realestate.com.au Limited

ABN 54 068 349 066

Audited Financial Statements

for the year ended 30 June 2006

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Corporate Information

ABN 54 068 349 066

This annual report covers both realestate.com.au Limited as an individual entity and the consolidated entity comprising realestate.com.au Limited and its subsidiaries. The Group's functional and presentation currency is AUD ($).

A description of the Group's operations and of its principal activities is included in the review of operations and activities in the directors' report. The directors' report is not part of the financial report.

DIRECTORS

Mr John D McGrath (Chairman)
Mr Simon T Baker (Chief Executive Officer & Managing Director)
Mr Stephen P Rue (Non-executive Director)
Mr Sam R White (Non-executive Director)
Mr Alasdair MacLeod (Non-executive Director)
Mr Roger Amos (Non-executive Director – since 5 July 2006)

COMPANY SECRETARY

Mr Nicholas J V Geddes
(Australian Company Secretaries Pty Limited)

REGISTERED OFFICE

C/o Australian Company Secretaries Pty Limited
Level 5, 255 George Street
SYDNEY, NSW 2000
Australia
Tel: (02) 9252 1933
Fax: (02) 9252 2487

PRINCIPAL PLACE OF BUSINESS

Level 2
678 Victoria Street
RICHMOND, VIC 3121
Australia
Tel: (03) 9897 1121
Fax: (03) 9897 1114

SOLICITORS

Moores Legal
9 Prospect Street
BOX HILL, VIC 3128
Australia

Kemp Strang
Level 16
55 Hunter St
SYDNEY, NSW 2000
Australia

Deacons
RACV Tower
485 Bourke St
MELBOURNE, VIC 3000
Australia

BANKERS

National Australia Bank Limited
ANZ Bank Limited

SHARE REGISTER

Computershare Registry Services Pty Limited
Yarra Falls
452 Johnson Street
ABBOTSFORD, VIC 3067
Australia
Ph: +61 3 9415 5000
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AUDITORS

Ernst & Young
8 Exhibition Street
MELBOURNE, VIC 3000
Australia

INTERNET ADDRESS

www.realestate.com.au

Directors' Report

Your directors submit their report for the year ended 30 June 2006.

DIRECTORS

The names and details of the company's directors in office during the financial year and until the date of this report are as follows. Directors were in office for the entire period unless otherwise stated.

Names, qualification, experience, and special responsibilities

Mr John D McGrath

Age 43

(Non-executive Chairman)

Mr McGrath founded McGrath Estate Agents in 1989. He has taken the company to Australia's largest property services group, selling over $2.0 billion in residential property in Sydney last year. The company became the first real estate company to be ranked on BRW's Australia's Fastest-Growing Private Companies List and is a 3-time recipient of BRW's Fast 100. McGrath Estate Agents also runs Oxygen Home Loans, its mortgage broking business, as well as McGrath Total Real Estate Training that provides training programs and seminars for the real estate industry. Mr McGrath is a Director of McGrath Group of Companies and Rawson Group. In 2003, he was awarded a Centenary Medal for service to business. His latest book, "The Ultimate Guide to Real Estate", published in June 2005 ranked as the No. 1 Business Book within a few weeks.

Mr Simon T Baker

Age 39

(Managing Director since 5 April 2006)

Mr Baker is the Managing Director and Chief Executive Officer of realestate.com.au Ltd. Since joining realestate.com.au Ltd as CEO in 2001, the business has increased revenues from $4 million to more than $60 million, become profitable and increased its market capitalisation from $8 million to more than $500 million. Prior to becoming CEO, Mr Baker was Chief Business Development Officer at News Interactive, was Chief Technology Officer in a US start up and spent five years with McKinsey and Company providing strategic and organisational advice to Senior Management at major Australian and International companies. Mr Baker holds Bachelor of Computer Science degree from Monash University as well as an MBA from the Melbourne Business School.

Mr Stephen P Rue

Age 40

CA, BBS, DPA

Mr Rue is the Chief Financial Officer of News Limited, the Australian arm of News Corporation. He was appointed to his current role in May 2003, and previously was the company's Group Finance Manager. Mr Rue first joined News Limited in 1996 and moved into the role of Treasurer and Special Projects Manager prior to being appointed Group Finance Manager. Mr Rue's experience includes 8 years at Arthur Andersen where he held the position of Senior Manager in their Audit and Business Advisory division. Mr Rue is a Director of News Limited, Community Newspaper Group Limited and Australian Associated Press Pty Limited. Mr Rue is a Chartered Accountant and holds a Bachelor of Business Studies and a Diploma in Professional Accounting.

Mr Alasdair MacLeod

Age 45

Mr MacLeod is the Managing Director of News Limited's Nationwide News the publisher of the The Daily Telegraph, The Sunday Telegraph, The Australian, The Weekend Australian and The Sportsman. He is also on the Board of News Limited and Community Newspaper Group Limited. He relocated to Australia after thirteen years with News International in the UK where he held a number of senior positions including Managing Director of News Network (News International's Internet arm) and General Manager of Times Newspapers, the publisher of London's Times and Sunday Times. Prior to joining the News Group, Mr MacLeod worked with Citibank Limited in Sydney and in Hong Kong.

Mr Sam R White

Age 35

B.Com, LL.B.

Mr White was appointed to the Board of Ray White Real Estate in 1998 and later as Deputy Chairman of the Group. He joined Ray White Real Estate in 1991, initially in its research department, moving through a number of areas in the company including residential sales and home loan consultancy. Mr White currently oversees all areas of the Group, including its agency operations as well as its finance and insurance businesses. Mr White has a Bachelor of Commerce and a Bachelor of Law from the University of Queensland.

Mr Roger Amos

Age 58

(Director since 5 July 2006)

FCA, MAICD

Mr Amos was a Senior Partner in the KPMG Information, Communication and Entertainment (ICE) Group of Assurance and Risk Advisory Services and was a Partner of KPMG for 25 years. He held various roles in the KPMG Global ICE industry groups including Global Chairman of the Communications industry group. The publishing, broadcasting, advertising and film industries are also specialisations of Mr Amos. Other roles included Deputy Chairman and Audit Committee Chairman of the Film Finance Corporation Australia Limited, Director of the Australian Quality Council, Chairman of the Documentary Foundation and President of State Chamber of Commerce in NSW.

Mr Martin P U Hoffman

(Resigned as Director on 5 April 2006)

Company Secretary

Mr Nicholas Geddes

FCA, FCIS

Mr Geddes is the principal of Australian Company Secretaries, a company secretarial practice that he formed in 1993. Mr Geddes is a member of the National Council of Chartered Secretaries Australia and Chairman of the NSW Division of that Institute. His previous experience, as a Chartered Accountant and Company Secretary, includes investment banking and development and venture capital in Europe, Africa, the Middle East and Asia.

Officers who were previously partners of the audit firm

There were no officers in the company during the financial year who were previously partners of the current audit firm, Ernst & Young, at a time when Ernst & Young undertook an audit of the company.

Directors' meetings

The number of directors' meetings (including meetings of committees of directors) and number of meetings attended by each of the directors of the Company during the financial year are:

Directors' meetings

	Directors' Meetings		Audit Risk and Compliance Committee Meetings		Remuneration and Nomination Committee Meetings	
DIRECTOR	Number of Meetings Held while a Director	Number of Meetings Attended	Number of Meetings Held while a Director	Number of Meetings Attended	Number of Meetings Held while a Director	Number of Meetings Attended
John D McGrath	13	12	2	2	4	4
Simon T Baker (since 5 April 06)	4	4	-	-	-	-
Alasdair MacLeod	13	12	-	-	4	4
Stephen P Rue	13	13	2	2	-	-
Sam R White	13	12	-	-	4	4
Martin P U Hoffman (until 5 April 06)	10	9	2	0	-	-

Committees

The current members of each committee are:

Audit Risk and Compliance Committee	Mr Roger Amos (Chairman) Mr McGrath, Mr Rue, Mr Hoffman (until 5 April 2006)
Remuneration and Nomination Committee	Mr Roger Amos (Chairman), Mr McGrath, Mr MacLeod, Mr White

Tax Consolidation

Following advice from tax advisers, the Board has decided not to enter into tax consolidation in Australia for the time up to 30 June 2006. The company continues to reassess this decision on an ongoing basis.

Interests in Shares

As at the date of this report, the interests of the directors in the shares and options of the company and related bodies corporate were:

Interest in Shares	**realestate.com.au Limited** Ordinary Shares fully paid
John D McGrath	2,139,086
Simon T Baker (since 5 April 2006)	3,877,890
Alasdair MacLeod	-
Stephen P Rue	-
Sam R White	16,249,045
Martin P U Hoffman (until 5 April 2006)	-
Roger Amos (since 5 July 2006)	2,363

DIVIDENDS

No dividend has been paid or recommended in the current or prior year.

SHARE PRICE

The closing market share price at the beginning of the financial year was $1.46 per ordinary share, and at market close on 30 June 2006 was $3.80.

CORPORATE INFORMATION

Corporate structure

realestate.com.au Limited is a company limited by shares that is incorporated and domiciled in Australia. realestate.com.au Limited has prepared a consolidated financial report incorporating the entities that it controlled during the financial year.

The ultimate parent entity is realestate.com.au Limited. It has the following wholly-owned subsidiaries;

- Netwide Solutions Pty Limited, Australia,
- Property.com.au Pty Limited, Australia,
- Property Look Pty Limited, Australia, - consolidated as of 4 May 2006
- realestate.com.au (Europe) Limited, United Kingdom - consolidated as of 2 November 2005

In addition, as at 30 June 2006, the company held the following ownerships

- 50% controlling stake in News 8008 Limited which holds 95.2% of the shares of Asserta Holdings Group, UK ("propertyfinder.com") – consolidated as of 2 November 2005 via realestate.com.au (Europe) Limited
- 98.5% ownership in Hub Online Global Pty Limited, Australia – consolidated as of 5 May 2006
- 50% interest in realestate.com.au Financial Services Ltd ("REA Home Loans")

Nature of operations and principal activities

The principal activity during the year of the entities within the consolidated entity was the provision of online advertising services. This activity consists of the following services:

- Online advertising of residential properties for sale and rent in Australia (realestate.com.au), in the United Kingdom (propertyfinder.com), and in New Zealand (allrealestate.co.nz)
- Online advertising of commercial properties for sale and lease in Australia (realcommercial.com.au and propertylook.com.au) and in New Zealand (propertylook.co.nz)
- Provision of online display advertising space for advertisers in various industries
- Provision of website development services to the Australian real estate industry through realestate.com.au's web design services business unit
- Software licensing of estate agent back office solutions via Hub Online Global Pty Limited (Australia and New Zealand) since May 2006
- Initiating new business models (Property Guide publications, training services via the REA Knowledge Network, data services)

There have been no significant changes in the nature of those activities during the year except for the addition of agent back office solutions and the expansion of the current business into the United Kingdom.

Employees

The consolidated entity employed 294 employees as at 30 June 2006 (2005: 159 employees).

OPERATING AND FINANCIAL REVIEW

Overview

During the financial year ended 30 June 2006, realestate.com.au Limited delivered significant financial growth. The key financial highlights included:

- Revenues increased by 81 percent to $60.9 million,
- Gross Profit increased by 134 percent to $13.1 million,
- Profit before tax increased by 88 percent to $10.6 million in spite of takeover defence costs,
- Increased consolidated profit for the year of $8.2 million in spite of takeover defence costs and incurring tax expenses for the first time,
- Closing cash position increased by 70 percent to $13.2 million, and
- Record traffic across all sites of 5 million unique browsers in June 2006.

Performance Indicators

Management and the Board monitor the group's overall performance, from the implementation of its mission statement and strategic plan through to the performance of the company against operating plans and financial budgets. The Board, together with management, have identified key performance indicators (KPI's) that are used to monitor performance. Key management monitor KPI's on a regular basis. Directors receive the KPI's for review prior to each board meeting allowing all directors to actively monitor the group's performance.

Dynamics of the Business

realestate.com.au Limited primarily operates in the online real estate classified advertising market for residential and commercial property. In the last fiscal year, realestate.com.au Ltd extended its market leading position in Australia and New Zealand and entered the United Kingdom market through the acquisition of propertyfinder.com (Asserta Holdings Group) and entered the agent solutions market through the acquisition of Hub Online Pty Limited in May 2006.

The three key drivers of advertising revenue for the company are:

- The number of real estate offices within any particular market, which determines the number of subscriptions purchased
- The number of listings within any particular market, which primarily determines that take up of additional advertising products
- The number of visitors to the site, which determines the effectiveness of the classified advertising and determines the take up of display advertising revenue by developer and third party advertisers.

According to analysts, the underlying housing market depends on certain macro economic factors such as population growth, international migration, regional population growth, GDP growth, and annual house sales growth.

Operating Results for the Year

Revenue

During the financial year, realestate.com.au Limited increased revenue by 81 percent to $60.9 million. This increase was due to:

- 67 percent increase in subscribing agents from 6,414 at 30 June 2005 to 10,713 at 30 June 2006, comprising of 7,601 Australian agents, 205 New Zealand agents, 2,786 Agents in the United Kingdom by acquisition and organic growth, and 121 international agents.
- 62 percent of residential agents in Australia having purchased Platinum subscriptions as at 30 June 2006. This is compared to 55 percent as at 30 June 2005.
- A record 183 percent increase in additional advertising revenue from residential and commercial agents. Additional advertising revenue is generated from sales of Banner Advertising, Feature Properties, Guaranteed Top Spot, eBrochures, and Feature Agent advertising products.
- A 111 percent increase in advertising revenue from the property developer segment.
- A 113 percent increase in display advertising billings from third parties. These third parties include all major financial institutions in Australia and many other companies from various industries worldwide.
- Strengthening of the realcommercial.com.au portal as the leader in online commercial real estate advertising and also integrating the acquired propertylook.com portal (#2 in the market) in Australia and New Zealand.
- Continued growth in the Web Services and Hub Online business unit and extension of the product portfolio into agent backoffice solutions through acquisition.

Expenses

While revenues increased by 81 percent over the year, operating expenses increased by only 69 percent to $45.4 million. This was achieved through effectively tying expense growth to revenue growth while at the same time continuously improving systems and processes for greater efficiency and rapidly integrating new acquisitions.

The key driver of operating expenses continues to be employees with the group increasing its staff from 159 at the end of June 2005 to 294 at the end of June 2006. The majority of new staff members were employed in sales and marketing positions around the globe allowing the websites in Australia, New Zealand, and the United Kingdom to continue to sign up new agents and to implement market leading account management services to existing customers, thus driving greater take up of additional advertising products and services.

Cash Flow

During the financial year, realestate.com.au Limited delivered $10.8 million in operating cash flow. This represents a 59 percent (2005: 51 percent) increase over the previous financial year.

Traffic on Websites

The realestate.com.au and realcommercial.com.au portals continue to be the market leaders in online real estate advertising in Australia. In New Zealand and the United Kingdom allrealestate.co.nz and propertyfinder.com have successfully advanced to be the number 2 site.

According to independent rating auditors Nielsen//NetRatings (Australia and New Zealand) and Omniture (UK), the monthly readership (measured in Unique Browsers) of all websites increased by 173 percent from 1.8 million in June 2005 to 5.0 million in June 2006. July 2006 was another record month in Unique Browsers to its website with readership increasing to 5.3 million. The Australian website realestate.com.au had almost 3.0 million Unique Visitors and the gap to the second placed website domain.com.au increased to a record 1.36 million visitors.

Also according to Nielsen//NetRatings and Omniture, the overall number of pages of information (page impressions) viewed by readers of the group's websites increased by 151 percent from 129 million in June 2005 to almost 325 million in June. In July 2006, the combined sites had a record month in page impressions to its website with readership viewing almost 364 million pages of real estate information.

Shareholder Returns

The company is pleased to report that return to shareholders through capital growth has started to reflect the many initiatives put in place by management. This is reflected in the significant improvement in most financial measures for the current year.

Investment for Future Performance

The company will continue to invest in building and expanding its businesses in both online advertising and in other related sectors of the real estate industry.

REVIEW OF FINANCIAL CONDITION

Capital structure

At the end of the period, 127,255,057 (2005: 107,359,365) ordinary shares were outstanding including 8,338,692 new shares out of a rights issue. The group is equity financed except for a working capital loan of $1.5 million from News International Limited to the Asserta Holdings Group (refer to Note 28).

Treasury policy

Excess funds are currently invested in an overnight professional funds account.

Cash from Operations

During the financial year, the group delivered $10.8 million (2005: $6.8 million) in net operating cash flows. This represents a 59% increase over the previous financial year.

Liquidity and Funding

The company has sufficient funds to finance its operations.

Risk Management

The company takes a proactive approach to risk management. The Board is responsible for ensuring that risk and opportunities are identified on a timely basis and that the company's objectives and activities are aligned with the risks and opportunities identified by the Board.

The mechanisms for risk management include approval of a strategic plan by the Board, the approval of operating budgets and their regular review against actual financial data.

Significant Changes in the State of Affairs

Throughout the reporting period there have been no significant changes in the state of affairs other than the 3 acquisitions (refer to Note 25).

Significant Changes after the 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 propertyfinder.com's joint owners – realestate.com.au Limited and News International. 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.

Environmental Regulation and Performance

The company is not subject to any particular or significant environmental regulations.

SHARE OPTIONS

Unissued shares

As at 30 June 2006, there were no unissued ordinary shares under options.

Shares issued as a result of the exercise of options

During the financial year, employees have exercised options to acquire 1,557,000 fully paid ordinary shares in realestate.com.au Limited at 15 cents per share. News Limited exercised options to acquire 10,000,000 fully paid ordinary shares in realestate.com.au Limited at 20 cents per share.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

For the financial year 2006, the company paid premiums totalling $19,751 in respect of contracts insuring all the directors of realestate.com.au Limited against costs incurred in defending proceedings for conduct involving:

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

realestate.com.au Limited has entered into a standard form deed of indemnity, insurance and access with the independent directors against liabilities they may incur in the performance of their duties as directors of realestate.com.au Limited, except liabilities to realestate.com.au Limited or a related body corporate, liability for a pecuniary penalty or compensation order under the Corporations Act, and liabilities arising from conduct involving a lack of good faith. realestate.com.au Limited is obliged to maintain an insurance policy in favour of independent directors for liabilities they incur as directors of realestate.com.au Limited and to grant them a right of access to certain company records. In addition, each Director is indemnified, as authorised by the Constitution, on a full indemnity basis and to the full extent permitted by law, for all losses or liabilities incurred by the Director as a director of a member of the group. The indemnity operates only to the extent that the loss or liability is not covered by insurance.

Up to 11 November 2005 (when News Limited increased its share in realestate.com.au Limited to a controlling shareholding) the company held a Directors' and Officer's Liability Insurance Policy on behalf of current directors and officers of realestate.com.au Ltd and its controlled entities.

After 11 November 2005, this policy was converted into a seven year run-off cover. realestate.com.au Limited is now covered by an D&O insurance for the News Corporation Group of companies. This cover excludes claims brought by major shareholders (News Limited).

REMUNERATION REPORT

This report outlines the remuneration arrangements in place for directors and executives of realestate.com.au Limited (the company).

Remuneration philosophy

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

- Provide competitive rewards to attract high calibre executives
- Significant portion of executive remuneration 'at risk', dependent upon meeting pre-determined performance benchmarks
- Establish appropriate, demanding performance hurdles in relation to variable executive remuneration

Remuneration committee

The Remuneration Committee of the Board of Directors of the company is responsible for determining and reviewing compensation arrangements for the directors, the Chief Executive Officer (CEO) and the senior management team.

The Remuneration Committee assesses the appropriateness of the nature and amount of remuneration of directors and senior managers 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.

Remuneration structure

In accordance with best practice corporate governance, the structure of non-executive director and senior manager remuneration is separate and distinct.

Non-executive director remuneration

Objective

The Board seeks to set aggregate remuneration at a level which provides the company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

Structure

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the directors as agreed. The latest determination was at the Annual General Meeting held on 13 November 2003 when shareholders approved an aggregate remuneration of $250,000 per year. The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually. The remuneration of non-executive directors for the period ending 30 June 2006 is detailed in Table 1 of this report.

Senior manager and executive director remuneration

Objective

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

- Reward executives for performance against targets set by reference to appropriate benchmarks;
- Align the interests of executives with those of shareholders;
- Link reward with the strategic goals and performance of the company; and
- Ensure total remuneration is competitive by market standards.

Structure

Remuneration consists of the following key elements:

- Fixed Remuneration
- Variable Remuneration

Table 2 gives details the variable component of the five most highly remunerated senior managers.

Fixed Remuneration

Objective

The level of fixed remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and is competitive in the market. Fixed remuneration is reviewed annually. All contracts for new senior management have to be approved by the Remuneration Committee. In addition, deviations from the budgeted salary increases also require approval.

Structure

Senior managers are given the opportunity to receive part of their fixed (primary) remuneration in fringe benefits such as motor vehicles and education expense payment plans. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the company. The fixed remuneration component of the five most highly remunerated senior managers is detailed in Table 2.

Variable Remuneration (Short Term Incentives = STI)

Objective

The objective of the STI program is to link the achievement of the company's operational targets with the remuneration 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 senior manager to achieve the operational targets and such that the cost to the company is reasonable in the circumstances.

Structure

Actual STI payments granted to each senior manager depend on the extent to which specific operating targets set at the beginning of the financial year are met. The operational targets consist of a number of Key Performance Indicators (KPI's) covering both financial and non-financial measures of performance. Typically included are measures such as contribution to revenues, profitability, customer service, risk management, product management, and leadership/team contribution. The company has approved predetermined benchmarks which must be met in order to trigger payments under the short term incentive scheme. Payments made are usually delivered as a cash bonus.

Managing Director & CEO Employment Contract

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.

Directors

Directors of realestate.com.au Ltd

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)

Table 1 – Director remuneration

		Short term				*Post employment*		*Share-based Payment*	*Total (% performance related)*
		Salary & Fees	*Cash Bonus*	*Non-monetary benefits*	*Other*	*Superannuation*	*Retirement 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%)

Directors' fees are paid only to independent or executive directors. All other directors, not being independent, did not receive any directors' fees during the financial period.

Executives

The 5 names executives who receive the highest remuneration for the year ended 30 June 2006 were

Mr Georg Chmiel	Chief Financial Officer (appointed 1 January 2005)
Mr Shaun Di Gregorio	General Manager Online Advertising Australia & New Zealand
Mrs Christine Vulovic	Chief Information / Operating Officer
Mr Andy Sheats	General Manager Corporate Development (appointed 19 September 2005)
Mr Warren Bright	General Manager Online Advertising United Kingdom (appointed 14 February 2006)

Table 2 – Remuneration of the 5 named executives who receive the highest remuneration for the year ended 30 June 2006

		Short term *Salary & Fees*	*Cash Bonus*	*Non-monetary benefits*	*Other*	*Post employment* *Superannuation*	*Retirement benefits*	*Share-based Payment* *Options (amortised)*	*Total (% performance related)*
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%)
Christine 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	-	-			-			

The terms 'director' and 'officer' have been treated as mutually exclusive for the purposes of this disclosure. The elements of emoluments have been determined on the basis of the cost to the company and the consolidated entity.

Options granted as part of remuneration

There were no options granted as part of remuneration for the year ended 30 June 2006.

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

The directors received the following declaration from the auditor of realestate.com.au Ltd

ERNST & YOUNG

Ernst & Young Building
8 Exhibition Street
Melbourne VIC 3000
Australia

GPO Box 67
Melbourne VIC 3001

Tel 61 3 9288 8000
Fax 61 3 8650 7777

Auditor's Independence Declaration to the Directors of realestate.com.au Limited

In relation to our audit of the financial report of realestate.com.au Limited for the financial year ended 30 June 2006, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young

Don Brumley
Partner
31 August 2006

Non-audit Services

The following non-audit services were provided by the entity's auditor Ernst & Young. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Ernst & Young received or are due to receive the following amounts for the provision of non-audit services:

Tax Services	$56,031
Completion account reviews	$149,786

Signed in accordance with a resolution of the directors.

Mr John D McGrath
Chairman
Sydney
31 August 2006

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

The financial report of realestate.com.au Limited for the year ended 30 June 2006 was authorised for issue in accordance with a resolution of the directors on 31 August 2006. realestate.com.au Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian stock exchange. For information pertaining to the nature of operations refer to the Directors' Report.

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 reportion 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 *First-time adoption of AIFRS* AASB 101 *Presentation of Financial Statements* AASB 124 *Related Party Disclosures*	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 *Financial Instruments: Recognition and Measurement*	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 *Financial Instruments: Recognition and Measurement*, AASB 132 *Financial Instruments: Disclosure and Presentation*, AASB 1 *First-time adoption of AIFRS*, AASB 1023 *General insurance Contracts* and AASB 1038 *Life Insurance Contracts*	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 *First-time adoption of AIFRS* and AASB 139 *Financial Instruments: Recognition and Measurement*	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.

(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
Inter-segment revenues	336,656	-	336,656
Total Segment Revenue			60,728,238
Intersegment elimination			(336,656)
Non segment revenue - Interest income			480,635
Total consolidated revenue			60,872,217
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
Inter-segment revenues			-
Total Segment Revenue			33,417,954
Intersegment elimination			-
Non segment revenue - Interest income			205,906
Total consolidated revenue			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

	Consolidated		*realestate.com.au Ltd*	
	2006	*2005*	*2006*	*2005*
	$	*$*	*$*	*$*
(a) Other Expenses				
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
(b) Finance Costs				
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	-
(c) Depreciation and amortisation				
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	-	-
(d) Salaries and employee benefits expense				
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
	$	$	$	$
Current income tax				
Current income tax charge	3,450,806	675		675
Adjustments in respect of current income tax of previous years			(675)	
Deferred income tax				
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 taxable 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:	Balance sheet 2006	Balance sheet 2005	Income statement 2006	Income statement 2005
CONSOLIDATED	$	$	$	$
Deferred tax liabilities				
Intangibles	(2,529,755)	(540,909)	(180,632)	(54,545)
Accrued income	(31,881)		31,881	
Deferred income tax liabilities	(2,561,636)	(540,909)		
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)
Deferred income tax assets	1,852,178	2,418,551		
Deferred tax (income) / expense			492,092	(2,473,096)
realestate.com.au Ltd				
Deferred tax liabilities				
Accrued income	(24,990)		24,990	
	(24,990)	-		
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

	CONSOLIDATED		realestate.com.au Ltd	
	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

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

Weighted average number of ordinary shares (Basic EPS)	2006	2005
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.

Weighted average number of ordinary shares (Diluted EPS)	2006	2005
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

	Jun-06	Jun-05
	cents	cents
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)
Adjustments for				
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

	CONSOLIDATED			realestate.com.au Ltd		
Year ended 30 June 2006	*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 Leasehold Improve-ments	CONSOLIDATED Hardware, Software & Equipment	CONSOLIDATED Total	realestate.com.au Ltd Leasehold Improve-ments	realestate.com.au Ltd Hardware, Software, & Equipment	realestate.com.au Ltd 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

	CONSOLIDATED		realestate.com.au Ltd	
	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

	Lease Incentive	Superan-nuation	Annual Leave	Long Service Leave	Total
	$	$	$	$	$
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
	$	$	$	$
(a) Issued and paid up Capital				
Ordinary shares (issued and fully paid)	56,001,961	28,955,709	56,001,961	28,955,709

(b) Movement in ordinary shares on issue	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.

(c) Equity Reconciliation (Parent Interests)	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.

	Fair value of	CONSOLIDATED		realestate.com.au Ltd	
	shares at	**2006**	2005	**2006**	2005
Exercise date	issue date	**Number**	Number	**Number**	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
Refer to note 23

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	*Carrying amount*		*Fair value*	
	2006	*2005*	*2006*	*2005*
Financial assets	*$*	*$*	*$*	*$*
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)**	-	-	-	-
Financial liabilities				
On balance sheet				
Trade payables	7,441,796	3,091,773	7,441,796	3,091,773
Interesting bearing loans and borrowings:				
Obligations under finance leases and hire purchase contracts	1,257,918	474,168	1,257,918	474,168
Floating rate borrowings	1,518,032	-	1,518,032	-
realestate.com.au Ltd				
Financial assets				
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
Financial liabilities				
On balance sheet				
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 *CONSOLIDATED*	*< 1 year* $	*>1 - <2 years* $	*>2 - <3 years* $	*>3 - <4 years* $	*>4 - <5 years* $	*> 5 years* $	*Total* $	*Weighted average effective interest rate %*
FINANCIAL ASSETS								
Fixed rate								
nil								
Floating rate								
Cash assets	13,191,864						13,191,864	4.5%
Loan to Joint Venture - REA Financial Services (fully provided)					217,445		217,445	7.7%
Total	*13,191,864*				*217,445*		*13,409,309*	
FINANCIAL LIABILITIES								
Fixed rate								
Obligations under finance leases and hire purchase contracts	448,572	404,955	246,899	157,492			1,257,918	9.0%
Floating rate								
Loan from related party - News International	1,518,032						1,518,032	6.5%

Year ended 30 June 2006 ***realestate.com.au Ltd***	*< 1 year* $	*>1 - <2 years* $	*>2 - <3 years* $	*>3 - <4 years* $	*>4 - <5 years* $	*> 5 years* $	*Total* $	*Weighted average effective interest rate %*
FINANCIAL ASSETS								
Fixed rate								
Related Party Loan to Web Effect Int.	201,570						201,570	6.5%
Floating rate								
Cash assets	3,427,414						3,427,414	5.0%
Loan to Joint Venture - REA Financial Services *(fully provided)*					217,445		217,445	7.7%
Related Party Loan to Asserta Holdings Group	1,517,651						1,517,651	6.5%
Total	*4,945,065*				*217,445*		*5,162,510*	
FINANCIAL LIABILITIES								
nil								

Year ended 30 June 2005 ***CONSOLIDATED***	*< 1 year* *$*	*>1 - <2 years* *$*	*>2 - <3 years* *$*	*>3 - <4 years* *$*	*>4 - <5 years* *$*	*> 5 years* *$*	*Total* *$*	*Weighted average effective interest rate %*
FINANCIAL ASSETS								
Fixed rate								
nil								
Floating rate								
Cash assets	7,742,333						7,742,333	4.5%
Loan to Joint Venture - REA Financial Services (fully provided)						102,640	102,640	7.8%
Total	*7,742,333*					*102,640*	*7,844,973*	
FINANCIAL LIABILITIES								
Fixed rate								
Obligations under finance leases and hire purchase contracts	158,056	158,056	158,056				474,168	14%
Floating rate								
nil								

Year ended 30 June 2005 ***realestate.com.au Ltd***	*< 1 year* *$*	*>1 - <2 years* *$*	*>2 - <3 years* *$*	*>3 - <4 years* *$*	*>4 - <5 years* *$*	*> 5 years* *$*	*Total* *$*	*Weighted average effective interest rate %*
FINANCIAL ASSETS								
Fixed rate								
nil								
Floating rate								
Loan to Joint Venture - REA Financial Services *(fully provided)*						102,640	102,640	7.8%
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 $ *translated at FX rate at acquisition date*	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 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 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.

The identifiable intangible assets consist of the Hub Online software suite which is sold to the market. Its replacement value was set internally at $1,000,000 and depreciated over 36 months.

26) Investment in Joint Ventures

The Group has a 50% non-controlling interest in realestate.com.au Financial Services Ltd, which is a mortgage broking business incorporated in Australia. The Group's $50 initial investment has been impaired to nil (2005: nil) as the company is loss-making and its balance sheet is in net deficiency. During the year the Group provided a $200,000 loan to fund the company's working capital requirements. The balance at 30 June 2006 including accrued interest is $217,445 and has also been fully provided against for the reasons described above. Under the shareholders agreement with its venture partner, the Group has no obligation to fund the losses or to provide further working capital to support the Company. An audited financial report is not available as at the date of this report. Based on the preliminary information available, we have no grounds to believe that the AIFRS transitional adjustments will have a material impact on the realestate.com.au Ltd consolidated income statement or balance sheet. The financial information required by *AASB131 Interest in Joint Ventures* will be disclosed in the Group's half year accounts as an audited financial report will then be available.

27) Commitments and Contingencies

Operating lease commitments – Group as lessee

The Group has entered into commercial leases on certain motor vehicles. These leases have remaining lives of up to 48 months. There are no restrictions placed upon the lessee by entering into these leases. Future minimum rentals payable under non-cancellable operating leases as at 30 June are as follows:

	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	-	-

Finance lease commitments - Group as lessee

The Group has finance leases and hire purchase contracts for various hardware and servers. Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	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*	
	Minimum lease payment	*Present value of lease payments*	*Minimum lease payment*	*Present value of lease payment*
realestate.com.au Ltd	*$*	*$*	*$*	*$*
	-	-	-	-

Capital and other commitments

	CONSOLIDATED		realestate.com.au Ltd	
	2006	2005	2006	2005
Property, plant and equipment	$	$	$	$
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% during FY06) 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 instalment 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% during FY06) 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.	*CONSOLIDATED*		*realestate.com.au Ltd*	
	2006	*2005*	*2006*	*2005*
Amounts received or due and receivable	*$*	*$*	*$*	*$*
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	
	397,142	73,500	28,000	-
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			
	339,957	-	245,990	-
Advisory Services				
Advisory Services - E&Y Australia		68,865		
Advisory Services - Non E&Y audit firms	48,161			
	48,161	68,865	-	-

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*	*Superannuation*	*Retirement 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*	*Superannuation*	*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 Di Gregorio	44,878		150,000	13,527	21,510	229,915
Georg Chmiel	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 defence 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		
			AIFRS			AIFRS	
Balance Sheet		AGAAP	Impact	AIFRS	AGAAP	Impact	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		191,601		191,601			
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		AGAAP	AIFRS Impact	AIFRS	AGAAP	AIFRS Impact	AIFRS
as at 30 June 2005	Note	$	$	$	$	$	$
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 $67,738 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.

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Independent audit report to members of realestate.com.au Limited

Scope

The financial report and directors responsibility

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement, accompanying notes to the financial statements, and the directors' declaration for realestate.com.au Limited (the company) and the consolidated entity, for the year ended 30 June 2006. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company and the consolidated entity, and that complies with Accounting Standards in Australia, in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit of the financial report in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report and the remuneration disclosures. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

Independence
We are independent of the company and the consolidated entity and have met the independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration a copy of which is included in the Directors' Report. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Audit opinion
In our opinion:

1. the financial report of realestate.com.au Limited is in accordance with:

(a) the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the financial position of realestate.com.au Limited and the consolidated entity at 30 June 2006 and of their performance for the year ended on that date; and

  (ii) complying with Accounting Standards in Australia and the *Corporations Regulations 2001*; and

(b) other mandatory financial reporting requirements in Australia.

Ernst & Young

Ernst & Young

Don Brumley
Partner
Melbourne
31 August 2006

Directors' Declaration

In accordance with a resolution of the directors of realestate.com.au Limited, I state that:

(1) In the opinion of the directors:

(a) The financial statements and notes of the company and of the consolidated entity are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2006 and of their performance for the year ended on that date; and

(ii) complying with Accounting Standards and Corporations Regulations 2001; and

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

(2) This declaration has been made after receiving the declarations required to be made to the directors in accordance with sections 295A of the Corporations Act 2001 for the financial period ending 30 June 2006.

On behalf of the Board

Mr John D McGrath
Director

Sydney, 31 August 2006

ASX Additional Information

127,255,057 fully paid ordinary shares are held by 1,910 individual shareholders. All issued ordinary shares carry one vote per share and carry the rights to dividends.

There are no options outstanding as at 30 June 2006.

The number of shareholders, by size of holding, in each class as at 7 August 2006 were:

Holding Range	Name of 20 largest shareholders	No. of holders	No. of shares held	% held
100,001 and over (top 20)	News Ltd	1	74,256,121	58.4%
	Songpan Pty Ltd	1	16,184,834	12.7%
	RP Prospects Pty Ltd	1	4,387,984	3.4%
	Westpac Custodian Nominees	1	2,667,803	2.1%
	Mr Simon Timothy Baker	1	2,445,459	1.9%
	Fondorru Pty Ltd	1	1,999,086	1.6%
	Effie Holdings Pty Ltd	1	1,250,000	1.0%
	National Ski Pty Ltd	1	1,106,526	0.9%
	STB Holdings Pty Ltd	1	1,098,536	0.9%
	M F Custodians Ltd	1	1,072,099	0.8%
	Sanben Superannuation Pty Ltd	1	818,750	0.6%
	Harley Clarke Entreprise Pty Ltd	1	749,123	0.6%
	Highland Endeavours Pty Ltd	1	650,647	0.5%
	Invia Custodian Pty Ltd	1	600,000	0.5%
	National Nominees Ltd	1	466,170	0.4%
	Cogent Nominees Pty Ltd	1	462,153	0.4%
	JP Morgan Nominees Pty Ltd	1	422,839	0.3%
	JFT Investments Pty Ltd	1	376,106	0.3%
	UBS Nominees	1	372,723	0.3%
	ST&M Superfund Account	1	333,895	0.3%
100,001 and over	others	21	3,633,003	2.7%
10,001 – 100,000		299	7,298,394	5.7%
5,001 – 10,000		283	2,045,117	1.6%
1,001 – 5,000		902	2,337,090	1.9%
1 – 1,000		385	220,599	0.2%
TOTAL		**1,910**	**127,255,057**	**100.0%**
Number of shareholders holding less than a marketable parcel		20	1,727	

Corporate Governance Statement

The directors in office at the date of statement are:

Name	Position	Period in office at 30 June 2006
Mr John D McGrath	Chairman, Non-executive director	5 years, 9 months
Mr Sam R White	Non-executive Director	3 years, 10 months
Mr Alasdair MacLeod	Non-executive Director	3 years, 4 months
Mr Stephen P Rue	Non-executive Director	2 years, 10 months
Mr Simon T Baker	Managing Director & CEO	3 months
Mr Roger Amos	Non-executive Director	appointed 5 July 2006

Corporate Governance and Best Practices

The Board of Directors of realestate.com.au Limited is responsible for the corporate governance of the consolidated entity. The Board guides and monitors the business and affairs of realestate.com.au Limited on behalf of the shareholders by whom they are elected and to whom they are accountable.

realestate.com.au Limited's corporate governance practices, based on the ASX Recommendations, have been developed over a number of years. They were in place and operating in the management of the company for all practical purposes throughout the year ended 30 June 2006, with the exceptions noted below.

realestate.com.au Limited complies with 24 of the 28 recommendations laid down in the ASX Recommendations. The four recommendations that the company has not adopted (the reasons why are explained below) during fiscal year 2006 are:

Recommendation 2.1	A majority of the board should be independent directors
Recommendation 4.3	The Audit Committee should comprise a majority of independent directors and should be chaired independently, not by the Board Chairman
Recommendation 8.1	Disclose the process for performance evaluation of the board, its committees, and individual directors, and key executives
Recommendation 9.2	The Remuneration and Nomination Committee should comprise a majority of independent directors

For further information on corporate governance policies adopted by realestate.com.au Limited, refer to our website:
http://investor.realestate.com.au/irm/content/corporategov.html

Structure of the Board

The primary objective of the Board of directors of realestate.com.au Limited is to build long-term shareholder value with due regard to other shareholder interests. It does this by setting strategic direction and context, such as the company's mission, vision, and values, and focusing on issues critical for its successful execution such as staffing, performance, and risk management. The Board is also responsible for overseeing the company's corporate governance framework.

The skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report is included in the Directors' Report. Directors of realestate.com.au Limited are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with – or could reasonably be perceived to materially interfere with – the exercise of their unfettered and independent judgement.

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

In accordance with the definition of independence above, and the materiality thresholds set, the following directors of realestate.com.au Limited are considered to be independent: John D McGrath, Chairman of the Board, and Roger Amos (since 5 July 2006).

There are procedures in place, agreed by the Board, to enable Directors, in furtherance of their duties, to seek independent professional advice at the company's expense. The Board's prior consent to obtaining such advice is required.

The ASX Recommendation 2.1 requires a majority of the Board to be independent directors. Due to the size of the company, and the strategic relationships, the directors have determined that it is inappropriate to increase the number of directors to a size where there can be a majority of independent directors. This decision does however not limit the size of the board, nor preclude the appointment of additional directors.

The Company has no formal board, committee or director evaluation process at present, however, it is planned to implement an evaluation process in the current financial year 2007.

The Board considers the appointment or retirement of directors, where appropriate, and with regard to the size of the company. The director concerned does not participate in the decision. The Board has two formally constituted committees, the Audit Risk and Compliance Committee and the Remuneration and Nomination Committee. In addition to that, subcommittees were founded during the takeover response process and the rights issue.

Audit Risk and Compliance Committee

The Board has established an Audit Risk and Compliance Committee that operates under a charter approved by the Board. It is the Board's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records and the reliability of financial information as well as non-financial considerations such as benchmarking of operational key performance indicators. The Board has delegated the responsibility for the establishment and maintenance of a framework of internal control and ethical standards for the management of the consolidated entity to the Audit Risk and Compliance Committee.

The committee also provides the Board with additional assurance regarding the reliability of financial information for inclusion in all financial reports. All members of the Audit Risk and Compliance Committee are non-executive directors. It was not possible, with the composition of the Board during the past financial year, to have a majority of independent directors comprising membership of the Audit, Risk and Compliance Committee. The Chairman was the sole independent director and consequently was elected to chair the Committee. This has changed with the appointment of Mr Roger Amos to chair the Audit Risk and Compliance Committee on 15 August 2006.

The members of the Audit Risk and Compliance Committee during the year and up to the date of this statement were:

Mr Roger Amos (Chairman since 15 August 2006)
Mr John D McGrath (Chairman until 15 August 2006)
Mr Stephen P Rue
Mr Martin P U Hoffman (resigned 5 April 2006)

Qualifications of Audit Risk and Compliance Committee members

Mr Roger Amos was a senior partner in the KPMG Information, Communication, and Entertainment Group of Assurance and Risk Advisory Services and was a partner with KPMG for 25 years.

Mr John D McGrath is one of Australia's leading real estate agents, having considerable experience in the real estate industry. He started McGrath Estate Agents in 1989, now Australia's largest privately owned real estate group.

Mr Stephen P Rue, the Chief Financial Officer of News Limited, has extensive financial experience in financial aspects of the media industry and the accounting profession.

Mr Martin P U Hoffman has held senior magazine and online media management positions among those Chief Executive Officer of ninemsn Pty Limited and before that at John Fairfax Holdings Limited.

For details of the number of meetings of the Audit Risk and Compliance Committee held during the year, and the attendees at those meetings, refer to Directors' Meetings in the Directors' Report. The committee meets at least twice a year with the external auditors to discuss the results of their work, fee arrangements and other work performed. To ensure that the auditor remains independent at all times, all non audit work is authorised by the Audit Risk and Compliance Committee.

Remuneration and Nomination Committee

The Board has established a Remuneration and Nomination Committee, which meets at least once annually, to ensure that the Board continues to operate within the established guidelines, including when necessary, selecting candidates for the position of director. The Remuneration and Nomination Committee comprises non-executive directors. It was not possible, with the composition of the Board, to have a majority of independent directors on the Remuneration and Nomination Committee in the past financial year.

This Committee comprised the following members:

Mr Roger Amos (Chairman since 15 August 2006)
Mr John D McGrath (Chairman until 15 August 2006)
Mr Sam R White
Mr Alasdair MacLeod

For details on the amount of remuneration and all monetary and non-monetary components for each of the five highest paid executives during the year and for the directors, refer to the Remuneration report in the Directors' Report. In relation to the payment of bonuses, options and other incentive payments, discretion is exercised by the Board, having regard to the overall performance of the company and the performance of the individual during the period.

There is no scheme to provide retirement benefits, other than statutory superannuation, to non-executive directors.

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

For details on the number of meetings of the Remuneration and Nomination Committee held during the year and the attendees at those meetings, refer to Directors' Meetings in the Directors' Report.

Statement by Chief Executive Officer and Chief Financial Officer

The Chief Executive Officer and the Chief Financial Officer have stated, in writing, to the Board that:

(a) With regard to the integrity of the financial report of realestate.com.au Limited for the year ended 30 June 2006;
   (i) The financial statements and associated notes comply in all material respects with the Accounting Standards as required by Section 296 of the Corporations Act 2001;
   (ii) The financial statements and associated notes give a true and fair view, in all material respects, of the financial position as at 30 June 2006 and performance of the company and consolidated entity for the year then ended as required by Section 297 of the Corporations Act 2001; and
   (iii) In our opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

(b) With regard to the financial records and systems of risk management and internal compliance and control of realestate.com.au Limited for the year ended 30 June 2006;
   (i) The financial records of the company have been properly maintained in accordance with Section 286 of the Corporations Act 2001;
   (ii) The statements made in (a) above regarding the integrity of the financial statements are founded on a sound system of risk management and internal compliance and control;
   (iii) The risk management and internal compliance and control systems of the company and consolidated entity relating to financial reporting is operating effectively in all material respects at 30 June 2006; and
   (iv) Subsequent to 30 June 2006, no changes or other matters have arisen that would have a material effect on the operation of risk management and internal compliance and control systems of the company and consolidated entity.

Ethical Standards

The Directors and other employees are expected to act lawfully, in a professional manner, and with the utmost integrity and objectivity in their dealings with clients, contractors, candidates and competitors, the community and each other, striving at all times to enhance the reputation and performance of the company.

Dealings with Shares

Directors and employees of the company are not permitted to deal in shares of the company in the period between the end of the financial half or full year up until the release of the financial information relating to that period. Directors and employees of the company are prohibited from dealing in the company's shares at any time whilst in possession of price sensitive information.

Shareholders

The Board of Directors of the company aims to ensure that the shareholders are informed of all major developments affecting the company's state of affairs. Information is communicated to shareholders as follows:

- The Annual Report is distributed to all shareholders and includes relevant information about the operations of the company during the year, changes in the state of affairs of the company and details of future developments, in addition to other disclosures required by the Corporations Law;
- Announcements are made to the Australian Stock Exchange in respect of annual and half-yearly results and on other occasions when the company becomes aware of information that might materially affect the price of its units; and
- The website www.realestate.com.au is used to publish releases by the company.