

Britain
moves
at
rightmove

Rightmove plc

Rightmove is the UK's largest property portal.

Our aim is to be the place for all UK home hunters to find details of all properties available to buy or rent. The website provides an easy-to-use but sophisticated online property search. With the depth of information that it provides, home hunters can immediately identify a preferred property.

The service is directed at four key membership groups:

- estate agents
- lettings agents
- new homes developers
- overseas homes agents offering properties outside the UK but interested in advertising to UK-based home hunters.



rightmove.co.uk is
the UK's **number one**
property website



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Highlights

- Revenue increased by 23% to £119.4m (2011: £97.0m)
- Underlying operating profit⁽¹⁾ increased by 26% to £87.5m (2011: £69.4m)
- Underlying operating margin⁽¹⁾ up to 73.3% (2011: 71.5%)
- Underlying basic earnings per share⁽¹⁾ up 31% to 65.7p (2011: 50.3p)
- Diluted earnings per share⁽²⁾ up 40% to 59.2p (2011: 42.3p)
- 4.5m shares bought back during 2012 (2011: 4.4m) at an average price of £14.70 (2011: £11.10)
- Final dividend of 14.0p (2011: 11.0p) making a total dividend of 23.0p for the year (2011: 18.0p), up 28%
- Average revenue per advertiser (ARPA) up 19% to £529 per month (2011: £443 per month)
- Site traffic up 18% to 11.0bn pages (2011: 9.3bn pages)



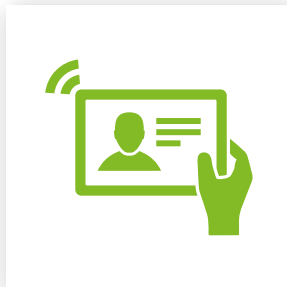
(1) From continuing operations before share-based payments, NI on share-based incentives and no related adjustment for tax.

(2) From continuing operations.

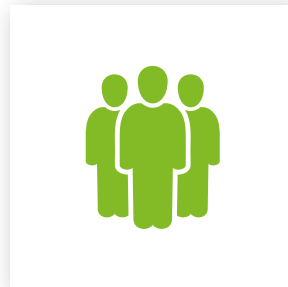
Focus areas



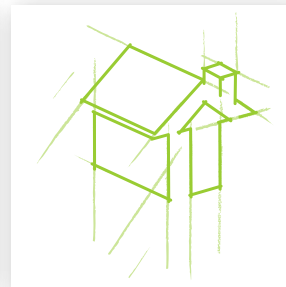
Leading our market



Investing in technology



Supporting our customers



Building our brand

Key performance indicators

Market share

82%

of the market share of the top 3 UK property websites by pages viewed, 2% down on 2011

Source: Experian Hitwise and Rightmove: December 2012 and December 2011

Number of advertisers

18,270

Total membership at end of 2012 was 18,270 (2011: 18,276), flat year on year

Page impressions

11.0 billion

page impressions up from 9.3 billion in 2011

Source: Rightmove

Properties displayed

1.1 million

properties on rightmove.co.uk at 31 December 2012 unchanged since 2011

Enquiries

21.2 million

Enquiries up from 19.6 million in 2011

Average revenue per advertiser

£529

per month, up 19% on 2011

Chairman's statement



Scott Forbes
Chairman

I am pleased to present Rightmove plc's results for the year ended 31 December 2012.

Online advertising is changing consumer behaviour across many markets and transforming the way businesses communicate with consumers. Rightmove has driven the transformation in online property advertising which has been a boon to home movers as they are the beneficiaries of greater and more timely access to better quality information. The pace of change is continuing with the rapid growth of the mobile internet, meaning that home movers now have instant access to information on Rightmove irrespective of whether they are at home, in the office or on the move. At the same time, online advertising has enabled property professionals to operate more cost effectively and improve their consumer reach at a time when housing transaction volumes have remained at around 60% of average historic levels.

Rightmove is proud that it continues to be at the forefront of online property advertising. In January 2013 Rightmove ranked as the sixth most popular website in the UK amongst global brands such as Google and Facebook, once again demonstrating that 'Britain moves at Rightmove'. We are proud of the compelling value proposition that Rightmove and our brand creates for our customers. We will continue to offer an increasing number of brand building and property advertising options to help our customers take advantage of the internet's ability to deliver advertising with unrivalled consumer reach at a fraction of historic cost levels.

I would like to express my thanks to our customers and also to our employees who continue to bring their skills and efforts to bear to make Rightmove the best place for home hunters to find their next home and for property advertisers to reach the widest possible audience.

The Board of Directors

30 April 2013 marks the end of Ed Williams' 13 impressive years of accomplishment at the helm of Rightmove. It has been very much a business partnership with Nick McKittrick, currently Chief Operating Officer and Finance Director and successor to Ed as Chief Executive Officer. I speak on behalf of the Board and all employees when I say that we will miss Ed on both a personal and professional level and have greatly appreciated his valuable contributions to Rightmove's success.

In Nick, we have a strong and experienced successor who joined Rightmove in 2000 along with Ed. A long standing member of the Board since March 2004, he became Chief Operating Officer and Finance Director in 2009. Congratulations also to fellow director Peter Brooks-Johnson and to Robyn Perriss for their long-standing achievements meriting appointment as Chief Operating Officer and Finance Director, respectively.

A total of £86.8m was returned to shareholders through dividends and share buybacks, bringing the total returned since our flotation in 2006 to £293m.

In 2012 we have undertaken a full external Board evaluation. The evaluation was interview based and covered strategy, organisation, culture and Board composition and effectiveness. The findings were presented at the December 2012 Board meeting and further detail on this is shown on page 25.

Financial results

2012 set new records for revenue, profits and underlying basic earnings per share (EPS)⁽¹⁾. Underlying operating profit⁽¹⁾ was up 26% to £87.5m (2011: £69.4m) driven by strong organic revenue growth of 23% coupled with continued careful cost management. EPS was up 31% to 65.7p (2011: 50.3p) with the increase being helped by the repurchase of 4.5m (2011: 4.4m) shares. As at 31 December 2012 the cash position was £7.1m (2011: £21.8m).

Investors

Our investors have benefited from our strong performance and our clear and continued policy of returning all excess cash. Our cash conversion remains in excess of 100% of operating profit and in 2012 we returned a further £86.8m (2011: £65.1m) to shareholders through dividends and share buybacks. This brings the total returned to shareholders since our flotation in March 2006 to £293.0m.

Dividend

The Board previously announced that it would increase the interim dividend to 9.0p (H1 2011: 7.0p) per ordinary share, which was paid on 9 November 2012. Consistent with our policy of increasing the total dividend for the year broadly in line with underlying operating profits, the Board proposes to pay a final dividend of 14.0p (2011: 11.0p) per ordinary share for a total dividend for the year of 23.0p (2011: 18.0p), an increase of 28%. The final dividend, subject to shareholder approval, will be paid on 7 June 2013 to all shareholders on the register on 10 May 2013.

Outlook

With healthy growth in average spend per advertiser at the start of the year and assuming there is no significant deterioration in the UK housing market, the Board remains confident of continued growth in the business in 2013.



Scott Forbes

Chairman

(1) From continuing operations before share-based payments, NI on share-based incentives and no related adjustment for tax.

Business and financial review



Ed Williams
Chief Executive Officer



Nick McKittrick
Chief Operating Officer
and Finance Director

Our position, at the heart of home moving, comes from a focus on providing the best internet platforms for buyers, sellers, tenants and landlords backed by more than a decade of investment in the Rightmove website and infrastructure, product innovation, continuous promotion of the Rightmove brand and actively supporting our property advertising clients.

The Rightmove business strategy is to focus on organic growth through serving property advertisers seeking to reach the largest audience of UK home movers. For our advertisers we want to be their largest source of high quality enquiries and, in the case of estate agents and lettings agents, an important element of their own service offering to home sellers and landlords. Our shareholders benefit from our clear and continued policy of promptly returning the cash generated by the business through dividends and share buybacks.

Revenue, profit and earnings per share (EPS) all rose significantly in 2012 compared to 2011, making it a record year on all of these metrics. The majority of the increase in revenue came from our existing customers spending more on advertising with us. The number of customers advertising on Rightmove ended the year unchanged, reflecting the stable nature of the current housing market and Rightmove's high market penetration.

2012 results

Profit after tax⁽²⁾ increased 36% to £62.6m (2011: £46.1m). Underlying operating profit⁽¹⁾ was up 26% to £87.5m (2011: £69.4m). Organic revenue growth drove overall revenue to £119.4m (2011: £97.0m) which is up £22.4m (23%) on the prior year, and with our underlying cost base⁽¹⁾ rising by only £4.2m (15%) we have again demonstrated the scalability and profitability of the Rightmove business model.

What we do and the keys to success

Rightmove provides estate agents, lettings agents and new homes developers access to the largest audience of UK home movers by enabling them to advertise all of their properties on the rightmove.co.uk website and mobile platforms for a monthly subscription fee. Customers can also take advantage of a wide set of advertising products to better promote their properties, brand and proposition. Rightmove's success comes from its market leading position with UK home movers and the value we add to our customers by giving them the ability to reach the largest audience of UK home movers.

We believe the foundations of our success come from:

- sustained investment in serving home movers
- sustained investment in our brand
- sustained support for our advertisers
- innovation in advertising products and internet platforms.

Sustained investment in serving home movers

Home movers use Rightmove because it represents the easiest and most familiar way in which to view the best information about properties that are currently available on the market and those that have sold in the last 10 years. The ease of use and quality of information we provide to home movers results not just from the scale of our investment in our website and mobile apps but also from the experience we have built up over more than a decade.

We continuously invest in developing the most engaging website and apps for home movers, releasing over 2,500 enhancements in 2012. Traffic grew by 18% with more than 11.0 billion pages being viewed across all of our platforms during the year. We continue to be ranked in the top 10 most popular websites in the UK and as high as sixth in January 2013 (behind Google, Facebook, YouTube, eBay and Amazon).

Rightmove's strategy is to focus on organic growth through serving property advertisers seeking to reach the largest audience of UK home movers.

The continued rise in mobile access to the internet means that a third of Rightmove property searches are now regularly performed on mobile devices as millions of Britons have downloaded our popular apps. To support this growing trend in 2012 we launched an Android app, released major enhancements to our iPhone and iPad apps and are launching the latest version of our mobile website in early 2013.

We also strive to deliver the best quality information to our audience. In 2012 we launched a unique facility which matches Land Registry sold prices with our catalogue of over two billion property images to help home movers with their research. We have also invested in a team of data quality experts to ensure the information on Rightmove is the most accurate available on any property portal.

We further enhanced our commercial property website during 2012 and with over 2 million commercial property searches per month we have established ourselves as the leading commercial property website in the UK with over 80% market share of traffic. Although small in the overall context of Rightmove revenues, this area provides an opportunity for further growth.

Sustained investment in our brand

Our strong brand recognition with the public and the simplicity of the core service we provide have made Rightmove the public's first choice to help them find their next home. Much of our success comes from the positive experience that home hunters have in using the services we provide.

Nonetheless, we work hard to promote the brand in order to build on more than 10 years of investment. We continued with TV advertising in 2012 with campaigns running in six months of the year and into 2013. A new campaign, building on the 'Britain Moves at Rightmove' theme is to be launched in Spring 2013, reflecting the fact that the Rightmove website is a place where people dream (and daydream) about where they want to live.

Recognising the changing way in which people consume media, we have used online videos to promote key features of Rightmove. The Market Intelligence campaign which ran in the second half of 2012 used interactive video, customised to a home mover's postcode, to bring to life Rightmove's property research tools.

We continue to receive around four out of five visits to our website from people typing in the 'Rightmove' name, using our mobile apps, responding to our email alerts, or using unpaid links from other sites. The remainder come from organic search.

Social media sites such as Facebook and Twitter continue to be a successful way to promote Rightmove. 'Likes', 'Shares' and 'Retweets' extend the reach of the Rightmove brand by over half a million users every month. This interaction is promoted both by close integration on the Rightmove site itself and bespoke social media campaigns such as the '12 Days of Christmas' competition, which attracted over 50,000 entries.

Sustained support for our advertisers

The marketing of properties for sale and to rent is critical to the success of Rightmove's own customers leading to our focus on providing them with the best way to advertise to UK home movers.

Rightmove also devotes considerable effort to helping our customers be more successful in ways other than just advertising. Much of this is through individual day-to-day support and advice from our local and telephone-based account managers. Both 2012 and early 2013 have been notable for the number and range of other activities we have undertaken to help our customers to be more successful. As tablet computing becomes more prevalent, more vendors expect agents to show that they understand the benefits new technology can bring through the tools they use, as well as by the information they provide. The Rightmove iPad presenter

Growing traffic

rightmove.co.uk is now ranked as the 6th most popular UK website by page impressions.

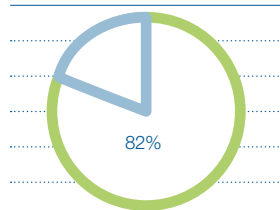
(Source: Experian Hitwise, January 2013)

Mobile searches

30%

of Rightmove property searches are now performed on mobile devices.

Market share of top 3 UK property websites by pages viewed



Source: Experian Hitwise and Rightmove, December 2012

Over £15m of our revenue in 2012 was from products launched in the last three years.

app helps agents present their marketing material in the homes of potential vendors using an iPad. The tool also helps larger customers ensure that their staff are using the latest version of the marketing material.

Rightmove launched the 'Little Blue Book of property trends' in 2012. This biannual publication brings together trends and expert opinion from a number of sources as a resource for all property professionals. We also continued our programme of free seminars to agents and developers and over the past four years have presented to over 9,500 attendees across more than 100 locations.

Using Rightmove's position at the heart of home moving in the UK, we have launched a series of reports for agents, allowing them to gather feedback on their service from their clients. We have also built the facility to enable agents to track their performance on this against their nearest competitors on an anonymous basis.

Innovation in advertising products

2012 saw the official launch of the Local Valuation Alert service. Advertisers taking this service can promote themselves directly to prospective sellers of homes and raise their brand awareness with a key local audience. The product made a significant contribution to revenue growth during 2012.

We also launched Agent Microsites for lettings agents and prepared for the launch of our Estate Agent Microsite product at the start of 2013. Agent Microsites operate in a similar way to eBay Shops. They allow our advertisers a high quality way to promote all aspects of their proposition, not just the properties they currently have available. This can include

testimonials, profiles of members of staff as well as properties recently sold or rented. Through a Rightmove microsite an agent can significantly enhance the quality of its presentation to the Rightmove audience and, should they wish, also save themselves the cost of their own website by pointing their URL to the microsite.

In financial terms, 32% of our agents and new home developers spending is now on the enhanced advertising products that we started to introduce in 2007. Over the last two years we have seen spend on these products more than double. We expect to see the proportion of total spend accounted for by these and future similar products continue to rise in the coming years.

Whilst Rightmove's main focus in terms of innovation is on property advertising products, 2012 also saw considerable development and commercial success for our data services business. Of particular note was the development, launch and widespread adoption of our service to surveyors, providing them with data on comparables (i.e. other properties which provide a reference point for property valuations).

Uncertainties, threats and risks

The Rightmove business model has proven remarkably resilient in the face of a depressed UK property market. The number of estate agents, lettings agents and new home developments is a major determinant of Rightmove's revenues, and has remained stable from 2009 onwards. We do not believe the number of agents or developments is likely to decline further unless there is another material downturn in the market.

Continued product innovation

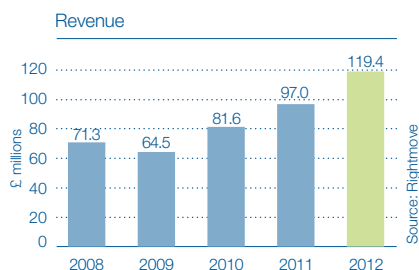
During 2012 we launched our 'Local Valuation Alert' service allowing advertisers to promote themselves directly to prospective sellers of homes and raise their brand awareness with a key local audience.



Enhanced advertising products

32%

of our agents' and developers' spend is now on enhanced advertising products.



The ongoing growth of Rightmove revenue is expected to continue to be driven by existing customers increasing their spend.

The ongoing growth of Rightmove revenues is expected to continue to be driven by existing customers increasing their spend on Rightmove. This, however, depends on Rightmove's continued success in generating high quality enquiries, the continued shift of spend from offline to online, the competitive environment within the online sector and our ability to continue to innovate.

In April 2012 the Office of Fair Trading approved the merger of DMGT's Digital Property Group (operator of the Find A Property and Prime Location websites) and Zoopla, a privately owned, private equity backed business. In September, the new business closed the Find A Property website, having previously redirected its marketing focus to the Zoopla brand. At the start of 2013 DMGT also sold its remaining property website, Globrix, to the new business, which proceeded to close Globrix. The result is a single larger competitor. However, throughout 2012 Rightmove's market share was essentially unchanged.

Due to the simplicity of the Rightmove business, we believe that the risks relating to operational failures, financial and legal exposures, fraud, or from onerous commercial obligations or liabilities are limited. The business has few tangible assets and the major intellectual assets are embedded in the design of our website and our brand identity, recognition and reputation.

Financial position

Revenue

Revenue⁽²⁾ increased in 2012 by 23% to £119.4m (2011: £97.0m). Our Agency business was the largest contributor to the revenue growth with a year on year increase of £15.0m (2011: £13.6m). The majority of the growth has come from a combination of sales of additional advertising products and increases to core membership prices. Agency continues to be by far our largest business although its proportion of total revenue has declined slightly in the year to 77% (2011: 80%) reflecting the success of other business areas during the year.

Revenue from the New Homes business grew by 22% to £20.6m (2011: £16.9m) despite a decline in development numbers. Growth was driven by the sale of additional advertising products including e-mail campaigns and by increases to core membership prices.

Notably other revenue grew to £6.4m (2011: £2.8m) due to a number of contract wins, including some one-off work, within our Data Services business.

Margin growth

The underlying operating margin⁽¹⁾ for the year increased from 71.5% to 73.3%. This has been driven by continued strong revenue growth coupled with a lower percentage increase in underlying operating costs⁽¹⁾. Underlying operating costs⁽¹⁾ increased by £4.2m to £31.8m (2011: £27.6m) with £2.0m of the increase relating to salary costs due to a combination of an increased average headcount of 325 (2011: 293), up 11% and wage inflation.

Investing in relationships

Our seminars aim to help our members to become more successful and to get more from their Rightmove membership.

rightmoveseminars

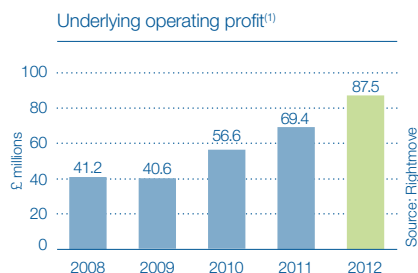
HAVE YOU
GOT THE
COMPETIT



Seminars

9,500 customers

presented to in the last four years
across more than 100 locations.



Cash conversion was in excess of 100% of operating profit.

Taxation

The consolidated tax rate from continuing operations for the year ended 31 December 2012 was 24.8% (2011: 26.6%). The effective tax rate was marginally higher than the enacted rate of 24.5% due to a reduction in the rate at which deferred tax is recognised and disallowable expenditure.

Share-based payments and national insurance

In accordance with IFRS 2, a non-cash charge of £2.4m (2011: £2.3m) is included in profit or loss representing the amortisation of the fair value of share-based incentives granted, including Sharesave options, since 2006.

Employer's National Insurance (NI) is being accrued, where applicable, at a rate of 13.8% on the potential employee gain on share-based incentives granted. Based on a closing share price at 31 December 2012 of £14.36 in respect of the outstanding share-based incentives granted, together with the actual NI cost on share-based incentives exercised in the year, there is a charge of £2.0m (2011: £4.4m).

Net financial expenses

A net financial credit of £0.1m (2011: £0.1m) was recorded, being interest income on cash balances, offset by bank charges and fees in relation to our Barclays Bank Plc money market facility.

Earnings per share

Underlying basic EPS⁽¹⁾ increased by 31% to 65.7p (2011: 50.3p). Diluted EPS⁽²⁾ increased by 40% to 59.2p (2011: 42.3p). The growth in EPS was helped by our share buyback programme which reduced the weighted average number of ordinary shares in issue to 102.0m (2011: 104.8m).

Statement of financial position

The Group's statement of financial position reflects total equity of £7.5m at 31 December 2012 (2011: £24.7m). The reduction in total equity of £17.2m is a function of us returning cash to shareholders in the form of share buybacks and dividends of £86.8m in excess of the profit after tax of £62.6m. This was offset by some cash benefits, in the form of proceeds on the exercise of share-based incentives and corresponding tax deductions taken directly to equity. In line with stronger revenues, trade receivables in current assets increased by 22% to £16.0m (2011: £13.1m). Trade and other payables increased by £2.8m to £23.7m (2011: £20.9m) due to the timing of marketing and technology spend, coupled with an increase in deferred revenue. Our deferred tax asset, representing future tax benefits from share-based incentives, is lower at £9.7m (2011: £10.7m) due to a combination of share-based incentive exercises in the year and a reduction in the future tax rate from 25% to 23%.

Cash flow and net debt

Cash generated from operating activities was £86.1m (2011: £67.7m). Cash conversion was in excess of 100% of operating profit.

Tax payments increased to £14.6m (2011: £14.3m) and £0.1m (2011: £0.1m) was paid in relation to bank charges and facility fees resulting in net cash from operating activities of £71.4m (2011: £53.3m).

Capital expenditure was £2.1m (2011: £0.5m). The higher expenditure in 2012 reflected increased investment in both hardware and software utilised in the running of our website and expenditure on our new office premises in Milton Keynes and the refurbishment of our London office. We continue to charge development costs directly to the income statement.

Proceeds of £3.0m (2011: £6.1m) were received on the exercise of share-based incentives.

Building brand awareness

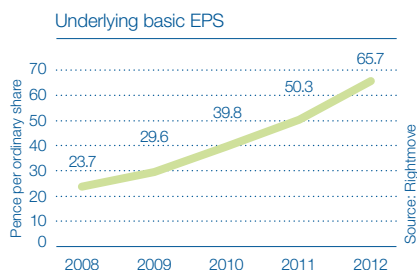
We use social media to engage directly with home movers and to build our brand.



Social media use

Likes, Shares and Retweets

extend the reach of the Rightmove brand by over half a million users every month.



Most of our EPS increase has come from organic growth but it has also been helped by a reduced number of shares.

A total of £66.4m was invested during 2012 in the repurchase of our own shares (2011: £48.3m) whilst a further £20.4m was paid in dividends (2011: £16.8m). This brings the total returned to shareholders since our flotation in March 2006 to £293.0m.

The Group entered into a 12 month agreement with Barclays Bank Plc for a £10.0m uncommitted money market loan on 6 February 2013. To date no amount has been drawn under this facility.

As a result of the cash movements noted above, net cash at 31 December 2012 was £7.1m (2011: £21.8m). The Board is confident that with the existing cash resources and banking facilities in place, the Group and the Company will remain cash positive and will have adequate resources to continue in operational existence for the foreseeable future.

The Board's priorities for the usage of cash continue to be: investment in the business; payment of dividends; and the return of cash to shareholders via share buybacks. The Board believes that the future working capital and capital expenditure requirements of the business will continue to be low and that the business will be in a position to return surplus cash to shareholders during 2013 through a combination of dividends and share buybacks.

Current trading and outlook

The outlook for the UK online property advertising market continues to be positive, albeit tempered by a challenging UK housing market. The market for online advertising continues to grow and Rightmove is well positioned to benefit through increased adoption of its existing advertising products, further product innovation, pricing and market-leading brand awareness.

Activity across our website and mobile platforms has started the year strongly, with traffic up 20% on the same period in 2012. Overall advertiser numbers continue to be broadly flat and average spend per advertiser has started the year ahead of 2012 levels.

Subject to there being no further significant downturn in the UK housing market, the Board remains confident of making further progress in growing the business organically in 2013 and beyond.

Ed Williams
Chief Executive Officer

Nick McKittrick
Chief Operating Officer and
Finance Director

(1) From continuing operations before share-based payments, NI on share-based incentives and no related adjustment for tax.

(2) From continuing operations.

Directors and officers



Scott Forbes
Chairman

Scott was appointed Chairman of Rightmove in 2005. He is also the Chief Executive of Bridge Capital Advisors Ltd, which he founded in 2007, and was a director of NetJets Management Ltd, a subsidiary of Berkshire Hathaway until October 2009. Scott has over 30 years' experience in operations, finance and mergers & acquisitions, which includes 15 years at Cendant Corporation, which was formerly the largest worldwide provider of residential property services. Scott established the Cendant international headquarters in London in 1999 and led this division as Group Managing Director until he joined Rightmove. (Appointed 13 July 2005.)



Ed Williams
Chief Executive Officer

Ed joined Rightmove in 2000 as Managing Director at its inception. He is also a non-executive director of Trader Media Group, owner of the UK's leading motoring website. His prior experience is in business strategy and IT consulting with McKinsey & Co, Accenture and JPMorgan. Ed has announced his retirement from the Board in April 2013. (Appointed 19 December 2000.)



Jonathan Agnew
Non-executive Director

Jonathan joined the Board in 2006 as Senior Independent Director. He is Chairman of The Cayenne Trust and Ashmore Global Opportunities. Jonathan was an investment banker for over 25 years, including being a Managing Director of Morgan Stanley and Group Chief Executive of Kleinwort Benson. He has been Chairman of Nationwide Building Society, Limit, Gerrard Group, LMS Capital and Beazley and has served on the Council of Lloyd's. (Appointed 16 January 2006.) (Chairman of the Remuneration Committee and a member of the Audit and Nomination Committees.)



Ashley Martin
Non-executive Director

Ashley joined Rightmove in 2009 as a non-executive director and also as Chairman of the Audit Committee, where he provides oversight of the financial reporting practices, internal control environment and compliance with the various listed company regulations. He is also a member of the Remuneration Committee. He qualified as a chartered accountant in 1981 and has a career in finance spanning 30 years. Ashley is currently Group Chief Financial Officer of The Engine Group, a private equity backed international marketing services group. He was previously Finance Director of Rok plc, the building services group, and Group Finance Director of the media services company, Tempus plc. (Appointed 11 June 2009.) (Chairman of the Audit Committee and member of the Remuneration Committee.)



Judy Vezmar
Non-executive Director

Judy joined Rightmove in 2006 as a non-executive director. She is Chief Executive Officer of LexisNexis International. LexisNexis®, part of the global media group Reed Elsevier PLC, is a leading worldwide provider of content-enabled workflow solutions designed specifically for professionals in the legal, risk management, corporate, government, law enforcement, accounting and academic markets. Judy is responsible for the International Group and their expansion of the range of successful solutions including online services to over 100 countries. She is based in London. (Appointed 16 January 2006.) (Member of the Audit, Remuneration and Nomination Committees.)



Nick McKittrick
Chief Operating Officer and
Finance Director

Nick is a co-founding executive having joined Rightmove in 2000. He led the build of Rightmove's original website and started the new homes, lettings and overseas businesses. In 2005, he became the Managing Director of rightmove.co.uk and in 2009 he was promoted to Chief Operating Officer and Finance Director. Before joining Rightmove he worked for Accenture for eight years in the technology consulting division. Following Ed Williams' retirement in April 2013, Nick will step up to become Chief Executive Officer. (Appointed to the Board 5 March 2004.)



Peter Brooks-Johnson
Managing Director, rightmove.co.uk

Peter joined Rightmove in 2006 and developed the Home Information Packs proposition. His focus subsequently shifted to the operation of the rightmove.co.uk website. He then went on to lead, from the beginning of 2008, the estate agency business. Peter was promoted to the role of Managing Director of rightmove.co.uk on his appointment to the Board on 10 January 2011 and now leads the main operating business. Prior to joining Rightmove, Peter was a management consultant with Accenture and the Berkeley Partnership. Following Ed Williams' retirement in April 2013, Peter will take over the role of Chief Operating Officer from Nick McKittrick. (Appointed to the Board 10 January 2011.)



Colin Kemp
Non-executive Director

Colin was appointed to the Board in 2007. With over 30 years' experience in high street retail banking, Colin has worked for Lloyds Banking Group companies since 1979. Between January 2005 and December 2007, Colin was Managing Director of Halifax Estate Agencies Limited and is currently the Managing Director of Telephone Banking for the Lloyds Banking Group, Retail Business. Colin is a Cranfield MBA and an Associate of the Chartered Institute of Marketing. (Appointed 3 July 2007.)



Robyn Perriss
Company Secretary and
Financial Controller

Robyn joined Rightmove in 2007 and has day-to-day responsibility for the financial operations, based in Milton Keynes, as well as statutory reporting and treasury functions. She was formerly Group Financial Controller at the online media business, Trader Media Group. She qualified as a chartered accountant in South Africa with KPMG. Robyn was appointed as Company Secretary in April 2012 and following Ed Williams' retirement on 30 April 2013, it is proposed that Robyn will be appointed Finance Director.

Our people

Our people are our most highly valued asset, they are critical to our success and our growth. We are proud of our people and the mixture of talent and experience that they bring. We depend on their skills and commitment to achieve our objectives.

Our cultural style is open and honest. We invest in ensuring that all employees understand Rightmove's core values and goals. We achieve this through a combination of a rigorous selection process, including technical skills testing, an off-site residential course to ensure all 'Rightmovers' understand our core values, ongoing coaching and mentoring, and cross-functional team building events involving all employees. We encourage employee involvement and place emphasis on keeping employees informed of the Group's activities via bi-monthly staff forums and business performance updates with senior management and quarterly sales conferences.

We continue to offer our Rightmover-led training academy, designed to provide a structured means for employees to expand and diversify their skills and knowledge and explore new ways of working with one another. Given the specialised technical nature of the work we do and the services we provide, we also support ongoing external professional development where appropriate.

During 2012, we introduced an employee recognition scheme, which is voted on by other employees and is an opportunity to nominate colleagues who have shown outstanding performance or are high achievers. Up to eight awards are presented every two months at our bi-monthly staff forums.

We offer employees a range of additional benefits, which have proved to be a useful retention tool. Rightmovers are made aware of these benefits through our induction process and intranet. In 2012 we placed particular emphasis on communicating the importance of saving for retirement and promoting the stakeholder pension plan we established in 2008 as well as the option to save by salary exchange.

47% of employees are now members of the pension plan. We did this by holding employee seminars and offering the opportunity for one to one briefings with external benefits advisers. We also offer private healthcare complemented by a cash back scheme. In November 2012, the Company's fourth Sharesave contract matured, allowing employees to benefit from the success of the Group over the last three years. More than half of our employees currently participate in the Sharesave plan.

In March 2012, we moved to new offices in Milton Keynes, providing our employees with a workplace environment which is spacious, inspiring and fun. We also refurbished our London premises as part of our continued investment in employee wellbeing.

Rightmove has a strong commitment to equality of opportunity in all our employment policies, practices and procedures. We take a proactive approach throughout our recruitment and selection process to ensure that we attract, hire and retain a diverse and talented workforce and this is kept under close and regular scrutiny. No existing or potential employee will receive less favourable treatment due to their race, creed, nationality, colour, ethnic origin, age, religion or similar belief, connections with a national minority, sexual orientation, gender, gender reassignment, marital status, member or membership of a trade union, disability, or any other classification as prescribed by law.

We offer flexible working arrangements, supporting part-time working and reduced hours to allow our employees to balance their work and family commitments. In 2012, 6% of our employees worked flexible hours.

Charitable activity

We continue to encourage all our employees to devote time and fundraising efforts to charitable causes of particular importance to them as individuals. During 2012 many of our staff have been active in raising money or supporting fundraising activities across a wide range of charities for which Rightmove matched the donations raised.

We have also set up charitable giving through the Charities Trust, a scheme that allows our employees to donate directly from their monthly salary to any charity or recognised good cause registered within the UK. This provides a tax efficient means of giving.

Environment

Rightmove actively considers its environmental impact and we are conscious of playing our part in tackling climate change. Since our operations are primarily office-based, the direct environmental impact is relatively low. Indeed Rightmove's business reduces the overall environmental harm associated with a variety of aspects of the whole home hunting process.

Traditional ways of finding a home tend to involve large amounts of paper and printing, whether in the form of newspaper advertising, property particulars mailed to applicants through the post or leaflet drops by agents. Rightmove reduces the need for print media and the environmental damage that goes with them. Rightmove takes care to design the layout of property particulars to reduce the total number of pages that need to be printed out in those cases where a home hunter does want a physical copy.

Enhanced information on properties also reduces the amount of time home hunters waste in visiting properties that rapidly turn out to be inappropriate. As a high proportion of viewings involve a car journey, any reduction in wasted viewings has an environmental benefit. Rightmove has worked hard to increase the number and size of photographs of each property and has introduced more comprehensive map searches and aerial photographs which help home hunters to identify the specific location of a property. The higher the quality of the information presented about properties, the less carbon footprint is generated by prospective buyers making wasted journeys.

The rightmove.co.uk website includes functionality for our customers to display Energy Performance Certificates which allow prospective buyers to evaluate the energy efficiency of a property they are considering buying and to identify opportunities to improve the energy efficiency once they have purchased the property.

As an internet-based Group with most staff employed in two office locations, we believe our own environmental footprint is small. We encourage our staff to take steps to address our environmental responsibilities. For instance, we continue to operate recycling schemes which were established in consultation with local authorities and recycling partners and when we moved to our new office in Milton

Keynes, we removed all waste bins from desks, which encourages and increases the amount of recycling we do. We subsequently introduced this into the London office.

As an operator of an online property portal, the main environmental impact is the power usage of our data centres. Our procurement policy is to purchase hardware with the best computational performance which uses the least electrical power.

We encourage our employees to use alternatives to car travel, by promoting the use of public transport in particular when travelling between our two office locations and by encouraging participation in our Cycle to Work scheme.

As an online business, our culture emphasises a paperless environment. We also recognise that our responsibilities do not stop just with how we operate internally – we encourage all our customers, business partners and suppliers not to unnecessarily print out emails sent by us in the signature of all our emails. We also continue to focus on streamlining processes and replacing paper-based services with online services and communications, wherever possible. Steps introduced in recent years include e-communications to shareholders, online customer membership forms and product documentation and email invoicing.

Health and safety

The Group considers the effective management of health and safety to be an integral part of managing its business. During 2012, we continued our fire safety, first aid and work place safety training. The Group's ongoing policy on health and safety is to provide adequate control of the health and safety risks arising from work activities, through further consultation with, and training of, employees, the provision and maintenance of plant and equipment, safe handling and use of all substances and the prevention of accidents and causes of ill health.

Directors' report

The directors submit their report together with the audited financial statements for Rightmove plc (the Company) and its subsidiary companies (the Group) for the year ended 31 December 2012. The Company is domiciled in England (registered number 6426485).

Principal activities

The Group operates in the UK residential and commercial property industry connecting people to properties.

Its principal business is the operation of the rightmove.co.uk website, which is the UK's largest residential property website. Its customers (estate agents, lettings agents, new homes developers and overseas homes agents and vendors) pay fees for the right to display properties on the Rightmove website, which provides home hunters with property details to search.

Further information on the Group's activities within each segment during the year under review and of its prospects can be found in the Business and financial review on pages 6 to 15.

The following sections inclusive are incorporated by reference into the Directors' report which have been drawn up and presented in accordance with and in reliance upon acceptable English company law and the liabilities of the directors in connection with the report shall be subject to the limitations and restrictions provided by such law:

- Business and financial review (pages 6 to 15)
- Directors and officers (pages 16 to 17)
- Corporate social responsibility (pages 18 to 19)
- Corporate governance (pages 23 to 29)
- Remuneration report (pages 30 to 44)

In compliance with the business review provisions of the Companies Act 2006, within the Business and financial review, principal risk factors are discussed under the section 'Uncertainties, threats and risks' on page 9. Key performance indicators are given on page 3 and information on the likely developments of the Group under 'Current trading and outlook' on page 15.

Trading results

The Group's underlying operating profit from continuing operations (before share-based payments and NI on share-based incentives) for the financial year was £87,533,000 (2011: £69,362,000). Further information on the results for the Group is set out in the Consolidated statement of comprehensive income on page 46 and the supporting Notes and also the Business and financial review on pages 6 to 15.

Dividend

An interim dividend of 9.0p (2011: 7.0p) per ordinary share was paid on 9 November 2012 to shareholders on the register of members at the close of business on 12 October 2012. The directors are recommending a final dividend for the year of 14.0p (2011: 11.0p) per ordinary share, which together with the interim dividend of 9.0p, paid in respect of the half year period ended 30 June 2012, makes a total for the year of 23.0p (2011: 18.0p), amounting to £23,147,000 (2011: £18,551,000). Subject to shareholders' approval at the Annual General Meeting on 8 May 2013, the final dividend will be paid on 7 June 2013 to shareholders on the register of members at the close of business on 10 May 2013.

Share capital

The ordinary shares in issue (including 2,505,430 shares held in treasury) at the year end comprised 105,896,115 (2011: 110,410,636) ordinary shares of £0.01 each, being £1,059,000 (2011: £1,104,000). The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at general meetings of the Company. Movements in the Company's share capital and reserves in the year are shown in Note 23 and Note 24 to the financial statements. Information on the Group's share-based incentive schemes is set out in Note 25 to the financial statements. Details of the share-based incentive schemes for directors are set out in the Remuneration report on pages 30 to 44.

Share buyback

The Company's share buyback programme continued during 2012. Of the 15% authority given by shareholders at the 2012 Annual General Meeting, a total of 4,514,521 (2011: 4,350,798) ordinary shares of £0.01 each were purchased in the year to 31 December 2012, being 4.2% (2011: 3.9%) of the shares in issue (excluding shares held in treasury) at the time the authority was granted. The average price paid per share was £14.70 (2011: £11.10) with a total consideration paid (inclusive of all costs) of £66,826,000 (2011: £48,626,000). Since the introduction of the new parent company in January 2008, a total of 26,009,293 shares have been purchased of which 2,505,430 have been transferred into treasury with the remainder having been cancelled. A resolution seeking to renew this authority will be put to shareholders at the Annual General Meeting on 8 May 2013.

Shares held in trust

As at 31 December 2012, 3,404,029 (2011: 4,527,783) ordinary shares of £0.01 each in the Company were held by The Rightmove Employees' Share Trust (EBT) for the benefit of Group employees. These shares had a nominal value at 31 December 2012 of £34,000 (2011: £45,000) and a market value of £48,882,000 (2011: £56,326,000). The shares held by the EBT may be used to satisfy share-based incentives for the Group's employee share plans. During the year 1,123,754 (2011: 1,794,546) shares were transferred to Group employees following the exercise of share-based incentives.

The terms of the EBT provide that dividends payable on the shares held by the EBT are waived.

Substantial shareholdings

As at the date of this report, the following beneficial interests in 3% or more of the Company's issued ordinary share capital (excluding shares held in treasury) on behalf of the organisations shown in the table below, had been notified to the Company pursuant to Rule 5 of the Disclosure and Transparency Rules:

Shareholder	No. of shares	% ⁽¹⁾
Baillie Gifford & Co	8,615,294	8.3
Marathon Asset Management LLP	7,835,467	7.6
Caledonia Investments Pty Ltd	6,431,468	6.2
Standard Life Investments	6,339,692	6.1
Axa Investment Managers SA	5,510,468	5.3
BlackRock Inc	5,421,782	5.3
Kames Capital	5,244,642	5.1
Cantillon Capital Management	4,408,924	4.3
Old Mutual Asset Management	3,805,926	3.7
The Rightmove Employees' Share Trust	3,393,623	3.3

(1) The above percentages are based upon the voting rights share capital (being the shares in issue less shares held in treasury) of 103,258,685.

Directors

The directors of the Company at the year end and as at the date of this report are named on pages 16 to 17 together with their profiles.

The Articles of Association of the Company require directors to submit themselves for re-appointment where they have been a director at each of the preceding two Annual General Meetings and were not appointed or re-appointed by the Company at, or since, either such meeting. Following the changes to the UK Corporate Governance Code in September 2010, all directors who have served during the year and remain a director as at 31 December 2012 (other than Ed Williams) will retire and offer themselves for re-election at the forthcoming Annual General Meeting.

Robyn Perriss will offer herself for election, this being her first Annual General Meeting following her proposed appointment as an executive director on 30 April 2013.

The Board is satisfied that the directors retiring are qualified for re-appointment by virtue of their skills, experience and contribution to the Board. Nick McKittrick and Peter Brooks-Johnson have service agreements with the Company which can be terminated on 12 months notice. The appointments for the non-executive directors, Scott Forbes, Jonathan Agnew, Colin Kemp, Ashley Martin and Judy Vezmar can be terminated on three months notice.

The interests of the directors in the share capital of the Company at 31 December 2012, the directors' total remuneration for the year and details of their service contracts and Letters of Appointment are set out in the Remuneration report on pages 30 to 44. At 31 December 2012 all of the executive directors were deemed to have a non-beneficial interest in 3,404,029 ordinary shares of £0.01 each held by the trustees of the EBT.

Supplier payment policy

The Group and Company's policy concerning creditors is to agree payment terms with its suppliers, ensure the relevant terms of payment are included in contracts and to abide by those terms when it is satisfied that goods or services have been provided in accordance with the contracts. For the year to 31 December 2012, trade creditors represented 29 days (2011: 11 days) of average daily purchases. The Group had £1,220,000 of trade payables at the year end (2011: £370,000).

Contractual arrangements

Due to the nature of the Group's business activities, the Group maintains a small number of contractual arrangements with external providers of data, software, hardware, telephony and web-based services, which are essential to support the operation of all business segments. However, the loss of one of these arrangements due to supplier failure would not result in a critical business failure; as such services could be sourced from a number of other suppliers.

Research and development

The Group undertakes research and development activity in order to develop new products and to continually improve the existing property website. Further details are disclosed in Note 2 to the financial statements on page 55.

Charitable and political donations

The Group made charitable contributions of £8,000 (2011: £3,000). Neither the Group nor the Company made any political donations during the year (2011: £nil).

Annual General Meeting

The Annual General Meeting of the Company will be held at the offices of UBS Limited at 1 Finsbury Avenue, London, EC2M 2PP on 8 May 2013 at 10am. The Notice of Annual General Meeting will be published in March 2013.

The resolutions being proposed at the 2013 Annual General Meeting are general in nature including the renewal for a further year of the limited authority of the directors to allot the unissued share capital of the Company and to issue shares for cash other than to existing shareholders. A resolution will also be proposed to renew the directors' authority to purchase a proportion of the Company's own shares.

One of the items of special business to be addressed at this Annual General Meeting relates to the requirement in the Companies (Shareholders' Rights) Regulations 2009, which came into force on 3 August 2009, that all general meetings must be held on not less than 21 clear days' notice unless shareholders approve a shorter notice period. At the 2012 Annual General Meeting, a resolution was passed allowing the Company to call general meetings (other than Annual General Meetings) on not less than 14 clear days' notice. As this authority will expire at the 2013 Annual General Meeting, a resolution will be proposed to renew this authority.

Auditor

Following the 2012 revision of the UK Corporate Governance Code by the Financial Reporting Council, the Group will be adopting best practice and is currently tendering its audit.

In accordance with section 489 of the Companies Act 2006, separate resolutions for the appointment of auditors of the Group and for the Audit Committee to determine their remuneration will be proposed at the forthcoming Annual General Meeting.

Audit information

So far as the directors in office at the date of signing of the report are aware, there is no relevant audit information of which the auditor is unaware and each such director has taken all reasonable steps to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Responsibility statement of the directors in respect of the annual financial report

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Directors' report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Signed by the Board:

Ed Williams



Chief Executive Officer

Nick McKittrick



Chief Operating Officer and
Finance Director

1 March 2013

Statement of compliance

The UK Corporate Governance Code (the Code) sets out the principles and provisions relating to good governance of UK listed companies. In this section we set out how we have applied the principles and complied with the provisions of the 2010 Code during 2012. As a UK listed company, the Company is required to state whether it has complied with the provisions of the Code and where the provisions have not been complied with, to provide an explanation.

The directors believe that the Company is compliant in all areas with one exception, which is explained below.

The Board, the Board balance and independence

At the date of this report, the Board comprises eight directors including the Chairman (Scott Forbes), three executive directors (Ed Williams, Chief Executive Officer, Nick McKittrick, Chief Operating Officer and Finance Director and Peter Brooks-Johnson, Managing Director, rightmove.co.uk) and four non-executive directors (Jonathan Agnew, who is the Senior Independent Director, Colin Kemp, Ashley Martin and Judy Vezmar).

As announced in November 2012, Ed Williams' date of retirement is 30 April 2013. As part of the announced organisational changes Nick McKittrick will become Chief Executive Officer, Peter Brooks-Johnson will become Chief Operating Officer and it is proposed that Robyn Perriss will join the Board as Finance Director. Assuming an unchanged number of Board directors, Rightmove would then have 25% of Board members being female, two years ahead of the target of 25% female Board members by 2015 set out in our 2011 Annual Report.

For each appointment the Board undertook a formal appointment process led by the Nomination Committee.

Having made substantial progress with gender diversity at Board level, the Board will focus further on the next level of senior management in order to develop potential within this team to step up to Board level at the appropriate time and to identify and develop potential within the wider organisation with a view to strengthening the female representation within the senior management team. In 2012, 13% of our senior management team were female.

The directors believe that the Board currently operates effectively and that there is an appropriate balance between the executive and non-executive directors and that all the non-executive directors are fully independent of management and independent in character and judgement. Consideration of the Board balance is kept under regular review by the Chairman and Chief Executive Officer.

Colin Kemp (non-executive director) is an employee of Lloyds Banking Group. Lloyds Banking Group is a customer of Rightmove Group Limited. Until October 2009, Lloyds Banking Group owned Halifax Estate Agencies Ltd. Halifax Estate Agencies Ltd was a shareholder in Rightmove plc until May 2008. Therefore, in strict application of the Code, Colin Kemp is only considered to have been independent from October 2012. Nonetheless, the Board considers that Colin Kemp is independent in character and in particular continues to challenge rigorously the executive directors and the Board as a whole. As a result, the composition of the Board throughout the year under review was not in strict compliance with supporting principle B.1.2 of the Code in that at least half of the directors (excluding the Chairman) were not considered independent non-executive directors; although it is compliant as at 31 December 2012.

Ed Williams, Chief Executive Officer, is also a non-executive director of Trader Media Group. His remuneration in relation to this role is set out in the Remuneration report on page 30 all of which has been donated directly to charities.

Neither the Chairman nor the other two executive directors hold any other non-executive directorships or commitments disclosable under the Code.

Biographical details of the directors at the date of this report and details of their committee membership appear on pages 16 and 17.

Directors' remuneration

The principles and details of directors' remuneration and contractual arrangements are contained in the Remuneration report on pages 30 to 44.

Re-election to the Board

Directors are appointed and may be removed in accordance with the Articles of Association of the Company and the provisions of the Companies Act 2006.

All directors are subject to election at the first Annual General Meeting following their appointment and to re-election at intervals of no more than three years in accordance with the Code and the Company's Articles of Association. However all directors, with the exception of Ed Williams, will seek re-election at the 2013 Annual General Meeting, in accordance with the Code provision B.7.1.

As disclosed in our stock exchange announcement in November 2012, Ed Williams has decided to retire from the Board with effect from 30 April 2013.

Board and Committee membership and attendance

The membership of the Committees of the Board and attendance at Board and Committee meetings for the year under review are set out in the table below:

	Board	Remuneration Committee	Audit Committee	Nomination Committee
Total meetings	8	5	4	2
Scott Forbes	8	(1)	N/A	2
Jonathan Agnew	8	5	4	2
Peter Brooks-Johnson	8	N/A	N/A	N/A
Colin Kemp	8	N/A	(2)	N/A
Ashley Martin	8	5	4	N/A
Nick McKittrick	8	N/A	N/A	N/A
Judy Vezmar	8	5	3	2
Ed Williams	8	N/A	N/A	N/A

(1) The Remuneration Committee Chairman has requested that the Chairman of the Board attend the Remuneration Committee meetings.

(2) Colin Kemp is invited to attend Audit Committee meetings on a guest basis.

Any director's absence from Board meetings or meetings of the Remuneration, Audit or Nomination Committees was previously agreed with the Chairman, the Chief Executive Officer or the Chairman of the relevant committee.

In addition to the above meetings, the Chairman conducts meetings with the non-executive directors without the executive directors being present when required. Jonathan Agnew, the Senior Independent Director, chaired a meeting of the Board at which the performance of the Chairman was also reviewed (without the presence of the Chairman).

Operation of the Board

The Board is responsible to shareholders for the overall direction and control of the Group. Its key task is to approve strategy, ensuring the successful implementation of projects and proposals and monitoring the operating performance of the Group in pursuit of its objectives in the interest of maximising long-term shareholder value. The Board has adopted a formal schedule of matters requiring specific approval. These include, amongst other things, the approval of the annual business plan, capital structure, dividend policy, acquisitions and disposals, appointment and removal of officers of the Company, approval of the Half Year and Full Year results, shareholder communication and responsibility for corporate governance and review of the Group's risks and system of internal controls.

The Board receives meeting papers to allow sufficient time for detailed review and consideration of the documents beforehand. If any director has a concern about any aspect of the business conducted at any Board meeting, the Company Secretary shall discuss this with the director concerned and record their concern or comments in the Board minutes. The Board receives monthly management and financial reports on the operational and financial performance of the business setting out actual and forecast financial performance against approved budgets in addition to other key performance indicators. The Board also receives copies of broker reports and press releases relating to the Group. At least once a year the Chief Executive Officer and the senior management team present a strategic review and an annual plan to the Board for review and approval.

The Board normally schedules eight meetings each year although meetings can be scheduled at short notice at the request of any director, or if required. In addition to formal Board meetings, there is regular informal dialogue between all directors.

Chairman and Chief Executive Officer

The posts of Chairman and Chief Executive Officer are separate and there are clear written guidelines to support their division of responsibilities. The Chairman, Scott Forbes, is responsible for the effective conduct and leadership of the Board and for communication with shareholders. With the assistance of the Company Secretary, the Chairman monitors the information provided to the Board to ensure that it is sufficient, pertinent, timely and clear.

The Chief Executive Officer has day-to-day executive responsibility for the running of the Group, leading the executive and operational teams in developing strategies and delivering results against defined targets to enable the Group to meet its objectives.

Board training

The breadth of management, financial and listed company experience of the non-executive directors is described in the biographical details on pages 16 and 17 and demonstrates a range of business expertise that provides the right mix of skills and experience given the size of the Company. There are procedures in place for individual Board members to receive induction and training tailored to their individual needs and to seek the advice and services of independent professional advisers, at the Company's expense, where specific expertise or training is required in furtherance of their duties.

The Articles of Association of the Company allow for a qualifying third party indemnity provision between the Company and its directors and officers, which remains in force at the date of this report. The Group has also arranged directors' and officers' insurance cover in respect of legal action against the directors.

The Group has set out written policies in compliance with a code of securities dealings in relation to the shares and equivalent to the Model Code published in the Listing Rules. The code applies to all directors, other persons discharging managerial responsibility and other relevant employees.

Company Secretary

All Board directors have access to independent advice on any matters relating to their responsibilities as directors and as members of the various committees of the Board at the Company's expense.

Robyn Perriss, Financial Controller and Finance Director designate, was appointed as Company Secretary in April 2012 and is available to all directors and is responsible for ensuring that all Board procedures are complied with.

The duties of the Company Secretary continue to grow with the increase in size of the Group's activities and legislative changes. To assist in this area the Assistant Company Secretary coordinates and manages the provision of company secretarial services and share plans to the Group on behalf of Robyn Perriss. Other suitably qualified individuals currently act as secretary to the Audit, Nomination and Remuneration Committees to ensure that no conflicts of interest arise.

Board evaluation

The Board is committed to undertaking annual reviews of its own performance and also the performance of its committees and individual directors. For the past two years, the Board has undertaken a self-assessment. This year, Korn/Ferry International, an external firm of consultants, was appointed to undertake an independent review of the performance of the Board and its committees. The evaluation was undertaken by a series of confidential interviews with the directors and Company Secretary covering the areas of Board composition, governance, engagement and dynamic. The results of Phase One, being the operations of the Board today, were presented to the Board in December 2012.

Korn/Ferry International's report concluded that the Board and its committees continue to operate effectively. It identified a small number of further actions to help support our commitment to continuous improvement with the main area of focus being to create additional opportunities for informal discussion of key aspects of the business between Board members.

Phase Two is to review in more detail the composition of the Board and the alignment of skills, expertise and experience with Rightmove's medium term strategic agenda and will be completed in early 2013.

At a meeting chaired by Jonathan Agnew, Senior Independent Director, (without the presence of the Chairman), the Board provided input into and reviewed the performance of the Chairman.

Relations with shareholders

The Board is accountable to shareholders for the performance and activities of the Company and welcomes the opportunities to engage with shareholders.

Within the terms of the regulatory framework, the Company has conducted regular dialogue with institutional shareholders through ongoing meetings with institutional investors and research firms to discuss strategy, operating performance and financial performance. Contact in the UK is principally with the Chief Executive Officer and the Chief Operating Officer and Finance Director. The Chairman also participates in the USA bi-annual investor roadshows. Jonathan Agnew, Senior Independent Director, is also available to shareholders if they wish to supplement their communication or if contact through the normal channels is inappropriate.

The Board is kept informed of the views and opinions of those with an interest in the Company through reports from the Chief Executive Officer and Chief Operating Officer and Finance Director, as well as reports from the Company's joint brokers, UBS and Numis.

Shareholders are also kept up to date with the Group's activities through the Annual and Half Year Reports and the investor relations section of its website, at www.rightmove.co.uk/investors, which provides details of all the directors, latest news, including financial results, investor presentations and Stock Exchange announcements.

Conflicts of interest

In cases of doubt, the Chairman of the Board is responsible for determining whether a conflict of interest exists.

Annual General Meeting

The Annual General Meeting is an opportunity for shareholders to vote on certain aspects of the Company's business, and to ask questions of the directors, who will also be available for discussions with shareholders prior to and after the meeting. The Annual General Meeting will be held on 8 May 2013 at the offices of UBS Limited at 1 Finsbury Avenue, London, EC2M 2PP.

The Company will arrange for the Annual Report and related papers to be available on the Company's corporate website at www.rightmove.co.uk/investors or posted to shareholders (where requested) so as to allow at least 20 working days for consideration before the Annual General Meeting.

The Company also complies with the Code with the separation of all resolutions put to the vote of shareholders. The Company proactively encourages shareholders to vote at general meetings by providing electronic voting for shareholders who hold their shares through the Crest system and provides personalised proxy cards to ensure that all votes are clearly identifiable. The Company presently takes votes at general meetings on a show of hands on the grounds of practicality due to the limited number of shareholders in attendance. Votes are taken by a poll at any shareholder meeting where legally required. All proxy votes are counted and the level of proxy votes including abstentions lodged for each resolution are reported after each resolution and published on the Company's website.

Board committees

The Board has established three principal committees, the Audit Committee, the Remuneration Committee and the Nomination Committee, each of which operates within written terms of reference approved by the Board. No person other than a Committee member is entitled to attend the meetings of these Committees, except by invitation of the Chairman of that Committee.

Remuneration committee

The Remuneration Committee's principal responsibility is for setting, reviewing and recommending to the Board the remuneration policy and strategy to ensure that the Company's executive directors and senior executives are properly incentivised and fairly rewarded for their individual contributions to the Company's overall performance, having due regard to the interests of the shareholders and to the financial and commercial health of the Group. Full details of the Remuneration Committee's responsibilities, and a report of its activities during the year, are set out in the Remuneration report on pages 30 to 44.

Nomination committee

The purpose of the Nomination Committee is to consider and make recommendations to the Board about the composition of the Board, including proposed appointees, and whether to fill any vacancies that arise or to change the number of Board members.

The Nomination Committee consists of Scott Forbes (who is also Chairman of the Board), Jonathan Agnew and Judy Vezmar as independent non-executive directors. The quorum for meetings of the Nomination Committee is two members. The Chairman of the Company may not chair the Nomination Committee in connection with any discussion about the appointment of his successor to the chairmanship of the Company. In these circumstances, the Senior Independent Director will take the chair. Appointments are for a period of up to three years, extendable by no more than two additional three-year periods, so long as members continue to be independent.

The Nomination Committee meets at such times as may be necessary and normally meets at least twice a year.

The Nomination Committee's terms of reference are available on the Company's website, www.rightmove.co.uk/investors or by request from the Company Secretary.

During the year the Nomination Committee has:

- approved the organisation structure;
- approved the plans for the succession of the executive directors and the senior management team;
- agreed the process for the Board's annual evaluation;
- considered the diversity of the Board and agreed the policy regarding gender composition on the Board; and
- conducted an annual review of its terms of reference.

The Nomination Committee is planning for Board succession, in response to the fact that the Chairman and three of the non-executive directors are currently in their third term of service to the Board. A plan will be implemented to ensure that any new appointments are tiered such that succession does not cause disruption to the business. The refreshment process will be flexible and fluid in order to maintain stability and continuity.

Audit committee

The Audit Committee assists the Board in the discharge of its duties concerning the announcement of results, the Annual and Half Year Reports and the maintenance of an effective system of internal controls. It reviews the scope and planning of the audit and the auditor's findings and considers the Group's accounting policies and the compliance with those policies and applicable legal and accounting standards.

The Audit Committee has authority to investigate any areas of concern as to financial impropriety that arise and to obtain outside legal or other independent professional advice in connection therewith. The Audit Committee's principal duties and terms of reference are available on the Company's website, www.rightmove.co.uk/investors, or by request from the Company Secretary.

The Audit Committee consists of the three independent non-executive directors, Ashley Martin (who is Chairman), Judy Vezmar and Jonathan Agnew. Ashley Martin, who is currently Group Chief Financial Officer of The Engine Group and was previously the Finance Director of Rok plc and Tempus Group plc and, having relevant financial skills and experience, was appointed to the role of Audit Committee Chairman on his appointment to the Board in June 2009.

The quorum for meetings of the Audit Committee is two members. Appointments to the committee are for a period of up to three years, extendable by no more than two additional three-year periods, so long as members continue to be independent.

The Audit Committee meets at least four times a year and more often if necessary. Two of its meetings are prior to the announcement of the Half Year and Full Year results of the Group, when the external auditor is in attendance. The Chief Operating Officer and Finance Director and Financial Controller are normally invited to attend the meetings. Colin Kemp, non-executive director, is also invited to attend the meetings.

During the year the Audit Committee has, amongst other matters:

- approved the appointment of the external auditor;
- fixed their remuneration and reviewed the effectiveness of the external audit process;
- considered the need for an internal audit function;
- considered its responsibilities to safeguard the audit objectivity and independence as well as the needs of the business and reviewed a policy for non-audit project work;
- received the report from the external auditor on their review of the 2011 Full Year and reviewed the 2011 Annual Report;
- agreed the remit of the 2012 audit plan by the external auditor;
- received the report from the external auditor on their review of the 2012 Half Year results and reviewed the 2012 Half Year Report;
- reviewed the Group's treasury policy;
- received the report from the external auditor on their review of the internal systems and controls;
- reviewed the whistleblowing policy (which provides the procedure for staff to report any concerns that they may have independent of management about suspected misconduct without fear of retaliation);
- reviewed the bribery policy and procedures for compliance with the Bribery Act;
- conducted an annual review of its terms of reference;
- approved a timetable for tendering the Group audit during 2013;
- received a presentation on the implementation of a new finance system; and
- reviewed the outcomes of an external report covering website technology, infrastructure and people.

Given the simplicity of the organisational structure, the open and accountable culture with clear authority limits, the straightforward financial model and systems and the fact that the management team and Board conduct regular financial reviews, the Audit Committee recommended to the Board that an internal audit function was not currently appropriate for the business. This decision is kept under regular review.

The Audit Committee also discussed its responsibilities to safeguard the audit objectivity and independence as well as the needs of the business and agreed that it was practical in many cases for the auditor to be assigned to other non-audit

project work due to their knowledge and expertise of the business. This would usually relate to corporate transaction advice and tax compliance. The Audit Committee agreed a policy that management be given authority to incur non-audit fees up to 50% of the annual agreed audit and tax fee in any financial year without the prior approval of the Audit Committee. In 2012 the non-audit fees were £17,000 in relation to other advisory services and were £11,000 in relation to tax compliance and advice and are fully disclosed in Note 6 of the financial statements.

Internal controls

The Board has overall responsibility for the Group's system of internal controls and has established a framework of financial and other controls, which is periodically reviewed in accordance with the Turnbull guidance for its effectiveness.

The Board has taken, and will continue to take, appropriate measures to ensure that the chances of financial irregularities occurring are reduced as far as reasonably possible by continually seeking to improve the quality of information at all levels in the Group, fostering an open environment and ensuring that financial analysis is rigorously applied. Any system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Group's management has established the procedures necessary to ensure that there is an ongoing process for identifying, evaluating and managing the significant risks to the Group. These procedures have been reviewed regularly and have been in place for the whole of the financial year ended 31 December 2012 and up to the date of the approval of the financial statements.

The key elements of the system of internal control are:

- major commercial, strategic, competitive and financial risks are formally identified, quantified and assessed, discussed with the executive directors, after which they are considered by the Board;
- a comprehensive system of planning, budgeting and monitoring Group results. This includes monthly management reporting and monitoring of performance against both budgets and forecasts with explanations for all significant variances;
- an organisational structure with clearly defined lines of responsibility and delegation of authority;

- clearly defined policies for capital expenditure and investment exist, including appropriate authorisation levels, with larger capital projects, acquisitions and disposals requiring Board approval;
- a comprehensive disaster recovery plan based upon co-hosting of the rightmove.co.uk website across three separate London locations, which is regularly tested and reviewed;
- a treasury function which manages cash flow forecasts and cash on deposit and is responsible for monitoring compliance with banking agreements, where appropriate;
- a whistleblowing policy of which all employees are made aware, to enable concerns to be raised either with line management or, if appropriate, confidentially outside the line management structure; and
- a bribery policy of which all employees are made aware, to ensure compliance with the Bribery Act.

Through the procedures outlined above, the Board, with advice from the Audit Committee, has considered all significant aspects of internal control for the year and up to the date of this Annual Report. No significant failings or weaknesses were identified during this review. However, had there been any such failings or weaknesses, the Board confirms that necessary actions would have been taken to remedy them.

Going concern

The Board is required under the Code to consider whether or not it is appropriate to adopt the going concern basis in preparing the Group and the parent Company financial statements.

As part of its normal business practice the Group prepares annual and longer term financial plans. In addition, a going concern paper was prepared and presented to the Audit Committee in February 2013, prior to it recommending the approval of the financial statements and notes to the accounts for the year ended 31 December 2012 to the Board.

After making enquiries, the Board has a reasonable expectation that the Group and the Company have adequate resources and banking facilities to continue in operational existence for the foreseeable future. Accordingly, the Board continues to adopt the going concern basis in preparing the Annual Report and financial statements. Further information is provided in Note 1 to the financial statements.

Statement of directors' responsibilities in respect of the Annual Report and financial statements

The directors are responsible for preparing the Annual Report and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent Company financial statements on the same basis.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of their profit or loss for that period. In preparing each of the Group and parent Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that comply with that law and those regulations.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Remuneration report



Jonathan Agnew
Non-executive Director

In line with the requirements of section 420 of the Companies Act 2006, the directors present the report on directors' remuneration for Rightmove plc (the Company) and its subsidiary companies (the Group) for the year ended 31 December 2012. This report sets out the policies under which executive and non-executive directors were remunerated and provides tables of information showing details of the remuneration and share interests of all the directors. In accordance with the requirements, the report provides the disclosure in two parts: information subject to audit and information that is not subject to audit.

Shareholders will be provided with an opportunity to vote on the Remuneration Report as set out in this Annual Report at the forthcoming Annual General Meeting to be held on 8 May 2013.

Part I: Unaudited information

This part of the Remuneration Report is not subject to audit.

The Remuneration Committee

Terms of reference

The primary role of the Remuneration Committee (hereinafter referred to as the Committee throughout this report) is to make recommendations to the Board as to the Company's broad policy and framework for the remuneration of the executive directors, the Chairman of the Board and the Company Secretary. In accordance with the 2010 UK Corporate Governance Code (the Code), the Committee also recommends the structure and monitors the level of remuneration for the first layer of management below Board level. The Committee is also aware of, and advises on, the employee benefit structures throughout the Company and ensures that it is kept aware of any potential business risks arising from those remuneration arrangements.

The Committee has formal terms of reference which are reviewed annually and updated as required. These are available on the Company's website at www.rightmove.co.uk/investors or on request from the Company Secretary.

Membership

The following independent non-executive directors were members of the Committee during 2012 and continue to be members.

During 2012 the Committee met five times and the attendance is shown below:

Name of director	Number of meetings attended
Jonathan Agnew (Chairman of the Committee)	5 out of 5
Ashley Martin	5 out of 5
Judy Vezmar	5 out of 5

Only members of the Committee have the right to attend Committee meetings. The Chairman of the Committee has requested that the Chairman of the Board attend the meetings except during discussions relating to his own remuneration. Prior to April 2012, the Company Secretary acted as secretary of the Committee, the Human Resources Director has subsequently assumed this responsibility.

The Chief Executive Officer and Chief Executive Officer Designate, may also be invited to meetings and the Committee takes into consideration their recommendations regarding the remuneration of executive colleagues and the first layer of management below Board level. No director is involved in deciding their own remuneration.

The quorum for meetings of the Committee is two members. The Committee will meet at such times as may be necessary but will normally meet at least three times a year.

Advice

As previously reported, in the latter part of 2010 and early 2011, New Bridge Street (NBS), an Aon Hewitt company, was engaged by the Committee to review the Company's policy on executive director remuneration.

The Committee and the Board considered that the Company had reached a point at which it was necessary that the remuneration practice should be brought closer into line with more standard practice among FTSE companies. The Committee commissioned an independent review by NBS to assist in its determination of an appropriate future remuneration framework for executive directors to apply from 2011. The Committee has retained NBS as its appointed adviser since 2011 and NBS provided assistance, as required, during the year under review.

During 2012 NBS also provided services to the Company in connection with the valuation of share-based incentives (as required by IFRS 2) and confirmed that, in its view, this service did not present a conflict of interest with the other services provided to the Committee.

2012

In line with its remit, the following matters were considered by the Committee during the year:

- approval of the 2011 Remuneration report and review of the voting on the report at the Annual General Meeting (AGM);
- approval of deferred share awards for the 2011 financial year under the Deferred Share Bonus Plan (DSP);
- setting of all performance measures for the 2012 bonus plan;
- approval of awards under the Rightmove Performance Share Plan (PSP);
- annual review of executive directors' and senior managers' base salaries;
- agreeing the targets for the 2013 bonus plan;
- agreeing the targets for the proposed PSP awards to be made in March 2013;
- treatment of Ed Williams' share-based incentives upon his retirement on 30 April 2013;
- review of the Committee's performance during the period; and
- review of the Committee's terms of reference.

Remuneration policy

Rightmove's remuneration policy is based on the belief that growth-orientated companies should reward executives with demonstrably lower than market base salaries and benefits and higher than market equity rewards contingent upon the achievement of challenging performance criteria.

The key principles of the Committee's policy are as follows:

- Remuneration arrangements should be simple to understand and administer.
- Remuneration arrangements should be designed to provide executive directors with the opportunity to receive a share in the future growth and development of the Company which is regarded as fair by both other employees and shareholders. This approach should allow the Company to attract and retain the dynamic, self-motivated individuals who are critical to the success of the business.
- Executive directors should have below market levels of base salary, minimal benefits (and only benefits which are made available on the same basis to all Rightmove employees), and above market levels of variable pay potential. This arrangement is designed to best align the interests of the executive directors with the interests of shareholders and

to reflect the performance driven culture of the Company. The Company will generally review market levels of remuneration for executive directors with the assistance of external, independent remuneration consultants and shareholder consultation every three years.

- Having reviewed executive director remuneration against the market, every three years, further changes to remuneration should be made infrequently and those changes made each year should, in most instances, be directly linked to the policies applied to all employees (specifically with regard to cost of living rises in base salary and changes in benefits).
- Executive directors should be principally rewarded for the overall success of the business for which they have collective responsibility. The Company has key short-term, medium-term and long-term goals and executive directors should be incentivised against these goals.
- Executives should not be able to gain significantly from short-term successes which subsequently prove not to be consistent with growing the overall value of the business. Hence a majority of any bonus payable in relation to short-term strategic goals is required to be taken in the form of shares in the Company which are deferred for a further two years after the bonus target has been achieved.

The Committee is mindful of the current wider concerns regarding executive remuneration and supportive of government proposals to bring more rigour and transparency to this area. The Committee's approach already demonstrates a commitment to modest guaranteed rewards compared to market norms. Base salaries are below median compared to appropriate benchmarks and the average remuneration of employees in the business relative to the executive directors is at more modest multiples than those operated in many other FTSE 250 companies. Executive directors only receive the same additional benefits that are available to all employees. Neither employment contracts nor previous precedents suggest that the Company offers rewards for failure. No employment contract has a term greater than one year and clawback provisions are in place with regard to bonus and the PSP plans. To the extent that executive remuneration has been high or may continue to be so, this has been the result of the strong operating performance of the business and the high level of shareholder returns generated. As stated above, overall remuneration philosophy is for significantly lower than benchmark fixed remuneration and higher proportionate rewards for success. This appears to be in line with the government's policies.

2012 Remuneration

In early 2011 and as previously reported, the Committee approved a number of significant changes to the Company's remuneration framework to ensure that it remains consistent with the Committee's remuneration policy. In particular, base salaries are being adjusted to a more market competitive level (albeit a level that is still significantly below appropriate market median benchmarks) in order to ensure that the Company is able to recruit and retain high quality executives. At the same time as increasing base salaries, taking due account of the institutional investors' views and the current executive pay environment, incentive opportunity is being moderated to provide a more balanced remuneration structure that is more reflective of typical FTSE 250 market practice albeit retaining a clear emphasis on variable pay given the Company's growth orientated focus.

These changes, approved by shareholders at the 2011 AGM, are being phased in over a three-year period to 2013. The second phase of these changes applied in 2012 (as reported in last year's Directors' Remuneration Report) and, in summary, the 2012 pay arrangements comprised the following:

- Base salaries of £318,240 for Ed Williams and Nick McKittrick, with Peter Brooks-Johnson's salary set at £245,000 (these increases were each at 22.5% of salary).
- No pension provision for Nick McKittrick and Ed Williams. Peter Brooks-Johnson was appointed to the Board in January 2011 and was already a member of the stakeholder pension plan with the Company paying employer contributions of £3,000 per annum.
- An annual cash bonus of up to 55% of salary (reduced from 65% in 2011) and a DSP bonus of up to 95% of salary (reduced from 110% in 2011) for Ed Williams and Nick McKittrick. Peter Brooks-Johnson's bonus potential for 2012 was the same as for the other executive directors, compared to a 2011 cash bonus of up to 60% of salary and deferred share bonus of up to 100%. The bonus (both the cash and DSP elements) was determined by a mixture of underlying operating profit performance and key performance indicators relating to underlying drivers of long-term revenue growth.

- A grant under the PSP of nil cost options or contingent shares worth up to 175% of salary to Ed Williams and to Nick McKittrick (200% of salary in 2011) and 150% of salary to Peter Brooks-Johnson (previously 125% of salary). Vesting of awards is subject to a mixture of earnings per share (EPS) growth (75% of the awards) and relative Total Shareholder Return (TSR) (25% of the awards) performance targets.

When comparing performance against the 2012 bonus targets set, the Committee determined that 90% of the maximum achievable cash and DSP bonus should be paid to the executive directors. Accordingly, a cash bonus of £157,529 will be paid to Ed Williams and Nick McKittrick and £121,275 to Peter Brooks-Johnson after the announcement of the Full Year results for the year ended 31 December 2012. In addition an award of deferred shares in the Company worth 85.5% of salary will be granted to Ed Williams, Nick McKittrick and Peter Brooks-Johnson under the DSP, which will be deferred until March 2015. The bonus payment reflects the increase in underlying operating profit in the period (maximum 70% of the bonus opportunity) and performance against the Company's key performance indicators (maximum 30% of the bonus opportunity) which included retention of all of Rightmove's key customers and market share as measured by page impressions. The Committee believes the resulting bonus payment is appropriate in the context of the business performance which delivered 23% year on year growth in underlying operating profit.

2013 remuneration and details of the future remuneration framework

As previously reported, during 2010, the Committee undertook a consultation process with major shareholders and investor bodies and, at the 2011 AGM, received widespread support for the introduction of its revised remuneration framework with 99.0% of the votes cast in favour of the Remuneration report. Consequently, the revised remuneration framework is being implemented and phased in over three years (2011-2013). The Committee reserves the right to revisit executive remuneration should the circumstances dictate but its intention is to implement these changes over three years with no further alterations to the remuneration framework during that time.

2013 is the third and final year of the phased changes. Full details of pay arrangements for 2013 are outlined on pages 33 to 36. We propose to carry out a third party remuneration review during the second half of 2013, in advance of setting our remuneration policy for 2014 and beyond, which will be subject to a binding shareholder vote. This review will also consider changes in responsibilities following the retirement of Ed Williams and the consequent impact on executive director remuneration.

Base salary

The Committee had previously agreed that Ed Williams and Nick McKittrick should have equal levels of base salary. It had also agreed that the market benchmark used to assess their pay should be consistent with this decision; hence the use of a benchmark which is based on the FTSE 250 median for the average pay for a chief executive office and a finance director. This approach to setting their pay was considered appropriate given the division of responsibilities operated by the two roles and the culture that exists within Rightmove.

As disclosed in the 2010 Remuneration report, the Committee had determined that the value of Ed Williams' and Nick McKittrick's fixed pay (salary plus benefits) should be adjusted so that by 2013 it is approximately 25% below the market benchmark. The third phased increase towards this target level applies in 2013. The previously agreed base salaries (of £360,000 each for 2013) were subject to review by the Committee to take account of any significant changes in Rightmove's size and also basic inflation (where a market adjustment was applied at the same percentage rate as for other employees of 4% in 2012 and 3% in 2013). Therefore base salaries for Ed Williams and Nick McKittrick with effect from 1 January 2013 have been set at £385,632. The Committee is comfortable with this revised salary level on the basis that it increases the pre-set benchmark in line with the increases awarded over the same time period to the wider workforce at Rightmove. Whilst the Committee was mindful in setting the revised salary level that Rightmove has increased substantially in size since the current remuneration policy was set in late 2010 (almost doubling in terms of market capitalisation), now was not considered an appropriate time to more substantially adjust the pre-set benchmarks with this position set to be kept under review.

The Committee had agreed that by the end of the implementation of the remuneration framework in 2013, Peter Brooks-Johnson's salary should be 75% of Ed Williams' and Nick McKittrick's salaries and accordingly his salary has been increased to £289,224 with effect from 1 January 2013.

The current salaries for the executive directors with effect from 1 January 2013 are set out in the table below:

	Salary 1 January 2013	Salary 31 December 2012
Executive directors⁽¹⁾		
Ed Williams ⁽²⁾	£385,632	£318,240
Nick McKittrick	£385,632	£318,240
Peter Brooks-Johnson	£289,224	£245,000

(1) The executive directors' wages and salaries made up 9% of the Group's wages and salaries cost in 2012.

(2) Ed Williams' salary is payable pro-rata through to his retirement on 30 April 2013.

Pension and other benefits

The Group operates a stakeholder pension plan for employees under which the employer contributes 6% of base salary (to a maximum of £3,000 each year) subject to the employee contributing a minimum of 3% of base salary. Ed Williams and Nick McKittrick voluntarily do not participate in this arrangement. Peter Brooks-Johnson is a member of the stakeholder pension plan and the Company contributes £3,000 per annum. The Company does not contribute to any personal pension arrangements.

The executive directors are enrolled in the Company's private medical insurance scheme and receive life assurance cover equal to four times base salary. Additionally, Nick McKittrick is a member of the Company's medical cash plan.

Annual performance-related bonus

The Committee believes that the annual cash and DSP offer a competitive potential reward. As previously reported, it is, therefore, reducing the directors' bonus potential as a percentage of salary over the three years (2011-2013) to ensure that the monetary value of the potential bonus is maintained broadly at the value as before the implementation of the new pay framework.

Consequently, concurrent with the salary increase outlined above, annual bonus potential for all executive directors in 2013 will be reduced to 125% of salary (150% of salary in 2012). The maximum bonus in 2013 will be made up of 50% of salary in cash and 75% of salary in deferred shares. Deferred shares will vest after two years and be potentially forfeitable during that period. The Committee has determined that Ed Williams will not be entitled to receive a bonus for 2013 due to his retirement from the Company effective 30 April 2013.

The bonus will, as in previous years, be determined principally (70%) by underlying operating profit before tax performance with targets set in relation to a carefully considered business plan and requiring significant out-performance of that plan to trigger maximum payments. A significant portion of the bonus (30%) will be determined by reference to pre-set targets for key performance indicators relating to underlying drivers of long-term revenue growth.

Share awards

At flotation and in subsequent years, the Company awarded market value share options to executive directors and other selected employees designed to align the interests of employees with the long-term success of the business. As outlined in the 2010 Remuneration report however, the Committee believes that awards of performance shares are now more consistent with general FTSE practice and provide better alignment of executive reward to performance.

Consequently, following shareholder approval at the 2011 AGM, the PSP was established. The PSP permits annual awards of nil cost options or contingent shares worth up to 200% of salary. Nick McKittrick and Peter Brooks-Johnson will receive an annual award in 2013 of 150% of salary (2012: 175% for Nick McKittrick and 150% for Peter Brooks-Johnson). The Committee has determined that Ed Williams will not be entitled to an award due to his retirement from the Company effective 30 April 2013.

Shares will only vest in the event of prior satisfaction of a performance condition. The Committee has made clear in previous Remuneration reports that it believes EPS growth is the most appropriate type of performance condition for this particular business at this stage in its development (since it is the measure of profitability that is most closely aligned with shareholders' interests and monitored on an ongoing basis within the business). It also recognises that a number of shareholders believe it important that relative TSR should also be a performance measure in order for there to be a clear alignment of executive and shareholder interests. Accordingly, the use of EPS and TSR in tandem is considered to provide a balanced approach to incentivising profitable growth at the same time as maximising returns for shareholders.

Consistent with 2011 and 2012, PSP awards to executive directors under the PSP in 2013 will be subject to a mixture of EPS (75% of the awards) and relative TSR (25% of the awards) performance but with an EPS threshold of 22.5% growth (2012: 30% growth) at which awards are eligible to vest.

The 2013 targets are as follows:

Relative TSR condition

The vesting schedule for the relative TSR element of executive directors' 2013 PSP awards is set out below. It is consistent with the TSR condition used for previous grants under the share-based incentive schemes. Performance will be measured over three financial years.

TSR performance of the Company relative to the FTSE 250 Index ⁽¹⁾	% of award vesting (maximum 25%)
Less than the Index	0%
Equal to the Index	6.25%
25% higher than the Index	25%
Intermediate performance	Straight-line vesting

(1) If the FTSE 250 Index's TSR was 50% over the three-year performance period, then the Company's TSR would have to be at least 75% for all 25% of the shares to vest.

EPS condition

The Group's EPS growth will be measured over a period of three financial years (2013-2015). The EPS figure used will be equivalent to the Group's reported diluted underlying EPS but with a standard UK tax rate applied (Normalised EPS).

The following vesting schedule will apply for executive directors' PSP awards to be granted in 2013:

Normalised EPS growth from 2013 to 2015 ⁽¹⁾	% of award vesting (maximum 75%)
Less than 22.5%	0%
22.5%	18.75%
40%	75%
Between 22.5% and 40%	Straight-line vesting

(1) Assuming no change in the enacted UK corporation tax rate of 24% before the end of the three-year performance period, the benchmark Normalised EPS for the financial year 2012 from which these growth targets will be measured is 63.01p.

The Committee regards these targets as stretching, particularly as the 2012 EPS (the benchmark for the 2013 award) is a record level for the Company. The Committee is comfortable that these targets are consistent with Company strategy and with what the Board regards as an acceptable level of business risk.

The non-executive directors do not participate in, or benefit from, any of the Company's share-based incentive or bonus plans except that Scott Forbes received pre-admission unapproved options in consideration for his work involved in the IPO and in accordance with his contractual agreement on appointment in 2005.

Executive directors are also eligible to participate in the Company's employee HMRC Approved Sharesave Plan on the same terms as other employees. Nick McKittrick and Peter Brooks-Johnson both contribute the maximum amounts permitted under the plan, which commenced on 1 November 2012 and which matures in November 2015. Details are included in the table on pages 38 to 41.

Dilution

All existing executive share-based incentives can be satisfied from shares held in the Rightmove Employees' Share Trust (EBT) and shares held in treasury. It is intended that the 2013 share-based incentive awards would also be settled from shares currently held in the EBT or from shares held in treasury without any requirement to issue further shares.

Clawback

The Code provision states that companies should consider the introduction of 'clawback' provisions in 'exceptional circumstances of misstatement or misconduct'. As previously reported, the Committee supports this provision and introduced relevant clawback clauses in the Group's DSP and PSP rules.

Shareholding policy

To be consistent with best practice, a formal share ownership guideline applies for executive directors requiring them to retain at least half of any share awards vesting or exercised (after selling sufficient shares to meet the exercise price and to pay the tax due) until they have a Rightmove shareholding worth at least 200% of salary for the Chief Executive Office and 100% of salary for any other executive director. The value of the current shareholdings held by the executive directors as a percentage of base salary is shown in the table on page 44.

External appointments

With the approval of the Board in each case, executive directors may accept one external appointment as a non-executive director of another public company and retain any fees received.

Ed Williams is a non-executive director of Trader Media Group. In the year to 31 December 2012 he received fees of £30,000, which were donated directly to charity.

Chairman's and non-executive directors' fees

In 2009, the Board decided to increase fees for the Chairman and non-executive directors in future years annually, directly in line with the basic level of pay rise received by employees within the business until such time as it was considered appropriate to conduct a wider review of non-executive director remuneration. Accordingly, the Board approved an increase to the annual fees payable to the Chairman and non-executive directors of 3%. With effect from 1 January 2013 the Chairman is entitled to receive a fee of £111,405 per annum (2011: £108,160). The other non-executive directors are entitled to receive a basic fee of £44,562 per annum (2011: £43,264) and an additional £5,570 fee per annum (2011: £5,408) for the chairing of the Audit and Remuneration Committees. Jonathan Agnew is paid a further £5,570 fee per annum (2011: £5,408) as Senior Independent Director.

The non-executive directors' fee levels are within the limits set by the Articles of Association of the Company. The current fee levels for the non-executive directors with effect from 1 January 2013 are set out in the table below:

	Fee 1 January 2013	Fee year ended 31 December 2012	Increase in fee
Scott Forbes	£111,405	£108,160	3%
Jonathan Agnew	£55,702	£54,080	3%
Colin Kemp	£44,562	£43,264	3%
Ashley Martin	£50,132	£48,672	3%
Judy Vezmar	£44,562	£43,264	3%

Directors' service contracts and non-executive directors' terms of appointment

The Committee's policy on service agreements for executive directors is that they should provide for 12 months' notice of termination by the Company and by the executive. Any proposals for the early termination by the Company of the service agreements of directors or senior executives are considered by the Committee.

The service agreements for the executive directors (Ed Williams, Nick McKittrick and Peter Brooks-Johnson)

allow for lawful termination of employment by making a payment in lieu of notice or by making phased payments over any remaining unexpired period of notice. The phased payments may be reduced if, and to the extent that, the executive finds an alternative remunerated position.

Scott Forbes' appointment may be terminated by either party giving to the other not less than three months' notice in writing. The Company may also terminate by making a payment in lieu of notice. Scott Forbes is not contractually entitled to any other benefits on termination of his contract other than in relation to his share options as described in the table on page 41.

The Letters of Appointment of Jonathan Agnew, Colin Kemp, Ashley Martin and Judy Vezmar provide for a term of up to two three-year periods and a possible further three-year term (subject to re-election by shareholders and subject to the director remaining independent). The appointments may be terminated with a notice period of three months on either side and the Letters of Appointment set out the time commitments required to meet the expectations of their roles.

Copies are available for inspection on request to the Company Secretary.

Further details of all directors' contracts and Letters of Appointment are summarised below:

	Date of appointment	Date of contract/ Letter of Appointment ⁽¹⁾	Notice (months)	Length of service at 1 March 2013
Executive directors				
Ed Williams (Chief Executive Officer)	19 December 2000	7 February 2006	12	12 years 2 months
Nick McKittrick ⁽²⁾	5 March 2004	7 February 2006	12	8 years 11 months
Peter Brooks-Johnson ⁽³⁾	10 January 2011	22 February 2011	12	2 years 1 month
Non-executive directors				
Scott Forbes (Chairman)	13 July 2005	21 February 2006	3	7 years 7 months
Jonathan Agnew (Senior Independent Director)	16 January 2006	12 December 2005	3	7 years 2 months
Colin Kemp	3 July 2007	4 December 2007	3	5 years 7 months
Ashley Martin	11 June 2009	9 June 2009	3	3 years 8 months
Judy Vezmar	16 January 2006	12 December 2005	3	7 years 2 months

(1) The service contracts and the Letters of Appointment for all directors with the exception of Peter Brooks-Johnson (who was appointed to the Board on 10 January 2011) were transferred from Rightmove Group Limited to Rightmove plc with effect from 28 January 2008 on completion of a Scheme of Arrangement under the Companies Act 1985.

(2) Nick McKittrick joined the Group in December 2000 and was appointed to the Board on 5 March 2004. His service with the Group at the date of this report is 12 years and 2 months.

(3) Peter Brooks-Johnson was appointed to the Board on 10 January 2011. His service with the Group at the date of this report is 7 years and 1 month.

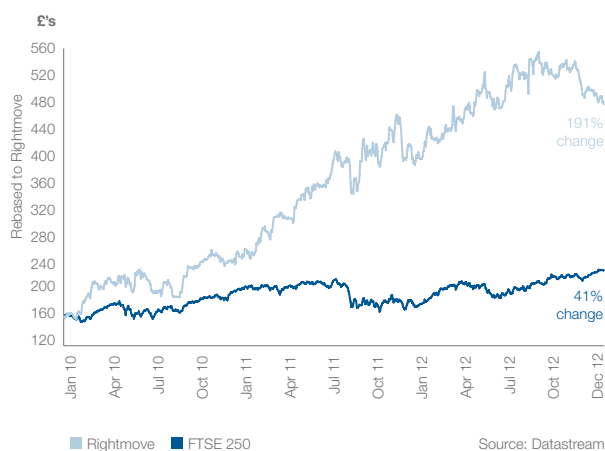
Directors' service contracts and non-executive directors' terms of appointment continued

Retirement arrangements for Ed Williams

As previously described, due to Ed Williams' retirement on 30 April 2013, the Committee has determined that he will not be entitled to receive a bonus for 2013 due to his service terminating prior to the end of the relevant performance period. He remains entitled to receive a bonus in respect of 2012. Additionally, in relation to his share-based incentives listed in the table on page 39 and using the discretion afforded to the Committee under the rules of the relevant plans, he will be treated as a 'good leaver'. In respect of his DSP awards, this will result in these vesting in full on the normal vesting dates. In respect of his 2011 PSP award, this will result in his award vesting in full on the normal vesting date (March 2014) based on the extent to which the performance targets are met over the performance period. In respect of his 2012 PSP award this will result in, following the application of a pro-rata reduction to reflect the proportion of the vesting period elapsed until the date of retirement, the award vesting in March 2015 to the extent to which the performance targets are met over the performance period. After applying the pro-rata reduction, the maximum proportion of the 2012 PSP award that will be eligible to vest is 36% of the original award.

To the extent that any vested share options remain unexercised on retirement, Ed Williams will retain a 12 month window within which the options may be exercised. There will be no other payments made in respect of Ed Williams' retirement.

TSR graph – 3 years



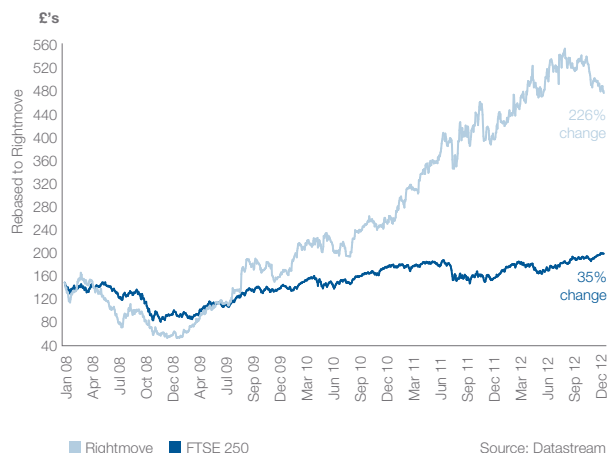
Performance graph

In 2012, the Company's share price ended the year at £14.36 up 15% year on year (the FTSE 250 was up 23%). On a three-year basis the share price has nearly trebled and has significantly outperformed the FTSE 250 Index over that period as shown in the graphs at the bottom of this page.

The graph on the left below compares the TSR of Rightmove's shares against the FTSE 250 Index for the period from 1 January 2010 to 31 December 2012. Specifically, it illustrates the value of £100 invested in Rightmove's shares and in the FTSE 250 Index over that period. This index was chosen as the comparator because Rightmove is a current constituent of this index. It was used as a comparator in the performance condition applying to share options granted in 2010 (50% TSR) and 25% of the PSP awards in 2011 and 2012. It will also be used as the criteria applied to 25% of the PSP awards to be granted in 2013.

The graph on the right below illustrates, for statutory purposes, the TSR of Rightmove's shares against the FTSE 250 Index for the five years to 31 December 2012.

TSR graph – 5 years



Part II: Audited information

Directors' remuneration

The remuneration of the directors of the Company during the year for time served as a director is as follows:

	Basic salary/ fees £	2012 cash bonus payable ⁽¹⁾ £	Benefits in kind ⁽²⁾ £	2012 total £	2011 total ⁽³⁾ £
Executive directors					
Ed Williams (Chief Executive Officer)	318,240	157,529	1,576	477,345	430,233
Nick McKittrick	318,240	157,529	1,391	477,160	430,233
Peter Brooks-Johnson	245,000	121,275	4,185	370,460	323,921
Non-executive directors					
Scott Forbes (Chairman)	108,160	–	–	108,160	104,000
Jonathan Agnew (Senior Independent Director)	54,080	–	–	54,080	52,000
Colin Kemp ⁽⁴⁾	43,264	–	–	43,264	–
Ashley Martin	48,672	–	–	48,672	46,800
Judy Vezmar	43,264	–	–	43,264	41,600

(1) Bonus relates to the accrued cash payment in respect of the Full Year results for the year ended 31 December 2012. In addition to the 2012 cash bonus noted above an award of deferred shares worth 85.5% of salary (year ended 31 December 2011: 110% of salary) will be granted to the executive directors under the DSP in March 2013 and vesting in 2015. The bonus payment reflects the increase in underlying operating profit and strong share price performance in the year, the measurement of website traffic and the retention of all of Rightmove's key customers. The Committee believes the resulting bonus payment is appropriate in the context of the business performance against business targets and relative to prevailing market conditions in the property and media industries.

(2) Benefits in kind for the executive directors relate to private medical insurance (all directors), pension contributions (Peter Brooks-Johnson) and the medical cash plan (Nick McKittrick).

(3) Additionally, on 2 March 2012, Ed Williams and Nick McKittrick were both awarded 20,183 deferred shares and Peter Brooks-Johnson 14,114 deferred shares under the DSP which vest in 2014. The monetary value of these awards was £286,000 and £200,000 respectively. The awards related to the bonus in respect of the Full Year results for the year ended 31 December 2011 and were calculated based upon a share price of £14.17. The awards are included in the table on pages 39 to 41.

(4) Colin Kemp waived his fee in 2011.

Share-based incentives held by the directors and not exercised as at 31 December 2012

	Date granted	Share-based incentives held 1 January 2012	Granted in year net of forfeitures	Exercise price	Exercised in year	Share price at date of exercise	Share-based incentives held at 31 December 2012	Vesting date ⁽¹⁾	Expiry date
Executive directors									
Ed Williams (Chief Executive Officer) ⁽¹⁾	14/3/2006 (Approved)	7,317	–	£4.10	–	–	7,317 ⁽²⁾	Between 14/3/2009 & 14/3/2011	13/3/2016
	15/3/2006 (Unapproved)	1,381,412	–	£3.35	–	–	1,381,412 ⁽²⁾	Between 15/3/2009 & 15/3/2011	14/3/2016
	5/3/2009 (Unapproved)	373,007 ⁽³⁾	–	£2.24	–	–	373,007	5/3/2012	4/3/2019
	1/10/2009 (Sharesave)	2,135	–	£4.25	–	–	2,135	1/11/2012	30/4/2013
	5/3/2010 (Unapproved)	130,474 ⁽⁶⁾	–	£6.66	–	–	130,474	5/3/2013	4/3/2020
	5/3/2010 (DSP)	39,205	–	£0.00	(39,205) ⁽⁷⁾	£15.050	–	5/3/2012	4/3/2013
	4/3/2011 (DSP)	29,199	–	£0.00	–	–	29,199	4/3/2013	3/3/2014
	4/5/2011 (PSP)	49,289	–	£0.00	–	–	49,289	4/3/2014	3/3/2016
	2/3/2012 (DSP)	–	20,183 ⁽¹⁰⁾	£0.00	–	–	20,183	2/3/2014	1/3/2015
	2/3/2012 (PSP)	–	14,193 ⁽¹¹⁾	£0.00	–	–	14,193	2/3/2015	1/3/2017
Total		2,012,038	34,376	–	(39,205)	–	2,007,209		

Share-based incentives held by the directors and not exercised as at 31 December 2012 continued

	Date granted	Share-based incentives held 1 January 2012	Granted in year	Exercise price	Exercised in year	Share price at date of exercise	Share-based incentives held at 31 December 2012	Vesting date ⁽¹⁾	Expiry date
Executive directors continued									
Nick McKittrick	14/3/2006 (Approved)	6,000	–	£4.10	–	–	6,000 ⁽²⁾	Between 14/3/2009 & 14/3/2011	13/3/2016
	15/3/2006 (Unapproved)	600,000	–	£3.35	(400,000) ⁽²⁾	£16.152	200,000 ⁽²⁾	Between 15/3/2009 & 15/3/2011	14/3/2016
	10/10/2007 (Unapproved)	75,000 ⁽⁴⁾	–	£5.22	–	–	75,000	15/3/2011	9/10/2017
	5/3/2009 (Unapproved)	279,755 ⁽³⁾	–	£2.24	–	–	279,755	5/3/2012	4/3/2019
	1/10/2009 (Sharesave)	2,135	–	£4.25	–	–	2,135	1/11/2012	30/4/2013
	5/3/2010 (Unapproved)	114,165 ⁽⁶⁾	–	£6.66	–	–	114,165	5/3/2013	4/3/2020
	5/3/2010 (DSP)	31,364	–	£0.00	(31,364) ⁽⁷⁾	£16.152	–	5/3/2012	4/3/2013
	4/3/2011 (DSP)	29,199	–	£0.00	–	–	29,199	4/3/2013	3/3/2014
	4/5/2011 (PSP)	49,289	–	£0.00	–	–	49,289	4/3/2014	3/3/2016
	2/3/2012 (DSP)	–	20,183 ⁽¹⁰⁾	£0.00	–	–	20,183	2/3/2014	1/3/2015
	2/3/2012 (PSP)	–	39,303 ⁽¹¹⁾	£0.00	–	–	39,303	2/3/2015	1/3/2017
	1/10/2012 (Sharesave)	–	694 ⁽¹²⁾	£12.95	–	–	694	1/11/2015	30/4/2016
Total		1,186,907	60,180	–	(431,364)	–	815,723		

Share-based incentives held by the directors and not exercised as at 31 December 2012 continued

	Date granted	Share-based incentives held 1 January 2012	Granted in year	Exercise price	Exercised in year	Share price at date of exercise	Share-based incentives held at 31 December 2012	Vesting date ⁽¹⁾	Expiry date
Executive directors continued									
Peter Brooks-Johnson	14/3/2006 (Approved)	2,439	–	£4.10	–	–	2,439⁽²⁾	Between 14/3/2009 & 14/3/2011	13/3/2016
	10/10/2007 (Unapproved)	75,000 ⁽⁴⁾	–	£5.22	–	–	75,000	15/3/2011	9/10/2017
	5/3/2009 (Unapproved)	139,286 ⁽³⁾	–	£2.24	–	–	139,286	5/3/2012	4/3/2019
	1/10/2009 (Sharesave)	2,135	–	£4.25	–	–	2,135	1/11/2012	30/4/2013
	5/3/2010 (Unapproved)	52,553 ⁽⁶⁾	–	£6.66	–	–	52,553	5/3/2013	4/3/2020
	5/3/2010 (DSP)	34,821	–	£0.00	(34,821) ⁽⁷⁾	£16.806	–	5/3/2012	4/3/2013
	4/3/2011 (DSP)	18,393	–	£0.00	–	–	18,393	4/3/2013	3/3/2014
	4/5/2011 (PSP)	23,697	–	£0.00	–	–	23,697	4/3/2014	3/3/2016
	2/3/2012 (DSP)	–	14,114 ⁽¹⁰⁾	£0.00	–	–	14,114	2/3/2014	1/3/2015
	2/3/2012 (PSP)	–	25,935 ⁽¹¹⁾	£0.00	–	–	25,935	2/3/2015	1/3/2017
	1/10/2012 (Sharesave)	–	694 ⁽¹²⁾	£12.95	–	–	694	1/11/2015	30/4/2016
Total		348,324	40,743	–	(34,821)	–	354,246		
Non-executive director									
Scott Forbes (Chairman)	15/3/2006 (Unapproved)	638,729	–	£3.35	(250,000) ⁽⁵⁾	£16.152	388,729⁽⁵⁾	Between 15/3/2007 & 15/3/2009	14/3/2016

(1) Details of the treatment of Ed Williams' share-based incentives on his retirement on 30 April 2013 are set out on page 37

(2) In March 2006, 1,981,412, 987,047 and 257,847 pre-admission options were granted to Ed Williams, Nick McKittrick and Peter Brooks-Johnson under the Rightmove Unapproved Executive Share Option Plan and 7,317 pre-admission options were granted to each of the executive directors under the Rightmove Approved Executive Share Option Plan. The options vested as to one third of the number of option shares on each of the third, fourth and fifth anniversaries of the date of the option grant.

Of the 1,318,412 pre-admission unapproved options and 7,317 pre-admission approved options outstanding for Ed Williams as at 31 December 2012, all options have vested and are eligible for exercise.

Nick McKittrick exercised 400,000 pre-admission unapproved options in August 2012 and sold all the shares immediately on exercise at a market value of £16.152 per share. Of the 200,000 pre-admission unapproved options and 6,000 pre-admission approved options outstanding for Nick McKittrick as at 31 December 2012, all options have vested and are eligible for exercise.

Of the 2,439 pre-admission approved options outstanding for Peter Brooks-Johnson as at 31 December 2012, all options have vested and are eligible for exercise.

(3) The options granted on 5 March 2009 were exercisable from 5 March 2012 at an exercise price of £2.24, subject to 100% TSR performance criteria based upon the performance of Rightmove's shares against the FTSE 250 Index for the period from 1 January 2009 to 31 December 2011.

Share-based incentives held by the directors and not exercised as at 31 December 2012 continued

Relative TSR condition	2009 options exercisable
Less than the Index	0%
Equal to the Index	25%
25% higher than the Index	100%
Intermediate performance	Straight-line vesting

At the end of the performance period, Rightmove's TSR was 661% compared to 71% for the FTSE 250 Index. As this level of outperformance was more than 25%, these options vested in full from 5 March 2012.

- (4) The options granted on 10 October 2007 were exercisable from 15 March 2011 at an exercise price of £5.22 subject to the basic EPS per the audited consolidated financial statements for the Group for the year ended 31 December 2010 being not less than 30.0p. All options have vested.
- (5) Pre-admission unapproved options granted to Scott Forbes in March 2006 under the Rightmove Unapproved Executive Share Option Plan, vested as to one third of the number of option shares on each of the first, second and third anniversaries of the date of the option grant.

Scott Forbes exercised 250,000 of the vested pre-admission unapproved options in August 2012 and sold all the shares immediately on exercise at a market value of £16.152 per share. All pre-admission options outstanding as at 31 December 2012 have vested and are eligible for exercise.

- (6) The options granted on 5 March 2010 are exercisable on 5 March 2013 at an exercise price of £6.66 subject to the following performance conditions:
The vesting of 50% of the 2010 award will be dependent on a relative TSR performance criteria based upon the performance of Rightmove's shares against the FTSE 250 Index for the period from 1 January 2010 to 31 December 2012.

Relative TSR condition	2010 options exercisable (maximum 50%)
Less than the Index	0%
Equal to the Index	12.5%
25% higher than the Index	50%
Intermediate performance	Straight-line vesting

At the end of the performance period, Rightmove's TSR was 191% compared to 41% for the FTSE 250 Index. As this level of outperformance is more than 25%, these options will vest in full from 5 March 2013.

The vesting of 50% of the 2010 award will be dependent on the satisfaction of the Group's Normalised EPS growth for the period 1 January 2010 to 31 December 2012.

EPS condition	2010 options exercisable up to 200% of salary	2010 options exercisable over 200% of salary
25%	0%	0%
45%	In full	0%
65%	–	In full
Intermediate performance	Straight-line vesting	Straight-line vesting

At the end of the performance period, Rightmove's normalised EPS growth over the three-year period was 124% and these options will vest in full from 5 March 2013.

- (7) On 5 March 2010, Ed Williams, Nick McKittrick and Peter Brooks-Johnson were awarded nil cost deferred shares under the DSP, which vested in full from 5 March 2012. The closing share price on the date of grant was £6.77.
Ed Williams exercised 39,205 deferred shares in April 2012 and sold all the shares immediately on exercise at a market value of £15.050 per share.
Nick McKittrick exercised 31,364 deferred shares in August 2012 and sold all the shares immediately on exercise at a market value of £16.152 per share.
Peter Brooks-Johnson exercised 34,821 deferred shares in August 2012 and sold 26,483 shares immediately on exercise at a market value of £16.806 per share and retained the balance of 8,338 shares in line with the shareholding policy outlined on page 35 of this report.
- (8) On 4 March 2011, Ed Williams, Nick McKittrick and Peter Brooks-Johnson were awarded deferred shares under the DSP, which vest in 2013. The closing share price on the date of grant was £9.59.
- (9) On 4 May 2011, Ed Williams, Nick McKittrick and Peter Brooks-Johnson were awarded 49,289, 49,289 and 23,697 shares respectively under the PSP, which vest in 2014 and are subject to a mixture of EPS (75% of the awards) and relative TSR (25% of the awards) performance with the greater weighting on EPS to reflect its particular relevance to the performance of the business. The closing share price on the date of grant was £10.39.

The vesting schedule for the relative TSR element of executive directors' 2011 PSP awards is set out below. It is consistent with the TSR condition used for previous grants under the share option scheme. Performance will be measured over three financial years.

Relative TSR condition	% of award vesting (maximum 25%)
Less than the Index	0%
Equal to the Index	6.25%
25% higher than the Index	25%
Intermediate performance	Straight-line vesting

Rightmove's EPS growth will be measured over a period of three financial years (2011-2013). The EPS figure used will be equivalent to the Normalised EPS.

Share-based incentives held by the directors and not exercised as at 31 December 2012 continued

The following vesting schedule will apply for executive directors' awards granted in 2011:

Normalised EPS growth from 2011 to 2013	% of award vesting (maximum 75%)
Less than 25%	0%
25%	18.75%
50%	75%
Between 25% and 50%	Straight-line vesting

Assuming no change in the enacted corporation tax rate of 27% before the end of the three-year performance period, the benchmark Normalised EPS for the financial year 2010 from which these growth targets will be measured is 37.2p.

(10) On 2 March 2012, Ed Williams, Nick McKittrick and Peter Brooks-Johnson were awarded 20,183, 20,183 and 14,114 deferred shares respectively under the DSP, which vest in 2014. The closing share price on the date of grant was £14.17.

(11) On 2 March 2012, Ed Williams, Nick McKittrick and Peter Brooks-Johnson were awarded 39,303, 39,303 and 25,935 shares respectively under the PSP, which vest in 2015 and are subject to a mixture of EPS (75% of the awards) and relative TSR (25% of the awards) performance with the greater weighting on EPS to reflect its particular relevance to the performance of the business. The closing share price on the date of grant was £14.17. 25,110 of Ed Williams' PSP shares have been forfeited in the current year in accordance with the retirement arrangements set out on page 37 under which the 2012 award will be pro-rated to reflect the proportion of the vesting period lapsed at the date of retirement.

The vesting schedule for the relative TSR element of executive directors' 2012 PSP awards is set out below. It is consistent with the TSR condition used for previous grants under the share option scheme. Performance will be measured over three financial years.

Relative TSR condition	% of award vesting (maximum 25%)
Less than the Index	0%
Equal to the Index	6.25%
25% higher than the Index	25%
Intermediate performance	Straight-line vesting

Rightmove's EPS growth will be measured over a period of three financial years (2012-2014). The EPS figure used will be equivalent to the Normalised EPS.

The following vesting schedule will apply for executive directors' awards granted in 2012:

Normalised EPS growth from 2012 to 2014	% of award vesting (maximum 75%)
Less than 25%	0%
25%	18.75%
50%	75%
Between 25% and 50%	Straight-line vesting

Assuming no change in the enacted corporation tax rate of 26% before the end of the three-year performance period, the benchmark Normalised EPS for the financial year 2011 from which these growth targets will be measured is 47.5p.

(12) On 1 November 2012, Nick McKittrick and Peter Brooks-Johnson were granted 694 Sharesave options. The options vest in 2015 and have an exercise price of £12.95.

Directors' interests in shares

The interests (both beneficial and family interests) of the directors in office at 31 December 2012 in the share capital of the Company were as follows:

	Interests in ordinary shares of £0.01		Interests in share-based incentives	
	At 31 December 2012	At 1 January 2012	At 31 December 2012	At 1 January 2012
Executive directors				
Ed Williams (Chief Executive Officer)	111,783	1,072,578	2,007,209	2,012,038
Nick McKittrick	129,000	129,000	815,723	1,186,907
Peter Brooks-Johnson	12,881	4,543	354,246	348,324
Non-executive directors				
Scott Forbes (Chairman)	619,300	619,300	388,729	638,729
Jonathan Agnew (Senior Independent Director)	5,000	5,000	–	–
Colin Kemp	–	–	–	–
Ashley Martin	2,060	2,060	–	–
Judy Vezmar	16,343	16,343	–	–

- The Company's shares in issue (including 2,505,430 shares held in treasury) as at 31 December 2012 comprised 105,896,115 (2011: 110,410,636) ordinary shares of £0.01 each.
- The mid-market share price of the Company was £12.79 as at 3 January 2012 (the first day of trading in 2012) and was £14.36 as at 31 December 2012 (the last day of trading in 2012). The mid-market high and low share prices of the Company were £17.10 (21 August 2012) and £12.44 (3 January 2012) respectively in the year.
- The executive directors are regarded as being interested, for the purposes of the Companies Act 2006, in 3,404,029 (2011: 4,527,783) ordinary shares of £0.01 each in the Company currently held by the EBT as they are, together with other employees, potential beneficiaries of the EBT.
- The directors' beneficial holdings represent 0.9% of the Company's shares in issue as at 31 December 2012 (2011: 1.7%) (excluding shares held in treasury).
- There have been no changes to the above interests between the year end and the date of this report.

The interests of the executive directors in office at 31 December 2012 in the share capital of the Company as a percentage of basic salary were as follows:

	Basic salary 1 January 2013	Number of shares held at 31 December 2012	Value of shares at 31 December 2012	Value of shares as a % of basic salary
Executive directors				
Ed Williams (Chief Executive Officer)	£385,632	111,783	1,605,204	416
Nick McKittrick	£385,632	129,000	1,852,440	480
Peter Brooks-Johnson	£289,224	12,881	184,971	64



Jonathan Agnew
Chairman, Remuneration Committee

1 March 2013

Independent auditor's report to the members of Rightmove plc

We have audited the financial statements of Rightmove Plc for the year ended 31 December 2012 set out on pages 46 to 83. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and, as regards the parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 29, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2012 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- information given in the Corporate Governance Statement set out on pages 23 to 28 with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following: Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a Corporate Governance Statement has not been prepared by the Company.

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 28, in relation to going concern;
- the part of the Corporate Governance Statement on pages 23 to 28 relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on directors' remuneration.



Stephen Wardell (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor

Chartered Accountants
Altius House
One North Fourth Street
Milton Keynes, MK9 1NE
1 March 2013

Consolidated statement of comprehensive income

for the year ended 31 December 2012

	Note	Year ended 31 December 2012 £000	Year ended 31 December 2011 £000
Continuing operations			
Revenue	5	119,365	97,017
Administrative expenses		(36,283)	(34,350)
Operating profit before share-based payments and NI on share-based incentives			
Share-based payments	25	(2,410)	69,362
NI on share-based incentives	25	(2,041)	(4,426)
Operating profit	6	83,082	62,667
Financial income	8	240	182
Financial expenses	9	(129)	(121)
Net financial income		111	61
Profit before tax		83,193	62,728
Income tax expense	10	(20,642)	(16,674)
Profit from continuing operations		62,551	46,054
Discontinued operation			
Profit from discontinued operation (net of income tax)	11	–	451
Profit for the year being total comprehensive income		62,551	46,505
Attributable to:			
Equity holders of the parent		62,551	46,505
Earnings per share (pence)			
Basic	12	61.30	44.37
Diluted	12	59.24	42.71
Earnings per share – continuing operations (pence)			
Basic	12	61.30	43.94
Diluted	12	59.24	42.29
Dividends per share (pence)			
Total dividends	13	20.00	16.00
	13	20,439	16,777

Consolidated statement of financial position

as at 31 December 2012

	Note	31 December 2012 £000	31 December 2011 £000
Non-current assets			
Property, plant and equipment	14	1,757	1,120
Intangible assets	15	1,616	1,320
Trade and other receivables	11,17	1,674	1,667
Deferred tax assets	22	9,667	10,684
Total non-current assets		14,714	14,791
Current assets			
Trade and other receivables	17	18,476	14,990
Cash and cash equivalents	18	7,082	21,768
Total current assets		20,558	36,758
Total assets		40,272	51,549
Current liabilities			
Trade and other payables	19	(23,738)	(20,874)
Income tax payable		(8,892)	(6,021)
Total current liabilities		(32,630)	(26,895)
Non-current liabilities			
Provisions	21	(129)	–
Total non-current liabilities		(129)	–
Total liabilities		(32,759)	(26,895)
Net assets		7,513	24,654
Equity			
Share capital	23,24	1,059	1,104
Other reserves	24	373	328
Retained earnings	24	6,081	23,222
Total equity attributable to the equity holders of the parent	24	7,513	24,654

The financial statements were approved by the Board of directors on 1 March 2013 and were signed on its behalf by:



Ed Williams
Director



Nick McKittrick
Director

Company statement of financial position

as at 31 December 2012

	Note	31 December 2012 £000	31 December 2011 £000
Non-current assets			
Investments	16	540,928	540,094
Deferred tax assets	22	7,692	8,373
Total non-current assets		548,620	548,467
Total assets		548,620	548,467
Current liabilities			
Trade and other payables	19	(21,181)	(93,315)
Total current liabilities		(21,181)	(93,315)
Net assets		527,439	455,152
Equity			
Share capital	23,24	1,059	1,104
Other reserves	24	107,673	106,794
Retained earnings	24	418,707	347,254
Total equity attributable to the equity holders of the parent	24	527,439	455,152

The financial statements were approved by the Board of directors on 1 March 2013 and were signed on its behalf by:



Ed Williams
Director



Nick McKittrick
Director

Consolidated statement of cash flows

For the year ended 31 December 2012

	Note	Year ended 31 December 2012 £000	Year ended 31 December 2011 £000
Cash flows from operating activities			
Profit for the year		62,551	46,505
Adjustments for:			
Depreciation charges	14	752	661
Amortisation charges	15	327	279
Loss on disposal of property, plant and equipment		42	68
Loss on disposal of intangible assets		1	26
Financial income	8	(240)	(182)
Financial expenses	9	129	121
Share-based payments	25	2,410	2,269
Gain on sale of discontinued operation (net of income tax)	11	–	(451)
Income tax expense	10	20,642	16,674
Operating cash flow before changes in working capital		86,614	65,970
Increase in trade and other receivables		(3,501)	(3,129)
Increase in trade and other payables		2,879	4,870
Increase in provisions	21	129	–
Cash generated from operating activities		86,121	67,711
Financial expenses paid		(129)	(121)
Income taxes paid		(14,618)	(14,281)
Net cash from operating activities		71,374	53,309
Cash flows from investing activities			
Interest received		248	186
Acquisition of property, plant and equipment	14	(1,431)	(361)
Acquisition of intangible assets	15	(624)	(162)
Disposal of discontinued operation (net of cash disposed of)	11	–	4,888
Net cash (used in)/generated from investing activities		(1,807)	4,551
Cash flows from financing activities			
Dividends paid	13	(20,439)	(16,777)
Purchase of own shares for cancellation	24	(66,359)	(48,288)
Share related expenses	24	(482)	(323)
Proceeds on exercise of share-based incentives	24	3,027	6,148
Net cash used in financing activities		(84,253)	(59,240)
Net decrease in cash and cash equivalents		(14,686)	(1,380)
Cash and cash equivalents at 1 January		21,768	23,148
Cash and cash equivalents at 31 December	18	7,082	21,768

Company statement of cash flows

for the year ended 31 December 2012

	Note	Year ended 31 December 2012 £000	Year ended 31 December 2011 £000
Cash flows from operating activities			
Profit/(loss) for the year	24	155,761	(5,991)
Adjustments for:			
Financial income	28	(160,197)	–
Financial expenses		565	499
Share-based payments	25	1,576	1,479
Income tax credit		(1,066)	(1,880)
Operating cash flow before changes in working capital		(3,361)	(5,893)
Increase in trade and other payables	19	90,641	71,281
Cash generated from operating activities		87,280	65,388
Cash flows from financing activities			
Dividends paid	13	(20,439)	(16,777)
Purchase of own shares for cancellation	24	(66,359)	(48,288)
Share related expenses	24	(482)	(323)
Net cash used in financing activities		(87,280)	(65,388)
Net decrease in cash and cash equivalents		–	–
Cash and cash equivalents at 1 January		–	–
Cash and cash equivalents at 31 December	18	–	–

Consolidated statement of changes in shareholders' equity

for the year ended 31 December 2012

	Note	Share capital £000	EBT shares reserve £000	Treasury shares £000	Other reserves £000	Reverse acquisition reserve £000	Retained earnings £000	Total equity £000
At 1 January 2011		1,147	(13,937)	(11,917)	147	138	52,286	27,864
Total comprehensive income								
Profit for the year		–	–	–	–	–	46,505	46,505
Transactions with owners recorded directly in equity								
Share-based payments	25	–	–	–	–	–	2,269	2,269
Tax credit in respect of share-based incentives recognised directly in equity	22	–	–	–	–	–	7,271	7,271
Dividends to shareholders	13	–	–	–	–	–	(16,777)	(16,777)
Exercise of share-based incentives	24	–	3,679	–	–	–	2,469	6,148
Cancellation of own shares	24	(43)	–	–	43	–	(48,288)	(48,288)
Share related expenses	24	–	–	–	–	–	(338)	(338)
At 31 December 2011		1,104	(10,258)	(11,917)	190	138	45,397	24,654
At 1 January 2012		1,104	(10,258)	(11,917)	190	138	45,397	24,654
Total comprehensive income								
Profit for the year		–	–	–	–	–	62,551	62,551
Transactions with owners recorded directly in equity								
Share-based payments	25	–	–	–	–	–	2,410	2,410
Tax credit in respect of share-based incentives recognised directly in equity	22	–	–	–	–	–	2,136	2,136
Dividends to shareholders	13	–	–	–	–	–	(20,439)	(20,439)
Exercise of share-based incentives	24	–	2,347	–	–	–	680	3,027
Cancellation of own shares	24	(45)	–	–	45	–	(66,359)	(66,359)
Share related expenses	24	–	–	–	–	–	(467)	(467)
At 31 December 2012		1,059	(7,911)	(11,917)	235	138	25,909	7,513

Company statement of changes in shareholders' equity

for the year ended 31 December 2012

	Note	Share capital £000	Treasury shares £000	Other reserves £000	Reverse acquisition reserve £000	Retained earnings £000	Total equity £000
At 1 January 2011		1,147	(11,917)	2,441	103,520	423,603	518,794
Total comprehensive income							
Loss for the year		-	-	-	-	(5,991)	(5,991)
Transactions with owners recorded directly in equity							
Share-based payments	25	-	-	-	-	1,479	1,479
Tax credit in respect of share-based incentives recognised directly in equity	22	-	-	-	-	5,483	5,483
Capital contribution	24	-	-	790	-	-	790
Dividends to shareholders	13	-	-	-	-	(16,777)	(16,777)
Cancellation of own shares	24	(43)	-	43	-	(48,288)	(48,288)
Share related expenses	24	-	-	-	-	(338)	(338)
At 31 December 2011		1,104	(11,917)	3,274	103,520	359,171	455,152
At 1 January 2012		1,104	(11,917)	3,274	103,520	359,171	455,152
Total comprehensive income							
Profit for the year		-	-	-	-	155,761	155,761
Transactions with owners recorded directly in equity							
Share-based payments	25	-	-	-	-	1,576	1,576
Tax credit in respect of share-based incentives recognised directly in equity	22	-	-	-	-	1,381	1,381
Capital contribution	24	-	-	834	-	-	834
Dividends to shareholders	13	-	-	-	-	(20,439)	(20,439)
Cancellation of own shares	24	(45)	-	45	-	(66,359)	(66,359)
Share related expenses	24	-	-	-	-	(467)	(467)
At 31 December 2012		1,059	(11,917)	4,153	103,520	430,624	527,439

Notes forming part of the financial statements

1 General information

Rightmove plc (the Company) is a company registered in England (Company no. 6426485) domiciled in the United Kingdom (UK). The consolidated financial statements of the Company as at and for the year ended 31 December 2012 comprise the Company and its interest in its subsidiaries (together referred to as the Group). Its principal business is the operation of the rightmove.co.uk website, which has the largest audience of any UK property website.

The consolidated financial statements of the Group as at and for the year ended 31 December 2012 are available upon request to the Company Secretary from the Company's registered office at Turnberry House, 30 Caldecotte Lake Drive, Caldecotte, Milton Keynes, MK7 8LE or are available on the investor relations website at www.rightmove.co.uk/investors.

Statement of compliance

The Group and Company financial statements have been prepared and approved by the Board of directors in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (Adopted IFRSs) and issued by the International Accounting Standards Board (IASB).

The consolidated financial statements were authorised for issue by the Board of directors on 1 March 2013.

Basis of preparation

On publishing the Company financial statements here together with the Group financial statements, the Company is taking advantage of the exemption in s408 of the Companies Act 2006 not to present its individual statement of comprehensive income and related notes that form a part of these approved financial statements.

On 21 June 2010 the Group disposed of its 66.7% shareholding in Holiday Lettings (Holdings) Limited (HLHL), which owned 100% of the shares in the trading entity Holiday Lettings Limited (HLL), (together referred to as the Holiday Lettings segment) to TripAdvisor Limited. The Holiday Lettings segment has been treated as a discontinued operation in the comparative year.

The accounting policies set out below have been consistently applied to both periods presented, unless otherwise stated.

The financial statements have been prepared on an historical cost basis.

Changes in accounting policies

The accounting policies applied by the Group in these consolidated financial statements are in accordance with Adopted IFRSs and are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2011.

There are no new standards or amendments to standards that are mandatory for the first time for the financial year beginning 1 January 2012 that have an impact on the Group or Company financial statements.

Going concern

Throughout 2012, the Group was debt free, has continued to generate significant cash and has net cash balances of £7,082,000 at 31 December 2012 (2011: £21,768,000).

The Group entered into a 12 month agreement with Barclays Bank Plc for a £10,000,000 uncommitted money market loan on 6 February 2013. To date no amount has been drawn under this facility.

After making enquiries, the Board of directors has a reasonable expectation that the Group and the Company have adequate resources and banking facilities to continue in operational existence for the foreseeable future. Accordingly, the Board of directors continues to adopt the going concern basis in preparing the annual report and financial statements.

Further information regarding the Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business and Financial Review on pages 6 to 15. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Position on pages 11 to 15. In addition Note 4 to the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and its exposures to credit risk and liquidity risk.

1 General information continued

Capital structure

The Company was incorporated and registered in England and Wales on 14 November 2007 under the Companies Act 1985 as a private company limited by shares with the name Rightmove Group Limited, registered no. 6426485. The Company was re-registered as a public limited company under the name Rightmove Group plc on 29 November 2007. On 28 January 2008 the Company became the holding company of Rightmove Group Limited (formerly Rightmove plc, Company no. 3997679) and its subsidiaries pursuant to a Scheme of Arrangement under s425 of the Companies Act 1985. The shares in the Company were admitted to trading on the Official List of the London Stock Exchange on 28 January 2008 and the Company immediately changed its name to Rightmove plc. Details of the share capital of the Company are disclosed in Note 23.

Basis of consolidation

Subsidiaries are entities controlled by the Group. 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. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Judgements and estimates

The preparation of the consolidated financial statements in conformity with Adopted IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods, if applicable.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is included in the following notes:

- Note 22 Deferred tax assets relating to the rate at which the asset will reverse and the recoverability of the asset
- Note 25 Measurement of share-based payments relating to the inputs to the fair value models and the estimate of the number of shares that will eventually be issued

2 Significant accounting policies

(a) Investments

Investments in subsidiaries are held at cost less any provision for impairment in the parent Company financial statements.

(b) Intangible assets

(i) Goodwill

All business combinations are accounted for by applying the purchase method. Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. In respect of business acquisitions that have occurred since 1 January 2004, goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired.

In respect of acquisitions prior to this date, goodwill is included on the basis of its deemed cost, which represents the amount previously recorded under UK Generally Accepted Accounting Principles (GAAP). The classification and accounting treatment of business combinations that occurred prior to 1 January 2004 were not reconsidered in preparing the Group's opening IFRS statement of financial position at 1 January 2004.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is tested annually for impairment. This applies to all goodwill arising both before and after 1 January 2004.

2 Significant accounting policies continued

(ii) Research and development

The Group undertakes research and development expenditure in view of developing new products and improving the existing property websites. Expenditure on research activities, undertaken with the prospect of gaining new technical knowledge and understanding, is recognised in profit or loss as incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of a new product or substantially enhanced website, is capitalised if the new product or the enhanced website is technically and commercially feasible and the Group has sufficient resources to complete development.

The expenditure capitalised includes subcontractors and direct labour. Capitalised development expenditure is stated at cost less accumulated amortisation and accumulated impairment losses. Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed when incurred.

(iii) Computer software and licences

Computer software and externally acquired software licences are capitalised and stated at cost less accumulated amortisation and impairment losses. Amortisation is charged from the date the asset is available for use. Amortisation is provided to write off the cost less the estimated residual value of the computer software or licence by equal annual instalments over its estimated useful economic life as follows:

Computer software	20.0% – 33.3% per annum
Software licences	20.0% – 33.3% per annum

(c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Depreciation is provided to write off the cost less the estimated residual value of property, plant and equipment by equal annual instalments over their estimated useful economic lives as follows:

Office equipment, fixtures & fittings	20.0% per annum
Computer equipment	20.0% – 33.3% per annum
Leasehold improvements	remaining life of the lease

(d) Impairment

The carrying value of property, plant and equipment is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount of non-financial assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation but are tested for impairment annually and whenever there is an indication that they might be impaired. An impairment loss is recognised for the amount by which the carrying value of the asset exceeds its recoverable amount.

2 Significant accounting policies continued

Investments are assessed for possible impairment when there is an indication that the fair value of the investments may be below the Company's carrying value. When such a condition is deemed to be other than temporary, the carrying value of the investment is written down to its fair value and the amount written off is included in profit or loss. In making the determination as to whether a decline is other than temporary, the Company considers such factors as the duration and extent of the decline, the investee's financial performance and the Company's ability and intention to retain its investment for a period that will be sufficient to allow for any anticipated recovery in the investment's market value.

(e) Financial instruments

Trade receivables are recognised at fair value less any impairment loss. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables.

Inter-group balances and transactions, and any unrealised income and expenses arising from inter-group transactions, are eliminated in preparing the consolidated financial statements.

Trade payables are recognised at fair value. Trade payables are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(f) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less.

(g) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

A provision is maintained in respect of lease dilapidations based on an estimated cost to make good per square foot multiplied by the floor area of each premise.

(h) Employee benefits

(i) Pensions

The Group provides access to a stakeholder pension scheme (a defined contribution pension plan) into which employees may elect to contribute via salary exchange. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss when they are due.

(ii) Employee share schemes

The Group provides share-based incentive plans allowing executive directors and other selected senior management to acquire shares in the Company. An expense is recognised in profit or loss, with a corresponding increase in equity, over the period to which the employees become unconditionally entitled, on equity settled share-based incentive schemes granted after 7 November 2002 and which had not vested by 1 January 2005.

Fair value is measured using either the Monte Carlo or Black Scholes pricing model as is most appropriate for each scheme. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option behaviour), expected dividends, and risk-free interest rates (based on government bonds). Service and non-market performance conditions attached to the awards are not taken into account in determining the fair value.

For share-based incentive awards with non-vesting conditions, the grant date fair value of the share-based incentives is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes. When either the employee or the Company chooses not to meet the non-vesting condition, the failure to meet the non-vesting condition is treated as a cancellation and the cost that would have been recognised over the remainder of the vesting period is recognised immediately in profit or loss.

2 Significant accounting policies *continued*

(iii) Own shares held by The Rightmove Employees' Share Trust (EBT)

The EBT is treated as an agent of Rightmove Group Limited and as such EBT transactions are treated as being those of Rightmove Group Limited and are therefore reflected in the Group's consolidated financial statements. In particular, at a consolidated level, the EBT's purchases of shares in the Company are debited directly to equity.

(iv) National Insurance (NI) on share-based incentives

Employer's NI is accrued, where applicable, at a rate of 13.8%, which management expects to be the prevailing rate when share-based incentives are exercised. In the case of share options, it is provided on the difference between the share price at the reporting date and the average exercise price of share options. In the case of performance shares and deferred shares at nil cost, it is provided based on the share price at the reporting date.

(i) Treasury shares and shares purchased for cancellation

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from equity. Repurchased shares are either held in treasury or cancelled.

(j) Revenue

Revenue principally represents the amounts, excluding value added tax (VAT), receivable from customers in respect of properties advertised on Group websites. All revenue is recognised in the month to which it relates. Agency and overseas branches are billed in advance with net revenue deferred until the service commencement date. The VAT liability is recognised at the point of invoice. New homes developers are typically billed monthly in arrears. Where invoices are raised on other than a monthly basis, the amounts are recognised as deferred or accrued revenue and released to the income statement on a monthly basis in line with the provision of services as stipulated in the contract terms.

(k) Segmental reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the Group's Chief Executive Officer to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

(l) Leases

Operating lease rentals are charged to profit or loss on a straight-line basis over the period of the lease. Where cash is received in exchange for entering into a lease with rates above market value, this upfront payment is deferred and released on a straight-line basis over the lease term.

(m) Financial income and expenses

Financial income comprises interest receivable on cash balances, deposits and dividend income. Interest income is recognised as it accrues, using the effective interest method. Dividend income is recognised on the date that the Company's right to receive payment is established.

Financial expenses comprise debt issue costs and bank charges and the unwinding of the discount on provisions.

(n) Taxation

Income tax on the results for the year comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the period net of any charge or credit posted directly to equity, using tax rates enacted or substantially enacted at the reporting date and any adjustment to tax payable in respect of previous periods.

Deferred tax is provided in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination and the differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted by the reporting date.

2 Significant accounting policies continued

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

In accordance with IAS 12, the Group policy in relation to the recognition of deferred tax on share-based incentives is to include the income tax effect of the tax deduction in profit or loss to the value of the income tax charge on the cumulative IFRS 2 charge. The remainder of the income tax effect of the tax deduction is recognised in equity.

(o) Dividends

Dividends unpaid at the reporting date are only recognised as a liability (and deduction to equity) at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

(p) Earnings per share

The Group presents basic, diluted and underlying earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all potential dilutive instruments, which comprise share-based incentives granted to employees. The calculation of underlying EPS is disclosed in Note 12.

(q) Discontinued operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of, or is held for sale or distribution, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is restated as if the operation had been discontinued from the start of the comparative year.

3 IFRSs not yet applied

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2012 and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Group.

4 Financial risk management

Overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk
- operational risk

This note presents information about the Group and Company's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The primary method by which risks are monitored and managed by the Group is through the monthly Executive Management Board, where any significant new risks or change in status to existing risks will be discussed and actions taken as appropriate.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

4 Financial risk management *continued*

The Audit Committee oversees how management monitors compliance with the Group's internal controls and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer fails to meet its contractual obligations.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Group provides credit to customers in the normal course of business. The Group provides its services to a wide range of customers in the UK and overseas and therefore believes it has no material concentration of credit risk.

More than 94.0% of the Group's agency and new homes customers pay via monthly direct debit, minimising the risk of non-payment. The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables based on individually identified loss exposures.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulties in meeting the obligations associated with its financial liabilities that are settled by delivering cash. The Group and Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group's revenue model is largely subscription-based, which results in a regular level of cash conversion allowing it to service working capital requirements.

The Group and Company ensure that they have sufficient cash on demand to meet expected operational expenses excluding the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. Throughout the year, the Group typically had sufficient cash on demand to meet operational expenses on continuing operations, before financing activities, for a period of 256 days (2011: 342 days).

The Group entered into a 12 month agreement with Barclays Bank Plc for a £10,000,000 uncommitted money market loan on 6 February 2013. To date no amount has been drawn under this facility.

Market risk

Market risk is the risk that changes in market prices such as foreign exchange and interest rates will affect the Group's income. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

(i) Currency risk

All of the Group's sales and more than 95.0% of the Group's purchases are Sterling denominated, accordingly it has no significant currency risk.

(ii) Interest rate risk

The Group and Company have no interest bearing financial liabilities. The Group is exposed to interest rate risk on cash balances and amounts held in Escrow.

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks, such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

4 Financial risk management continued

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced and the adequacy of controls and procedures to address the risks identified;
- requirements for reporting of operational losses and proposed remedial action;
- development and regular testing of contingency plans;
- training and professional development; and
- risk mitigation, including insurance where this is effective.

Capital management

The Board of directors' policy is to maintain an efficient statement of financial position so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of directors considers that the future working capital and capital expenditure requirements of the Group will continue to be low and accordingly return on capital measures are not key performance targets. The Board of directors monitors the spread of the Company's shareholders as well as underlying earnings per share. The Board of directors has a progressive dividend policy and also monitors the level of dividends to ordinary shareholders in relation to profit growth. The Board's policy is to return surplus capital to shareholders through a combination of dividends and share buybacks.

The Company purchases its own shares in the market; the timing of these purchases depends on market conditions. In 2012, 4,514,521 (2011: 4,350,798) shares were bought back and were cancelled at an average price of £14.70 (2011: £11.10).

There were no changes in the Group's approach to capital management during the year. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

5 Operating segments

The Group determines and presents operating segments based on internal information that is provided to the Chief Executive Officer, who is the Group's Chief Operating Decision Maker.

The Group's reportable segments are as follows:

- The **Agency** segment which provides resale and lettings property advertising services on www.rightmove.co.uk; and
- The **New Homes** segment which provides property advertising services to new home developers and housing associations on www.rightmove.co.uk.

The **Other** segment which represents activities under the reportable segments threshold, comprises overseas and commercial property advertising services on www.rightmove.co.uk and non-property advertising services which include business and information services and Automated Valuation Model services.

Management monitors the business segments at a revenue and trade receivables level separately for the purpose of making decisions about resources to be allocated and of assessing performance. All revenues in both years are derived from third parties and there are no inter-segment revenues.

5 Operating segments continued

Operating costs, financial income, financial expenses and income taxes in relation to the Agency, New Homes and the Other segment are managed on a centralised basis at a Rightmove Group Limited level and as there are no internal measures of individual segment profitability, relevant disclosures have been shown under the heading of Central in the table below:

Profit or loss segmental disclosures have been made on a continuing operations basis.

The Company has no reportable segments.

Operating segments	Agency £000	New Homes £000	Sub total £000	Other £000	Central £000	Adjustments £000	Total £000
Year ended 31 December 2012							
Revenue	92,387	20,599	112,986	6,379	–	–	119,365
Operating profit ⁽¹⁾	–	–	–	–	87,533	(4,451) ⁽²⁾	83,082
Depreciation and amortisation	–	–	–	–	(1,079)	–	(1,079)
Financial income	–	–	–	–	240	–	240
Financial expenses	–	–	–	–	(129)	–	(129)
Trade receivables ⁽³⁾	10,693	4,003	14,696	1,290	–	51 ⁽⁴⁾	16,037
Other segment assets	–	–	–	–	24,219	16 ⁽⁵⁾	24,235
Segment liabilities	–	–	–	–	(32,692)	(67) ⁽⁴⁾⁽⁵⁾	(32,759)
Capital expenditure ⁽⁶⁾	–	–	–	–	2,055	–	2,055
Year ended 31 December 2011							
Revenue	77,388	16,869	94,257	2,760	–	–	97,017
Operating profit ⁽¹⁾	–	–	–	–	69,362	(6,695) ⁽⁷⁾	62,667
Depreciation and amortisation	–	–	–	–	(940)	–	(940)
Financial income	–	–	–	–	182	–	182
Financial expenses	–	–	–	–	(121)	–	(121)
Trade receivables ⁽³⁾	9,907	2,677	12,584	498	–	50 ⁽⁴⁾	13,132
Other segment assets	–	–	–	–	38,405	12 ⁽⁵⁾	38,417
Segment liabilities	–	–	–	–	(26,833)	(62) ⁽⁴⁾⁽⁵⁾	(26,895)
Capital expenditure ⁽⁶⁾	–	–	–	–	523	–	523

(1) Operating profit is stated after the charge for depreciation and amortisation.

(2) Operating profit for the year ended 31 December 2012 does not include share-based payments charge (£2,410,000) and NI on share-based incentives (£2,041,000).

(3) The only segment assets that are separately monitored by the Chief Operating Decision Maker relate to trade receivables net of any associated provision for impairment. All other segment assets are reported on a centralised basis.

(4) The adjustments column reflects the reclassification of credit balances in accounts receivable made on consolidation for statutory accounts purposes.

(5) The adjustments column reflects the reclassification of debit balances in accounts payable made on consolidation for statutory accounts purposes.

(6) Capital expenditure consists of additions of property, plant and equipment and intangible assets (excluding goodwill).

(7) Operating profit for the year ended 31 December 2011 does not include share-based payments charge (£2,269,000) and NI on share-based incentives (£4,426,000).

5 Operating segments continued

Geographic information

In presenting information on the basis of geography, revenue and assets are based on the geographical location of customers.

Group	Year ended 31 December 2012		Year ended 31 December 2011	
	Revenue £000	Trade receivables £000	Revenue £000	Trade receivables £000
UK	118,329	15,954	96,135	13,086
Rest of the world	1,036	83	882	46
	119,365	16,037	97,017	13,132

6 Operating profit

	Year ended 31 December 2012 £000	Year ended 31 December 2011 £000
Operating profit is stated after charging:		
Employee benefit expense	17,540	15,562
Depreciation of property, plant and equipment	752	661
Amortisation of computer software	327	279
Loss on disposal of property, plant and equipment	42	68
Loss on disposal of intangible assets	1	26
Bad debt impairment charge	198	315
Operating lease rentals		
Land and buildings	899	746
Other	432	332

Auditor's remuneration

	Year ended 31 December 2012 £000	Year ended 31 December 2011 £000
Fees payable to the Company's auditor in respect of the audit		
Audit of the Company's financial statements	15	14
Audit of the Company's subsidiaries pursuant to legislation	102	99
Total audit remuneration	117	113
Fees payable to the Company's auditor in respect of non-audit related services		
Tax compliance services and advisory	11	11
All other services	17	4
Total non-audit remuneration	28	15

7 Employee numbers and costs

The average number of persons employed (including executive directors) during the year, analysed by category, was as follows:

	Year ended 31 December 2012	Year ended 31 December 2011
	Number of employees	Number of employees
Administration	307	277
Management	18	16
	325	293

The aggregate payroll costs of these persons were as follows:

	Year ended 31 December 2012	Year ended 31 December 2011
	£000	£000
Wages and salaries	15,281	13,647
Social security costs	1,887	1,640
Pension costs	372	275
	17,540	15,562

8 Financial income

	Year ended 31 December 2012	Year ended 31 December 2011
	£000	£000
Interest income on cash balances	233	182
Interest income on amounts held in Escrow	7	–
	240	182

9 Financial expenses

	Year ended 31 December 2012	Year ended 31 December 2011
	£000	£000
Other financial expenses	129	121

10 Income tax expense

	Year ended 31 December 2012 £000	Year ended 31 December 2011 £000
Current tax expense		
Current year	20,805	16,748
Adjustment to current tax charge in respect of prior years	(15)	(34)
	20,790	16,714
Deferred tax credit		
Origination and reversal of temporary differences	(299)	(70)
Adjustment to deferred tax charge in respect of prior years	(4)	7
Reduction in tax rate	155	23
	(148)	(40)
Total income tax expense from continuing operations	20,642	16,674

Income tax (credit)/charge recognised directly in equity

	Year ended 31 December 2012 £000	Year ended 31 December 2011 £000
Current tax		
Share-based incentives	(3,301)	(3,302)
Deferred tax		
Share-based incentives	1,165	(3,969)
Total income tax credit recognised directly in equity	(2,136)	(7,271)

10 Income tax expense *continued*

Reconciliation of effective tax rate

The Group's income tax expense for the year is higher (2011: lower) than the standard rate of corporation tax in the UK of 24.5% (2011: 26.5%). The differences are explained below:

	Year ended 31 December 2012 £000	Year ended 31 December 2011 £000
Profit for the year	62,551	46,505
Total income tax expense	20,642	16,674
Profit excluding income tax	83,193	63,179
Current tax at 24.5% (2011: 26.5%)	20,382	16,742
Reduction in tax rate	155	23
Non-deductible expenses	107	46
Share-based incentives	17	10
Adjustment to current tax charge in respect of prior years	(15)	(34)
Adjustment to deferred tax charge in respect of prior years	(4)	7
Exempt income on sale of discontinued operation	-	(120)
	20,642	16,674

The Group's consolidated effective tax rate on the profit of £83,193,000 from continuing operations for the year ended 31 December 2012 is 24.8% (2011: 26.6%). The difference between the standard rate and effective rate on continuing operations at 31 December 2012 is attributable to a reduction in the rate at which the deferred tax asset is recognised 0.2% (2011: 0.0%) and disallowable expenditure 0.1% (2011: 0.1%).

11 Discontinued Operation

On 21 June 2010 the Group sold its 66.7% shareholding in HLHL, which owned 100% of the shares in the trading entity HLL, to TripAdvisor Limited, a wholly owned subsidiary of Expedia Inc.

Contingent consideration was dependent on the performance of HLL for the 12 month period from 1 April 2010 to 31 March 2011.

The value of the contingent consideration was revised upwards by £451,000 from £5,104,000 as reported at 31 December 2010 to a final agreed amount of £5,555,000. £4,888,000 contingent consideration was received in October 2011 with £667,000 being transferred into an Escrow account in addition to the £1,000,000 of completion proceeds already held in Escrow and classified as non-current.

Under the terms of the sale agreement the amounts held in Escrow earn interest at Barclays Bank Plc's current interest rate and become available on the fourth anniversary of the completion date of the transaction. No discount has been applied as the account is interest bearing and £7,000 has been credited to profit or loss in the current year, bringing the total amount held in Escrow to £1,674,000 (2011: £1,667,000) (refer Note 17).

12 Earnings per share (EPS)

	Weighted average number of ordinary shares	Continuing operations £000	Discontinued operation £000	Total earnings £000	Pence per share
Year ended 31 December 2012					
Basic EPS	102,036,054	62,551	–	62,551	61.30
Diluted EPS	105,587,648	62,551	–	62,551	59.24
Underlying basic EPS	102,036,054	67,002	–	67,002	65.67
Underlying diluted EPS	105,587,648	67,002	–	67,002	63.46
Year ended 31 December 2011					
Basic EPS	104,809,475	46,054	451	46,505	44.37
Diluted EPS	108,891,146	46,054	451	46,505	42.71
Underlying basic EPS	104,809,475	52,749	451	53,200	50.76
Underlying diluted EPS	108,891,146	52,749	451	53,200	48.86

Weighted average number of ordinary shares (basic)

	Year ended 31 December 2012 Number of shares	Year ended 31 December 2011 Number of shares
Issued ordinary shares at 1 January less ordinary shares held by the EBT	105,882,853	108,439,105
Effect of own shares held in treasury	(2,505,430)	(2,505,430)
Effect of own shares purchased for cancellation	(1,846,076)	(1,904,709)
Effect of share-based incentives exercised	504,707	780,509
	102,036,054	104,809,475

Weighted average number of ordinary shares (diluted)

For diluted EPS, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all potentially dilutive shares. The Group's potential dilutive instruments are in respect of share-based incentives granted to employees, which will be settled by ordinary shares held by the EBT and shares held in treasury.

	Year ended 31 December 2012 Number of shares	Year ended 31 December 2011 Number of shares
Weighted average number of ordinary shares (basic)	102,036,054	104,809,475
Dilutive impact of share-based incentives outstanding	3,551,594	4,081,671
	105,587,648	108,891,146

The average market value of the Group's shares for the purposes of calculating the dilutive effect of share-based incentives was based on quoted market prices for the period during which the share-based incentives were outstanding.

Underlying EPS

Underlying EPS is calculated before the charge for share-based payments and NI on share-based incentives but without any adjustment to the tax charge in respect of these items. A reconciliation of the basic earnings for the year to the underlying earnings is presented below:

	Year ended 31 December 2012 £000	Year ended 31 December 2011 £000
Basic earnings for the year	62,551	46,505
Share-based payments	2,410	2,269
NI on share-based incentives	2,041	4,426
	67,002	53,200

13 Dividends

Dividends declared and paid by the Company were as follows:

	2012		2011	
	Pence per share	£000	Pence per share	£000
2010 final dividend paid	–	–	9.0	9,499
2011 interim dividend paid	–	–	7.0	7,278
2011 final dividend paid	11.0	11,273	–	–
2012 interim dividend paid	9.0	9,166	–	–
	20.0	20,439	16.0	16,777

After the reporting date a final dividend of 14.0p (2011: 11.0p) per qualifying ordinary share being £13,981,000 (2011: £11,328,000) was proposed by the Board of directors.

The 2011 final dividend paid on 8 June 2012 was £11,273,000 being a difference of £55,000 compared to that reported in the 2011 Annual Report, which was due to a reduction in the ordinary shares entitled to a dividend between 31 December 2011 and the final dividend record date of 11 May 2012.

The 2012 interim dividend paid on 9 November 2012 was £9,166,000 being a difference of £30,000 compared to that reported in the 2012 Half Year Report, which was due to an increase in the ordinary shares entitled to a dividend between 30 June 2012 and the interim dividend record date of 12 October 2012.

The terms of the EBT provide that dividends payable on the ordinary shares held by the EBT are waived. No provision was made for the final dividend in either year and there are no income tax consequences.

14 Property, plant and equipment

Group	Office equipment, fixtures & fittings £000	Computer equipment £000	Leasehold improvements £000	Work in progress £000	Total £000
Cost					
At 1 January 2012	698	2,486	102	–	3,286
Additions	152	741	451	87	1,431
Disposals	(203)	(101)	(102)	–	(406)
At 31 December 2012	647	3,126	451	87	4,311
Depreciation					
At 1 January 2012	(504)	(1,585)	(77)	–	(2,166)
Charge for year	(76)	(616)	(60)	–	(752)
Disposals	173	89	102	–	364
At 31 December 2012	(407)	(2,112)	(35)	–	(2,554)
Net book value					
At 31 December 2012	240	1,014	416	87	1,757
At 1 January 2012	194	901	25	–	1,120

14 Property, plant and equipment continued

Group	Office equipment, fixtures & fittings £000	Computer equipment £000	Leasehold improvements £000	Work in progress £000	Total £000
Cost					
At 1 January 2011	734	2,668	102	–	3,504
Additions	9	352	–	–	361
Disposals	(45)	(534)	–	–	(579)
At 31 December 2011	698	2,486	102	–	3,286
Depreciation					
At 1 January 2011	(462)	(1,538)	(16)	–	(2,016)
Charge for year	(82)	(518)	(61)	–	(661)
Disposals	40	471	–	–	511
At 31 December 2011	(504)	(1,585)	(77)	–	(2,166)
Net book value					
At 31 December 2011	194	901	25	–	1,120
At 1 January 2011	272	1,130	86	–	1,488

The work in progress consists of a new finance system that will be brought into use in 2013.

The Company has no property, plant or equipment in either year.

15 Intangible assets

Group	Goodwill £000	Computer software £000	Total £000
Cost			
At 1 January 2012	732	3,093	3,825
Additions	–	624	624
Disposals	–	(32)	(32)
At 31 December 2012	732	3,685	4,417
Amortisation			
At 1 January 2012	–	(2,505)	(2,505)
Charge for year	–	(327)	(327)
Disposals	–	31	31
At 31 December 2012	–	(2,801)	(2,801)
Net book value			
At 31 December 2012	732	884	1,616
At 1 January 2012	732	588	1,320

15 Intangible assets continued

Group	Goodwill £000	Computer software £000	Total £000
Cost			
At 1 January 2011	732	3,252	3,984
Additions	–	162	162
Disposals	–	(321)	(321)
At 31 December 2011	732	3,093	3,825
Amortisation			
At 1 January 2011	–	(2,521)	(2,521)
Charge for year	–	(279)	(279)
Disposals	–	295	295
At 31 December 2011	–	(2,505)	(2,505)
Net book value			
At 31 December 2011	732	588	1,320
At 1 January 2011	732	731	1,463

The Company has no intangible assets in either year.

Impairment testing for cash generating units containing goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's operations which represent the lowest level within the Group at which goodwill is monitored for internal management purposes, which is not higher than the Group's operating segments as reported in Note 5.

The aggregate carrying amounts of goodwill allocated to each unit are as follows:

	31 December 2012 £000	31 December 2011 £000
Agency	732	732

The carrying value of the £732,000 purchased goodwill in Agency, arising pre-transition to IFRS, is reviewed annually for impairment. Due to its level of significance the disclosures as required by IAS 36 Impairment of Assets have not been made.

16 Investments

The subsidiaries of the Group as at 31 December 2012 are as follows:

Company	Nature of business	Country of incorporation	Holding	Class of shares
Rightmove Group Limited	Online advertising	England and Wales	100%	Ordinary
Rightmove.co.uk Limited	Dormant	England and Wales	100%	Ordinary
Rightmove Home Information Packs Limited	Dormant	England and Wales	100%	Ordinary

All the above subsidiaries are included in the Group consolidated financial statements.

Company	31 December 2012 £000	31 December 2011 £000
Investment in subsidiary undertakings		
At 1 January	540,094	539,304
Additions – subsidiary share-based payments charge (refer Note 25)	834	790
At 31 December	540,928	540,094

Following the capital reconstruction in 2008 all employees' share-based incentives were transferred to the new holding company, Rightmove plc. In addition certain directors' contracts of employment were transferred from Rightmove Group Limited to Rightmove plc, whilst all other employees remained employed by Rightmove Group Limited. Accordingly the share-based payments charge has been split between the Company and Rightmove Group Limited with £834,000 (2011: £790,000) being recognised in the Company accounts as a capital contribution to its subsidiary.

17 Trade and other receivables

Group	31 December 2012 £000	31 December 2011 £000
Trade receivables	16,484	13,561
Less provision for impairment of trade receivables	(447)	(429)
Net trade receivables	16,037	13,132
Amounts held in Escrow (refer Note 11)	1,674	1,667
Prepayments and accrued income	2,325	1,683
Interest receivable	50	58
Other debtors	64	117
	20,150	16,657
Non-current	1,674	1,667
Current	18,476	14,990
	20,150	16,657

Exposure to credit and currency risks and impairment losses relating to trade and other receivables are disclosed in Note 29.

The Company has no trade and other receivables in either year.

18 Cash and cash equivalents

Group	31 December 2012 £000	31 December 2011 £000
Bank accounts	7,082	21,768

Cash balances were placed on deposit for various lengths between one day and three months during the year and attracted interest at a weighted average rate of 0.7% (2011: 0.6%).

The Company had no cash and cash equivalent balances in either year.

19 Trade and other payables

	Group		Company	
	31 December 2012 £000	31 December 2011 £000	31 December 2012 £000	31 December 2011 £000
Trade payables	1,220	370	–	–
Trade accruals	7,694	7,357	5,863	5,940
Other creditors	146	34	–	–
Other taxation and social security	4,770	4,033	–	–
Deferred revenue	9,908	9,080	–	–
Accrued interest on inter-group payable balance	–	–	–	499
Inter-group payables	–	–	15,318	86,876
	23,738	20,874	21,181	93,315

Exposure to currency and liquidity risk relating to trade and other payables is disclosed in Note 29.

The Company movement in trade payables during the year is reconciled as follows:

	31 December 2012 £000	31 December 2011 £000
Trade payables at 1 January	93,315	25,652
Inter-group dividend settled via reduction in inter-group loan balance	(160,197)	–
Group relief settled via reduction in inter-group loan balance	(3,128)	(4,132)
Inter-group interest	565	499
Stamp duty on share buybacks accrued to equity	(15)	15
Movement in working capital in statement of cash flows	90,641	71,281
	21,181	93,315

20 Loans and borrowings

The Group entered into a 12 month agreement with Barclays Bank Plc for a £10,000,000 uncommitted money market loan on 6 February 2013. To date no amount has been drawn under this facility.

The Company had no loans and borrowings in either year.

21 Provisions

The Group booked a provision for lease dilapidations of £129,000 during the year (2011: £nil). The provision is based on an estimated cost to make good per square foot multiplied by the floor area of each premise.

The Company had no provisions in either year.

22 Deferred tax assets

Deferred tax assets are attributable to the following:

Group	Assets	
	31 December 2012	31 December 2011
	£000	£000
Share-based incentives	9,347	10,402
Property, plant and equipment	227	199
Provisions	93	83
Tax assets	9,667	10,684

The deferred tax asset of £9,667,000 at 31 December 2012 (2011: £10,684,000) is in respect of share-based incentives, depreciation in excess of capital allowances and provisions.

The deferred tax asset relating to share-based incentives at 31 December 2012 is £9,347,000 (2011: £10,402,000). The decrease in the deferred tax asset is due to the exercise of share-based incentives and a reduction in the future tax rate partly offset by an increase in the Company's share price from £12.44 at 31 December 2011 to £14.36 at 31 December 2012.

Company	Assets	
	31 December 2012	31 December 2011
	£000	£000
Share-based incentives being tax assets	7,692	8,373

The deferred tax asset of £7,692,000 at 31 December 2012 (2011: £8,373,000) is in respect of share-based incentives. The decrease in the deferred tax asset is due to the exercise of share-based incentives and a reduction in the future tax rate partly offset by an increase in the Company's share price from £12.44 at 31 December 2011 to £14.36 at 31 December 2012.

Movement in deferred tax during the year:

Group	1 January 2012	Recognised	Recognised	31 December 2012
	£000	in income	directly in equity	
	£000	£000	£000	£000
Share-based incentives	10,402	110	(1,165)	9,347
Property, plant and equipment	199	28	–	227
Provisions	83	10	–	93
	10,684	148	(1,165)	9,667
Company	1 January 2012	Recognised	Recognised	31 December 2012
	£000	in income	directly in equity	£000
	£000	£000	£000	£000
Share-based incentives	8,373	88	(769)	7,692

22 Deferred tax assets *continued*

The Autumn Statement on 5 December 2012 announced that the UK corporation tax rate will reduce to 21% by 2014. A reduction in the rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011, and further reductions to 24% (effective from 1 April 2012) and 23% (effective from 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively.

This will reduce the Group's future current tax charge accordingly. The deferred tax asset at 31 December 2012 has been calculated based on the rate of 23% substantively enacted at the balance sheet date. It has not been possible to quantify the full anticipated effect of the announced further 2% rate reduction, although this will reduce further the Group's future current tax charge and reduce the Group's deferred tax asset accordingly.

Movement in deferred tax during the prior year:

Group	1 January 2011 £000	Recognised in income £000	Recognised directly in equity £000	31 December 2011 £000
Share-based incentives	6,427	6	3,969	10,402
Property, plant and equipment	161	38	–	199
Provisions	87	(4)	–	83
	6,675	40	3,969	10,684

The deferred tax asset arising on equity settled share-based incentives in both years was recognised in profit or loss to the extent that the related equity settled share-based incentives charge was recognised in profit or loss.

Company	1 January 2011 £000	Recognised in income £000	Recognised directly in equity £000	31 December 2011 £000
Share-based incentives	5,142	329	2,902	8,373

23 Share capital

	Ordinary shares of £0.01 each	
	31 December 2012 Number of shares	31 December 2011 Number of shares
In issue		
At 1 January	110,410,636	114,761,434
Purchase and cancellation of own shares	(4,514,521)	(4,350,798)
At 31 December	105,896,115	110,410,636
Authorised – par value £0.01 each	300,000,000	300,000,000

During 2012, 4,514,521 (2011: 4,350,798) ordinary shares were bought back by the Company and were subsequently cancelled. Further details are disclosed in Note 24.

All issued shares are fully paid. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per ordinary share at general meetings of the Company.

Included within shares in issue at 31 December 2012 are 3,404,029 ordinary shares (2011: 4,527,783) held by the EBT and 2,505,430 (2011: 2,505,430) held in treasury.

24 Reconciliation of movement in capital and reserves

Group	Share capital £000	EBT shares reserve £000	Treasury shares £000	Other reserves £000	Reverse acquisition reserve £000	Retained earnings £000	Total equity £000
At 1 January 2011	1,147	(13,937)	(11,917)	147	138	52,286	27,864
Profit for the year	–	–	–	–	–	46,505	46,505
Share-based payments	–	–	–	–	–	2,269	2,269
Tax credit in respect of share-based incentives recognised directly in equity	–	–	–	–	–	7,271	7,271
Dividends to shareholders	–	–	–	–	–	(16,777)	(16,777)
Exercise of share-based incentives	–	3,679	–	–	–	2,469	6,148
Cancellation of own shares	(43)	–	–	43	–	(48,288)	(48,288)
Share related expenses	–	–	–	–	–	(338)	(338)
At 31 December 2011	1,104	(10,258)	(11,917)	190	138	45,397	24,654
At 1 January 2012	1,104	(10,258)	(11,917)	190	138	45,397	24,654
Profit for the year	–	–	–	–	–	62,551	62,551
Share-based payments	–	–	–	–	–	2,410	2,410
Tax credit in respect of share-based incentives recognised directly in equity	–	–	–	–	–	2,136	2,136
Dividends to shareholders	–	–	–	–	–	(20,439)	(20,439)
Exercise of share-based incentives	–	2,347	–	–	–	680	3,027
Cancellation of own shares	(45)	–	–	45	–	(66,359)	(66,359)
Share related expenses	–	–	–	–	–	(467)	(467)
At 31 December 2012	1,059	(7,911)	(11,917)	235	138	25,909	7,513

Share buyback

In June 2007, the Company commenced a share buyback programme to purchase its own ordinary shares. The total number of shares bought back in 2012 was 4,514,521 (2011: 4,350,798) representing 4.2% (2011: 3.9%) of the ordinary shares in issue (excluding shares held in treasury). All of the shares bought back in both years were cancelled. The shares were acquired on the open market at a total consideration (excluding costs) of £66,359,000 (2011: £48,288,000). The maximum and minimum prices paid were £16.00 (2011: £13.58) and £12.65 (2011: £9.04) per share respectively.

EBT shares reserve

This reserve represents the carrying value of own shares held by the EBT. During the current and prior year the EBT purchased no shares. 1,123,754 (2011: 1,794,546) share-based incentives were exercised by Group employees during the year at an average price of £2.69 (2011: £3.43) per ordinary share, which were satisfied by shares held in the EBT. At 31 December 2012 the EBT held 3,404,029 (2011: 4,527,783) ordinary shares in the Company of £0.01 each, representing 3.2% (2011: 4.2%) of the ordinary shares in issue (excluding shares held in treasury). The market value of the shares held in the EBT at 31 December 2012 was £48,882,000 (2011: £56,326,000).

Treasury shares

This represents the cost of acquiring 2,505,430 shares held in treasury. These shares were bought back in 2008 at an average price of £4.76 and may be used to satisfy certain share-based incentive awards.

Other reserves

This represents the cumulative value of own shares bought back and cancelled. The movement of £45,000 (2011: £43,000) is the nominal value of ordinary shares cancelled during the year.

Retained earnings

The gain on the exercise of share-based incentives is the difference between the value that the shares held by the EBT were originally acquired at and the price at which share-based incentives were exercised during the year.

24 Reconciliation of movement in capital and reserves *continued*

Company	Share capital £000	Treasury shares £000	Other reserves £000	Reverse acquisition reserve £000	Retained earnings £000	Total equity £000
At 1 January 2011	1,147	(11,917)	2,441	103,520	423,603	518,794
Loss for the year	–	–	–	–	(5,991)	(5,991)
Dividends to shareholders	–	–	–	–	(16,777)	(16,777)
Share-based payments	–	–	–	–	1,479	1,479
Tax credit in respect of share-based incentives recognised directly in equity	–	–	–	–	5,483	5,483
Capital contribution	–	–	790	–	–	790
Cancellation of own shares	(43)	–	43	–	(48,288)	(48,288)
Share related expenses	–	–	–	–	(338)	(338)
At 31 December 2011	1,104	(11,917)	3,274	103,520	359,171	455,152
At 1 January 2012	1,104	(11,917)	3,274	103,520	359,171	455,152
Profit for the year	–	–	–	–	155,761	155,761
Dividends to shareholders	–	–	–	–	(20,439)	(20,439)
Share-based payments	–	–	–	–	1,576	1,576
Tax credit in respect of share-based incentives recognised directly in equity	–	–	–	–	1,381	1,381
Capital contribution	–	–	834	–	–	834
Cancellation of own shares	(45)	–	45	–	(66,359)	(66,359)
Share related expenses	–	–	–	–	(467)	(467)
At 31 December 2012	1,059	(11,917)	4,153	103,520	430,624	527,439

Treasury shares

This represents the cost of acquiring 2,505,430 shares held in treasury. These shares were bought back in 2008 at an average price of £4.76 and may be used to satisfy certain share-based incentive awards.

Reverse acquisition reserve

This reserve resulted from the acquisition of Rightmove Group Limited by the Company and represents the difference between the value of the shares acquired at 28 January 2008 and the nominal value of the shares issued.

Other reserves

Awards relating to share-based incentives made to Rightmove Group Limited employees have been treated as a deemed capital contribution. The principal movement in other reserves for the year comprises £834,000 (2011: £790,000) in respect of the share-based incentives charge for employees of Rightmove Group Limited. In addition a movement of £45,000 (2011: £43,000) has been recorded in relation to the nominal value of ordinary shares cancelled during the year.

25 Share-based payments

The Group and Company operate share-based incentive schemes for executive directors and other selected senior management employees. Since flotation, the Company has awarded share options under the Rightmove Unapproved Executive Share Option Plan (Unapproved Plan) and the Rightmove Approved Executive Share Option Plan (Approved Plan). The Group also operates a Savings Related Share Option Scheme (Sharesave Plan), a Deferred Share Bonus Plan (DSP) and in May 2011 the Rightmove Performance Share Plan (PSP) was introduced.

All share-based incentives are subject to a service condition. Such conditions are not taken into account in the fair value of the service received. The fair value of services received in return for share-based incentives is measured by reference to the fair value of share-based incentives granted. The estimate of the fair value of the share-based incentives is measured using either the Monte Carlo or Black Scholes pricing model as is most appropriate for each scheme.

The total share-based payments charge for the year relating to all share-based incentive plans was £2,410,000 (2011: £2,269,000).

The Company charge for the year was £1,576,000 (2011: £1,479,000).

NI is being accrued, where applicable, at a rate of 13.8%, which management expects to be the prevailing rate when the awards are exercised, based on the share price at the reporting date. The total NI charge for the year ended 31 December 2012 relating to all awards is £2,041,000 (2011: £4,426,000).

The total Company NI charge for the year was £1,248,000 (2011: £4,034,000).

Approved and Unapproved Plans

There has been no award of share options since 5 March 2010.

Unapproved executive share option awards granted on 5 March 2010 at an exercise price of £6.66 are subject to an equal measure of Total Shareholder Return (TSR) performance and growth in EPS. The vesting of 50% of the 2010 award will be dependent on a relative TSR performance condition measured over a three-year performance period and the vesting of the other 50% of the 2010 award will be dependent on the satisfaction of an EPS growth target over a three-year performance period.

Unapproved executive share option awards made on 5 March 2009, which vested on 5 March 2012, were subject to a relative TSR performance over a three-year performance period, relative to the constituents of the FTSE 250.

25 Share-based payments continued

The assumptions used in the measurement of the fair values at grant date of the Approved and Unapproved Plans are as follows:

Grant date	Share price at grant date (pence)	Exercise price (pence)	Expected volatility (%)	Option life (years)	Risk free rate (%)	Dividend yield (%)	Employee turnover before vesting/ non-vesting condition (%)	Fair value per option (pence)
14 March 2006 (Approved)	413.50	410.00	27.0	7.0	4.5	4.0	16.0	92.00
15 March 2006 (Unapproved)	413.75	335.00	27.0	7.0	4.5	4.0	0.0	116.00
15 March 2006 (Unapproved)	413.75	335.00	27.0	6.0	4.5	3.0	16.0	130.00
12 October 2006 (Unapproved)	348.00	347.00	27.0	7.0	4.5	4.0	16.0	76.00
6 September 2007 (Approved)	613.00	597.00	32.0	7.0	5.8	2.0	17.0	228.00
6 September 2007 (Unapproved)	613.00	597.00	32.0	7.0	5.8	2.0	17.0	181.00
10 October 2007 (Unapproved EPS dependent) ⁽¹⁾	525.00	522.00	32.0	6.8	5.8	2.0	17.0	189.00
5 March 2009 (Unapproved TSR dependent) ⁽¹⁾	226.75	224.00	50.3	6.5	2.6	4.4	12.0	69.00
5 March 2010 (Unapproved TSR dependent) ⁽¹⁾	677.00	666.00	49.0	6.5	3.2	1.5	12.0	267.00
5 March 2010 (Unapproved EPS dependent) ⁽¹⁾	677.00	666.00	49.0	6.5	3.2	1.5	12.0	312.00

(1) For details of TSR and EPS performance conditions refer to Part II of the Remuneration report on pages 38 to 44.

Expected volatility is estimated by considering historic average share price volatility at the grant date.

Group and Company	2012		2011	
	Number	Weighted average exercise price (pence)	Number	Weighted average exercise price (pence)
Outstanding at 1 January	4,343,545	349.78	6,095,430	348.33
Exercised	(873,670)	317.83	(1,751,885)	344.73
Outstanding at 31 December	3,469,875	357.83	4,343,545	349.78
Exercisable at 31 December	3,049,996	315.40	2,793,167	345.77

The weighted average market value per ordinary share for options exercised in 2012 was £15.90 (2011: £11.58).

The options outstanding at 31 December 2012 have an exercise price in the range of £2.24 to £6.66 (2011: £2.24 to £6.66) and a weighted average contractual life of 4.5 years (2011: 5.4 years).

The share-based payments charge for approved and unapproved executive share options for the year ended 31 December 2012 is £512,000 (2011: £1,088,000).

The Company charge for the year was £332,000 (2011: £688,000).

25 Share-based payments continued

Sharesave Plan

The Group operates an Her Majesty's Revenue and Customs Approved Sharesave Plan under which employees are granted an option to purchase ordinary shares in the Company at up to 20% less than the market price at invitation, in three years' time, dependent on their entering into a contract to make monthly contributions into a savings account over the relevant period. These funds are used to fund the option exercise. No performance criteria are applied to the exercise of Sharesave options. The assumptions used in the measurement of the fair value at grant date of the Sharesave Plan are as follows:

Grant date	Share price at grant date (pence)	Exercise price (pence)	Expected volatility (%)	Option life (years)	Risk free rate (%)	Dividend yield (%)	Employee turnover before vesting/ non-vesting condition (%)	Fair value per option (pence)
1 October 2009	545.00	425.00	50.3	3.3	3.5	4.4	25.0	199.00
5 October 2010	745.50	553.00	49.0	3.3	2.3	1.6	25.0	318.00
3 October 2011	1200.00	988.00	42.9	3.3	2.8	1.3	25.0	446.00
1 October 2012	1577.00	1295.00	34.8	3.3	0.5	1.3	25.0	562.00

Expected volatility is estimated by considering historic average share price volatility at the grant date.

The requirement that an employee has to save in order to purchase shares under the Sharesave Plan is a non-vesting condition. This feature has been incorporated into the fair value at grant date by applying a discount to the valuation obtained from the Black Scholes pricing model. The discount has been determined by estimating the probability that the employee will stop saving based on expected future trends in the share price and past employee behaviour.

Group and Company	2012		2011	
	Number	Weighted average exercise price (pence)	Number	Weighted average exercise price (pence)
Outstanding at 1 January	145,982	572.10	176,523	409.92
Granted	40,136	1295.00	30,142	988.00
Forfeited	(8,190)	703.15	(18,022)	429.83
Exercised	(59,699)	420.92	(42,661)	255.00
Outstanding at 31 December	118,229	884.47	145,982	572.10
Exercisable at 31 December	16,994	425.00	1,431	255.00

The weighted average market value per ordinary share for Sharesave options exercised in 2012 was £15.82 (2011: £12.77).

The Sharesave options outstanding at 31 December 2012 have an exercise price in the range of £4.25 to £12.95 (2011: £2.55 to £9.88) and a weighted average contractual life of 1.8 years (2011: 1.7 years).

The share-based payments charge for Sharesave options for the year ended 31 December 2012 is £129,000 (2011: £106,000).

The Company charge for the year was £4,000 (2011: £5,000).

25 Share-based payments continued

Performance Share Plan (PSP)

The PSP permits awards of nil cost options or contingent shares which will only vest in the event of prior satisfaction of a performance condition.

156,685 PSP awards were made to executive directors and other selected senior management on 2 March 2012 (the Grant date) subject to EPS and relative TSR performance. Performance will be measured over three financial years (1 January 2012 – 31 December 2014). The vesting in March 2015 (Vesting date) of 25% of the 2012 PSP awards will be dependent on a relative TSR performance condition measured over a three-year performance period and the vesting of 75% of the 2012 PSP awards will be dependent on the satisfaction of an EPS growth target measured over a three-year performance period. PSP award holders are entitled to receive dividends accruing between the Grant date and Vesting date, and this value will be delivered in shares.

The PSP awards have been valued using the Monte Carlo model for the TSR element and the Black Scholes model for the EPS element and the resulting share-based payments charge is being spread evenly over the period between the Grant date and the Vesting date.

Grant date	Share price at Grant date (pence)	Exercise price (pence)	Expected volatility (%)	Option life (years)	Risk free rate (%)	Dividend yield (%)	Employee turnover before vesting/ non-vesting condition (%)	Fair value per option (pence)
4 May 2011 (TSR dependent) ⁽¹⁾	1039.00	nil	42.9	2.8	1.4	0.0	3.1	739.00
4 May 2011 (EPS dependent) ⁽¹⁾	1039.00	nil	n/a	2.8	1.4	0.0	3.1	1039.00
2 March 2012 (TSR dependent) ⁽¹⁾	1391.00	nil	34.8	3.0	0.5	0.0	3.7	708.00
2 March 2012 (EPS dependent) ⁽¹⁾	1391.00	nil	n/a	3.0	0.5	0.0	3.7	1391.00

(1) For details of TSR and EPS performance conditions refer to Part II of the Remuneration report on pages 38 to 44.

Group and Company	2012		2011	
	Number	Weighted average exercise price (pence)	Number	Weighted average exercise price (pence)
Outstanding at 1 January	164,258	–	–	–
Granted	156,685	–	164,258	–
Forfeited	(32,519)	–	–	–
Outstanding at 31 December	288,424	–	164,258	–
Exercisable at 31 December	–	–	–	–

Expected volatility is estimated by considering historic average share price volatility at the Grant date.

The share-based payments charge for the year ended 31 December 2012 is £948,000 (2011: £361,000).

The Company charge for the year was £685,000 (2011: £277,000).

25 Share-based payments continued

Deferred Share Bonus Plan (DSP)

In March 2009 a DSP was established which allows executive directors and other selected senior management the opportunity to earn a bonus determined as a percentage of base salary settled in deferred shares. The award of shares under the plan is contingent on the satisfaction of pre-set internal targets relating to underlying drivers of long-term revenue growth (the Performance period). The right to the shares is deferred for two years from the date of the award (the Vesting period) and potentially forfeitable during that period should the employee leave employment. The deferred share awards have been valued using the Black Scholes model and the resulting share-based payments charge is being spread evenly over the combined Performance period and Vesting period of the shares, being three years.

The assumptions used in the measurement of the fair value of the deferred share awards are calculated at the date on which the potential DSP bonus is communicated to senior management (the Grant date) as follows:

Grant date	Award date	Share price at Grant date (pence)	Exercise price (pence)	Expected term (years)	Risk free rate (%)	Dividend yield (%)	Employee turnover before vesting/ non-vesting condition (%)	Fair value per share (pence)
5 March 2009	5 March 2010	226.75	nil	3.0	2.6	4.4	12.0	199.00
5 March 2010	4 March 2011	677.00	nil	3.0	3.2	1.5	12.0	648.00
4 March 2011	2 March 2012 ⁽¹⁾	1039.00	nil	2.8	1.4	1.4	3.4	1000.00
2 March 2012	— ⁽²⁾	1391.00	nil	3.0	0.5	1.3	4.1	1338.00

(1) Following the achievement of the 2011 internal performance targets, 76,048 nil cost option deferred shares were awarded to executives and senior management on 2 March 2012 (the Award date) with the right to the release of the shares deferred until March 2014.

(2) Based on the 2012 internal performance targets the Remuneration Committee determined that 90% of the maximum award in respect of the year will be made in March 2013. The number of shares to be awarded will be determined based on the share price at the Award date in March 2013.

Group and Company	Number	2012 Weighted average exercise price (pence)	Number	2011 Weighted average exercise price (pence)
Outstanding at 1 January	331,989	—	215,958	—
Awarded	76,048	—	118,467	—
Forfeited	—	—	(2,436)	—
Exercised	(190,385)	—	—	—
Outstanding at 31 December	217,652	—	331,989	—
Exercisable at 31 December	25,573	—	—	—

The weighted average market value per ordinary share for deferred shares exercised in 2012 was £15.44 (2011: £nil).

The DSP awards have a weighted average contractual life of 0.9 years (2011: 1.0 years).

The share-based payments charge for the year ended 31 December 2012 is £821,000 (2011: £714,000).

The Company charge for the year was £555,000 (2011: £509,000).

26 Operating lease commitments

Non-cancellable operating lease rentals are payable as follows:

Group	31 December 2012			31 December 2011		
	Plant & machinery £000	Land & buildings £000	Total £000	Plant & machinery £000	Land & buildings £000	Total £000
Less than one year	408	949	1,357	374	687	1,061
Between one and five years	231	3,338	3,569	455	2,624	3,079
More than five years	–	1,175	1,175	–	199	199
	639	5,462	6,101	829	3,510	4,339

The Company has no operating lease commitments in either year.

27 Capital commitments

As at 31 December 2012 the Group had no significant capital expenditure commitments (2011: £nil).

The Company has no capital commitments in either year.

28 Related party disclosures

Inter-group transactions with subsidiaries

During the year the Company was charged interest of £565,000 (2011: £499,000) by Rightmove Group Limited in respect of balances owing under the inter-group loan agreement dated 30 January 2008.

As at 31 December 2012 the balance owing under this agreement was £15,318,000 (2011: £87,375,000) including capitalised interest.

On 21 March 2012 Rightmove Group Limited declared an interim dividend of 61.8p per ordinary share to the Company. The dividend of £79,969,000 was settled via a reduction in the inter-group loan balance.

On 11 December 2012 Rightmove Group Limited declared a further interim dividend of 62.0p per ordinary share to the Company. The dividend of £80,228,000 was settled via a reduction in the inter-group loan balance.

Directors' transactions

There were no transactions with directors in either year other than those disclosed in the Remuneration report. Information on the emoluments of the directors, who served during the year, together with information regarding the beneficial interest of the directors in the ordinary shares of the Company is included in the Remuneration report on pages 30 to 44.

29 Financial instruments

Credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Note	Group	
		31 December 2012 £000	31 December 2011 £000
Net trade receivables	17	16,037	13,132
Amounts held in Escrow	11,17	1,674	1,667
Accrued interest receivable	17	50	58
Other debtors	17	64	117
Cash and cash equivalents	18	7,082	21,768
		24,907	36,742

The Company had no exposure to credit risk in either year.

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

Group	Note	31 December 2012		31 December 2011	
		£000	£000	£000	£000
UK		15,954		13,086	
Rest of the world		83		46	
	17	16,037		13,132	

The maximum exposure to credit risk for trade receivables at the reporting date by type of customer was:

Group	Note	31 December 2012		31 December 2011	
		£000	£000	£000	£000
Property advertisers		14,956		12,676	
Other		1,081		456	
	17	16,037		13,132	

The Group's most significant customer, an Estate Agent, accounts for £968,000 (2011: £1,011,000) of the trade receivables carrying amount.

Impairment losses

The ageing of trade receivables at the reporting date was:

Group	31 December 2012		31 December 2011	
	Gross £000	Impairment £000	Gross £000	Impairment £000
Not past due	10,140	(15)	9,662	(35)
Past due 0 – 30 days	3,357	(236)	2,405	(247)
Past due 30 – 60 days	2,522	(124)	1,311	(109)
Past due 60 – 90 days	263	(38)	129	(31)
Past due older	202	(34)	54	(7)
	16,484	(447)	13,561	(429)

29 Financial instruments continued

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

Group	31 December 2012 £000	31 December 2011 £000
At 1 January	429	371
Charged during the year	198	315
Utilised during the year	(180)	(257)
At 31 December	447	429

The Group has identified specific balances for which it has provided an impairment allowance on a line by line basis across all ledgers, in both years. No general impairment allowance has been provided in either year.

The allowance accounts in respect of trade receivables are used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible; at that point the amounts considered irrecoverable are written off against the financial asset directly.

Liquidity risk

The following are the contractual maturities of undiscounted financial liabilities, including undiscounted estimated interest payments:

Group	Carrying amount £000	Contractual cash flows £000	6 months or less £000
At 31 December 2012			
Trade payables being non-derivative financial liabilities	1,220	(1,220)	(1,220)
Group	Carrying amount £000	Contractual cash flows £000	6 months or less £000
At 31 December 2011			
Trade payables being non-derivative financial liabilities	370	(370)	(370)

The Company had no non-derivative financial liabilities in either year.

It is not expected that the cash flows included in the maturity analysis could occur earlier or at significantly different amounts and all payables are due within six months of the balance sheet date.

Currency risk

During 2012 all the Group's sales and more than 95.0% of the Group's purchases were Sterling denominated and accordingly it has no significant currency risk.

Interest rate risk

The Group and the Company have exposure to interest rate risk on their cash balances and amounts held in Escrow. As at 31 December 2012 the Group had total cash of £7,082,000 (2011: £21,768,000) and £1,674,000 (2011: £1,667,000) held in Escrow.

Fair values

The fair values of all financial instruments in both years are equal to the carrying values.

30 Contingent liabilities

The Group and the Company had no contingent liabilities in either year.

31 Subsequent events

There have been no subsequent events having a material impact on the financial statements between 31 December 2012 and the reporting date.

Advisers and shareholder information

Contacts

Chief Executive Officer: Ed Williams
Chief Operating Officer
and Finance Director: Nick McKittrick
Company Secretary: Robyn Perriss
Website: www.rightmove.co.uk

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Corporate advisers

Financial adviser
UBS Investment Bank

Joint brokers
UBS Limited
Numis Securities Limited

Auditor
KPMG Audit Plc

Bankers
Barclays Bank Plc
HSBC Bank Plc
Santander UK Plc

Solicitors
Slaughter and May
Pinsent Masons

Registrar
Capita Registrars*

Financial calendar 2013

2012 full year results 1 March 2013
Annual General Meeting 8 May 2013
Final dividend record date 10 May 2013
Final dividend payment 7 June 2013
Interim Management Statement May, November 2013
Half year results 31 July 2013
Interim dividend November 2013

*Shareholder enquiries

The Company's registrar is Capita Registrars. They will be pleased to deal with any questions regarding your shareholding or dividends. Please notify them of your change of address or other personal information. Their address details are:

Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent
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Capita Registrars is a trading name of Capita Registrars Limited.

Capita shareholder helpline: 0871 664 0300
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Share portal: www.capitashareportal.com

Through the website of our registrar, Capita Registrars, shareholders are able to manage their shareholding online and facilities include electronic communications, account enquiries, amendment of address and dividend mandate instructions.



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