

23 August 2006

realestate.com.au Ltd DELIVERS STRONG ANNUAL GROWTH
REVENUES INCREASE BY 81% AND GROSS PROFIT INCREASES BY 134%

The 2006 financial year saw realestate.com.au Ltd deliver \$60.9 million in revenues and a gross profit of \$13.1 million. Compared to the 2005 financial year, revenues increased by 81% and gross profit increased by 134%.

After one-off costs (takeover defence costs and financing associated with a bridging loan) are taken into account, profit before tax and minority interests was \$10.6 million. This is an increase of 88% over the previous financial year.

According to Managing Director, Simon Baker, "we are extremely pleased with the growth of the business over the last 12 months and we have managed to exceed both our forecasted performance and our internal stretch targets.

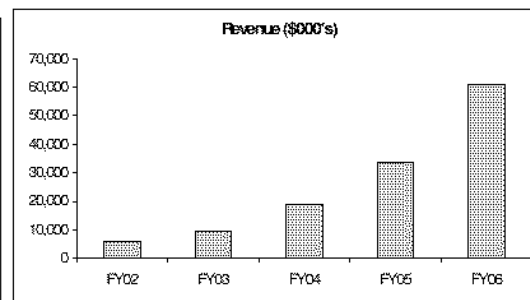
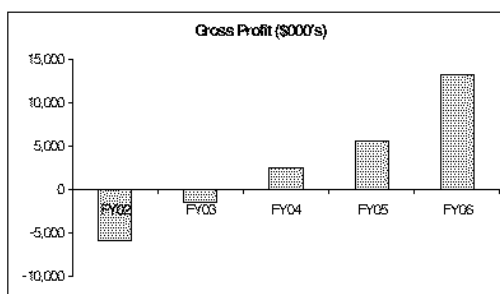
"We now have around 11,000 agents advertising over 650,000 properties across the six sites we operate throughout Australia, New Zealand and the United Kingdom. The combined readership of these sites has risen to over 5 million people each month.

"The last year has been one of continued rapid expansion. We have acquired a controlling stake in propertyfinder.com and the London Property News, as well as 100 percent of Hubonline and Propertylook in Australia. These businesses will help us expand in Australia and internationally.

"The good news is that we have managed to maintain the growth of the Australian business while expanding into these new markets. We have built a strong team and are now very well positioned to continue our local expansion while ensuring that The REA Group becomes a significant player on the global online property advertising stage."

Continued Strong Financial Growth

When compared to previous years, the business is on a strong growth trajectory with both revenues and gross profit increasing for the fifth year in a row.



The table below overviews the yearly comparative growth of the business:

Financial Comparative Data Metric (\$ 000's)	FY 2006	FY 2005	FY 2004	FY 2003	FY 2002	Growth 05 vs. 06
	AIFRS	AIFRS	AGAAP	AGAAP	AGAAP	
Revenue	60,872	33,624	19,145	9,540	5,927	81%
Operating (Expense)	(45,440)	(26,953)	(16,278)	(8,343)	(6,734)	69%
Depreciation & Amortisation	(2,297)	(1,051)	(369)	(2,689)	(5,098)	119%
Gross Profit	13,134	5,620	2,498	(1,492)	(5,905)	134%
Takeover Defence Costs	(1,607)					
Finance Costs	(943)		(21)	(47)	(56)	
Earnings Before Tax	10,584	5,620	2,477	(1,539)	(5,961)	88%
Tax (Expense) / Income	(3,943)	2,472				
Minority Interest	1,581					
Net Income	8,222	8,092	2,477	(1,539)	(5,961)	2%

Increase in Agencies¹ Subscribing and Average Spend per Agent

As at 30 June 2006, 10,713 agencies had paying subscriptions to at least one of the sites. As at the end of July, total number of paying agents had increased to 11,022.

Site	Country	Total Paying Agents	Est. Market Share
realestate.com.au	Australia		
realcommercial.com.au	Australia	7,684	~90%
propertylook.com.au	Australia		
propertyfinder.com	United Kingdom	2,843	21%
allrealestate.co.nz	New Zealand		
propertylook.co.nz	New Zealand	358	26%
International Section	International	137	
Total		11,022	

Source: realestate.com.au Ltd, July 2006

In July 2006, there were a total of 11,453 subscriptions sold across the sites reflecting that some agents advertise on more than one of the REA Group sites.

Last year saw an increase in the average spend by Australian real estate agencies on subscriptions and additional advertising products with the average revenue per agent (ARPA) increasing to \$570 per month in June 2006.

The last 12 months also saw a continued migration of agencies from standard subscriptions to platinum subscriptions. As at the end of June 2006, approximately 62 per cent of all subscribing Australian agencies had purchased a platinum subscription.

¹ Agencies includes residential agencies and commercial agencies

5 million Global Visitors²

In June 2006, 5 million people visited one of the real estate sites owned and operated by realestate.com.au Ltd.

Site	Country	Total Visitors	Total Visitors	Growth
		(Jun 06)	(Jun 05)	
realestate.com.au	Australia	2,810,509	1,736,910	62%
realcommercial.com.au	Australia	139,117	85,377	63%
propertylook.com.au	Australia	63,057		
propertyfinder.com	United Kingdom	1,794,470		
allrealestate.co.nz	New Zealand	162,984		
propertylook.co.nz	New Zealand	6,429		
Total		4,976,566	1,822,287	173%

Source: Nielsen//NetRatings, Omniture; June 2006

The sites operated by the REA Group are well positioned in each market.

- realestate.com.au continues to be the most visited residential site in Australia. Over the course of the year the gap between realestate.com.au and second place domain.com.au has increased from 543,000 visitors in June 2005 to 1.36 million visitors in June 2006
- realcommercial.com.au continues to be the most visited commercial real estate sites in Australia with the newly acquired propertylook.com.au in second place.
- allrealestate.co.nz is now the second most visited property portal in New Zealand.
- Although the UK property portal sites are not independently audited, it is estimated that propertyfinder.com was the second most visited UK property portal in June 2006.

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² Unique browsers as reported by Nielsen//NetRatings or Omniture is used to measure visitors. May include some duplication

Appendix 4E

Preliminary final report

Name of entity

realestate.com.au Limited

ABN or equivalent company reference

54 068 349 066

Financial year ended ('current period')

30 June 2006

Results for announcement to the market

Twelve Months ended 30 June ...		2006 A\$	% Change from previous 12 months	2005 A\$
Revenues from ordinary activities	Up	60,872,217	81%	33,623,860
Profit from ordinary activities after tax attributable to members	Up	8,221,947	2%	8,092,032
Net profit for the period attributable to members	Up	8,221,947	2%	8,092,032
Dividends (distributions)		Amount per security	Franked amount per security	
Final dividend		Nil ¢	Nil ¢	
Previous corresponding period		Nil ¢	Nil ¢	
Date for determining entitlements to the dividend	N/A			
Brief explanation of any of the figures reported above and short details of any bonus or cash issue or other item(s) of importance not previously released to the market:				
This report is based on accounts which have been audited. The detailed financial statements are currently in the process of being finalised and consequently the audit report has not yet been signed.				

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Income Statement

For the year ended 30 June 2006

	Notes	CONSOLIDATED		realestate.com.au Ltd	
		2006	2005	2006	2005
		\$	\$	\$	\$
Revenues from services		60,391,582	33,417,954		
Interest income	6	480,635	205,906	108,812	2,640
Revenues		60,872,217	33,623,860	108,812	2,640
Depreciation and amortisation expense	4	(2,297,434)	(1,051,186)		
Salaries and employee benefits expense	4	(23,329,623)	(12,155,427)		
Sales commission		(1,678,953)	(2,406,596)		
Marketing related expense		(10,465,969)	(7,077,497)		
Administration related costs		(2,477,581)	(1,180,167)	(219,704)	
Other expenses excluding takeover defence costs	4	(7,488,217)	(4,133,376)	(117,576)	(103,030)
Gross profit (before takeover defence costs)		13,134,440	5,619,611	(228,468)	(100,390)
Takeover defence costs		(1,607,067)		(1,607,067)	
Profit before tax and finance costs		11,527,373	5,619,611	(1,835,535)	(100,390)
Finance costs	4,6	(943,392)		(865,446)	-
Profit before income tax		10,583,981	5,619,611	(2,700,981)	(100,390)
Income tax (expense) / income	5	(3,942,898)	2,472,421	861,021	30,118
Profit after tax		6,641,083	8,092,032	(1,839,960)	(70,272)
Net profit for the period		6,641,083	8,092,032	(1,839,960)	(70,272)
Loss attributable to minority interest	20	1,580,864			
Profit attributable to members of parent		8,221,947	8,092,032	(1,839,960)	(70,272)
Earnings per share (cents per share)					
basic for profit for the year attributable to ordinary equity holder of the parent	7	7.2	7.6		
diluted for profit for the year attributable to ordinary equity holder of the parent	7	6.9	7.0		

Balance Sheet

As at 30 June 2006

	Notes	CONSOLIDATED		realestate.com.au Ltd	
		As at	As at	As at	As at
		30 June 2006	30 June 2005	30 June 2006	30 June 2005
		\$	\$	\$	\$
ASSETS					
Current assets					
Cash and cash equivalents	9	13,191,864	7,742,333	3,427,414	
Trade and other receivables	10	10,388,023	4,874,031	1,765,131	
Other current assets	11	1,145,127	383,082	78,264	
Total current assets		24,725,014	12,999,446	5,270,809	-
Non-current assets					
Investment in subsidiaries	12			48,112,704	27,642,037
Property, plant and equipment	13	3,461,834	2,091,904		
Deferred income tax asset	5	1,852,178	2,418,551	916,129	30,793
Intangible assets	14	9,594,826	2,056,251		
Goodwill	14,15	54,308,353	7,185,827		
Total Non-current assets		69,217,191	13,752,533	49,028,833	27,672,830
TOTAL ASSETS		93,942,205	26,751,979	54,299,642	27,672,830
LIABILITIES					
Current liabilities					
Payables	16	7,441,796	3,091,773	1,382,943	2,250
Interest-bearing loans and borrowings	17	1,966,604	158,056		
Provisions	19	953,270	523,744		
Current tax liabilities	5	3,450,806	675		675
Other current liabilities	18	5,229,901	3,131,257		
Total current liabilities		19,042,377	6,905,505	1,382,943	2,925
Non-current liabilities					
Intercompany payables		-	-	15,512	
Interest-bearing loans and borrowings	17	809,346	316,112		
Deferred tax liabilities	5	2,561,636	540,909	24,990	
Other provisions	19	331,495	180,794		
Total Non-current liabilities		3,702,477	1,037,815	40,502	-
TOTAL LIABILITIES		22,744,854	7,943,320	1,423,445	2,925
NET ASSETS		71,197,351	18,808,659	52,876,197	27,669,905
EQUITY					
Contributed equity	20	56,001,961	28,955,709	56,001,961	28,955,709
Foreign currency translation reserve		674,543			
Accumulated losses		(1,925,103)	(10,147,050)	(3,125,764)	(1,285,804)
Parent interests		54,751,401	18,808,659	52,876,197	27,669,905
Minority interests	20	16,445,950	-	-	-
TOTAL EQUITY		71,197,351	18,808,659	52,876,197	27,669,905

Cash Flow Statement

For the year ended 30 June 2006

	Notes	CONSOLIDATED		realestate.com.au Ltd	
		2006	2005	2006	2005
		\$	\$	\$	\$
Cash flows from operating activities					
Receipts from customers		63,844,827	36,093,441		
Payments to suppliers and employees		(52,975,113)	(29,514,049)	(327,137)	
Interest received		462,414	200,603	57,351	
Borrowing costs (Interest paid)		(568,297)		(526,199)	
Net cash flows from operating activities	9	10,763,831	6,779,995	(795,985)	-
Cash flows from investing activities					
Purchase of property, plant and equipment		(2,039,984)	(1,524,784)		
Purchase of intangible assets		(520,510)	(138,454)		
Proceeds from sale of property, plant and equipment			2,344		
Purchase of shares in joint venture			(50)		
Loan to joint venture		(100,000)	(100,000)		
Acquisition of subsidiary, net of cash acquired		(48,338,232)		(20,792,677)	
Net cash flows used in investing activities		(50,998,726)	(1,760,944)	(20,792,677)	-
Cash flows from financing activities					
Proceeds from issue of ordinary shares		27,247,376	142,425	25,016,076	
Payment of transaction costs on rights issue		(203,374)			
Proceeds from issue of ordinary shares in subsidiary		17,515,227			
Proceeds from borrowings		1,446,306			
Payment of finance lease liabilities		(310,871)			
Net cash flows from financing activities		45,694,664	142,425	25,016,076	-
Net increase/(decrease) in cash and cash equivalents		5,459,769	5,161,476	3,427,414	
Net foreign exchange difference		(10,238)			
Cash and cash equivalents at beginning of period		7,742,333	2,580,857		
Cash and cash equivalents at end of period	9	13,191,864	7,742,333	3,427,414	-

Statement of Changes in Equity

For the year ended 30 June 2006

	Attributable to equity holders of the parent				Minority interest	Total equity
CONSOLIDATED	Issued capital	Accumulated losses	FX Translation Reserve	Total		
	\$	\$	\$	\$	\$	\$
At 1 July 2004	28,815,534	(18,239,082)	-	10,576,452	-	10,576,452
Profit for the period		8,092,032		8,092,032		8,092,032
Exercise of employee options	140,175			140,175		140,175
At 30 June 2005	28,955,709	(10,147,050)	-	18,808,659	-	18,808,659
At 1 July 2005	28,955,709	(10,147,050)	-	18,808,659	-	18,808,659
Foreign Currency translation differences			674,543	674,543		674,543
Profit for the period		8,221,947		8,221,947	(1,580,864)	6,641,083
Contributions of equity through Rights Issue with equity holders, net of transaction costs	24,812,702			24,812,702		24,812,702
Exercise of options	2,000,000			2,000,000		2,000,000
Exercise of employee options	233,550			233,550		233,550
Minority interest on acquisition of subsidiary					18,026,814	18,026,814
At 30 June 2006	56,001,961	(1,925,103)	674,543	54,751,401	16,445,950	71,197,351

realestate.com.au Ltd	Issued capital	Accumulated losses	FX Translation Reserve	Total
	\$	\$	\$	\$
At 1 July 2004	28,815,534	(1,215,532)	-	27,601,002
Profit for the period		(70,272)		(70,272)
Exercise of employee options	140,175			140,175
At 30 June 2005	28,955,709	(1,285,804)	-	27,669,905
At 1 July 2005	28,955,709	(1,285,804)	-	27,669,905
Profit for the period		(1,839,960)		(1,839,960)
Contributions of equity through Rights Issue with equity holders, net of transaction costs	24,812,702			24,812,702
Exercise of options	2,000,000			2,000,000
Exercise of employee options	233,550			233,550
At 30 June 2006	56,001,961	(3,125,764)	-	52,876,197

Notes to the Financial Statements

1) Corporate Information

realestate.com.au Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian stock exchange.

2) Basis of preparation of the financial report

(a) Basis of Preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards. The financial report has also been prepared on a historical cost basis.

The financial report is presented in Australian dollars.

(b) Statement of compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

This is the first financial report prepared based on AIFRS and comparatives for the year ended 30 June 2005 have been restated accordingly. Reconciliations of AIFRS equity and profit for 30 June 2005 to the balances reported in the 30 June 2005 financial report and at transition to AIFRS are detailed in note 32.

Australian Accounting Standards that have recently been issued or amended but are not effective have not been adopted for the annual reporting period ending 30 June 2006:

AASB Amend-ment	Affected Standard (s)	Nature of change to accounting policy	Application date of standard	Application date for Group	Summary
2004-3	AASB 1 <i>First-time adoption of AIFRS</i> AASB 101 <i>Presentation of Financial Statements</i> AASB 124 <i>Related Party Disclosures</i>	No impact	1 January 2006	1 July 2006	Consequential amendments to the affected standards as a result of the release of the revised AASB 119.
2005-1	AASB 139 <i>Financial Instruments: Recognition and Measurement</i>	No impact	1 January 2006	1 July 2006	Amendment to AASB 139 to allow the foreign currency risk of a highly probable intra-group forecast transaction to qualify as the hedged item in certain circumstances.
2005-4	AASB 139 <i>Financial Instruments: Recognition and Measurement</i> , AASB 132 <i>Financial Instruments: Disclosure and Presentation</i> , AASB 1 <i>First-time adoption of AIFRS</i> , AASB 1023 <i>General insurance Contracts</i> and AASB 1038 <i>Life Insurance Contracts</i>	No impact	1 January 2006	1 July 2006	Amendments relate to the restriction on designating financial instruments at fair value through profit and loss.
2005-5	AASB 1 <i>First-time adoption of AIFRS</i> and AASB 139 <i>Financial Instruments: Recognition and Measurement</i>	No impact	1 January 2006	1 July 2006	Consequential amendments made to AASB 1 due to the issue of UIG Interpretation 4. Consequential amendments made to AASB 139 due to the issue of UIG Interpretation 5.
2005-6	AASB 3 <i>Business Combinations</i>	No impact	1 January 2006	1 July 2006	The definition of 'contribution by owners' is removed and the AASB 3 scope exclusion for business combinations involving entities or businesses under common control is

					adopted.
2005-9	AASB 4 <i>Insurance Contracts</i> , AASB 1023 <i>General insurance Contracts</i> , AASB 139 <i>Financial Instruments: Recognition and Measurement</i> and AASB 132 <i>Financial Instruments: Disclosure and Presentation</i>	No impact	1 January 2006	1 July 2006	Amendments to all four standards providing guidance as to which standard applies to financial guarantee contracts under certain circumstances.
2005-10	AASB 132 <i>Financial Instruments: Disclosure and Presentation</i> , AASB 101 <i>Presentation of Financial Statements</i> , AASB 114 <i>Segment Reporting</i> , AASB 117 <i>Leases</i> , AASB 133 <i>Earnings per Share</i> , AASB 139 <i>Financial Instruments: Recognition and Measurement</i> , AASB 1 <i>First-time adoption of AIFRS</i> , AASB 4 <i>Insurance Contracts</i> , AASB 1023 <i>General insurance Contracts</i> and AASB 1038 <i>Life Insurance Contracts</i>	Disclosure impact to be assessed	1 January 2007	1 July 2006	These amendments arise from the release of AASB 7 relating to financial instrument disclosures.
2006-1	AASB 121 <i>The Effects of Change in Foreign Currency Rates</i>	No impact	1 January 2006	1 July 2006	The amendment clarifies the requirements relating to an entity's investment in foreign operations and assists the financial reporting of entities with investments in operations that have a different functional currency.

New or revised Standard/ UIG Affected Standard (s)	Nature of change to accounting policy	Application date of standard/ interpretation	Application date for Group	Summary
AASB 119 <i>Employee Benefits</i>	No impact	1 January 2006	1 July 2006	Amendment to AASB 119 to incorporate changes to IFRS in connection with the 'corridor approach' to account for movements in actuarial gains and losses for defined benefit plans.
AASB 7 <i>Financial Instruments: Disclosures</i>	Change of disclosures - currently being assessed	1 January 2007	1 July 2006	The Standard requires disclosure of: - the significance of financial instruments for an entity's financial position and performance; and - qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk.
UIG 4 <i>Determining whether an Arrangement contains a Lease</i>	No impact	1 January 2006	1 July 2006	Specifies criteria for determining whether an arrangement is, or contains, a lease.
UIG 5 <i>Rights to Interests in Decommissioning, Restoration and Environmental Rehabilitation Funds</i>	No impact	1 January 2006	1 July 2006	Addresses accounting for the rights to interests in decommissioning, restoration and environmental rehabilitation funds and for additional contributions to such a fund.

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of realestate.com.au Limited and its subsidiaries as at 30 June each year (the Group).

The financial statements of the subsidiaries are prepared for the same reporting period as the realestate.com.au Ltd company, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

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

Asserta Holdings Group (UK), commonly referred to as *propertyfinder.com*, has been included in the consolidated financial statements because of a controlling board majority using the purchase method of accounting, which measures the acquiree's assets and liabilities at their fair value at acquisition date. Accordingly, the consolidated financial statements include the results of Asserta Holdings Group for the eight-month period from its acquisition on 2 November 2005. The purchase consideration has been allocated to the assets and liabilities on the basis of fair value at the date of acquisition. Minority interests represent the 50% economic interest of News International Ltd in the Asserta Holdings Group.

Property Look Pty. Limited has been included in the consolidated financial statements using the purchase method of accounting, which measures the acquiree's assets and liabilities at their fair value at acquisition date. Accordingly, the consolidated financial statements include the results of Property Look Pty. Limited for the two-month period from its acquisition on 4 May 2006. The purchase consideration has been allocated to the assets and liabilities on the basis of fair value at the date of acquisition.

Hub Online Global Pty. Limited has been included in the consolidated financial statements using the purchase method of accounting, which measures the acquiree's assets and liabilities at their fair value at acquisition date. Accordingly, the consolidated financial statements include the results of Hub Online Global Pty. Limited for the two-month period from its acquisition on 5 May 2006. The purchase consideration has been allocated to the assets and liabilities on the basis of fair value at the date of acquisition.

(d) Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period is the impairment of goodwill. The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units to which the goodwill and intangibles with indefinite useful lives are allocated. The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill and intangibles with indefinite useful lives are discussed in note 15.

(e) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

i) Rendering of services

Where the contract outcome can be estimated reliably and control of the right to be compensated for their services and the stage of completion can be reliably measured.

Advance billings are capitalised as deferred revenues and released in the appropriate period when service is delivered.

Prepayments are capitalised and released in the appropriate period when service is delivered.

ii) Interest income

Control of the right to receive interest payments.

(f) Borrowing costs

Borrowing costs are recognised as an expense when incurred.

(g) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. Lease incentives are recognised in the income statement as an integral part of the total lease expense.

(h) Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(i) Trade and other receivables

Trade receivables, which generally have 2 week terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

(j) Derecognition of financial assets and financial liabilities**i) Financial assets**

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

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

ii) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(k) Foreign currency translation

Both the functional and presentation currency of realestate.com.au Limited and its Australian subsidiaries is Australian dollars (\$). Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All exchange differences in the consolidated financial report are taken to profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

The functional currency of realestate.com.au (Europe) Ltd which consolidates the UK operations is British Pounds (GBP).

As at the reporting date the assets and liabilities of these subsidiaries are translated into the presentation currency of realestate.com.au Limited at the rate of exchange ruling at the balance sheet date and their income statements are translated at the weighted average exchange rate for the period. The exchange differences arising on the translation are taken directly to a separate component of equity.

(l) Interest in a jointly controlled operation

The Group's interest in its joint venture operation, realestate.com.au Financial Services Ltd ("Home Loans") is accounted for using the equity method.

(m) Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date. Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

(n) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(o) Property, plant and equipment

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

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

- Leasehold improvements - the lease term
- Plant and equipment – over 2 to 6 years

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

i) Impairment

The carrying values of plant and equipment are reviewed for impairment at each reporting date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

There are no assets which generate largely independent cash inflows. So the recoverable amount is determined for the cash-generating unit (Netwide Solutions Pty Ltd and Property Look Pty Ltd for the Australian and New Zealand operations, News 8008 Ltd (Asserta Holdings Group) for the UK operations, Hub Online Global Pty. Ltd for Agent Solutions) to which the asset belongs.

If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. The recoverable amount of plant and equipment is the greater of 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.

ii) Derecognition and disposal

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

(p) Investments and other financial assets

Financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transactions costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the marketplace.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

(q) Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on either the Group's primary or the Group's secondary reporting format determined in accordance with AASB 114 *Segment Reporting*.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. When the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. When goodwill forms part of a cash-generating unit (group of cash-generating units) and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained. Impairment losses recognised for goodwill are not subsequently reversed.

(r) Intangible assets

Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is charged against profits in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

A summary of the depreciation/amortisation policies applied to the Group's intangible assets is as follows:

- Software / Software Intellectual Property: 3 years with annual impairment tests
- Acquired customer lists / domain names: 5 to 11 years with annual impairment tests
- Revenue guarantees in Customer Contracts which are recognised as a result of a business combination: Over the term of the contract

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

There were no intangible assets with indefinite lives in the group.

(s) Impairment of assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount. 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. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

(t) Trade & other payables

Trade and other payables are stated at their amortised costs. They are non interest bearing and are normally settled on terms of up to 60 days.

(u) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised.

(v) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

(w) Employee benefits

i) Wages, salaries, annual leave and sick leave

Provision is made for employee entitlement benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries and annual leave.

Liabilities arising in respect of wages and salaries, including non monetary items, annual leave and any other employee entitlements expected to be settled within twelve months of the reporting date are measured at their nominal amounts. All other employee entitlement liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the interest rates attaching to government guaranteed securities that have terms to maturity approximating the terms of the related liability are used.

Employee entitlements are arising in respect of the following categories: Wages and salaries, non-monetary benefits, annual leave, long service leave and other leave entitlements, and other types of employee entitlements are charged against profits on a net basis in their respective categories.

ii) Long service leave

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

(x) Contributed equity

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

(y) Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the realestate.com.au Ltd, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members of the realestate.com.au Ltd, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

3) Segment Information

Business Segments

There is only one significant primary segment, online advertising, as per AASB 124 *Segment Reporting*.

Geographical Regions

The Group's geographical segments are determined based on the location of the Group's assets.

The following tables present revenue, expenditure and certain asset information regarding geographical segments for the years ended 30 June 2006 and 30 June 2005.

	Australia & New Zealand \$	United Kingdom \$	Total \$
Year ended 30 June 2006			
Revenue			
Sales to external customers	54,921,804	5,469,778	60,391,582
Other revenues from external customers	463,570	17,065	480,635
Revenue	55,385,374	5,486,843	60,872,217
Inter-segment revenues	336,656	-	336,656
Segment revenue	55,722,030	5,486,843	61,208,873
Other segment information			
Segment assets	53,321,985	40,620,220	93,942,205
Unallocated assets			-
Total assets			93,942,205
Capital expenditure	2,327,034	233,460	2,560,494
Year ended 30 June 2005			
Revenue			
Sales to external customers	33,417,954		33,417,954
Other revenues from external customers	205,906		205,906
Revenue from continuing operations	33,623,860	-	33,623,860
Inter-segment sales	-		-
Segment revenue	33,623,860	-	33,623,860
Other segment information			
Segment assets	26,751,979		26,751,979
Unallocated assets			-
Total assets			26,751,979
Capital expenditure	1,663,238		1,663,238

4) Expense Accounts

	<i>Consolidated</i>		<i>realestate.com.au Ltd</i>	
	2006	2005	2006	2005
	\$	\$	\$	\$
<i>(a) Other Expenses</i>				
Consultants and Contractor Expenses	881,530	367,598		
Property Expenses	1,544,048	733,214		
Technology Expenses	1,644,003	862,084		
Travel Expenses	1,273,572	482,783		
Other Expenses	2,145,064	1,687,697	117,576	103,030
Total Other Expenses excluding takeover defence costs	7,488,217	4,133,376	117,576	103,030
<i>(b) Finance Costs</i>				
Bank loans and overdrafts	74,714		74,714	
Finance charges payable under finance leases	77,946			
Net foreign exchange loss on loans	339,247		339,247	
Related party loan (News International)	451,485		451,485	
Total Finance Costs	943,392	-	865,446	-
<i>(c) Depreciation and amortisation</i>				
Depreciation and amortisation (other than arising upon acquisition)	1,695,326	869,368		
Amortisation of intangibles (Property.com.au acquisition)	181,818	181,818		
Amortisation of intangibles (Propertyfinder.com acquisition)	321,401			
Amortisation of intangibles (Propertylook acquisition)	43,333			
Amortisation of intangibles (Hub Online Group acquisition)	55,556			
Total Depreciation and amortisation	2,297,434	1,051,186	-	-
<i>(d) Salaries and employee benefits expense</i>				
Wages and Salaries	21,694,525	11,046,029		
Workers compensation costs	61,947	66,037		
Defined contribution plan expense (Superannuation)	1,443,445	979,427		
Long service leave provision	129,706	63,934		
Total Salaries and employee benefits expense	23,329,623	12,155,427	-	-

5) Income Tax

The major components of income tax expense are:

Income Statement	CONSOLIDATED		realestate.com.au Ltd	
	2006	2005	2006	2005
	\$	\$	\$	\$
<i>Current income tax</i>				
Current income tax charge	3,450,806	675		675
Adjustments in respect of current income tax of previous years			(675)	
<i>Deferred income tax</i>				
Origination and reversal of temporary differences	492,092	(2,473,096)	(860,346)	(30,793)
Income tax expense reported in the income statement	3,942,898	(2,472,421)	(861,021)	(30,118)

A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:

Accounting profit / (loss) before income tax	10,583,981	5,619,611	(2,700,981)	(100,390)
At the Group's statutory income tax rate of 30% (2005: 30%)	3,175,194	1,685,883	(810,294)	(30,118)
Change due to non deductible expenses	15,220	12,426		
Effect of tax losses not recognised/(recognised) (a)	1,265,311	(4,170,730)		
Timing differences not recognised in prior years	(512,827)	-	(50,727)	-
Income tax expense on pre-tax net profit	3,942,898	(2,472,421)	(861,021)	(30,118)
Current income tax liability				
Consolidated current income tax liability	3,450,806	675	-	675

(a) The company elected not to recognise tax losses for its New Zealand and the UK operations during this fiscal year. The aggregate amounts of tax losses not recognised are \$1,280,958 for New Zealand and \$2,936,747 for the United Kingdom.

Deferred income tax

Deferred income tax at 30 June relates to the following:

CONSOLIDATED*Deferred tax liabilities*

	<i>Balance sheet</i>		<i>Income statement</i>	
	2006	2005	2006	2005
	\$	\$	\$	\$
Intangibles	(2,529,755)	(540,909)	(180,632)	(54,545)
Accrued income	(31,881)		31,881	
<i>Deferred income tax liabilities</i>	<u>(2,561,636)</u>	<u>(540,909)</u>		

Deferred tax assets

Takeover defence expenditure	385,696		(385,696)	
Provision for diminution in investments	15		(15)	
Provision for doubtful debts	165,015	82,724	(72,825)	(82,724)
Accruals	61,384	14,431	(37,556)	(14,431)
Losses available for offset against future taxable income	483,767	1,827,164	1,343,397	(1,827,164)
Depreciation - Leasehold improvements	40,060		(40,060)	
Provisions	244,166	164,484	(64,022)	(164,484)
Provision of employee entitlements	339,952	183,483	(116,522)	(183,483)
Prepaid revenues	113,016	125,944	12,928	(125,944)
Unrealised foreign exchange losses	3,912		(3,912)	
Finance leases	15,195	20,321	5,126	(20,321)
<i>Deferred income tax assets</i>	<u>1,852,178</u>	<u>2,418,551</u>		

Deferred tax (income) / expense

492,092 (2,473,096)**realestate.com.au Ltd***Deferred tax liabilities*

Accrued income	(24,990)	24,990
	<u>(24,990)</u>	<u>-</u>

Deferred tax assets

Takeover defence expenditure	385,696		(385,696)	
Provision for diminution in investments	15		(15)	
Provision for doubtful debts	65,234	30,793	(34,441)	(30,793)
Accruals	2,160		(2,160)	
Losses available for offset against future taxable income	463,024		(463,024)	
	916,129	30,793		

Deferred tax (income) / expense

(860,346) (30,793)**Tax consolidation**

Following advice from tax advisers, the Board has decided not to enter into tax consolidation in the fiscal year ended 30 June 2006.

6) Net financing costs

	<i>CONSOLIDATED</i>		<i>realestate.com.au Ltd</i>	
	2006	2005	2006	2005
	\$	\$	\$	\$
Interest income	(480,635)	(205,906)	(108,812)	(2,640)
Interest expense	604,145		526,199	
Net foreign exchange loss	339,247		339,247	
Net financing costs	462,757	(205,906)	756,634	(2,640)

7) Earnings per share

The following reflects the income used in the basic and diluted earnings per share computations:

	<i>CONSOLIDATED</i>	
	2006	2005
	\$	\$
Net profit attributable to ordinary equity holders	\$8,221,947	\$8,092,032

Basic earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of realestate.com.au Ltd by the weighted average number of ordinary shares outstanding during the year.

	2006	2005
Weighted average number of ordinary shares (Basic EPS)		
Issued ordinary shares as at 1 July	107,359,365	106,424,865
Effect of share options exercised during the financial year	6,219,644	476,384
Effect of rights issue in June 2006	251,303	
Weighted average number of ordinary shares as at 30 June (Basic EPS)	113,830,312	106,901,249

Diluted earnings per share

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of realestate.com.au Ltd by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

	2006	2005
Weighted average number of ordinary shares (Diluted EPS)		
Issued ordinary shares as at 1 July	107,359,365	106,424,865
Effect of share options on issue during the financial year	11,144,246	9,744,748
Effect of rights issue in June 2006	251,303	
Weighted average number of ordinary shares as at 30 June (Diluted EPS)	118,754,914	116,169,613

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

8) Net Tangible Asset backing

	<i>Jun-06</i>	<i>Jun-05</i>
	<i>cents</i>	<i>cents</i>
Net Tangible Asset Backing per Ordinary Security (undiluted).	5.7	8.9
Net Asset Backing increased from 17.5 cents per ordinary share as at the end of June 2005 to 55.9 cents per ordinary share as at the end of June 2006.		

9) Cash & Cash Equivalents

Reconciliation to Cash

For the purposes of the Cash Flow Statement, cash and cash equivalents comprise the following at 30 June:

	CONSOLIDATED		realestate.com.au Ltd	
	2006	2005	2006	2005
	\$	\$	\$	\$
Cash at bank and in hand	12,771,299	7,367,512	3,427,414	
Short term deposits	420,565	374,821		
Total Cash & cash equivalents	13,191,864	7,742,333	3,427,414	-

Cash at bank earns interest at floating rates based on daily bank deposit rates. At 30 June 2006, the Group had available \$10,000,000 (2005: nil) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

Reconciliation of net profit after tax to net cash flows from operations

	CONSOLIDATED		realestate.com.au Ltd	
	2006	2005	2006	2005
	\$	\$	\$	\$
Net profit / (loss)	8,221,947	8,092,032	(1,839,960)	(70,272)
<i>Adjustments for</i>				
Minority interest	(1,580,864)			
Depreciation and amortisation	2,297,434	1,051,186		
Net exchange differences	(18,686)		(44,725)	
Write down of loan to joint venture	114,805	100,050	114,805	100,050
Net loss on disposal of property, plant and equipment	22,181	5,982		

Changes in assets and liabilities

(Increase) / decrease in related party operating receivables				340
(Increase) / decrease in trade and other receivables	(5,123,987)	(1,700,708)	1,905,980	
(Increase) / decrease in other operating assets	(261,993)	(188,817)	(78,264)	
(Increase) / decrease in deferred tax assets	641,518	(2,418,551)	(885,336)	(30,793)
(Increase) / decrease in transfers to plant and equipment		(36,011)		
(Decrease) / increase in deferred tax liabilities	(148,751)	(54,545)	24,990	
(Decrease) / increase in current tax liabilities	3,450,131	675	(675)	675
(Decrease) / increase in trade and other payables	2,783,886	1,614,208	7,200	
(Decrease) / increase in provisions	366,210	314,494		
Net cash from operating activities	10,763,831	6,779,995	(795,985)	-

For disclosure of financing activities refer to note 17 and for disclosure of non-cash financing and investing activities refer to notes 13, 14 and 25.

10) Trade and other Receivables (current)

	CONSOLIDATED		realestate.com.au Ltd	
	2006	2005	2006	2005
	\$	\$	\$	\$
Trade debtors (i)	10,594,789	5,046,499		
Allowance for doubtful debts	(563,043)	(173,103)		
	10,031,746	4,873,396	-	-
Related party receivables – Subsidiaries (ii)			1,719,221	
Sundry debtors	356,277	635	45,910	
Total Trade and other receivables	10,388,023	4,874,031	1,765,131	-

(i) Trade debtors are non-interest bearing and are generally on 14 day terms. An allowance for doubtful debts is made when there is objective evidence that a trade receivable is impaired. An allowance has been recognised as an expense for the current year for specific debtors for which such evidence exists. The amount of the allowance/impairment loss has been measured as the difference between the carrying amount of the trade receivables and the estimated future cash flows expected to be received from the relevant debtors.

(ii) For terms and conditions relating to related party receivables refer to note 28. Details regarding the effective interest rate and credit risk of current receivables are disclosed in note 22.

11) Other current assets

	CONSOLIDATED		realestate.com.au Ltd	
	2006	2005	2006	2005
	\$	\$	\$	\$
Prepayments and Deposits	1,078,612	380,418	78,264	
Other current assets	66,515	2,664		
Total other current assets	1,145,127	383,082	78,264	-

12) Investment in subsidiaries

	CONSOLIDATED		realestate.com.au Ltd	
	2006	2005	2006	2005
	\$	\$	\$	\$
Property.com.au Pty Ltd – Equity interest 2006: 100% (2005: 100%)			9,185,827	9,185,827
Netwide Solutions Pty Ltd – Equity interest 2006: 100% (2005: 100%)*			5,775,820	18,456,210
realestate.com.au (Europe) Ltd – Equity interest 2006: 100% (2005: nil)			17,352,273	
Property Look Pty Ltd – Equity interest 2006: 100% (2005: nil)			9,455,119	
Hub Online Global Pty Ltd – Equity interest 2006: 98.5% (2005: nil)			6,343,665	
Total Investments in subsidiaries	-	-	48,112,704	27,642,037

Further information on the business combinations is found in note 25.

* = The balance of investment in Netwide Solutions Pty Ltd of \$5,775,820 for FY06 and \$18,456,210 for FY05 reflect non interest paying internal loans which are classified as equity investment under AIFRS (see note 32).

13) Property, Plant and Equipment

Year ended 30 June 2006	CONSOLIDATED			realestate.com.au Ltd		
	Leasehold Improve- ments	Hardware, Software, & Equipment	Total	Leasehold Improve- ments	Hardware, Software, & Equipment	Total
	\$	\$	\$	\$	\$	\$
At 1 July 2005						
Net of accumulated depreciation and impairment	152,748	1,939,156	2,091,904			-
Additions	518,939	1,950,050	2,468,989			-
Disposals		(69,185)	(69,185)			-
Accumulated depreciation on disposals		67,877	67,877			-
Acquisition of a subsidiary - at cost		766,326	766,326			-
Acquisition of a subsidiary - accumulated depreciation		(522,700)	(522,700)			-
Depreciation charge for the year	(139,866)	(1,208,494)	(1,348,360)			-
Exchange adjustment - at cost		19,928	19,928			-
Exchange adjustment - accumulated depreciation		(12,945)	(12,945)			-
At 30 June 2006						
Net of accumulated depreciation and impairment	531,821	2,930,013	3,461,834	-	-	-
At 1 July 2005						
At cost	253,275	3,352,601	3,605,876			-
Accumulated depreciation and impairment	(100,527)	(1,413,445)	(1,513,972)			-
Net carrying amount	152,748	1,939,156	2,091,904	-	-	-
At 30 June 2006						
At cost	772,214	6,019,720	6,791,934			-
Accumulated depreciation and impairment	(240,393)	(3,089,707)	(3,330,100)			-
Net carrying amount	531,821	2,930,013	3,461,834	-	-	-

Impairment of property, plant and equipment

There are no indications of a requirement for impairing the property, plant, and equipment position.

Year ended 30 June 2005	CONSOLIDATED			realestate.com.au Ltd		
	Leasehold Improve- ments	Hardware, Software & Equipment	Total	Leasehold Improve- ments	Hardware, Software, & Equipment	Total
	\$	\$	\$	\$	\$	\$
At 1 July 2004						
Net of accumulated depreciation and impairment	133,548	675,864	809,412	-	-	-
Additions	68,709	1,966,255	2,034,964	-	-	-
Disposals – at cost		(21,351)	(21,351)	-	-	-
Disposals – accumulated depreciation		13,369	13,369	-	-	-
Acquisition of a subsidiary				-	-	-
Depreciation charge for the year	(49,509)	(694,981)	(744,490)	-	-	-
Exchange adjustment				-	-	-
At 30 June 2005						
Net of accumulated depreciation and impairment	152,748	1,939,156	2,091,904	-	-	-
At 1 July 2004						
At cost	184,566	1,407,697	1,592,263	-	-	-
Accumulated depreciation and impairment	(51,018)	(731,833)	(782,851)	-	-	-
Net carrying amount	133,548	675,864	809,412	-	-	-
At 30 June 2005						
At cost	253,275	3,352,601	3,605,876	-	-	-
Accumulated depreciation and impairment	(100,527)	(1,413,445)	(1,513,972)	-	-	-
Net carrying amount	152,748	1,939,156	2,091,904	-	-	-

The carrying value of systems and hardware held under finance leases at 30 June 2006 is \$833,989 (2005: \$474,168). Additions during the year include \$359,821 (2005: \$474,168) of systems and hardware held under finance leases. Leased assets are pledged as security for the related finance lease liabilities.

14) Intangibles and Goodwill

	CONSOLIDATED				realestate.com.au Ltd
	Customer and Advertising Relationships	Software	Goodwill	Total	Total
	\$	\$	\$	\$	\$
At 1 July 2005					
Cost (gross carrying amount)	2,000,000	437,695	7,185,827	9,623,522	
Accumulated amortisation and impairment	(196,970)	(184,474)		(381,444)	
Net carrying amount	1,803,030	253,221	7,185,827	9,242,078	-
Year ended 30 June 2006					
At 1 July 2005, net of accumulated amortisation and impairment	1,803,030	253,221	7,185,827	9,242,078	
Additions		1,148,284		1,148,284	
Acquisition of a subsidiary - at cost	6,189,068	1,449,646	45,820,130	53,458,844	
Acquisition of a subsidiary - accumulated amortisation	(136,200)	(351,890)		(488,090)	
Amortisation	(546,553)	(402,521)		(949,074)	
Adjustment for subsequent recognition of deferred tax asset			(75,145)	(75,145)	
Exchange adjustment - at cost	192,924	23,670	1,377,541	1,594,135	
Exchange adjustment - accumulated depreciation	(7,898)	(19,955)		(27,853)	
At 30 June 2006, net of accumulated amortisation and impairment	7,494,371	2,100,455	54,308,353	63,903,179	-
At 30 June 2006					
Cost (gross carrying amount)	8,381,992	3,059,295	54,308,353	65,749,640	
Accumulated amortisation and impairment	(887,621)	(958,840)		(1,846,461)	
Net carrying amount	7,494,371	2,100,455	54,308,353	63,903,179	-

Customer and advertising relationships include intangible assets acquired through business combinations. These intangible assets have been determined to have useful lives of 5 to 11 years based on historic analysis. No impairment indication has arisen.

Software acquired has been capitalised at cost. These intangible assets have been assessed as having a useful life of 3 years and are amortised using the straight line method. No impairment indication has arisen.

As from 1 July 2005, goodwill is no longer amortised but is now subject to annual impairment testing. No impairment loss was recognised for continuing operations in the 2006 financial year.

	CONSOLIDATED				realestate.com.au Ltd
	Customer and Advertising Relationships	Software	Goodwill	Total	Total
	\$	\$	\$	\$	\$
At 1 July 2004					
Cost (gross carrying amount)	2,000,000	299,587	7,185,827	9,485,414	
Accumulated amortisation and impairment	(15,152)	(59,596)		(74,748)	
Net carrying amount	1,984,848	239,991	7,185,827	9,410,666	-
Year ended 30 June 2005					
At 1 July 2004, net of accumulated amortisation and impairment	1,984,848	239,991	7,185,827	9,410,666	
Additions		138,108		138,108	
Amortisation	(181,818)	(124,878)		(306,696)	
At 30 June 2005, net of accumulated amortisation and impairment	1,803,030	253,221	7,185,827	9,242,078	-
At 30 June 2005					
Cost (gross carrying amount)	2,000,000	437,695	7,185,827	9,623,522	
Accumulated amortisation and impairment	(196,970)	(184,474)		(381,444)	
Net carrying amount	1,803,030	253,221	7,185,827	9,242,078	-

The same principles as in financial year 2006 were applied for the comparative financial data of financial year 2005.

The carrying value of software held under finance leases at 30 June 2006 is \$627,775 (2005: nil). Additions during the year include \$627,775 (2005: nil) of software held under finance leases. Leased assets are pledged as security for the related finance lease liabilities.

15) Impairment testing of Goodwill

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

- Online Advertising Australia and New Zealand
- Online Advertising United Kingdom
- Agent Solutions (Hub Online products and Web Design Services)

Online Advertising Australia and New Zealand

The recoverable amount of this unit has been determined based on a value in use calculation using cash flow projections based on financial forecasts approved by senior management covering a five year period. The discount rate applied to cash flow projections is 15% and cash flows beyond the five year period are extrapolated using a 6% growth rate, which is below the industry growth rate but was chosen for a conservative outlook.

Online Advertising United Kingdom

The recoverable amount of this unit has been determined based on a value in use calculation using cash flow projections based on financial forecasts approved by senior management covering a five year period. The discount rate applied to cash flow projections is 15% and cash flows beyond the five year period are extrapolated using a 6% growth rate, which is below the industry growth rate but was chosen for a conservative outlook.

Agent Solutions

The recoverable amount of this unit has been determined based on a value in use calculation using cash flow projections based on financial forecasts approved by senior management covering a five year period. The discount rate applied to cash flow projections is 20% and cash flows beyond the five year period are extrapolated using a 6% growth rate, which is below the industry growth rate but was chosen for a conservative outlook.

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

	CONSOLIDATED		realestate.com.au Ltd	
	2006	2005	2006	2005
	\$	\$	\$	\$
Carrying amount of goodwill				
Online Advertising Australia/New Zealand	15,386,800	7,185,827	-	-
Carrying amount of goodwill				
Online Advertising United Kingdom				
(FX rate as of balance sheet date – GBP/A\$ = 0.4049)	33,069,910	-	-	-
Carrying amount of goodwill				
Agent Solutions	5,851,643	-	-	-
Total Carrying amount of goodwill	54,308,353	7,185,827	-	-

There were no other intangibles with indefinite lives in the books of the company.

Key assumptions used in “value in use” calculations for the Online Advertising Australia / New Zealand unit

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

- For the purpose of this model, revenues are expected to grow at rates reflecting the expected growth of revenue per agent in Australia and New Zealand and the expected increase in agent numbers
- EBITDA Margin is expected to be at levels consistent with current months
- Bond rates - the yield on a ten-year government bond rate at the beginning of the forecasted year is used (5.89%)

Key assumptions used in “value in use” calculations for the Online Advertising United Kingdom unit

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

- For the purpose of this model, revenues are expected to grow at rates reflecting the expected growth of revenue per agent in the UK and the expected increase in agent numbers
- The cash generating unit is expected to break even in the future
- Bond rates - the yield on a ten-year government bond rate at the beginning of the forecasted year is used (5.89%)

Key assumptions used in “value in use” calculations for the Agent Solutions unit

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

- Revenues are expected to grow at rates comparable to the past
- The cash generating unit is expected to break even and subsequently increase its EBITDA level further
- Bond rates - the yield on a ten-year government bond rate at the beginning of the forecasted year is used (5.89%)

16) Payables

	CONSOLIDATED		realestate.com.au Ltd	
	2006	2005	2006	2005
	\$	\$	\$	\$
Trade payables	1,651,582	1,108,785	-	-
Accruals	1,910,606	1,348,616	7,200	-
Other payables for taxes and for other operating expenses	3,879,608	634,372	1,375,743	2,250
Total payables	7,441,796	3,091,773	1,382,943	2,250

Information regarding the effective interest rate and credit risk of current payables is set out in note 22 and 23.

17) Interest Bearing Loans & Borrowings

		CONSOLIDATED		realestate.com.au Ltd	
		2006	2005	2006	2005
	Maturity	\$	\$	\$	\$
Current					
Obligations under finance leases and hire purchase contracts	2007	448,572	158,056	-	-
Unsecured loans from other related parties	On demand	1,518,032	-	-	-
		1,966,604	158,056	-	-
Non-current					
Obligations under finance leases and hire purchase contracts	see Note 27	809,346	316,112	-	-
		809,346	316,112	-	-

Fair value disclosures: Details of the fair value of the Group's interest bearing liabilities are set out in note 23.

Financing facilities available: At reporting date, the following financing facilities had been negotiated and were available:

	CONSOLIDATED		realestate.com.au Ltd	
	2006	2005	2006	2005
	\$	\$	\$	\$
Total facilities				
- bank overdraft	10,000,000		10,000,000	
- bank loans				
	10,000,000	-	10,000,000	-
Facilities used at reporting date				
- bank overdraft				
- bank loans				
	-	-	-	-
Facilities unused at reporting date				
- bank overdraft	10,000,000		10,000,000	
- bank loans				
	10,000,000	-	10,000,000	-
Total Facilities	10,000,000		10,000,000	
Facilities used at reporting date				
Facilities unused at reporting date	10,000,000	-	10,000,000	-

Bank overdrafts: The bank overdrafts are secured by a cross guarantee between realestate.com.au Ltd, Netwide Solutions Pty Ltd, and property.com.au Pty Ltd.

18) Other current liabilities

	<i>CONSOLIDATED</i>		<i>realestate.com.au Ltd</i>	
	2006	2005	2006	2005
	\$	\$	\$	\$
Deferred revenues	4,853,182	2,711,442	-	-
Prepaid revenues	376,719	419,815	-	-
Total other current liabilities	5,229,901	3,131,257	-	-

19) Provisions

	<i>Lease Incentive</i>	<i>Superan- uation</i>	<i>Annual Leave</i>	<i>Long Service Leave</i>	<i>Total</i>
	\$	\$	\$	\$	\$
CONSOLIDATED					
At 1 July 2005	68,596	24,334	463,015	148,593	704,538
Acquisition of subsidiary (note 25)			174,561	49,928	224,489
Arising during the year	27,513	1,443,445	1,085,735	129,706	2,686,399
Utilised	(36,396)	(1,467,779)	(806,436)	(20,050)	(2,330,661)
At 30 June 2006	59,713	-	916,875	308,177	1,284,765
Current 2006	36,395		916,875		953,270
Non-current 2006	23,318			308,177	331,495
	59,713	-	916,875	308,177	1,284,765
Current 2005	36,395	24,334	463,015		523,744
Non-current 2005	32,201			148,593	180,794
	68,596	24,334	463,015	148,593	704,538
realestate.com.au Ltd					
At 1 July 2005					
Acquisition of subsidiary (note 25)					
Arising during the year					
Utilised					
At 30 June 2006	-	-	-	-	-
Current 2006					
Non-current 2006					
	-	-	-	-	-
Current 2005					
Non-current 2005					
	-	-	-	-	-

20) Contributed Equity and Reserves

	CONSOLIDATED		realestate.com.au Ltd	
	2006	2005	2006	2005
	\$	\$	\$	\$
<i>(a) Issued and paid up Capital</i>				
Ordinary shares (issued and fully paid)	56,001,961	28,955,709	56,001,961	28,955,709
<i>(b) Movement in ordinary shares on issue</i>				
	2006 Number of shares	2006 \$	2005 Number of shares	2005 \$
At 1 July	107,359,365	28,955,709	106,424,865	28,815,534
Options exercised under Staff Share Option Scheme	1,557,000	233,550	934,500	140,175
Options exercised by News Limited	10,000,000	2,000,000		
Shares issued in Rights Issue	8,338,692	25,016,076		
Transaction costs on share issue		(203,374)		
At 30 June 2006	127,255,057	56,001,961	107,359,365	28,955,709

Share options: The company has two share based payment option schemes under which options to subscribe for the company's shares have been granted to certain executives and other employees.

	CONSOLIDATED				realestate.com.au Ltd			
	Share Capital	FX Translation Reserve	Accumulated Losses	Total	Share Capital	FX Translation Reserve	Accumulated Losses	Total
	\$	\$	\$	\$	\$	\$	\$	\$
At 1 July 2004	28,815,534		(18,239,082)	10,576,452	28,815,534	-	(1,215,532)	27,600,002
Total recognised income and expenses			8,092,032	8,092,033			(70,272)	(70,272)
Deferred Tax recognised in Reserves				54,546				-
Currency translation differences				-				-
Share options exercised by Employees	140,175			140,175	140,175			140,175
Share options exercised by News Ltd				-				-
Shares issue in Rights Issue				-				-
At 30 June 2005	28,955,709	-	(10,147,050)	18,808,659	28,955,709	-	(1,285,804)	27,669,905
At 1 July 2005	28,955,709	-	(10,147,050)	18,808,659	28,955,709	-	(1,285,804)	27,669,905
Total recognised income and expenses			8,221,947	8,221,947			(1,839,960)	(1,839,960)
Currency translation differences		674,543		674,543				-
Share options exercised by Employees	233,550			233,550	233,550			233,550
Share options exercised by News Ltd	2,000,000			2,000,000	2,000,000			2,000,000
Shares issue in Rights Issue	24,812,702			24,812,702	24,812,702			24,812,702
At 30 June 2006	56,001,961	674,543	(1,925,103)	54,751,401	56,001,961	-	(3,125,764)	52,876,197

Currency Translation Reserve: The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of realestate.com.au (Europe) Ltd consolidated.

(d) Minority interests

	CONSOLIDATED		realestate.com.au Ltd	
	2006	2005	2006	2005
Interest in:	\$	\$	\$	\$
Share Capital	18,026,814			
Current earnings	(1,580,864)			
Total Minority interests	16,445,950	-	-	-

21) Employee Option Plan

Prior to listing, an employee option scheme was established where the Board may from time to time determine who is entitled to participate in the scheme and may grant options in accordance with certain terms and conditions. The total number of options on issue under the Option Scheme must not exceed five percent of the total number of ordinary shares on issue at that time. The options expire five years from issue date or one month after the Options Holder ceases to be an employee of the company or its subsidiaries. The exercise price of any new options issued under this scheme is to be based on the weighted average market price of the share five trading days prior to the issue date.

At the Annual General Meeting for the year ended 30 June 2001, shareholders approved an amendment to the scheme, whereby, for future option issues, the minimum price of staff options is to be \$0.15. A total of 2,840,000 staff options were issued in July 2002 with an exercise price of \$0.15 each. A total of 282,500 of these options have lapsed. Additionally, 1,557,000 (2005: 864,500) options were exercised during the year.

At the Annual General Meeting for the year ended 30 June 2001, shareholders approved an amendment to the scheme, whereby, for options with an expiry date of 11 November 2004, the exercise price of the outstanding 80,000 options was reduced from \$0.50 to \$0.15 each. All remaining 70,000 options were exercised during fiscal year 2005.

No other equities in any of the entities within the consolidated entity were acquired by or issued to employees during the year in relation to any other ownership based remuneration schemes.

Options exercised during the financial year and number of shares issued to employees on the exercise of options.

Exercise date	Fair value of shares at issue date	CONSOLIDATED		realestate.com.au Ltd	
		2006 Number	2005 Number	2006 Number	2005 Number
14-Oct-04	\$0.94		514,500		514,500
5-Nov-04	\$0.95		45,000		45,000
1-Feb-05	\$1.76		45,000		45,000
16-Feb-05	\$2.00		60,000		60,000
9-May-05	\$1.40		250,000		250,000
26-May-05	\$1.39		20,000		20,000
5-Jul-05	\$1.46	15,000		15,000	
29-Aug-05	\$2.30	128,000		128,000	
18-Oct-05	\$2.43	188,000		188,000	
22-Nov-05	\$2.72	340,000		340,000	
25-Jan-06	\$2.83	100,000		100,000	
28-Feb-06	\$3.39	250,000		250,000	
17-Mar-06	\$3.90	250,000		250,000	
13-Apr-06	\$3.60	196,000		196,000	
18-May-06	\$4.00	90,000		90,000	
TOTAL		1,557,000	934,500	1,557,000	934,500

As at 30 June 2006, there were no unexercised options outstanding.

The fair value of shares issued on the exercise of options is the closing price at which the company's shares were traded on the Australian Stock Exchange on the day the options were exercised.

	CONSOLIDATED		realestate.com.au Ltd	
	2006	2005	2006	2005
	\$	\$	\$	\$
Aggregate proceeds received from employees on the exercise of options and recognised as issued capital	233,550	140,175	233,550	140,175
Fair value of shares issued to employees on the exercise of options as at their issue date	4,868,965	1,103,380	4,868,965	1,103,380

22) Financial Risk Management

The Group's principal financial instruments comprise bank loans and overdrafts, finance leases and hire purchase contracts, and cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. The Group had temporarily entered into a derivative transaction to manage the currency risks arising from the bridging loan taken up on 2 Nov 2005 to acquire the Asserta Holdings Group in the UK. This loan has been repaid and the FX forward contract exercised. It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken. The main risks arising from the Group's financial instruments are cash flow interest rate risk, liquidity risk, foreign currency risk and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below. Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2 to the financial statements.

Cash flow interest rate risk

The Group has no long term debt outstanding.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, finance leases and hire purchase contracts.

Credit risk

Receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. There are no significant concentrations of credit risk within the Group. With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, the Group's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. Since the Group trades only with recognised third parties, there is no requirement for collateral.

Interest rate risk

The consolidated entity's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised at the balance date, are as follows:

and unrecognised at the balance date, are as follows:

2006	Floating interest rate	Fixed interest rate maturing in:			Non-interest bearing	Total carrying amount as per the Balance sheet	Weighted average effective interest rate
		1 year or less	1 to 5 years	More than 5 years			
(i) Financial assets							
Cash	12,771,299	420,565				13,191,864	4.5%
Trade and other receivables					10,388,023	10,388,023	n/a
Total financial assets	12,771,299	420,565	-	-	10,388,023	23,579,887	
(ii) Financial liabilities							
Trade creditors					1,651,582	1,651,582	n/a
Other creditors					5,790,214	5,790,214	n/a
Obligations under finance leases		448,572	809,346			1,257,918	9.0%
Payable – other related		1,518,032				1,518,032	6.5%
Total financial liabilities	-	1,966,604	809,346	-	7,441,796	10,217,746	
2005	Floating interest rate	Fixed interest rate maturing in:			Non-interest bearing	Total carrying amount as per the Balance sheet	Weighted average effective interest rate
		1 year or less	1 to 5 years	More than 5 years			
(i) Financial assets							
Cash	7,367,512	374,821				7,742,333	4.45%
Trade and other receivables					4,874,031	4,874,031	n/a
Total financial assets	7,367,512	374,821	-	-	4,874,031	12,616,364	
(ii) Financial liabilities							
Trade creditors					1,108,785	1,108,785	n/a
Other creditors					1,982,988	1,982,988	n/a
Obligations under finance leases		158,056	316,112			474,168	14.0%
Payable – other related						-	
Total financial liabilities	-	158,056	316,112	-	3,091,773	3,565,941	

All financial assets and liabilities are stated at their carrying amounts that are not materially different from their fair values. The following methods and assumptions are used to determine the net fair values of financial assets and liabilities:

- *Cash, cash equivalents and short-term investments:* The carrying amount approximates fair value because of their short-term to maturity.
- *Trade receivables, trade creditors:* The carrying amount approximates fair value.
- *Short-term borrowings:* The carrying amount approximates fair value because of their short-term to maturity.

Credit risk exposures

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

Concentrations of credit risk

The company minimises concentrations of credit risk in relation to trade receivables by undertaking transactions with a large number of customers.

Foreign exchange rate exposure

The consolidated entity is exposed to foreign currency risk on sales, purchases, and lendings that are denominated in a currency other than the AUD. The currencies giving rise to this risk are primarily the British Pounds and the New Zealand Dollar. However, this applies to less than 10% of the sales at this stage (see note 3).

23) Financial Instruments**Fair values**

Set out below is a comparison by category of carrying amounts and fair values of all of the Group's financial instruments recognised in the financial statements. The fair values of loan notes and other financial assets have been calculated using market interest rates.

CONSOLIDATED	<i>Carrying amount</i>		<i>Fair value</i>	
	2006	2005	2006	2005
	\$	\$	\$	\$
<i>Financial assets</i>				
Cash	13,191,864	7,742,333	13,191,864	7,742,333
Trade receivables	10,388,023	4,874,031	10,388,023	4,874,031
Loan notes (written down value = nil)	-	-	-	-
<i>Financial liabilities</i>				
<i>On balance sheet</i>				
Trade payables	7,441,796	3,091,773	7,441,796	3,091,773
Interest bearing loans and borrowings:				
Obligations under finance leases and hire purchase contracts	1,257,918	474,168	1,257,918	474,168
Fixed rate borrowings	1,518,032	-	1,518,032	-
 <i>realestate.com.au Ltd</i>				
<i>Financial assets</i>				
Cash	3,427,414	-	3,427,414	-
Interest bearing loans to related parties	1,765,131	-	1,765,131	-
Investments in subsidiaries	48,112,704	27,642,037	48,112,704	27,642,037
<i>Financial liabilities</i>				
<i>On balance sheet</i>				
Trade payables	1,382,943	2,250	1,382,943	2,250
Related party payable	15,512	-	15,512	-

Contingencies

The Company and certain controlled entities have potential financial liabilities that may arise from certain contingencies disclosed in note 27. As explained in that note, no material losses are anticipated in respect of any of those contingencies and the fair value disclosed above is the directors' estimate of amounts that would be payable by the Group as consideration for the assumption of those contingencies by another party.

Interest rate risk

The following table sets out the carrying amount, by maturity, of the financial instruments exposed to interest rate risk:

Year ended 30 June 2006	< 1 year	>1 - <2 years	>2 - <3 years	>3 - <4 years	>4 - <5 years	> 5 years	Total	Weighted average effective interest rate %
CONSOLIDATED	\$	\$	\$	\$	\$	\$	\$	
FINANCIAL ASSETS								
<i>Fixed rate</i>								
Loan to Joint Venture - REA Financial Services (fully provided)					217,445		217,445	7.7%
<i>Weighted average effective interest rate</i>					7.7%		7.7%	
<i>Floating rate</i>								
Cash assets	13,191,864						13,191,864	4.5%
<i>Weighted average effective interest rate</i>	4.5%						4.5%	
FINANCIAL LIABILITIES								
<i>Fixed rate</i>								
Loan from related party - News International (6.5%)	1,518,032						1,518,032	6.5%
Obligations under finance leases and hire purchase contracts (9.0%)	448,572	404,955	246,899	157,492			1,257,918	9.0%
<i>Weighted average effective interest rate</i>	7.1%	9.0%	9.0%	9.0%			7.6%	
<i>Floating rate</i>								
nil								
Year ended 30 June 2006	< 1 year	>1 - <2 years	>2 - <3 years	>3 - <4 years	>4 - <5 years	> 5 years	Total	Weighted average effective interest rate %
realestate.com.au Ltd	\$	\$	\$	\$	\$	\$	\$	
FINANCIAL ASSETS								
<i>Fixed rate</i>								
Related Party Loan to Web Effect Int.	201,570						201,570	6.5%
Related Party Loan to Asserta Holdings Group	1,517,651						1,517,651	6.5%
Loan to Joint Venture - REA Financial Services (fully provided)					217,445		217,445	7.7%
<i>Weighted average effective interest rate</i>	6.5%				7.7%		6.6%	
<i>Floating rate</i>								
Cash assets	3,427,414						3,427,414	5.0%
<i>Weighted average effective interest rate</i>	5.0%						5.0%	
FINANCIAL LIABILITIES								
nil								

24) Consolidated entities

	Note	Country of Incorporation	Ownership interest	
			2006	2005
Parent entity				
realestate.com.au Limited		Australia		
Subsidiaries				
Netwide Solutions Pty Limited		Australia	100%	100%
property.com.au Pty Limited		Australia	100%	100%
realestate.com.au (Europe) Limited		United Kingdom	100%	100%
News 8008 Limited		United Kingdom	50%*	
Asserta Holdings Group	25	United Kingdom	95.2%**	
Hub Online Global Pty Limited	25	Australia	98.5%**	
WEB Effect International Pty Limited	25	Australia	100%	
Property Look Pty Limited	25	Australia	100%	

* = realestate.com.au (Europe) Ltd controls News 8008 Ltd via a majority on the board and consequently has fully consolidated the financial accounts since acquisition date.

** = realestate.com.au Ltd or its controlled entities have initiated the transfer of the remaining minority interest and economically own 100% of the economic interest of the appropriate entities, so 100% of the results are consolidated into realestate.com.au Ltd books.

25) Business Combinations**(a) Acquisition of Asserta Holdings Group ("propertyfinder.com")**

On 2 November 2005, realestate.com.au Ltd acquired via its 100% owned subsidiary, realestate.com.au (Europe) Ltd, a 50% share of News 8008 Ltd. realestate.com.au (Europe) Ltd controls News 8008 Ltd via a majority on the board and consequently has fully consolidated the financial accounts since acquisition date. The other 50% of the shares in News 8008 Ltd are held by News International Ltd.

News 8008 Ltd subsequently acquired a 95.2% stake in Asserta Holdings Group (UK) an unlisted group of companies which incorporates the UK real estate portal propertyfinder.com. The other 4.8% are held by estate agents in the UK but are to be transferred to News 8008 Ltd in early 2007. As Asserta Holding's equity is negative and the minority shareholders are not obliged to inject further capital into the company, a negative minority interest has not been recorded in accordance with AASB 127 *Consolidated and Separate Financial Statements*. At the date of the acquisition, the acquired group was involved in providing online advertising and web services similar to those of realestate.com.au Ltd to estate agents in the UK and Europe.

The acquired business contributed revenues of \$5,469,778 and a net loss after minority interest of (\$1,580,864) for the period 2 November 2005 to 30 June 2006. If the acquisition had occurred on 1 July 2005, consolidated revenue and consolidated losses for the year ended 30 June 2006 would have been \$7,723,292 and (\$2,222,380) respectively.

The fair value of the identifiable assets and liabilities of Asserta Holdings Group as at the date of acquisition are:

	CONSOLIDATED	
	Book value on acquisition \$ <i>translated at FX rate at acquisition date</i>	Fair value recognised on acquisition \$
Assets		
Cash and cash equivalents	493,971	493,971
Trade and other receivables	919,793	919,793
Property, Plant, and Equipment	107,667	107,667
Intangible Assets	99,366	4,844,324
Total Assets	1,620,797	6,365,755
Liabilities		
Payables and Provisions	(1,537,670)	(1,537,670)
Interest bearing Loans and Borrowings	(77,792)	(77,792)
Other Liabilities	(63,865)	(63,865)
Deferred tax liability		(1,423,488)
Total Liabilities	(1,679,327)	(3,102,815)
Net Assets	(58,530)	3,262,940
Purchase price		
Cash paid by the acquiring parties		34,032,531
Costs associated with the acquisition		997,923
Total cost of the combination		35,030,454
Less: Fair Value of Net Assets acquired		3,262,940
Goodwill on acquisition		31,767,514
The cash outflow on acquisition is as follows:		
Cash consideration paid up to reporting date		35,030,454
Less: Net cash acquired with the subsidiary		493,971
Net cash outflow (for News 8008 Ltd)	FX rate as of date of acquisition GBP/A\$ = 0.4215	34,536,483

* = The increased identifiable intangible assets consist of trade and domain names as well as customer and advertiser relationships valued at GBP 2m or \$4,744,958 at acquisition date. The valuation was conducted using the services of a professional valuation expert.

(b) Acquisition of Property Look Pty Limited

On 4 May 2006, realestate.com.au Limited acquired 100% of the voting shares of Property Look Pty Limited. The total cost of the combination was \$9,455,119 and comprised costs directly attributable to the combination.

The acquired business contributed revenues of \$323,075 and net profit after minority interest of \$39,167 for the period 4 May 2006 to 30 June 2006. If the acquisition had occurred on 1 July 2005, consolidated revenue and consolidated losses for the year ended 30 June 2006 would have been \$1,676,722 and (\$235,907) respectively.

At the date of the acquisition, the acquired company was involved in providing online advertising for commercial agents in Australia and New Zealand.

The fair value of the identifiable assets and liabilities of Property Look Pty Limited as at the date of acquisition are:

	CONSOLIDATED	
	Book value on acquisition	Fair value recognised on acquisition
	\$	\$
Assets		
Cash and cash equivalents	494,452	494,452
Trade and other receivables	269,087	269,087
Other current assets	36,727	36,727
Deferred Tax Asset	-	30,271
Property, Plant, and Equipment	50,148	50,148
Intangible Assets	-	1,300,000
Acquired Intangible Assets / Goodwill	6,300	6,300
Total Assets	856,714	2,186,985
Liabilities		
Payables	437,407	437,407
Provisions	22,390	22,390
Other current liabilities	63,396	63,396
Provisions	19,646	19,646
Deferred Tax Liability	-	390,000
Total Liabilities	542,839	932,839
Net Assets	313,875	1,254,146

Purchase price

Cash paid by the acquiring parties	9,311,673
Costs associated with the acquisition	143,446
Total cost of the combination	9,455,119
Less: Fair Value of Net Assets acquired	1,254,146
Goodwill on acquisition	8,200,973

The cash outflow on acquisition is as follows:

Cash consideration paid.	9,455,119
Less: Net cash acquired with the subsidiary	494,452
Net cash outflow	8,960,667

The identifiable intangible assets consist of customer contracts for 5 years with a carrying value of \$1,300,000 and which are depreciated over 5 years.

(c) Acquisition of Hub Online Group

On 5 May 2006, realestate.com.au Limited acquired 100% of the economic interest of the Hub Online Group. 85.6% of the shares were transferred immediately on completion, and the remaining shares were transferred during the following three months. This transfer was completed in July and August 2006.

The total cost of the combination was \$6,343,665 and comprised costs directly attributable to the combination. The acquired business contributed revenues of \$262,080 and net loss after minority interest of (\$46,169) for the period 5 May 2006 to 30 June 2006. If the acquisition had occurred on 1 July 2005, consolidated revenue and consolidated losses for the year ended 30 June 2006 would have been \$1,493,799 and (\$349,509) respectively.

The acquired company is a leading provider of web based sales lead management and marketing solutions to Australian and New Zealand real estate agents. The fair value of the identifiable assets and liabilities of Hub Online Group as at the date of acquisition are:

CONSOLIDATED

	Book value on acquisition \$	Fair value recognised on acquisition \$
Assets		
Cash and cash equivalents	9,785	9,785
Trade and other receivables	156,228	156,228
Other current assets	22,532	22,532
Deferred Tax Asset	-	44,874
Property, Plant, and Equipment	85,811	85,811
Intangible Assets	-	1,000,000
Acquired Intangible Assets / Goodwill	269,100	269,100
Total Assets	543,456	1,588,330
Liabilities		
Payables	387,412	387,412
Interest bearing Loans and Borrowings (current)	18,886	18,886
Provisions	60,839	60,839
Other current liabilities	21,303	21,303
Interest bearing Loans and Borrowings (non current)	8,487	8,487
Provisions	30,281	30,281
Deferred Tax Liability	-	300,000
Total Liabilities	527,208	827,208
Net Assets	16,248	761,122

Purchase price

Cash to be paid by the acquiring parties	6,000,000
Costs associated with the acquisition	343,665
Total cost of the combination	6,343,665
Less: Fair Value of Net Assets acquired	761,122
Goodwill on acquisition	5,582,543

The cash outflow on acquisition is as follows:

Cash consideration paid up to 30 June 2006	5,013,831
Less: Net cash acquired with the subsidiary	9,785
Net cash outflow	5,004,046

The remaining payment to the shareholders of \$1,329,834 (= Total purchase price of \$6,000,000 less amount of purchase price paid \$4,670,166) is to be paid in FY07.

26) Investment in Joint Ventures

27) Commitments and Contingencies

	CONSOLIDATED		realestate.com.au Ltd	
	2006	2005	2006	2005
	\$	\$	\$	\$
Within one year	1,529,010	815,965		
After one year but not more than five years	2,451,862	1,753,628		
More than five years	-	-		
	3,980,872	2,569,593	-	-

	2006		2005	
	Minimum lease payment	Present value of lease payments	Minimum lease payment	Present value of lease payment
CONSOLIDATED	\$	\$	\$	\$
Within one year	483,956	453,035	180,576	165,039
After one year but not more than five years	989,195	785,500	361,152	257,359
Total minimum lease payments	1,473,151	1,238,535	541,728	422,398
Less amounts representing finance charges	(215,233)	(173,876)	(67,560)	(56,966)
Present value of minimum lease payments	1,257,918	1,064,659	474,168	365,432

	2006	2005
	Present value	Present value
	Minimum lease	Minimum lease
	payment	payment
	\$	\$
realestate.com.au Ltd		

Capital and other commitments

	CONSOLIDATED		realestate.com.au Ltd	
	2006	2005	2006	2005
<i>Property, plant and equipment</i>	\$	\$	\$	\$
Within one year				
- Office infrastructure, furniture and fittings	520,949			
After one year but no more than 5 years	-			
Longer than five years	-			
Total	520,949	-	-	-

Commitments other than for property, plant as at 30 June 2006 consist of the remaining \$50,000 (2005: \$150,000) loan payment to realestate.com.au Ltd's joint venture realestate.com.au Financial Services Ltd.

For the past years, the company has had Online Integration and Promotion agreements with ninemsn.com.au in Australia to promote a co-branded version of the realestate.com.au Ltd website which is integrated on the ninemsn Network. The terms of the current agreement are not disclosed, but are in line with past agreements.

Amounts disclosed as remuneration commitments include commitments arising from the service contracts of directors and executives referred to in note 31 that are not recognised as liabilities and are not included in the directors' or executives' remuneration.

Guarantees

A Cross guarantee between realestate.com.au Limited, Netwide Solutions Pty Ltd, and property.com.au Pty Ltd to secure the credit line of \$10m with National Australia Bank was given.

28) Related party transactions**Directors**

The directors of realestate.com.au Limited during the financial year were:

Mr Alasdair MacLeod, Mr John D McGrath, Mr Stephen P Rue, Mr Sam R White, Mr Simon T Baker (since 5 April 2006), Mr Martin P U Hoffman (until 5 April 2006)

Transactions within the consolidation group*Loan to WEB Effect International Pty Ltd*

On the 10 May 2006, the company entered into a loan agreement to make total funds available of \$200,000 (2005: n/a) in the form of an interest bearing (6.5% fixed) short term bridging loan to its wholly owned subsidiary WEB Effect International Pty Ltd. The balance of this loan including accrued interest at 30 June 2006 was \$201,570. Half of the loan and interest accrued is to be repaid by 30 September 2006 and the other half by 30 April 2007.

Loan to Asserta Holdings Group

On the 18 November 2005, the company first entered into a working loan agreement with its controlled subsidiary Asserta Holdings Ltd to make funds available of a total amount of GBP 600,000 (2005: n/a) in form of an interest bearing (6.5% fixed) loan which is callable at any time. The balance of this loan including accrued interest at 30 June 2006 was A\$ 1,517,651.

Other related party transactions*Sales*

During the year, the company sold residential subscriptions and other advertising products at arm's length terms and conditions to the franchisees and offices of the Ray White Group and to John McGrath Estate Agents.

Purchases

During the year, the company utilised advertising services of News Limited to the value of \$19,044 (2005: \$1,078,310) on normal commercial terms and conditions. In addition, the company's controlled subsidiary Asserta Holdings Group utilised advertising services of News International Ltd and related companies (UK) of GBP 311,384.58 (2005: nil) or A\$ 769,042.

During the year, the company utilised the services of Ninemsn Pty Limited to the value of \$1,390,584 (2005: \$896,718) on normal commercial terms and conditions.

Loan to realestate.com.au Financial Services Ltd

realestate.com.au Ltd and Reva Services Pty Ltd equally hold a 50% equity stake in the joint venture realestate.com.au Home Loans (a mortgage broker start-up business). Reva Services Pty Ltd is a 100% subsidiary of Reva Group Holdings Pty Ltd. Mr Sam R White is the legal and beneficial owner of 100% of the securities in Jespin Investments Pty Ltd which, in turn, owns 33% of Reva Group Holdings Pty Ltd. On 28 February 2005, realestate.com.au Limited signed a loan agreement with its associate (50% ownership) realestate.com.au Financial Services Limited for the amount of \$250,000. The first payment of \$100,000 was made to realestate.com.au Financial Services Limited in March 2005, the second installment of \$100,000 was made on 22 August 2005. This amount is subject to interest at the 30 day bank bill rate plus two percent. Interest and principal are repayable in December 2010. Realestate.com.au Financial Services Pty Ltd is currently net asset deficient, therefore the Directors have resolved to fully provide for the loan and interest income. realestate.com.au Ltd has no obligations to make good the net asset deficiency of realestate.com.au Financial Services Ltd.

Loan to Asserta Holdings Group

News International Ltd and realestate.com.au (Europe) Ltd both hold a 50% stake in News 8008 Ltd which holds 95.2% of the shares in Asserta Holdings Group. realestate.com.au (Europe) Ltd controls News 8008 Ltd via a majority on the board. On the 18 November 2005, News International Ltd first entered into a working capital loan agreement with Asserta Holdings Ltd to make funds available of a total amount of GBP 600,000 (2005: n/a) in the form of an interest bearing (6.5% fixed) loan which is callable at any time. The balance of this loan including accrued interest at 30 June 2006 was A\$ 1,518,032.

Loan to realestate.com.au Ltd

On 1 November 2005, realestate.com.au Ltd and News International Ltd entered into a loan agreement under which News International Ltd agreed to advance up to £7,550,000 to realestate.com.au Ltd. The company entered into the Loan Agreement to obtain finance to proceed with the Propertyfinder acquisition. The Loan Agreement was of a standard form and would have ceased without penalty once the funds were paid to News International Ltd. The key terms of the Loan Agreement were as follows: Principal: £7,550,000, Interest: 2% over the base-lending rate of The Bank of England, Interest to be accrued daily and to be payable in arrears on the date for repayment, Repayment: The last day for repayment of the loan was 30 June 2006. This loan (principal and interest) was completely repaid on 20 June 2006. Interest of \$451,485 (2005: nil) was incurred and paid to the lender.

Underwriting Agreement for the rights issue

No fees were paid to the underwriters of the rights issue (News Ltd and Songpan Ltd).

Director transactions

During the year the directors incurred expenses in connection with carrying out their duties as directors. Where these expenses were reasonable and business related, the company reimbursed them in full.

Ultimate entity

The ultimate entity is realestate.com.au Limited.

29) Subsequent events after balance sheet date

realestate.com.au Ltd's UK subsidiary business, News 8008 Ltd, announced on 11 July 2006, that it had signed an agreement to acquire the London Property News publishing group from News International for £1.25m (A\$3.1m). The acquisition cost will be shared 50:50 by News 8008 Ltd's joint owners – realestate.com.au Limited and News International Ltd. The London Property News group publishes some of the UK's leading real estate magazines. The group consists of 6 monthly real estate magazines and 3 weekly real estate newspapers with a combined circulation of around 430,000. Four of the monthly magazines cover the London area while the other two cover Surrey and Cheshire. The 3 newspapers are all focused within London. Completion is expected to occur in September 2006.

On 17 August 2006, realestate.com.au Ltd offered its Australian employees, who meet certain criteria, the opportunity to participate in a share purchase plan. Employees are able to purchase shares from their pre-tax salary on a monthly basis. realestate.com.au Ltd will add an additional 15% to the contributions (up to a maximum contribution of \$1,800 additional benefit per financial year). No new shares will be issued as a result of this plan and the shares will be purchased on the market. The plan commences in September 2006 and will be accounted for under AASB2 in the next financial report.

30) Auditors Remuneration

The auditor of realestate.com.au Limited is Ernst & Young.

	<i>CONSOLIDATED</i>		<i>realestate.com.au Ltd</i>	
	2006	2005	2006	2005
<i>Amounts received or due and receivable</i>	\$	\$	\$	\$
Audit Services				
Audit and review of financial reports – E&Y Australia	153,730	73,500		
Audit and review of financial reports – E&Y Overseas	125,389			
Due Diligence services – E&Y Australia (Rights Issue, UK acquisition)	118,023		28,000	
	<u>397,142</u>	<u>73,500</u>	<u>28,000</u>	<u>-</u>
Other Services				
Review of acquisition related completion accounts – E&Y Australia	112,386		112,386	
Review of acquisition related completion accounts – E&Y Overseas	37,400			
Review of acquisition related completion accounts – other audit firms	93,723		93,723	
Taxation services related to the rights issue - E&Y Australia	34,000		34,000	
Taxation services related to the rights issue - E&Y Overseas	5,881		5,881	
Taxation Services – E&Y Australia	16,150			
Taxation Services - Non E&Y audit firms	40,417			
	<u>339,957</u>	<u>-</u>	<u>245,990</u>	<u>-</u>
Advisory Services				
Advisory Services - E&Y Australia		68,865		
Advisory Services - Non E&Y audit firms	48,161			
	<u>48,161</u>	<u>68,865</u>	<u>-</u>	<u>-</u>

31) Director and Executive disclosures**(a) Details of Key Management Personnel***(i) Directors*

Mr John D McGrath	(Chairman)
Mr Simon T Baker	(Chief Executive Officer & Managing Director since 5 April 2006)
Mr Stephen P Rue	(Non-executive Director)
Mr Martin P U Hoffman	(Non executive Director up to 5 April 2006)
Mr Sam R White	(Non-executive Director)
Mr Alasdair MacLeod	(Non-executive Director)
Mr Roger Amos	(Non-executive Director since 5 July 2006 – therefore excluded from disclosures)

(ii) Executives

Mr Georg Chmiel	Chief Financial Officer
Mrs Christine Vulovic	Chief Information / Operating Officer
Mr Shaun Di Gregorio	General Manager Online Advertising Australia & New Zealand
Mr Warren Bright	General Manager Online Advertising United Kingdom
Mr Andy Sheats	General Manager Corporate Development

(b) Compensation of Key Management Personnel*(i) Compensation Policy*

The performance of the Group depends upon the quality of its directors and executives. To prosper, the Group must attract, motivate and retain highly skilled directors and executives. To this end, the Group embodies the following principles in its compensation framework:

- Provide competitive rewards to attract high calibre executives;

- Significant portion of executive compensation 'at risk', dependent upon meeting pre-determined performance benchmarks;
- Establish appropriate, demanding performance hurdles in relation to variable executive compensation;
- Mandatory requirement for directors to sacrifice a portion of their fees to acquire shares in the at market price.

The Remuneration Committee of the Board of Directors of the realestate.com.au Ltd is responsible for determining and reviewing compensation arrangements for the directors, the MD/CEO, and all other executives. The Remuneration Committee assesses the appropriateness of the nature and amount of compensation of executives on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team.

(ii) Executive Compensation

The entity aims to reward executives with a level and mix of compensation commensurate with their position and responsibilities within the entity so as to:

- reward executives for company, business unit and individual performance against targets set by to appropriate benchmarks;
- align the interests of executives with those of shareholders;
- link rewards with the strategic goals and performance of the company; and
- ensure total compensation is competitive by market standards.

In determining the level and make-up of executive compensation, the Remuneration Committee engaged an external consultant to provide independent advice both in the form of a written report detailing market levels of compensation for comparable executive roles and by participating in the meeting from which the Committee makes its recommendations to the Board.

Compensation consists of the following key elements:

- Fixed Compensation;
- Variable Compensation;

Fixed Compensation

Executives are given the opportunity to receive their fixed remuneration in a variety of forms including cash and fringe benefits such as motor vehicles and expense payment plans.

Variable Compensation

The objective of the STI program is to link the achievement of the company's operational targets with the compensation received by the executives charged with meeting those targets. The total potential STI available is set at a level so as to provide sufficient incentive to the executive to achieve the operational targets and such that the cost to the company is reasonable in the circumstances. For the 2005 financial year, 100% of the STI cash bonus vested to executives and was paid in the 2006 financial year.

(iii) Compensation for the year-ended 30 June 2006 (Consolidated)

Directors

		Short term				Post employment		Share-based Payment	Total (% performance related)
		Salary & Fees	Cash Bonus	Non- monetary benefits	Other	Superan- uation	Retire- ment benefits		
John McGrath	2006	100,000				9,000			109,000 (0%)
	2005	100,000				9,000			109,000 (0%)
Simon Baker	2006	357,591	154,000	36,221		32,183			579,995 (27%)
	2005	303,901	104,000	36,216		34,505			478,622 (22%)

Executives

		Short term				Post employment		Share-based Payment	Total (% performance related)
		Salary & Fees	Cash Bonus	Non- monetary benefits	Other	Superan- nuation	Retirement benefits	Options (amortised)	
Georg Chmiel	2006	187,500	27,000			19,305			233,805 (12%)
	2005	71,731	10,000	4,800		7,356			93,887 (11%)
Shaun di Gregorio	2006	153,167	50,000			18,285			221,452 (23%)
	2005	110,000	45,000			13,950		1,711	170,661 (26%)
Chris Vulovic	2006	165,493	25,000			17,997			208,490 (12%)
	2005	129,474	30,000			14,850			174,324 (17%)
Andy Sheats	2006	135,000	31,319			14,969			181,288 (17%)
	2005	-	-			-			-
Warren Bright	2006	135,663	24,697			12,607			172,967 (14%)
	2005	-	-			-			-

(iv) Contract for Services

The MD/CEO, Mr Baker is employed under a contract. The key terms are:

- The contract terminates on 30 June 2007, at which time Mr Baker and the company will negotiate a new employment contract expecting to renew for a further 2 years.
- Mr Baker can resign from his position and thus terminate this contract by giving 6 months written notice.
- The company may terminate this agreement by providing 6 months written notice or providing payment in lieu of the notice period (based on Mr Baker's total remuneration).
- Upon departure from the company, Mr Baker will receive a one off payment equivalent to 6 months remuneration except where termination is the result of serious misconduct.
- The company may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs the MD/CEO is only entitled to that portion of remuneration which is fixed, and only up to the date of termination.

*(v) Option holdings (Consolidated)***Directors**

Nil

Executives

	Balance at beginning of period 01-Jul 05	Granted as Remu- neration	Options Exercised	Net Change Other	Balance at end of period 30-Jun 06	Vested at 30 June 2006		
						Total	Exercisable	Not Exercisable
Shaun Di Gregorio	150,000		(150,000)					
Total	150,000		(150,000)		-			

*(vi) Shareholdings in realestate.com.au Ltd (Consolidated)***Directors**

	Balance 01-Jul 2005	Granted as remuneration	On Exercise of Options	Granted under rights issue	Net change other	Balance 30-Jun 2006
John McGrath	2,139,086					2,139,086
Sam White	15,128,817			1,120,228		16,249,045
Simon Baker	3,633,600			254,290		3,887,890
Total	20,901,503	-	-	1,374,518	-	22,276,021

Executives

	Balance 01-Jul 2005	Granted as remuneration	On Exercise of Options	Granted under rights issue	Net change other	Balance 30-Jun 2006
Chris Vulovic	27,306			1,980	1,000	30,286
Shaun Digregorio	44,878		150,000	13,527	21,510	229,915
Georg Chmiele	1,750				(1,750)	-
TOTAL	73,934	-	150,000	15,507	20,760	260,201

All equity transactions with key management personnel other than those arising from the exercise of remuneration options have been entered into under terms and conditions no more favourable than those the Group would have adopted if dealing at arm's length.

32) Transition to AIFRS

For all periods up to and including the year ended 30 June 2005, the Group prepared its financial statements in accordance with Australian generally accepted accounting practice (AGAAP). These financial statements for the year ended 30 June 2006 are the first the Group is required to prepare in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS). Accordingly, the Group has prepared financial statements that comply with AIFRS applicable for periods beginning on or after 1 July 2005 and the significant accounting policies meeting those requirements are described in note 2. In preparing these financial statements, the Group has started from an opening balance sheet as at 1 July 2004, the Group's date of transition to AIFRS, and made those changes in accounting policies and other restatements required by AASB 1 *First-time adoption of AIFRS*.

This note explains the principal adjustments made by the Group in restating its AGAAP balance sheet as at 1 July 2004 and its previously published AGAAP financial statements for the year ended 30 June 2005.

AASB 3 Business Combinations has not been applied to acquisitions of subsidiaries or of interests in associates or joint ventures that occurred before 1 July 2004. AASB 2 *Share-based Payment* has not been applied to any equity instruments as they were issued prior to 7 November 2002. There are no material differences between the cash flow statement presented under AIFRS and the cash flow statement presented under previous AGAAP.

AIFRS Conversion		CONSOLIDATED			realestate.com.au Ltd		
Income Statement		AGAAP	AIFRS Impact	AIFRS	AGAAP	AIFRS Impact	AIFRS
For the year ended 30 June 2005		\$	\$	\$	\$	\$	\$
	Note						
Revenues from services and license fees	(v)	33,417,954		33,417,954	8,280,139	(8,280,139)	-
Interest income		205,906		205,906	2,640		2,640
Sale of non current assets		2,344	(2,344)	-			-
Revenues		33,626,204	(2,344)	33,623,860	8,282,779	(8,280,139)	2,640
Depreciation and amortisation expense	(ii,iii,vi)	(1,160,921)	109,735	(983,448)			
Salaries and employee benefits expense		(12,155,427)		(12,155,427)			
Sales commission		(2,406,596)		(2,406,596)			
Marketing related expense		(7,077,497)		(7,077,497)			
Administration related costs		(1,180,167)		(1,180,167)			
Other expenses excluding takeover defense costs	(vi)	(4,213,110)	79,734	(4,201,114)	(103,030)		(103,030)
Gross profit		5,432,486	187,125	5,619,611	8,179,749	(8,280,139)	(100,390)
Profit before tax and finance costs		5,432,486	187,125	5,619,611	8,179,749	(8,280,139)	(100,390)
Finance costs							
Profit before income tax		5,432,486	187,125	5,619,611	8,179,749	(8,280,139)	(100,390)
Income tax income	(iv)	2,417,876	54,545	2,472,421	30,118		30,118
Net profit for the period		7,850,362	241,670	8,092,032	8,209,867	(8,280,139)	(70,272)
Loss attributable to minority interest							
Profit attributable to members of parent		7,850,362	241,670	8,092,032	8,209,867	(8,280,139)	(70,272)

AIFRS Conversion		CONSOLIDATED			realestate.com.au Ltd		
Balance Sheet		AGAAP	AIFRS	AIFRS	AGAAP	AIFRS	AIFRS
as at 1 July 2004	Note	\$	\$	\$	\$	\$	\$
ASSETS							
Current Assets							
Cash assets		2,580,857		2,580,857			
Trade and other receivables		3,185,639		3,185,639			
Other		191,801		191,801			
Total Current Assets		5,958,097	-	5,958,097	-	-	-
Non-current Assets							
Receivables	(v)			-	4,981,226	(4,981,226)	
Investment in Subsidiaries	(v)			-	6,205,832	21,394,170	27,600,002
Property, plant and equipment	(i)	1,049,403	(239,991)	809,412			
Deferred Tax Asset				-			
Intangible assets - Software	(i)		239,991	239,991			
Intangible assets - other	(ii)	2,000,000	(15,152)	1,984,848			
Goodwill	(iii)	7,155,886	29,941	7,185,827			
Total Non-current Assets		10,205,289	14,789	10,220,078	11,187,058	16,412,944	27,600,002
TOTAL ASSETS		16,163,386	14,789	16,178,175	11,187,058	16,412,944	27,600,002
LIABILITIES							
Current Liabilities							
Payables		2,186,902		2,186,902			
Interest-bearing loans and borrowings							
Current tax liabilities							
Provisions		315,037		315,037			
Other Current Liabilities		2,419,672		2,419,672			
Total Current Liabilities		4,921,611	-	4,921,611	-	-	-
Non-current Liabilities							
Deferred Tax Liabilities	(iv)		595,454	595,454			
Other Provisions		84,658		84,658			
Total Non-current Liabilities		84,658	595,454	680,112	-	-	-
TOTAL LIABILITIES		5,006,269	595,454	5,601,723	-	-	-
NET ASSETS		11,157,117	(580,665)	10,576,452	11,187,058	16,412,944	27,600,002
EQUITY							
Contributed Equity		28,815,534		28,815,534	28,815,534		28,815,534
Accumulated losses		(17,658,417)	(580,665)	(18,239,082)	(17,628,476)	16,412,944	(1,215,532)
Amortisation of Intangibles	(ii)		(15,152)				
Reversal of Goodwill Amortisation	(iii)		29,941				
Income Tax	(iv)		(595,454)				
TOTAL EQUITY		11,157,117	(580,665)	10,576,452	11,187,058	16,412,944	27,600,002

AIFRS Conversion		CONSOLIDATED			Realestate.com.au Ltd		
Balance Sheet as at 30 June 2005	Note	AGAAP \$	AIFRS Impact \$	AIFRS \$	AGAAP \$	AIFRS Impact \$	AIFRS \$
ASSETS							
Current Assets							
Cash assets		7,742,333		7,742,333			
Trade and other receivables		4,876,695		4,874,031			
Other		380,418		383,082			
Total Current Assets		12,999,446	-	12,999,446	-	-	-
Non-current Assets							
Receivables	(v)				13,303,400	(13,303,400)	
Investment in Subsidiaries	(v)				6,205,832	21,436,205	27,642,037
Property, plant and equipment	(i),(vi)	1,938,695	153,209	2,091,904			
Deferred Tax Asset		2,418,551		2,418,551	30,793		30,793
Intangible assets – Software	(i)		253,221	253,221			
Intangible assets – Others	(ii)	2,000,000	(196,970)	1,803,030			
Goodwill	(iii)	6,796,595	389,232	7,185,827			
Total Non-current Assets		13,153,841	598,692	13,752,533	19,540,025	8,132,805	27,672,830
TOTAL ASSETS		26,153,287	598,692	26,751,979	19,540,025	8,132,805	27,672,830
LIABILITIES							
Current Liabilities							
Payables		3,091,773		3,091,773	2,250		2,250
Interest-bearing loans and borrowings	(vi)	-	158,056	158,056			
Provisions	(vi)	536,643	(12,899)	523,744			
Current tax liabilities		675		675	675		675
Other Current Liabilities		3,131,257		3,131,257			
Total Current Liabilities		6,760,348	145,157	6,905,505	2,925	-	2,925
Non-current Liabilities							
Interest-bearing loans and borrowings	(vi)		316,112	316,112			-
Deferred Tax Liabilities	(iv)		540,909	540,909			-
Other Provisions	(vi)	245,285	(64,491)	180,794			-
Total Non-current Liabilities		245,285	792,530	1,037,815	-	-	-
TOTAL LIABILITIES		7,005,633	937,687	7,943,320	2,925	-	2,925
NET ASSETS		19,147,654	(338,995)	18,808,659	19,537,100	8,132,805	27,669,905
EQUITY							
Contributed Equity		28,955,709		28,955,709	28,955,709		28,955,709
Accumulated Losses	(ii-vi)	(9,808,055)	(338,995)	(10,174,050)	(9,418,609)	8,132,805	(1,285,804)
TOTAL EQUITY		19,147,654	(338,995)	18,808,659	19,537,100	8,132,805	27,669,905

Ref	Item	AGAAP	AIFRS	Impact on CONSOLIDATED	Impact on realestate.com.au Ltd
(i)	Property, Plant, and Equipment (PPE), Intangible Assets	Software assets which are not an integral part of hardware other than operating systems are classified as PPE.	Software assets which are not an integral part of hardware other than operating systems are classified as intangible assets. The amortisation period and amortisation method applied is unaffected and remains unchanged as a result of this reclassification.	Balance Sheet - 1 July 2004 Reclassification of \$239,991k of PPE to Intangibles Balance Sheet - 30 June 2005 Reclassification of \$253,221 of PPE to Intangibles	none
(ii)	Intangible Assets	In the acquisition of property.com.au in June 2004, the company had purchased a domain name with an indefinite life valued at \$2,000,000.	Under AIFRS, these intangible assets are classified as customer contracts and are subject to amortisation over 11 years subject to AASB 138 Intangible Assets, the useful life which was derived from an analysis of historic churn rates of Australian customers in a takeover scenario.	This results in an amortisation charge of \$15,152 against the equity reserve (as at 1 July 2004), and an amortisation expense of \$181,818 for FY05 against earnings.	none
(iii)	Goodwill	In the acquisition of property.com.au as of June 2004, the company incurred goodwill which was amortised over 20 years.	Under AASB 3 Business Combinations and AASB 136 Impairment of Assets, goodwill will no longer be amortised but instead will be subject to an at least annual impairment testing.	This results in a reversal of an amortisation expense of \$29,941 against the equity reserve (at 1 July 2004) and a reversal of amortisation expenses of \$359,290 for FY05. As a result of the reversal of the amortisation and an impairment test as of 30 June 2005 which did not lead to impairment, goodwill remained unchanged at \$7,185,827.	none
(iv)	Deferred Tax Liability (DTL)	The income statement method is used to calculate the tax assets and liabilities.	Under AASB 112 Income Taxes, the company is required to use a balance sheet liability method, which focuses on the tax effects of transactions and other events that affect amounts recognised in the Balance Sheet or a tax-based balance sheet. In the acquisition of property.com.au as of June 2004, the company purchased intangible property assets valued at \$2,000,000. From a tax point of view these intangible assets have a tax base of nil. Therefore under AIFRS, deferred tax liability of \$600,000 has been recognised being the tax effect upon a potential sale of these intangible assets. The PDIT is subsequently adjusted for amortisation of these intangibles.	Recognition of the deferred tax liability of \$600,000 and subsequent amortisation over the useful life of the corresponding intangibles results in DTL balances of \$595,454 (1 July 2004) and \$540,909 (30 June 2005) and a tax income of \$54,545 for FY05.	None
(v)	Receivables, Investment	An internal loan from realestate.com.au Ltd to Netwide Solutions Pty Ltd and property.com.au Ltd is shown as internal loan with a provision which is reduced for profits by the subsidiaries.	Under AASB 132 due to the nature of this loan (no interest charged, no documentation, and no maturity date), this loan is classified as equity investment.	None	Elimination of the Receivable related to the internal loan, and increase in Investment in subsidiary position by the gross amount of the loan, and reversal of the provision for the internal loan after 1 July 2004 against accumulated losses.

Ref	Item	AGAAP	AIFRS	Impact on CONSOLIDATED	Impact on realestate.com.au Ltd
(vi)	Provision, Property Plant Equipment,	As of 1 January 2005, the company has entered in a lease contract for hardware which was classified and expensed on a monthly basis as operating lease.	Under AIFRS this lease contract is classified as capital or finance lease in accordance with AASB 117 Lease Contracts.	This leads to an increase in depreciation expense by \$87,738 and a release of a lease provision of \$77,390 (net effect of \$9,652) for FY05. In addition, it adds net PPE of \$406,430 and a lease liability with a current portion of \$158,056 and a non-current portion of \$316,112 are now shown on the balance sheet. At the same time, a provision of \$77,390 for lease free period was removed.	None

33) Contingent Liabilities

Various claims arise in the ordinary course of business against realestate.com.au Limited and its subsidiaries. The amount of the liability (if any) at 30 June 2006 cannot be ascertained, and the realestate.com.au Ltd entity believes that any resulting liability would not materially affect the financial position of the group.