 June 2013	**1,458**	**(4,256)**	**(5,999)**	**(8,797)**

2012	Share-based payments reserve $'000	Foreign currency translation reserve $'000	Business combination reserve $'000	Total $'000
Balance at 1 July 2011	860	(6,708)	568	(5,280)
Other comprehensive (loss)/income:				
Foreign currency translation differences	-	(962)	-	(962)
Total other comprehensive (loss)	-	(962)	-	(962)
Transactions with owners in their capacity as owners				
Share-based payments expense	551	-	-	551
Settlement of vested performance rights	(389)	-	-	(389)
Acquisition of non-controlling interests (REA Italia)	-	886	(6,567)	(5,681)
Balance at 30 June 2012	1,022	(6,784)	(5,999)	(11,761)

Nature and purpose of reserves

Share-based payments reserve

This amount represents the value of the Long Term Incentives that have been granted and are outstanding as at balance date (net of tax).

Currency Translation Reserve

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

Business Combination Reserve

This amount is the result of the change in Sky Italia's non-controlling interest from 34% to 30.6% (30 April 2008) with the remaining 30.6% being acquired in December 2011. Sky Italia is a subsidiary of 21st Century Fox.

19. Retained earnings

Movements in retained earnings were as follows:

	2013 $'000	2012 $'000
Balance 1 July	159,222	109,579
Net profit for the year	109,711	86,971
Dividends paid during the year	(48,077)	(37,328)
Balance 30 June	220,856	159,222

20. Dividends

(a) Dividends declared or paid

The following dividends were declared or paid by the Group:

2013	Per share	Total amount $000	Franked[1]	Payment date
2012 Final	20.5 cents	27,003	100%	27 September 2012
2013 Interim	16.0 cents	21,074	100%	20 March 2013
Total amount		48,077		

2012	Per share	Total amount $000	Franked[1]	Payment date
2011 Final	16.0 cents	20,864	100%	14 October 2011
2012 Interim	12.5 cents	16,464	100%	3 April 2012
Total amount		37,328		

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

Under the dividend reinvestment plan during 2011, the participants elected to receive $14,758,000 of the 2011 final dividend in shares and the remainder was paid in cash. The dividend reinvestment plan was suspended indefinitely in 2012. For further details on the Dividend Reinvestment Plan, refer to Note 17(d).

(b) Dividends not recognised at year end

On release of the 2013 accounts, the Directors declared a final ordinary dividend for 2013 of $33.6 million (25.5 cents per share fully franked) to be paid on 24 September 2013 out of retained earnings as at 30 June 2013. The final dividend has not been recognised in the Financial Statements for the year ended 30 June 2013, but will be in subsequent financial reports. The impact on the franking account is disclosed in Note (c) below.

(c) Franked dividends

The franked portions of the final dividends recommended after 30 June 2013 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ending 30 June 2013.

	2013 $'000	2012 $'000
Franking credits available for subsequent financial years based on a tax rate of 30% (2012: 30%)	109,317	92,979
	109,317	92,979

The above amounts represent the balance of the franking account as at the end of the financial year net of tax refunds received, adjusted for franking credits that will arise from the payment of the amount of the provision for income tax.

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

The impact on the franking account of the dividend recommended by the Directors since year end, but not recognised as a liability at year end, will be a reduction in the franking account of $14.4 million (2012: $11.6 million).

21. Key management personnel disclosures

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

(a) Key management personnel compensation[1]

	2013 $'000	2012 $'000
Short term employee benefits	3,776,119	3,036,559
Post-employment benefits	91,476	93,862
Long term employee benefits	28,289	9,522
Termination benefits	-	141,024
Long Term Incentive Plan (LTIP)	551,852	245,609
	4,447,736	3,526,576

1 *The remuneration report for 2012 reported the total remuneration for the top five highest paid executives, as well as the KMP, in that year. In the report for 2013, the Corporations Act 2001 only requires information on the KMP for that year. Daniele Mancini does not meet definition of KMP. The prior year comparatives are inclusive of former CIO.*

Detailed remuneration disclosures are provided in sections 5 and 6 of the Remuneration Report.

(i) Shareholdings of key management personnel

The numbers of shares in the company held during the financial year (directly and indirectly) by each non-executive Director of REA Group Limited and other key management personnel of the Group, including their personally related parties, are set out below.

2013

Name	Balance at the start of the year	Received during the year	Other changes during the year	Balance at the end of the year
Non-executive directors				
Ordinary shares				
Mr R Amos	2,481	-	-	2,481
Ms K Conlon	2,248	-	-	2,248
Mr J D McGrath	146,080	-	-	146,080
Other key management personnel				
Ordinary shares				
Mr G Ellis (Executive Director)	51,836	39,334	(51,000)	40,170
Mr H Ruiz	6,478	4,916	(11,304)	90

2012

Name	Balance at the start of the year	Received during the year	Other changes during the year	Balance at the end of the year
Non-executive directors				
Ordinary shares				
Mr R Amos	2,446	35	-	2,481
Ms K Conlon	2,217	31	-	2,248
Mr J D McGrath	144,855	1,225	-	146,080
Other key management personnel				
Ordinary shares				
Mr G Ellis[2] (Executive Director)	-	51,836	-	51,836
Mr H Ruiz	90	6,388	-	6,478

2 *Participant in Dividend Reinvestment plan*

21. Key management personnel disclosures (continued)

(ii) Performance right holdings of key management personnel

The numbers of performance rights in the company held during the financial year (directly and indirectly) by each non-executive Director of REA Group Limited and other key management personnel of the Group, including their personally related parties, are set out below.

30 June 2013	Balance at 1 July 2012	Granted as remuneration	Rights exercised	Net change other#	Balance at 30 June 2013	Vested & exercisable	Not exercisable
Mr G Ellis	90,794	28,940	(39,334)	(1,307)	79,093	25,720	53,373
Ms J Macdonald	12,376	10,647	-	-	23,023	-	23,023
Mr H Ruiz	25,632	9,852	(4,916)	(485)	30,083	9,525	20,558
Mr N Dalton	-	9,158	-	-	9,158	-	9,158
Total	128,802	58,597	(44,250)	(1,792)	141,357	35,245	106,112

30 June 2012	Balance at 1 July 2011	Granted as remuneration	Rights exercised	Net change other#	Balance at 30 June 2012	Vested & exercisable	Not exercisable
Mr G Ellis	107,447	34,456	(51,109)	-	90,794	34,965	55,829
Ms J Macdonald	-	12,376	-	-	12,376	-	12,376
Mr H Ruiz	20,063	11,957	(6,388)	-	25,632	4,371	21,261
Mr N Dalton	-	-	-	-	-	-	-
Total	127,510	58,789	(57,497)	-	128,802	39,336	89,466

 # includes forfeitures

(b) Other transactions with key management personnel

Other than performance rights granted under the LTI Plan (Note 30) and noted above, there are no other options or rights over shares held by key management personnel.

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:

(a) Ernst & Young Australia

	2013 $	2012 $
Audit and other assurance services		
Audit and review of Financial Statements	340,750	362,500
Total remuneration for audit and other assurance services	340,750	362,500
Taxation services		
Taxation compliance services	118,000	-
International tax consulting	-	7,000
Total remuneration for taxation services	118,000	7,000
Total remuneration of Ernst & Young Australia	458,750	369,500

(b) Related practices of Ernst & Young

	2013 $	2012 $
Audit and other assurance services		
Audit and review of Financial Statements	68,493	89,130
Total remuneration for audit and other assurance services	68,493	89,130
Total Ernst & Young remuneration	527,243	458,630

(c) Non-Ernst & Young audit firms

	2013 $	2012 $
Audit and other assurance services		
Audit and review of Financial Statements	77,577	57,425
Total remuneration for audit and other assurance services	77,577	57,425
Taxation services		
Taxation compliance services	65,196	31,111
Total remuneration taxation services	65,196	31,111
Total remuneration of non-Ernst & Young Australia	142,773	88,536

23. 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 2013 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 2013, the Group had bank guarantees totalling $1.58 million in respect of various property leases for offices used by the Group. No liability is expected to arise.

24. Commitments

(a) Capital commitments

(i) Non-cancellable operating leases

The Group has entered into future commercial leases for office property and motor vehicles. These leases have remaining lives ranging from 5 months up to 99 months. There are no restrictions placed upon the lessee by entering into these leases. Rentals paid under operating leases are charged to the income statement on a straight line basis over the period of the lease. Future minimum rentals payable under non-cancellable operating leases as at 30 June are as follows:

	2013 $'000	2012 $'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	3,763	3,431
Later than one year but not later than five years	11,088	6,885
Greater than five years	5,315	-
Total	20,166	10,316

(ii) Finance Leases

The Group has no finance leases at 30 June 2013 (2012: nil)

(b) Other commitments

Other commitments relating to contracts entered into by the Group are as follows:

	2013 $'000	2012 $'000
Commitments for minimum lease payments in relation to non-cancellable leases are payable as follows:		
Within one year	2,522	2,562
Later than one year but not later than five years	4,066	339
Greater than five years	-	-
Total	6,588	2,901

25. Related party transactions

(a) Parent entities

The parent entity within the Group is REA Group Limited. The ultimate parent entity of the Group is News Corp (2012: News Corporation), a resident of the United States of America, who owns 61.6% of REA Group Limited via its wholly owned subsidiary News Corp Australia. News Corporation completed a demerger into two entities, 21st Century Fox and News Corp on the 28th June 2013 with both entities relisting on the New York Stock Exchange.

(b) Directors

The names of persons who were Directors of the company at any time during the financial year are set out in the Directors' Report page 21.

(c) Subsidiaries

Interests in subsidiaries are set out in Note 26.

(d) Key management personnel

Disclosures relating to key management personnel are set out in Note 21.

(e) Transactions with related parties

(i) Sales of goods and services

During the year, the Group sold residential subscriptions and other advertising products at arm's length terms and normal terms and conditions to the franchisees and offices of the John McGrath Estate Agents (a Director-related entity).

(ii) Purchases of goods and services

During the year, the Group utilised advertising and support services of News Corp Australia of $198,000 (2012:$168,000) on commercial terms and conditions. Apart from these purchases, News Corp Australia promoted the REA Group by displaying the realestate.com.au logo at no charge in its real estate section of selected print publications. News.com.au and its sister sites (all owned by News Corp Australia) and realestate.com.au have in place cross promotion arrangements (reciprocal link exchanges) at no charge.

(iii) Other transactions

During the year REA Group Limited paid dividends of $29,616,610 (2012:$22,943,000) to News Corp Australia, a wholly owned subsidiary of News Corp. The dividends paid in 2013, along with the 2012 interim dividend were paid in cash, however News Corp Australia elected to receive the 2011 final dividend of $12,800,000 as shares via the Group's dividend reinvestment plan.

During the year REA Group paid a management fee to News Corp Australia of $280,000 (2012: NIL). Additionally, during the year, insurance premiums of $113,432 (2012: $76,204) were paid to News Corp Australia.

(f) Transactions within the consolidation group

To account for services provided by one entity on behalf of another entity, adjustments and cross charges are made at arm's length between the separate legal entities and branches. In addition, costs incurred by one group member on behalf of another group are on charged on commercial terms. During 2013, realestate.com.au Pty Limited charged a group entity, casa.it SRL in Italy a royalty fee of $1,254,775 (2012: $1,120,000) for the use of the REA 2.0 platform based on a percentage of the online advertising revenues.

26. Controlled entities

(a) Investment in subsidiaries

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

Name of entity	Country of incorporation	Equity interest 2013 %	Equity interest 2012 %	Investment 2013 $'000	Investment 2012 $'000
property.com.au Pty Limited	Australia	100	100	-	-
realestate.com.au Pty Ltd	Australia	100	100	31,495	31,495
• Media Cell Pty Limited	Australia	56.2	56.2	-	-
• ozhomevalue Pty Limited[1]	Australia	56.2	56.2	-	-
Property Look Pty Limited	Australia	100	100	-	-
Hub Online Global Group	Australia	100	100	-	-
• Web Effect International Pty Limited	Australia	100	100	-	-
NL/HIA JV Pty Limited	Australia	100	100	-	-
REA Group Hong Kong Limited	Hong Kong	100	100	131	131
• Square Foot Limited	Hong Kong	100	100	-	-
• Prime Media Limited	Hong Kong	100	100	-	-
• REA Group China Limited	China	100	100	-	
REA Group Europe Limited	UK	100	100	57,542	57,542
• REA Italia Srl.	Italy	100	100	-	-
• casa.it Srl	Italy	100	100	-	-
• atHome Group S.A	Luxembourg	100	100	-	-
• atHome International S.A.	Luxembourg	100	100	-	-
• REA Group European Production Centre S.A.	Luxembourg	100	100	-	-
Total				89,168	89,168

1. ozhomevalue Pty Limited is 100% owned by Media Cell Pty Limited (Formerly Homeguru Pty Ltd)

26. Controlled entities (continued)

(b) Deed of Cross Guarantee

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

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

The summarised income statement, balance sheet and retained earnings of REA Group Limited and realestate.com.au Pty Limited as members of the Closed Group is as follows:

	2013 $'000	2012 $'000
Consolidated income statement		
Profit from continuing operations before income tax	152,160	114,712
Income tax expense	(43,447)	(30,815)
Profit for the year	108,713	83,897
Other comprehensive income		
Total comprehensive income for the year, net of tax	108,713	83,897
Summary of movements in consolidated retained earnings		
Retained earnings at beginning of the financial year	181,155	134,586
Dividends provided for or paid during the year	(48,077)	(37,328)
Retained earnings at end of the financial year	241,791	181,155
ASSETS		
Current assets		
Cash and cash equivalents	252,758	177,777
Trade and other receivables	45,940	35,674
Other current assets	2,336	2,071
Total current assets	301,034	215,522
Non-current assets		
Investments in subsidiaries	83,762	83,762
Plant and equipment	6,729	4,723
Intangible assets	24,138	24,655
Deferred tax assets	3,847	2,982
Total non-current assets	118,476	116,122
Total assets	419,510	331,644

	2013 $'000	2012 $'000
LIABILITIES		
Current liabilities		
Trade and other payables	30,452	20,977
Current tax liabilities	16,030	9,154
Provisions	3,459	2,881
Other current liabilities	18,944	9,931
Total current liabilities	68,885	42,943
Non-current liabilities		
Deferred tax liabilities	2,914	2,580
Provisions	1,987	1,189
Total non-current liabilities	4,901	3,769
Total liabilities	73,786	46,712
Net assets	345,724	284,932
Contributed equity	102,474	102,755
Reserves	1,459	1,022
Retained earnings	241,791	181,155
Parent interest	345,724	284,932
Non-controlling interest	-	-
Total Equity	345,724	284,932

27. Parent entity financial information

Information relating to the parent entity, REA Group Limited:

	2013 $'000	2012 $'000
Current assets	246,675	174,971
Non-current assets	90,063	89,752
Total assets	336,738	264,723
Current liabilities	50,140	12,041
Non-current liabilities	-	-
Total liabilities	50,140	12,041
Net assets	286,598	252,682
Contributed equity	102,474	102,755
Reserves	1,459	1,022
Retained earnings	182,665	148,905
Total shareholders' equity	286,598	252,682
Profit of the parent entity	81,837	105,262
Total comprehensive income of the parent entity	81,837	105,262

There were no contractual commitments or contingent liabilities by the parent entity for the acquisition of plant or equipment during the current financial year (2012: $nil).

For details of any guarantees entered into by the parent entity in relation to the debts of its subsidiaries refer to Note 23.

28. Reconciliation of profit after income tax to net cash inflow from operating activities

	2013 $'000	2012 $'000
Profit for the year	109,746	86,782
Depreciation and amortisation	18,670	15,184
Long Term Incentive plan expense	787	551
Net exchange differences	(214)	390
Loss on disposal of fixed assets	27	7
Other non-cash items	(64)	533
Share-based payment on settlement of LTI Plan	(964)	(1,186)
Change in operating assets and liabilities		
(Increase) in trade receivables	(10,969)	(4,893)
(Increase) / decrease in other current assets	(692)	487
(Increase) / decrease in deferred tax assets	(672)	116
Increase in other current liabilities	6,682	920
Increase / (decrease) in deferred tax liabilities	218	2,265
Increase / (decrease) in current tax liabilities	9,190	(2,308)
Increase / (decrease) in trade and other payables	10,828	(2,993)
Increase in provisions	2,604	1,000
Net cash inflow from operating activities	145,177	96,855

29. Earnings per share

(a) Basic earnings per share

	2013 Cents	2012 Cents
From continuing operations attributable to the ordinary equity holders of the company	83.3	66.2
Total basic earnings per share attributable to the ordinary equity holders of the company	83.3	66.2

(b) Diluted earnings per share

From continuing operations attributable to the ordinary equity holders of the company	83.3	66.2
Total diluted earnings per share attributable to the ordinary equity holders of the company	83.3	66.2

(c) Weighted average number of shares used as the denominator

	2013 Number	2012 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	131,714,699	131,334,426
Effect of share options on issue during the financial year	-	-
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	131,714,699	131,334,426

Profit attributable to the ordinary equity holders of the company of $109,711,000 (2011: $86,971,000) was used in calculating basic and diluted earnings per share.

There is no effect of the share options granted under the Long Term Incentive Plan (refer to Note 30) on the weighted average number of ordinary shares as shares issued under the LTI Plans 2013 will be purchased on market. There is no material effect on future settlement of LTI Plans.

30. Share-based payments

(a) Long Term Incentive Plan

During the 2008 financial year, the Group established and announced a long term incentive plan for executives identified by the Board. The plan is based on the grant of performance rights that vest into shares on a 1 to 1 basis at no cost to the employee subject to performance hurdles. Settlement of the performance rights is made in ordinary shares.

The performance measures approved by the Board are based upon Group revenues and EBIT for all executives responsible for the Group. The performance measures under Plans 5 and 6 are based upon Group revenues and EPS. The actual performance is compared to the budgeted measures for the performance period.

There have been no cancellations or modifications to any of the plans during 2013 and 2012.

Under Plan 4, a total of 70,570 performance rights vesting on 1 July 2013 were granted on 1 July 2010 with a total value at grant of $705,000.

Under Plan 5, a total of 92,659 performance rights vesting on 1 July 2014 were granted on 1 July 2011 with a total value at grant date of $1,029,441.

Under Plan 6, a total of 77,433 performance rights vesting on 1 July 2015 were granted on 1 July 2012 with a total value at grant date of 1,039,925.

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

Plan	Performance period end date	Balance at start of the year	Granted during the year	Exercised during the Year	Forfeited/ cancelled during the year	Balance at the end of the year
		Number	Number	Number	Number	Number
LTI Plan 2012 (Plan 3)	1 July 2012	54,545	6,813	(61,358)	-	-
LTI Plan 2013 (Plan 4)	1 July 2013	54,554	-	-	(2,397)	52,157
LTI Plan 2014 (Plan 5)	1 July 2014	83,659	-	-	(8,099)	75,560
LTI Plan 2015 (Plan 6)	1 July 2015	-	77,433	-	(3,871)	73,562
Total		192,758	84,246	(61,358)	(14,367)	201,279

Rights are vested after the performance period. The LTI Plan 2013 rights performance period ends at the end of the year and they will vest upon approval by the Board in August 2013. In case of under or over performance the eligible rights will be adjusted as per below:

Payment Scale

Target achieved	% LTIP to be paid
<80%*	None
80% - 100%	80% - 100% vesting
100% - 105%	100% vesting
>105% - 120%	>105% - 120% vesting
>120%	120% vesting

**For LTI Plan 2014 and 2015, the target achieved begins from 70%.*

30. Share-based payments (Continued)

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

Plan	Grant date	Performance period	Vesting date (and earliest exercise date)	Number of rights granted	Value of rights as at grant date $
LTI Plan 2012 (Plan 3)	1 July 2009	2012	1 July 2012	125,350	717,002
LTI Plan 2013 (Plan 4)	1 July 2010	2013	1 July 2013	70,570	705,000
LTI Plan 2014 (Plan 5)	1 July 2011	2014	1 July 2014	92,659	1,029,441
LTI Plan 2015 (Plan 6)	1 July 2012	2015	1 July 2015	77,433	1,039,925

The fair value of each performance right is estimated on the grant date previously using a Monte Carlo simulation. For the LTI Plan 2014 (Plan 5) and LTI Plan 2015 (Plan 6), the Black Scholes model has been used. The simulated share price for LTI Plan was estimated based on a forward calculator. All valuations were performed independently by KPMG.

The plan hurdles for both the LTI Plan 2012 and 2013 have been met (refer to section 5.3 of the Remuneration report).

Plan	Value per right at grant date[1]	Simulated share price at vesting date[2]	Exercise price	Expected volatility	Risk free interest rate	Expected life of performance right
LTI Plan 2012 (Plan 3)	$5.72	$6.54	$0.00	38.4%	5.785%	38 months
LTI Plan 2013 (Plan 4)	$9.99	$11.58	$0.00	40.5%	4.409%	38 months
LTI Plan 2014 (Plan 5)	$11.11	$12.98	$0.00	35.0%	4.838%	38 months
LTI Plan 2015 (Plan 6)	$13.43	$14.85	$0.00	25.7%	2.395%	38 months

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

2. Simulated share price at vesting date is the expected share price at the end of the vesting period as per the valuation model.

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

- The dividend yield in the LTI Plan 2015 of 2.31% (2012: 2.17%) applied reflects the fact that the Group only started paying dividends in 2009 and that the expected life of the right is up to the vesting date.
- The share price at grant date for the LTI Plan 2015 was $13.71 (2012: $11.90)
- The expected volatility is based on the Group's historic volatility and is designed to be indicative of future trends, which may also not be the actual future outcome.

The long term incentive plan resulted in a net share-based compensation expense of $787,000 (2012: $551,000).

(b) Share option plan

The Company also operates an annual Exempt Employee Share Plan. The terms of the Plan enable eligible employees to contribute $850 per annum from their before-tax salary by way of a salary sacrifice to acquire Shares in the Company. The contributed amount is deducted from their monthly pay in equal amounts over the twelve month period. The Company then contributes a bonus $150 per annum to the Plan on behalf of the participating employee.

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

The shares acquired under the Plan are designed to be income tax-free upon initial acquisition provided the participating employee's adjustable taxable income for the year (which includes reportable fringe benefits, reportable superannuation contributions and negative gearing losses) is under the tax office's threshold (in 2013 it was $180,000 or less). There is a three-year restriction period on selling, transferring or otherwise dealing with the Exempt Shares while the participating employee remains an employee of the Group.

31. Events after the balance sheet date

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

Directors' Declaration

In the Directors' opinion:

(a) the Financial Statements and notes of the consolidated entity set out on pages 32 -64 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 30 June 2013 and of its performance for the financial year ended on that date; and

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

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

(c) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;

(d) the Directors have been given the declarations by the Chief Executive Officer and Managing Director and Chief Financial Officer required by section 295A of the *Corporations Act 2001* for the financial year ending 30 June 2013; 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 26 will be able to meet any obligations or liabilities to which they are or may become subject, by virtue of the Deed of Cross Guarantee.

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

Mr Hamish McLennan
Chairman

Mr Greg Ellis
Managing Director and Chief Executive Officer

Melbourne
13 August 2013

Building a better working world

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

Report on the financial report

We have audited the accompanying financial report of REA Group Limited, which comprises the consolidated statement of financial position as at 30 June 2013, the consolidated income statement and statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the Financial Statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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

Opinion

In our opinion:

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

   i giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and

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

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

Report on the remuneration report

We have audited the Remuneration Report included in pages 25 to 31 of the directors' report for the year ended 30 June 2013. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of REA Group Limited for the year ended 30 June 2013, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

David Petersen
Partner

Melbourne
13 August 2013

A member of Ernst & Young Global Limited Liability limited by a scheme approved under Professional Standards Legislation.

Shareholder Information

Additional information required by the Australian Stock Exchange Listing Rules and not shown elsewhere in this report is as follows. The information is current as at 9 September 2013.

(a) Distribution Schedule Of Shareholders

REA Group Limited has 131,714,699 fully paid ordinary shares which are held by 3,355 shareholders. All issued ordinary shares carry one vote per share and carry the rights to declared dividends. The number of shareholders, by size of holding of are:

	No. of shareholders	No. of ordinary shares
1 - 1000	2,170	749,356
1,001 - 5,000	869	2,000,843
5,001 - 10,000	156	1,182,076
10,001 - 100,000	130	3,332,615
100,001 and over	30	124,449,809
Total	3,355	131,714,699

There were 489 holders of less than a marketable parcel of 89 ordinary shares.

(c) Substantial Shareholders

The names of substantial shareholders of the Company (holding not less than 5%) who have notified the Company in accordance with section 671B of the Corporations Act are set out below:

	Ordinary shares	
	No. held	% of issued shares
News Limited (News Corp Australia)	77,256,121	61.60%
Hyperion Asset Management Limited	12,073,955	9.17%

There were 489 holders of less than a marketable parcel of 89 ordinary shares.

(b) Top Twenty Registered Shareholders

	Ordinary shares	
	No. held	% of issued shares
News Limited (News Corp Australia)	81,141,397	61.60
National Nominees Limited	10,854,804	8.24
J P Morgan Nominees Australia Limited	8,771,764	6.66
HSBC Custody Nominees (Australia) Limited	5,952,781	4.52
UBS Nominees Pty Limited	3,886,191	2.95
BNP Paribas Noms Pty Ltd <DRP>	3,316,901	2.52
Citicorp Nominees Pty Limited	1,731,878	1.31
Citicorp Nominees Pty Limited <Colonial First State Investment A/C>	1,353,463	1.03
RBC Investor Services Australia Nominees Pty Limited <BKCUST A/C>	1,308,709	0.99
Effie Holdings Pty Limited	700,000	0.53
Meruma Pty Limited <Meruma Investment A/C>	584,622	0.44
JP Morgan Nominees Australia Limited <Cash Income A/C>	580,897	0.44
HSBC Custody Nominees (Australia) Limited - GSCO ECA	465,583	0.35
BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>	361,337	0.27
HSBC Custody Nominees (Australia) Limited <NT-Comnwlth Super Corp A/C>	357,803	0.27
Mutual Trust Pty Ltd	341,936	0.26
BNP Paribas Nominees Pty Ltd ACF Pengana <DRP A/C>	325,243	0.25
Holdex Nominees Pty Limited <No 384 A/C>	315,087	0.24
Smallco Investment Manager Limited <The Cut A/C>	300,000	0.23
Mr Vivian Faram Findlow	292,239	0.22
Total	122,942,635	93.34

Corporate Information

Directors	Mr Hamish McLennan (Chairman) Mr Greg Ellis (Managing Director & CEO) Mr Roger Amos Ms Kathleen Conlon Mr Richard J Freudenstein Mr John D McGrath Mr John Pittard Mr Stephen P Rue
Company secretary	Ms Rebecca Liatis
Notice of Annual General Meeting	Wednesday 13th November 2013 at 12:00pm, Westin Room III 205 Collins Street MELBOURNE, VIC 3000 Australia
Principal registered office in Australia	Ground Floor, 678 Victoria Street RICHMOND, VIC 3121 Australia Ph: +61 3 9897 1121 Fax: +61 3 9473 2500
Share register	Computershare Registry Services Pty Limited Yarra Falls 452 Johnson Street ABBOTSFORD, VIC 3067 Australia Ph: +61 3 9415 5000 Fax: +61 3 9473 2500
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
Website address	www.rea-group.com

www.rea-group.com
REA Group Limited ABN 54 068 349 066