



**MEDIA RELEASE**

20 August 2007

**realestate.com.au Ltd Announces Record Revenue and Profit for Financial Year 2007**

The REA Group (ASX: REA, realestate.com.au Ltd and its subsidiary businesses) delivered strong growth in the 2007 financial year.

The main highlights included:

- Revenue was up 77% to \$108 million – primarily driven by the organic growth from existing operations.
- EBITDA increased by 76% to \$23.5 million.
- Net Profit After Tax and Minority Interest was up 83% to \$15.1 million.
- Cash from operations increased by 95% to \$21.1 million.

“Our goal for the year was to significantly improve the performance in our core Australian market while developing new sources of revenue in overseas markets. We feel we have successfully achieved that with the acquisition of casa.it in Italy and the atHome group based out of Luxembourg,” said CEO and Managing Director Simon Baker.

“This year has seen impressive revenue growth in both existing operations and our newly acquired businesses. That is an indication of the quality of our management team and our ability to execute across cultural and political borders.”

<b>Comparative Data</b>	<b>FY2003</b>	<b>FY2004</b>	<b>FY2005</b>	<b>FY2006</b>	<b>FY2007</b>	<b>Growth</b>
<b>Metric (\$000's)</b>	<b>AGAAP</b>	<b>AGAAP</b>	<b>AIFRS</b>	<b>AIFRS</b>	<b>AIFRS</b>	<b>06 vs. 07</b>
Revenues	<b>9,540</b>	<b>19,145</b>	<b>33,624</b>	<b>60,872</b>	<b>107,966</b>	<b>77%</b>
Operating (Expense)	(8,343)	(16,278)	(26,953)	(45,441)	(83,793)	
Depreciation & Amortisation	(2,689)	(369)	(1,051)	(2,297)	(4,974)	
<b>Gross Profit</b>	<b>(1,492)</b>	<b>2,498</b>	<b>5,620</b>	<b>13,134</b>	<b>19,199</b>	<b>46%</b>
Takeover Defense Costs				(1,607)		
Finance Costs	(47)	(21)		(943)	(742)	
<b>Earnings Before Tax</b>	<b>(1,539)</b>	<b>2,477</b>	<b>5,620</b>	<b>10,584</b>	<b>18,457</b>	<b>74%</b>
Tax (Expense)/Income			2,472	(3,943)	(7,469)	
Minority Interest				1,581	4,076	
<b>Net Income after tax &amp; minority interest</b>	<b>(1,539)</b>	<b>2,477</b>	<b>8,092</b>	<b>8,222</b>	<b>15,064</b>	<b>83%</b>

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## Country Performance

The performance of all countries improved significantly over the year.

- Australia delivered an EBITDA margin of 45% on \$86.6 million of revenues – a significant increase over the previous 12 months.
- United Kingdom, while continuing to make losses due to investment in future growth, has delivered strong revenue growth as well as improving in its EBITDA margin.
- New acquisitions in Italy and Luxembourg were also profitable, with EBITDA margins of 7% and 9%, respectively.

Comparative Data (\$ 000's)	Australia & New Zealand	United Kingdom <sup>1</sup>	Italy <sup>2</sup>	Greater Lux. Region <sup>2</sup>	Un- allocated <sup>3</sup>	Total
<i>FY 2007</i>						
Revenue from Services	86,568	17,891	1,337	1,497		107,293
EBITDA (allocated)	39,125	(8,180)	100	129	(7,674)	23,500
EBITDA margin	45%	(46%)	7%	9%		22%
<i>FY 2006</i>						
Revenue from Services	54,922	5,470				60,392
EBITDA (allocated)	21,137	(2,956)			(4,837)	13,344
EBITDA margin	38%	(54%)				22%

<sup>1</sup> Partial year for FY 2006 only as acquired in November 2005

<sup>2</sup> Partial year for FY 2007 only as acquired in February 2007

<sup>3</sup> Contains costs for the corporate head office, R&D and technology costs, capital market related costs, and other costs which were not allocated

## Agent Subscriptions

The number of real estate agent subscribers, the company's core customers, is a key performance metric and revenue driver. In the financial year, total agent subscriptions to the Group's websites increased by 59% from 10,713 to 17,011. In addition, the number of agents on trial subscriptions increased significantly to 2,298.

Paying Agents	Australia	New Zealand	United Kingdom	Rest of World	Italy	Greater Lux. Region	Total
As at June 2007	8,410	496	3,919	131	3,511	544	17,011
As at June 2006	7,601	205	2,786	121			10,713

## Record Global Visitors

The company's ability to serve agents depends on attracting consumers — measured online as “unique browsers” — to its websites. In June 2007, 7.1 million people visited the websites owned and operated by the REA Group. That number is 44% higher than June 2006. In July 2007 it climbed even higher to 7.6 million.

More....

The Group's most important market is Australia. The flagship Australian site, realestate.com.au, continues to increase the distance between itself and its competitors. In June 2007, for example, the site had 100% more unique browsers than the country's second site, domain.com.au, according to Nielsen//NetRatings.

### Growth in Global Key Non-Financial Performance Indicators

	Jun-06	Jun-07	Growth
Property Listings	588,380	<b>1,083,801</b>	84%
Paying Agents	10,713	<b>17,011</b>	59%
Trial Agents	354	<b>2,298</b>	549%
Unique Browsers <sup>1</sup>	4,976,566	<b>7,149,445</b>	44%
Employees	294	<b>479</b>	63%

<sup>1</sup> SOURCE: Nielsen//NetRatings. ComScore

Baker summed up, "Our mission is to be the leading provider of online property portal sites and agent software solutions in the global markets we consider attractive and therefore benefit from the rapid growth in online advertising, which is still in its early stages."

"In the coming year we will continue to improve our existing operations while looking for opportunities to enter new markets."

### About the REA Group

realestate.com.au Ltd. (ASX:REA) and its subsidiary companies, known as The REA Group, make up a global online real estate advertising company headquartered in Melbourne, Australia. The REA Group operates realestate.com.au, property.com.au, homesite.com.au, realcommercial.com.au and propertylook.com.au in Australia; propertyfinder.com in the UK; allrealestate.co.nz, realcommercial.co.nz and propertylook.co.nz in New Zealand; and Casa.it, atHome.lu, atOffice.lu, atHome.be, atHomeLorraine.fr and atHome54.de in continental Europe. The REA Group's businesses also include estate agent office management tools and web design services, as well as real estate print publishing. As a listed company, realestate.com.au Ltd operates as an independent entity.

**# ENDS**

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# Appendix 4E

## Preliminary final report

Name of entity
<b>realestate.com.au Limited</b>

ABN or equivalent company reference	Financial year ended ('current period')
<b>54 068 349 066</b>	<b>30 June 2007</b>

<b>Results for announcement to the market</b>				
<b>Twelve Months</b> ended 30 June ...		2007 A\$	2006 A\$	Change
<b>Revenue</b> from ordinary activities	Up	<b>107,966,062</b>	<b>60,872,217</b>	<b>77.4%</b>
<b>Profit</b> from ordinary activities after tax attributable to members	Up	<b>10,988,015</b>	<b>6,641,083</b>	<b>65.5%</b>
<b>Net profit for the period</b> attributable to members	Up	<b>10,988,015</b>	<b>6,641,083</b>	<b>65.5%</b>
<b>Net profit for the period</b> attributable to members of parent (after minority interest)	Up	<b>15,064,078</b>	<b>8,221,947</b>	<b>83.2%</b>

<b>Dividends (distributions)</b>	Amount per security	Franked amount per security
Final dividend	<b>Nil ¢</b>	<b>Nil ¢</b>
Previous corresponding period	<b>Nil ¢</b>	<b>Nil ¢</b>
Date for determining entitlements to the dividend	<b>N/A</b>	
<b>Net Tangible Asset Backing</b>	<i>Jun-07</i> cents	<i>Jun-06</i> cents
Net Tangible Asset Backing per Ordinary Security	(7.6)	5.7
Net Asset Backing increased from 55.9 cents per ordinary share as at the end of June 2006 to 66.8 cents per ordinary share as at the end of June 2007.		

Brief explanation of any of the figures reported above and short details of any bonus or cash issue or other item(s) of importance not previously released to the market:
<b>This report is based on accounts which have been audited. The detailed financial statements are currently in the process of being finalised and consequently the audit report has not yet been signed.</b>

# Income Statement

For the year ended 30 June 2007

	Notes	CONSOLIDATED		realestate.com.au Ltd	
		2007	2006	2007	2006
		\$	\$	\$	\$
Revenues from services		107,292,778	60,391,582		
Interest income		673,284	480,635	324,093	108,812
<b>Total Revenues</b>		<b>107,966,062</b>	<b>60,872,217</b>	<b>324,093</b>	<b>108,812</b>
Depreciation and amortisation expense		(4,973,850)	(2,297,434)		
Salaries and employee benefits expense	6c	(40,598,262)	(23,329,623)		
Sales commission		(3,263,704)	(1,678,953)		
Marketing related expense		(15,800,900)	(10,465,969)		
Administration related costs		(4,425,415)	(2,477,581)	(837,739)	(219,704)
Share of loss of associate	12	(226,229)			
Other expenses excluding takeover defence costs	6a	(19,478,234)	(7,488,217)	(121,636)	(117,576)
<b>Gross profit / (loss) before takeover defence costs</b>		<b>19,199,468</b>	<b>13,134,440</b>	<b>(635,282)</b>	<b>(228,468)</b>
Takeover defence costs			(1,607,067)		(1,607,067)
<b>Profit / (Loss) before tax and finance costs</b>		<b>19,199,468</b>	<b>11,527,373</b>	<b>(635,282)</b>	<b>(1,835,535)</b>
Finance costs	6b	(742,173)	(943,392)	(235,031)	(865,446)
<b>Profit / (Loss) before income tax</b>		<b>18,457,295</b>	<b>10,583,981</b>	<b>(870,313)</b>	<b>(2,700,981)</b>
Income tax (expense) / income	7	(7,469,280)	(3,942,898)	237,124	861,021
<b>Profit / (Loss) after tax</b>		<b>10,988,015</b>	<b>6,641,083</b>	<b>(633,189)</b>	<b>(1,839,960)</b>
<b>Net profit / (loss) for the period</b>		<b>10,988,015</b>	<b>6,641,083</b>	<b>(633,189)</b>	<b>(1,839,960)</b>
Loss attributable to minority interest		4,076,063	1,580,864		
<b>Profit / (Loss) attributable to members of parent</b>		<b>15,064,078</b>	<b>8,221,947</b>	<b>(633,189)</b>	<b>(1,839,960)</b>
<b>Earnings per share (cents per share)</b>					
basic for profit for the year attributable to ordinary equity holder of the parent	8	11.8	7.2		
diluted for profit for the year attributable to ordinary equity holder of the parent	8	11.8	6.9		

# Balance Sheet

As at 30 June 2007

	Notes	CONSOLIDATED		realestate.com.au Ltd	
		As at	As at	As at	As at
		30 June 2007	30 June 2006	30 June 2007	30 June 2006
		\$	\$	\$	\$
<b>ASSETS</b>					
<b>Current assets</b>					
Cash and cash equivalents	9	9,823,595	13,191,864	1,046,485	3,427,414
Trade and other receivables	10	20,366,746	10,388,023	4,892,659	1,765,131
Other current assets	11	2,004,883	1,145,127	63,855	78,264
<b>Total current assets</b>		<b>32,195,224</b>	<b>24,725,014</b>	<b>6,002,999</b>	<b>5,270,809</b>
<b>Non-current assets</b>					
Receivables from related parties		282,315		960,344	
Investment in associates	12	393,853			
Investment in subsidiaries	13			70,289,726	48,112,704
Property, plant and equipment	14	4,836,186	3,461,834		
Deferred tax asset	7	1,716,676	1,852,178	486,215	916,129
Intangible assets (excluding Goodwill)	15	16,314,884	9,594,826		
Goodwill	15, 16	78,450,405	54,308,353		
<b>Total Non-current assets</b>		<b>101,994,319</b>	<b>69,217,191</b>	<b>71,736,285</b>	<b>49,028,833</b>
<b>TOTAL ASSETS</b>		<b>134,189,543</b>	<b>93,942,205</b>	<b>77,739,284</b>	<b>54,299,642</b>
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Payables	17	17,517,929	7,441,796	1,390,048	1,382,943
Interest-bearing loans and borrowings	18	6,160,126	1,966,604		
Provisions	20	1,579,421	953,270		
Current tax liabilities	7	8,394,320	3,450,806	8,085,951	
Other current liabilities	19	8,799,594	5,229,901		
<b>Total current liabilities</b>		<b>42,451,390</b>	<b>19,042,377</b>	<b>9,475,999</b>	<b>1,382,943</b>
<b>Non-current liabilities</b>					
Payables to related parties		830,339		15,908,910	15,512
Interest-bearing loans and borrowings	18	1,589,950	809,346		
Deferred tax liabilities	7	3,774,880	2,561,636	111,368	24,990
Provisions	20	491,488	331,495		
<b>Total Non-current liabilities</b>		<b>6,686,657</b>	<b>3,702,477</b>	<b>16,020,278</b>	<b>40,502</b>
<b>TOTAL LIABILITIES</b>		<b>49,138,047</b>	<b>22,744,854</b>	<b>25,496,277</b>	<b>1,423,445</b>
<b>NET ASSETS</b>		<b>85,051,496</b>	<b>71,197,351</b>	<b>52,243,007</b>	<b>52,876,197</b>

	Notes	CONSOLIDATED		realestate.com.au Ltd	
		As at	As at	As at	As at
		30 June 2007	30 June 2006	30 June 2007	30 June 2006
		\$	\$	\$	\$
<b>EQUITY</b>					
Contributed equity	21a	56,001,961	56,001,961	56,001,961	56,001,961
Foreign currency translation reserve	21c	(1,209,682)	674,543		
Other reserve	21c, 23v.c	(1,703,260)			
Retained earnings / (Accumulated losses)	21c	13,138,975	(1,925,103)	(3,758,954)	(3,125,764)
<b>Parent interests</b>		66,227,994	54,751,401	52,243,007	52,876,197
<b>Minority interests</b>	21d	18,823,502	16,445,950		
<b>TOTAL EQUITY</b>		85,051,496	71,197,351	52,243,007	52,876,197

# Cash Flow Statement

For the year ended 30 June 2007

	Notes	CONSOLIDATED		realestate.com.au Ltd	
		2007	2006	2007	2006
		\$	\$	\$	\$
<b>Cash flows from operating activities</b>					
Receipts from customers		112,726,295	63,844,827		
Payments to suppliers and employees		(88,667,603)	(52,975,113)		(327,137)
Interest received		672,816	462,414	59,574	57,351
Borrowing costs (Interest paid)		(482,819)	(568,297)	(235,031)	(526,199)
Income Tax paid		(3,162,028)			
<b>Net cash flows from operating activities</b>	9	21,086,661	10,763,831	(175,457)	(795,985)
<b>Cash flows from investing activities</b>					
Purchase of property, plant and equipment		(3,246,022)	(2,039,984)		
Purchase of intangible assets		(2,289,446)	(520,510)		
Proceeds from sale of property, plant and equipment		3,191			
Disposal of shares in joint venture		50		50	
Loan to related party				(1,880,350)	
Repayment / (Issuance) of Loan from / (to) JV		418,948	(100,000)	418,948	
Investment in associate		(620,082)			
Acquisition of subsidiary, net of cash acquired	24 (e)	(27,172,321)	(48,338,232)	(18,944,988)	(20,792,677)
<b>Net cash flows used in investing activities</b>		(32,905,682)	(50,998,726)	(20,406,340)	(20,792,677)
<b>Cash flows from financing activities</b>					
Proceeds from issue of ordinary shares			27,247,376		25,016,076
Payment of transaction costs on rights issue			(203,374)		
Proceeds from issue of ordinary shares in subsidiary		6,028,589	17,515,227		
Proceeds from borrowings		3,114,230	1,446,306	18,200,868	
Payment of finance lease liabilities		(685,686)	(310,871)		
<b>Net cash flows from financing activities</b>		8,457,133	45,694,664	18,200,868	25,016,076
Net (decrease) / increase in cash and cash equivalents		(3,361,888)	5,459,769	(2,380,929)	3,427,414
Net foreign exchange difference		(6,381)	(10,238)		
Cash and cash equivalents at beginning of period		13,191,864	7,742,333	3,427,414	
<b>Cash and cash equivalents at end of period</b>	9	9,823,595	13,191,864	1,046,485	3,427,414

# Statement of Changes in Equity

For the year ended 30 June 2007

CONSOLIDATED	Attributable to equity holders of the parent				Minority interest	Total equity
	Issued capital	Retained earnings / (Accumulated losses)	Reserves	Total		
	\$	\$	\$	\$	\$	\$
<b>At 1 July 2005</b>	28,955,709	(10,147,050)		18,808,659		18,808,659
Foreign Currency translation differences			674,543	674,543		674,543
Profit / (Loss) 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
<b>At 30 June 2006</b>	56,001,961	(1,925,103)	674,543	54,751,401	16,445,950	71,197,351
<b>At 1 July 2006</b>	56,001,961	(1,925,103)	674,543	54,751,401	16,445,950	71,197,351
Foreign Currency translation differences			(1,884,225)	(1,884,225)		(1,884,225)
Profit / (Loss) for the period		15,064,078		15,064,078	(4,076,063)	10,988,015
Recognition of Put option for remaining share in casa.it held by founder (note 23c.v)			(1,703,260)	(1,703,260)		(1,703,260)
Minority interest on acquisition of subsidiary					6,453,615	6,453,615
<b>At 30 June 2007</b>	56,001,961	13,138,975	(2,912,942)	66,227,994	18,823,502	85,051,496

<b>realestate.com.au Limited</b>	<i>Issued capital</i>	<i>Retained earnings / (Accumulated losses)</i>	<i>Total</i>
	\$	\$	\$
<b>At 1 July 2005</b>	28,955,709	(1,285,804)	27,669,905
Profit / (Loss) 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
<b>At 30 June 2006</b>	56,001,961	(3,125,764)	52,876,197
<b>At 1 July 2006</b>	56,001,961	(3,125,764)	52,876,197
Profit / (Loss) for the period		(633,189)	(633,189)
<b>At 30 June 2007</b>	56,001,961	(3,758,954)	52,243,007

# Notes to the Financial Statements

## 1) Corporate Information

The financial report of realestate.com.au Limited for the year ended 30 June 2007 was authorised for issue in accordance with a resolution of the directors on 20 August 2007. 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) Summary of Significant Accounting Policies

### (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

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the group for the annual reporting period ending 30 June 2007. These are outlined in the table below.

Reference	Title	Summary	Application date of standard*	Impact on the group's financial report	Application date for group*
AASB 2005-10	Amendments to Australian Accounting Standards [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 & AASB 1038]	Amendments arise from the release in August 2005 of AASB 7 <i>Financial Instruments: Disclosures</i> .	1 Jan 07	AASB 7 is a disclosure standard so will have no direct impact on the amounts included in the group's financial statements. However, the amendments will result in changes to the financial instrument disclosures included in the group's financial report.	1 Jul 07
AASB 2007-1	Amendments to Australian Accounting Standards arising from AASB Interpretation 11 [AASB 2]	Amending standard issued as a consequence of AASB Interpretation 11 <i>Interim Financial Reporting and Impairment</i> .	1 Mar 07	This is consistent with the group's existing accounting policies for share-based payments so will have no impact.	1 Jul 07
AASB 2007-2	Amendments to Australian Accounting Standards arising from AASB Interpretation 12 [AASB 1, AASB 117, AASB 118, AASB 120, AASB 121, AASB 127, AASB 131 & AASB 139]	Amending standard issued as a consequence of AASB Interpretation 12 <i>Service Concession Arrangements</i> .	1 Jan 07	As the group currently has no service concession arrangements or public-private-partnerships (PPP), it is expected that this Interpretation will have no impact on its financial report.	1 Jul 07
AASB 2007-3	Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5, AASB, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 & AASB 1038]	Amending standard issued as a consequence of AASB 8 <i>Operating Segments</i> .	1 Jan 09	AASB 8 is a disclosure standard so will have no direct impact on the amounts included in the group's financial statements. However the new standard is expected to have an impact on the group's segment disclosures as segment information based on management reports are more detailed than those currently reported under AASB 114.	1 Jul 09

Reference	Title	Summary	Application date of standard*	Impact on the group's financial report	Application date for group*
AASB 2007-4	Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments.	Amending the standards as a consequence of ED151 and others.	1 Jul 07	This standard will have minor impact on the disclosures in the financial reports.	1 Jul 07
AASB 7	Financial Instruments: Disclosures	New standard replacing disclosure requirements of AASB 132.	1 Jan 07	Refer to AASB 2005-10 above.	1 Jul 07
AASB 8	Operating Segments	This new standard will replace AASB 114 <i>Segment Reporting</i> and adopts a management approach to segment reporting.	1 Jan 09	Refer to AASB 2007-3 above.	1 Jul 09
AASB 101	Amendments to AASB 101 Presentation of Financial Standards	The amendments made by the AASB primarily relate to disclosure, are not that significant and largely involve the removal of the Aus paragraphs within the standard. This is consistent with the AASB's agenda to move towards complete adoption of International Financial Reporting Standards (IFRS's).	1 Jan 07	This standard will have an impact on the disclosure of minority interest.	1 Jul 07
AASB Interpretation 10	Interim Financial Reporting and Impairment	Addresses an inconsistency between AASB 134 <i>Interim Financial Reporting</i> and the impairment requirements relating to goodwill in AASB 136 <i>Impairment of Assets</i> and equity instruments classified as available for sale in AASB 139 <i>Financial Instruments: Recognition and Measurement</i> .	1 Nov 06	The prohibitions on reversing impairment losses in AASB 136 and AASB 139 to take precedence over the more general statement in AASB 134 is not expected to have any impact on the group's financial report.	1 Jul 07
AASB Interpretation 11	Group and Treasury Share Transactions	Specifies that a share-based payment transaction in which an entity receives services as consideration for its own equity instruments shall be accounted for as equity-settled.	1 Mar 07	Refer to AASB 2007-1 above.	1 Jul 07
AASB Interpretation 12	Service Concession Arrangements	Clarifies how operators recognise the infrastructure as a financial asset and/or an intangible asset – not as property, plant and equipment.	1 Jan 07	Refer to AASB 2007-2 above.	1 Jul 07

\* designates the beginning of the applicable annual reporting period

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). The financial report also complies with International Financial Reporting Standards (IFRS).

**(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). Subsidiaries are all those entities over which the group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a group controls another entity.

The financial statements of the subsidiaries are prepared for the same reporting period as the realestate.com.au Limited company, using consistent accounting policies. In preparing the consolidated financial statements, all inter-company 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. The acquisition of subsidiaries is accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the cost of the business combination to the fair value of the assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition.

Minority interests not held by the group are allocated their share of net profit after tax in the consolidated income statement and are presented within equity in the consolidated balance sheet, separately from parent shareholder equity.

**(d) Business combinations**

The purchase method of accounting is used to account for all business combinations regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the combination. Where equity instruments are issued in a business combination, the fair value of the instruments is their published market price as at the date of the exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Except for non-current assets or disposal groups classified as held for sale (which are measured at fair value less costs to sell), all identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at acquisition date, irrespective of the extent of any minority interest. The excess of the cost of the business combination over the net fair value of the group's share of the identifiable net assets acquired is recognised as goodwill. If the cost of acquisition is less than the group's share of the net fair value of the identifiable net assets of the subsidiary, the difference is recognised as a gain in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of the consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of the exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

**(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*

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

*ii) Interest income*

Interest income is recognised where control of the right to receive interest payments can be reliably measured.

**(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 in most cases 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 there is objective evidence that the group will not collect the debt. Bad debts are written off when identified.

### **(j) De-recognition of financial assets and financial liabilities**

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.

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 de-recognition 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 REA Group Europe Limited which consolidates the operations in the UK, Italy, and the Greater Luxembourg region, is British Pounds (GBP). The functional currency of the Italian (casa.it) and the Greater Luxembourg region operations (atHome Group) is Euro. 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) 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.

#### **(m) Other taxes**

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

- when the GST or VAT incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST or VAT 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 or VAT included.

The net amounts of GST or VAT recoverable from, or payable to, the taxation authorities are 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 or VAT component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authorities are classified as operating cash flows. Commitments and contingencies are disclosed net of the amount of GST or VAT recoverable from, or payable to, the taxation authorities.

#### **(n) 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 10 years

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

##### *j) 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 units to which the asset belongs to. 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) De-recognition 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 de-recognition 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.

**(o) 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.

**(p) 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.

**(q) 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, if required
- Acquired customer lists / domain names / advertising relationships: 5 to 11 years with annual impairment tests, if required
- 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.

#### **(r) 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 re-valued amount (in which case the impairment loss is treated as a revaluation decrease).

#### **(s) 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.

#### **(t) 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.

#### **(u) 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.

#### **(v) Employee benefits**

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.

The liability for *long service leave (LSL)* 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.

**(w) 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.

**(x) Earnings per share**

*Basic earnings per share* are calculated as net profit attributable to members of the parent (realestate.com.au Limited), 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* are calculated as net profit attributable to members of the parent, 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) Financial Risk Management – Objectives and Policies

The group's principal financial instruments comprise bank loans and overdraft facilities, finance leases and hire purchase contracts, intercompany loans, and cash and short-term deposits. The main purpose of these financial instruments is to raise and distribute funds for the group's operations. The group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. It is, and has been throughout the period, the group's policy that no trading in financial instruments shall be undertaken. The main risks arising from the group's financial instruments are 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's exposure to the risk of changes in market interest rates relates primarily to the group's short term debt obligations with a floating interest rate as described in note 22.

#### **Liquidity risk**

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

#### **Foreign currency risk**

The consolidated group is exposed to foreign currency risk on sales, purchases, and borrowings that are denominated in a currency other than the AUD. The currencies giving rise to this risk are primarily the British Pounds, Euro and the New Zealand Dollar. Due to the nature and the legal structure of the businesses the group is operating, it is not the group's policy to hedge against foreign exchange risks.

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

#### 4) Significant Accounting Judgements, Estimates and Assumptions

In applying the group's accounting policies, management continually evaluates judgements, estimates and assumptions based on experience and on other factors, including expectations of future events that may have an impact on the group. All judgements, estimates and assumptions are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from the judgements, estimates and assumptions. Significant judgements, estimates and assumptions made by management in the preparation of these financial statements are outlined below:

##### *Significant accounting judgements*

**Recovery of deferred tax assets** – Deferred tax assets are recognised for deductible temporary differences where management considers that it is probable that future taxable profits will be available to utilise those temporary differences.

**Impairment of non-financial assets other than goodwill** – The group assesses impairment of all assets at each reporting date by evaluating conditions specific to the group and to the particular asset that may lead to impairment.

##### *Significant accounting estimates and assumptions*

**Impairment of goodwill** – The group determines whether goodwill is impaired at least on an annual basis. The assumptions used in the estimation of recoverable amount and the carrying amount of goodwill are discussed in note 16.

**Long Service Leave Provision** – As discussed in note 2, the liability for long service leave provision is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at balance sheet date. In determining the present value of the liability, attrition rates and pay increases through promotion and inflation have been taken into account.

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

## 5) Segment Information

### 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 2007.

	Australia & New Zealand \$	United Kingdom \$	Other countries \$	Total \$
<b>Year ended 30 June 2007</b>				
<b>Revenue</b>				
Sales to external customers	86,567,547	17,891,296	2,833,935	107,292,778
Inter-segment revenues	448,780			448,780
Total Segment Revenue	87,016,327	17,891,296	2,833,935	107,741,558
Inter-segment elimination				(448,780)
Unallocated revenue (interest income)				673,284
Total consolidated revenue				<u>107,966,062</u>
<b>Result</b>				
Segment result	35,442,397	(8,947,940)	(68,467)	26,425,990
Unallocated expenses				(7,673,577)
Profit before tax and finance costs				<u>18,752,413</u>
Net Finance costs				(68,889)
Share of loss of associate				(226,229)
Profit before income tax				<u>18,457,295</u>
Income tax expense				(7,469,280)
Net Profit for the year				<u>10,988,015</u>
<b>Assets and Liabilities</b>				
Segment assets	48,389,847	46,229,217	30,496,607	125,115,671
Investment in associate				393,853
Unallocated assets				8,680,019
Total assets				<u>134,189,543</u>
Segment liabilities	13,675,204	8,602,129	5,238,178	27,515,511
Unallocated liabilities				21,622,536
Total liabilities				<u>49,138,047</u>
<b>Other segment information</b>				
Capital expenditure	5,054,786	308,434	172,248	5,535,468

Segment Information - continued

	Australia & New Zealand \$	United Kingdom \$	Other countries \$	Total \$
<b>Year ended 30 June 2006</b>				
<b>Revenue</b>				
Sales to external customers	54,921,804	5,469,778		60,391,582
Inter-segment revenues	300,000			300,000
Total Segment Revenue	55,221,804	5,469,778	-	60,691,582
Inter-segment elimination				(300,000)
Unallocated revenue (interest income)				480,635
Total consolidated revenue				60,872,217
<b>Result</b>				
Segment result	19,369,904	(3,486,246)	-	15,883,658
Unallocated expenses				(4,836,920)
Profit before tax and finance costs				11,046,738
Net Finance costs				(462,757)
Share of loss of associate				-
Profit before income tax				10,583,981
Income tax expense				(3,942,898)
Net Profit for the year				6,641,083
<b>Assets and Liabilities</b>				
Segment assets	46,274,143	40,620,220	-	86,894,363
Investment in associate				-
Unallocated assets				7,047,842
Total assets				93,942,205
Segment liabilities	10,672,383	3,284,079	-	13,956,462
Unallocated liabilities				8,788,392
Total liabilities				22,744,854
<b>Other segment information</b>				
Capital expenditure	2,327,034	233,460	-	2,560,494

*Business Segments*

There is only one significant business segment, online advertising, as per AASB 114 *Segment Reporting*.

## 6) Expense Accounts

	CONSOLIDATED		realestate.com.au Ltd	
	2007	2006	2007	2006
	\$	\$	\$	\$
<i>(a) Other expenses</i>				
Consultants and Contractor Expenses	3,266,376	881,530	85,123	
Property Expenses	2,592,601	1,544,048	14,922	
Technology Expenses	2,891,660	1,644,003		
Travel Expenses	2,332,588	1,273,572	12,535	
Print and Distribution Expenses of Publications	4,017,218	300,859		
Reversal of provision for diminution (note 23)	(418,948)			
Other Expenses	4,796,739	1,844,205	9,056	117,576
Total Other Expenses excluding takeover defence costs	19,478,234	7,488,217	121,636	117,576
<i>(b) Finance costs</i>				
Bank loans and overdrafts	314,549	74,714	235,031	74,714
Finance charges payable under finance leases	168,269	42,629		
Net foreign exchange loss on loans		339,247		339,247
Related party loan (News International)	259,355	486,802		451,485
Total Finance Costs	742,173	943,392	235,031	865,446
<i>(c) Salaries and employee benefits expense</i>				
Wages and Salaries	37,991,343	21,694,525		
Workers compensation costs	105,216	61,947		
Defined contribution plan expense (Superannuation)	2,333,496	1,443,445		
Long service leave provision	168,207	129,706		
Total Salaries and employee benefits expense	40,598,262	23,329,623	-	-

## 7) Income Tax

The major components of income tax expense are:

Income Statement	CONSOLIDATED		realestate.com.au Ltd	
	2007	2006	2007	2006
	\$	\$	\$	\$
<b>Income tax expense</b>				
<i>Current income tax</i>				
Current income tax charge	8,394,320	3,450,806	8,085,951	
Adjustment for current income tax of previous years	(390,198)			(675)
Provision balances of subsidiary members transferred to head entity			(9,028,971)	
Tax losses (recognised)/utilised	(606,009)		225,819	
<i>Deferred income tax</i>				
Origination and reversal of temporary differences	76,331	492,092	516,294	(860,346)
Adjustments for income tax of previous years	(5,164)		(36,217)	
<b>Income tax expense reported in the income statement</b>	<b>7,469,280</b>	<b>3,942,898</b>	<b>(237,124)</b>	<b>(861,021)</b>
A <b>reconciliation</b> 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 before income tax	18,457,295	10,583,981	(870,313)	(2,700,981)
At the group's statutory income tax rate of 30% (2006: 30%)	5,537,189	3,175,194	(261,094)	(810,294)
Effect of foreign tax rate	10,093			
Foreign subsidiary losses not recognised in the group (a)	2,500,987	881,024		
Change due to non-deductible amortisation	232,608			
Change due to non-deductible expenses	597,243	434,570	82,348	
Change due to the effect of tax losses recognised	(39,831)			
Change due to deductible expenses	(506,379)		(22,161)	
Change due to non-assessable income	(253,241)	(35,063)		
Change due to forming a tax consolidated group	(156,663)			
Other	(56,828)			
Income tax expense on pre-tax net profit	7,865,178	4,455,725	(200,907)	(810,294)
Timing differences not recognised in prior years	(395,898)	(512,827)	(36,217)	(50,727)
Income tax expense on pre-tax net profit	7,469,280	3,942,898	(237,124)	(861,021)
Current income tax liability				
Consolidated current income tax liability	8,394,320	3,450,806	8,085,951	-

(a) This figure includes unrecognised tax losses for the European operations during this fiscal year. It consists of tax losses, with a tax effect of \$2,428,281 (2006: \$881,024) for REA UK Group, \$35,009 (2006: nil) for REA Italia Group, and \$37,697 (2006: nil) for the Greater Luxembourg operations.

**Recognised deferred tax assets and liabilities**

Deferred income tax at 30 June relates to the following:

CONSOLIDATED

*Deferred tax liabilities*

	<i>Balance sheet</i>		<i>Income statement</i>	
	2007	2006	2007	2006
	\$	\$	\$	\$
Intangibles	(3,047,399)	(2,529,755)	(754,771)	(180,632)
Receivables	(135,881)		135,881	
Property, plant and equipment	(446,501)		446,501	
Unrealised foreign exchange gains	(4,474)		4,474	
Prepayments	(8,956)		8,956	
Accrued income	(131,669)	(31,881)	99,788	31,881
<i>Deferred income tax liabilities</i>	<u>(3,774,880)</u>	<u>(2,561,636)</u>		

*Deferred tax assets*

Takeover defence expenditure	289,272	385,696	96,424	(385,696)
Investments in Joint Ventures / Associates	67,869	15	(67,854)	(15)
Provision for doubtful debts	158,377	165,015	6,638	(72,825)
Accruals	75,685	61,384	(14,301)	(37,556)
Losses available for offset against future taxable income	82,835	483,767	400,932	1,343,397
Depreciation - Leasehold improvements		40,060	40,060	(40,060)
Provisions	150,309	244,166	93,857	(64,022)
Provision of employee entitlements	494,752	339,952	(154,800)	(116,522)
Prepaid revenues	231,629	113,016	(118,613)	12,928
Unrealised foreign exchange losses	82,820	3,912	(78,908)	(3,912)
Finance leases	83,128	15,195	(67,933)	5,126
Deferred income tax assets	<u>1,716,676</u>	<u>1,852,178</u>		

Deferred tax (income) / expense

76,331      492,092

realestate.com.au Limited

*Deferred tax liabilities*

Accrued income	<u>(111,368)</u>	<u>(24,990)</u>	86,378	24,990
Deferred income tax liabilities	<u>(111,368)</u>	<u>(24,990)</u>		

*Deferred tax assets*

Takeover defence expenditure	289,272	385,696	96,424	(385,696)
Provision for diminution in investments		15	15	(15)
Provision for doubtful debts		65,234	65,234	(34,441)
Accruals	31,292	2,160	(29,130)	(2,160)
Unrealised foreign exchange losses	82,816		(82,816)	
Losses available for offset against future taxable income	82,835	463,024	380,189	(463,024)
	<u>486,215</u>	<u>916,129</u>		

Deferred tax (income) / expense

516,294      (860,346)

## **Tax consolidation**

Following advice from tax advisers, the Board has decided to enter into tax consolidation in the fiscal year ended 30 June 2007

### *(i) Members of the tax consolidation group and the tax sharing arrangement*

realestate.com.au Limited and its 100% owned Australian resident subsidiaries formed a tax consolidated group with effect from 1 July 2006. realestate.com.au Limited is the head of the consolidated group. Members of the group have entered into a tax sharing agreement that provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement on the basis that the possibility of default is remote.

### *(ii) Tax effect accounting by members of the tax consolidated group*

#### Measurement method adopted under UIG 1052 Tax Consolidation Accounting

The head entity and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The group has applied the group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to the members of the tax consolidated group. The current and deferred tax amounts are measured in a systematic manner that is consistent with the broad principles in AASB 112 *Income Taxes*. The nature of the tax funding agreement is discussed further below.

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

#### Nature of the tax funding agreement

Members of the tax consolidated group have entered into a tax funding agreement. Under the funding agreement the allocation of tax within the group is based on accounting profit, which is not an acceptable method of allocation under UIG1052. The tax funding agreement requires payments to/from the head entity to be recognised via an inter-entity receivable (payable) which is at call. To the extent that there is a difference between the amount allocated under the tax funding agreement and the allocation under UIG1052, the head entity accounts for these as equity transactions. The amounts receivable or payable under the tax funding agreement are due and payable on demand and are not treated as distributions of profits.

#### Tax consolidation contributions/(distributions)

Realestate.com.au Limited has had no tax-consolidation contribution adjustments.

### *(iii) Tax related contingencies*

nil

## 8) Earnings per share

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

	CONSOLIDATED	
	2007	2006
	\$	\$
Net profit attributable to ordinary equity holders	15,064,078	8,221,947

### **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 Limited by the weighted average number of ordinary shares outstanding during the year.

	2007	2006
	number	number
Issued ordinary shares as at 1 July	127,255,057	107,359,365
Effect of share options exercised during the financial year		6,219,644
Effect of rights issue in June 2006		251,303
Weighted average number of ordinary shares as at 30 June (Basic EPS)	127,255,057	113,830,312

### **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 Limited 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.

	2007	2006
	number	number
Issued ordinary shares as at 1 July	127,255,057	107,359,365
Effect of share options on issue during the financial year		11,144,246
Effect of rights issue in June 2006		251,303
Weighted average number of ordinary shares as at 30 June (Diluted EPS)	127,255,057	118,754,914

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. There are no instruments excluded from the calculation of diluted earnings per share that could potentially dilute basic earnings per share.

## 9) Current Assets - 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	
	2007	2006	2007	2006
	\$	\$	\$	\$
Cash at bank and in hand	9,379,090	12,771,299	1,046,485	3,427,414
Short term deposits	444,505	420,565		
<b>Total Cash &amp; cash equivalents</b>	<b>9,823,595</b>	<b>13,191,864</b>	<b>1,046,485</b>	<b>3,427,414</b>

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short term deposits are made for varying periods of between one day and three months, depending on the cash requirements of the group, and earn interest at the respective short-term deposit rate.

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

	CONSOLIDATED		realestate.com.au Ltd	
	2007	2006	2007	2006
	\$	\$	\$	\$
Net profit / (loss) for the period	10,988,015	6,641,083	(633,189)	(1,839,960)
<i>Adjustments for</i>				
Depreciation and amortisation	4,973,850	2,297,434		
Write down of loan to joint venture		114,805		114,805
Net loss on disposal of property, plant and equipment	35,305	22,181		
Reversal of diminution of loan to JV	(418,948)			
Share of losses of Associate	226,229			
<i>Changes in assets and liabilities</i>				
(Increase) / decrease in trade and other receivables	(8,713,140)	(5,123,987)	(96,299)	1,861,255
(Increase) / decrease in other current assets	(555,160)	(261,993)	14,409	(78,264)
(Increase) / decrease in deferred tax assets	135,502	641,518	429,914	(885,336)
(Decrease) / increase in other current liabilities	2,835,373	1,930,052		
(Decrease) / increase in deferred tax liabilities	(900,708)	(148,751)	86,378	24,990
(Decrease) / increase in current tax liabilities	5,072,456	3,450,131		(675)
(Decrease) / increase in trade and other payables	6,459,210	835,148	1,256,288	7,200
(Decrease) / increase in provisions	948,677	366,210	(1,232,958)	
<b>Net cash from operating activities</b>	<b>21,086,661</b>	<b>10,763,831</b>	<b>(175,457)</b>	<b>(795,985)</b>

For disclosure of financing activities refer to note 18 and for disclosure of non-cash financing and investing activities refer to notes 13, 14, and 15.

## 10) Current Assets - Trade and other receivables

	CONSOLIDATED		realestate.com.au Ltd	
	2007	2006	2007	2006
	\$	\$	\$	\$
Trade debtors (i)	20,566,195	10,594,789		
Allowance for doubtful debts	(1,812,707)	(563,043)		
	18,753,488	10,031,746	-	-
Related party receivables from related parties (ii)	1,296,364		4,892,659	1,719,221
Sundry debtors	316,894	356,277		45,910
<b>Total Trade and other receivables</b>	<b>20,366,746</b>	<b>10,388,023</b>	<b>4,892,659</b>	<b>1,765,131</b>

(i) Trade debtors are non-interest bearing and are on 14 to 75 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) Includes receivables of \$282,315 from SKY Italia for instalments out of the casa.it acquisition and \$1,014,049 from News International for the final payment for Propertyfinder Publications and for services in the normal course of business.

Details regarding the credit risk and effective interest rate of current receivables are disclosed in note 3 and 22.

## 11) Current Assets - Other current assets

	CONSOLIDATED		realestate.com.au Ltd	
	2007	2006	2007	2006
	\$	\$	\$	\$
Prepayments and Deposits	1,944,031	1,078,612	63,855	78,264
Other current assets	60,852	66,515		
<b>Total other current assets</b>	<b>2,004,883</b>	<b>1,145,127</b>	<b>63,855</b>	<b>78,264</b>

## 12) Non-current Assets – Investments in associates

### Investment details

	CONSOLIDATED		realestate.com.au Ltd	
	2007	2006	2007	2006
	\$	\$	\$	\$
Homeguru Pty Limited	393,853	-	-	-

The group has a 60% ownership interest in Homeguru Pty Limited (2006: nil) which is a non-public Australian lead management company. The group's voting power is 42% of the votes. Therefore, the group has assessed it does not control Homeguru Pty Limited. The investment is accounted for in accordance with the accounting policy described in note 2.

### Impairment

The group's investment in Homeguru Pty Limited was not impaired during the year (2006: nil).

### Summarised financial information

	Homeguru Pty Ltd	
	2007	2006
	\$	\$
<i>Extract from the Balance Sheet</i>		
Assets	292,878	
Liabilities	(161,336)	
Net Assets	131,542	-
Share of associate's net assets	78,925	-
<i>Extract from the Income Statement</i>		
Revenue	404,933	
Net Loss	(431,473)	
<i>Share of associate's loss using the equity method</i>		
Loss before income tax	(226,229)	
Income tax expense		
Loss after income tax	(226,229)	-

## 13) Non-current Assets - Investment in subsidiaries

	CONSOLIDATED		realestate.com.au Ltd	
	2007	2006	2007	2006
	\$	\$	\$	\$
Total Investments in controlled entities – at cost (see note 23a)	-	-	70,289,726	48,112,704

## 14) Non-current Assets - Property, plant and equipment

Year ended 30 June 2007	CONSOLIDATED			realestate.com.au Limited		
	Leasehold Improve- ments \$	Hardware, Software, & Equipment \$	Total \$	Leasehold Improve- ments \$	Hardware, Software, & Equipment \$	Total \$
<b>At 1 July 2006</b>						
Net of accumulated depreciation and impairment	531,821	2,930,013	3,461,834			
Additions	1,005,955	2,240,067	3,246,022			
Disposals	(73,106)	(111,579)	(184,685)			
Accumulated depreciation on disposals	52,229	92,878	145,107			
Acquisition of a subsidiary - at cost		585,142	585,142			
Acquisition of a subsidiary - accumulated depreciation		(465,747)	(465,747)			
Depreciation charge for the year	(430,817)	(1,499,196)	(1,930,013)			
Exchange adjustment - at cost	(1,322)	(62,236)	(63,558)			
Exchange adjustment - accumulated depreciation	497	41,587	42,084			
<b>At 30 June 2007</b>						
Net of accumulated depreciation and impairment	1,085,257	3,750,929	4,836,186			
<b>At 1 July 2006</b>						
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			
<b>At 30 June 2007</b>						
At cost	1,703,741	8,671,114	10,374,855			
Accumulated depreciation and impairment	(618,484)	(4,920,185)	(5,538,669)			
Net carrying amount	1,085,257	3,750,929	4,836,186			

The carrying value of systems and hardware held under finance leases at 30 June 2007 is \$382,854 (2006: \$608,285). Additions during the year include \$nil (2006: \$359,821) of systems and hardware held under finance leases. Leased assets are pledged as security for the related finance lease liabilities.

### *Impairment of property, plant and equipment*

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

Property, Plant, and Equipment - continued

Year ended 30 June 2006	CONSOLIDATED			realestate.com.au Ltd		
	Leasehold Improve- ments \$	Hardware, Software, & Equipment \$	Total \$	Leasehold Improve- ments \$	Hardware, Software, & Equipment \$	Total \$
<b>At 1 July 2005</b>						
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)			
<b>At 30 June 2006</b>						
Net of accumulated depreciation and impairment	531,821	2,930,013	3,461,834			
<b>At 1 July 2005</b>						
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			
<b>At 30 June 2006</b>						
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			

## 15) Non-current Assets – Intangible assets and goodwill

	CONSOLIDATED				realestate.com.au Ltd
	<i>Customer and Advertising Relationships</i>	<i>Software</i>	<i>Goodwill</i>	<i>Total</i>	<i>Total</i>
	\$	\$	\$	\$	\$
<b>At 1 July 2006</b>					
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	-
<b>Year ended 30 June 2007</b>					
At 1 July 2006, net of accumulated amortisation and impairment	7,494,371	2,100,455	54,308,353	63,903,179	
Additions	114,238	4,172,151		4,286,389	
Adjustment of Goodwill for change in purchase price			(17,964)	(17,964)	
Acquisition of a subsidiary - at cost	5,468,253	841,206	27,129,722	33,439,181	
Acquisition of a subsidiary - accumulated amortisation	(19,805)	(186,642)		(206,447)	
Amortisation	(1,263,955)	(1,893,732)		(3,157,687)	
Exchange adjustment - at cost	(550,331)	(33,091)	(2,969,706)	(3,553,128)	
Exchange adjustment - accumulated amortisation	34,946	36,820		71,766	
At 30 June 2007, net of accumulated amortisation and impairment	11,277,717	5,037,167	78,450,405	94,765,289	-
<b>At 30 June 2007</b>					
Cost (gross carrying amount)	13,414,152	8,039,561	78,450,405	99,904,118	
Accumulated amortisation and impairment	(2,136,435)	(3,002,394)		(5,138,829)	
Net carrying amount	11,277,717	5,037,167	78,450,405	94,765,289	-

The carrying value of software held under finance leases at 30 June 2007 is \$1,890,066 (2006: \$549,303). Additions during the year include \$1,996,943 (2006: \$627,774) of software held under finance leases. Leased assets are pledged as security for the related finance lease liabilities.

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.

Goodwill is no longer amortised but subject to annual impairment testing. No impairment loss was recognised for continuing operations in the current financial year.

Intangible Assets and Goodwill - continued

	CONSOLIDATED				realestate.com.au Ltd
	Customer and Advertising Relationships	Software	Goodwill	Total	Total
	\$	\$	\$	\$	\$
<b>At 1 July 2005</b>					
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	-
<b>Year ended 30 June 2006</b>					
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 amortisation	(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	-
<b>At 30 June 2006</b>					
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	-

The same principles as in financial year 2007 were applied for the comparative financial data of financial year 2006.

## 16) Impairment testing of Goodwill

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

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

### *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 15.5% and cash flows beyond the five year period are extrapolated using a 5% growth rate, which is below the industry growth rate but was chosen for a conservative outlook.

### *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 12.2% and cash flows beyond the five year period are extrapolated using a 5% 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 13.7% and cash flows beyond the five year period are extrapolated using a 5% growth rate, which is below the industry growth rate but was chosen for a conservative outlook.

### *Advertising Italy and Advertising Greater Luxembourg region*

No impairment test was performed for these two cash generating units, as the allocation of goodwill acquired in a business combination during the period is not yet complete as at balance sheet date. However, since the acquisition there have been no indications of impairment.

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

	CONSOLIDATED		realestate.com.au Ltd	
	2007	2006	2007	2006
	\$	\$	\$	\$
Carrying amount of goodwill				
Advertising Australia/New Zealand	17,186,115	15,386,800		
Carrying amount of goodwill				
Advertising United Kingdom				
(Valued at balance sheet date rate)	34,365,875	33,069,910		
Carrying amount of goodwill				
Advertising Italy				
(Valued at balance sheet date rate)	14,275,439			
Carrying amount of goodwill				
Advertising Greater Luxembourg region				
(Valued at balance sheet date rate)	6,860,205			
Carrying amount of goodwill				
Agent Solutions	5,762,771	5,851,643		
<b>Total Carrying amount of goodwill</b>	<b>78,450,405</b>	<b>54,308,353</b>	-	-

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

### Key assumptions used in “value in use” calculations for the 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 (6.24%)

### 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
- Bond rates - the yield on a ten-year government bond rate at the beginning of the forecasted year is used (5.48%)

### 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
- Bond rates - the yield on a ten-year government bond rate at the beginning of the forecasted year is used (6.24%)

## 17) Current Liabilities - Payables

	<i>CONSOLIDATED</i>		<i>realestate.com.au Ltd</i>	
	<i>2007</i>	<i>2006</i>	<i>2007</i>	<i>2006</i>
	\$	\$	\$	\$
Trade payables	5,800,915	1,651,582		
Accruals	2,311,986	1,910,606	104,300	7,200
Payable to put option holder for sale of casa.it (note 23c.v)	1,703,260			
Payables to related parties (i)	3,275,910		1,285,748	
Other payables	4,425,858	3,879,608		1,375,743
<b>Total payables</b>	<b>17,517,929</b>	<b>7,441,796</b>	<b>1,390,048</b>	<b>1,382,943</b>

(i) Includes payables of \$2,445,571 to News International for the acquisition of Propertyfinder Publications and trade payables, and \$830,339 to the founder of casa.it as 2<sup>nd</sup> instalment out of the casa.it acquisition. In realestate.com.au Limited the \$1,285,748 is payable to REA Group Europe Limited for remaining payments out of the casa.it and Propertyfinder Publications.

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

## 18) Current and Non-current Liabilities - Interest bearing loans & borrowings

	Maturity	CONSOLIDATED		realestate.com.au Ltd	
		2007	2006	2007	2006
		\$	\$	\$	\$
<b>Current</b>					
Obligations under finance leases and hire purchase contracts	2007 see Note 25	1,268,510	448,572		
Unsecured loans from other related parties	On demand	4,891,616	1,518,032		
		<u>6,160,126</u>	<u>1,966,604</u>	-	-
<b>Non-current</b>					
Obligations under finance leases and hire purchase contracts	see Note 25	1,589,950	809,346		
		<u>1,589,950</u>	<u>809,346</u>	-	-

*Fair value disclosures:* Details of the fair value of the group's interest bearing liabilities are set out in note 22.

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

	CONSOLIDATED		realestate.com.au Ltd	
	2007	2006	2007	2006
	\$	\$	\$	\$
Total facilities				
- bank overdraft	10,000,000	10,000,000	10,000,000	10,000,000
- bank loans				
	<u>10,000,000</u>	<u>10,000,000</u>	<u>10,000,000</u>	<u>10,000,000</u>
Facilities used at reporting date				
- bank overdraft				
- bank loans				
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Facilities unused at reporting date				
- bank overdraft	10,000,000	10,000,000	10,000,000	10,000,000
- bank loans				
	<u>10,000,000</u>	<u>10,000,000</u>	<u>10,000,000</u>	<u>10,000,000</u>
Total Facilities	10,000,000	10,000,000	10,000,000	10,000,000
Facilities used at reporting date				
Facilities unused at reporting date	<u>10,000,000</u>	<u>10,000,000</u>	<u>10,000,000</u>	<u>10,000,000</u>

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

## 19) Other current liabilities

	CONSOLIDATED		realestate.com.au Ltd	
	2007	2006	2007	2006
	\$	\$	\$	\$
Deferred revenues	7,940,077	4,853,182		
Prepaid revenues	859,517	376,719		
<b>Total other current liabilities</b>	<u>8,799,594</u>	<u>5,229,901</u>	-	-

## 20) Current and Non-current Liabilities – Provisions

	<i>Lease Incentive</i>	<i>Employment Severance Indemnity</i>	<i>Annual Leave</i>	<i>Long Service Leave</i>	<i>Total</i>
	\$	\$	\$	\$	\$
<b>CONSOLIDATED</b>					
<b>At 1 July 2006</b>	<b>59,713</b>	<b>-</b>	<b>916,875</b>	<b>308,177</b>	<b>1,284,765</b>
Acquisition of subsidiary			37,225	40,077	77,302
Arising during the year	69,460	90,477	1,545,495	168,207	1,873,639
Utilised	(64,714)	(51,983)	(959,492)	(88,608)	(1,164,797)
<b>At 30 June 2007</b>	<b>64,459</b>	<b>38,494</b>	<b>1,540,103</b>	<b>427,853</b>	<b>2,070,909</b>
Current 2007	39,318		1,540,103		1,579,421
Non-current 2007	25,141	38,494		427,853	491,488
<b>Total 2007</b>	<b>64,459</b>	<b>38,494</b>	<b>1,540,103</b>	<b>427,853</b>	<b>2,070,909</b>
Current 2006	36,395		916,875		953,270
Non-current 2006	23,318			308,177	331,495
<b>Total 2006</b>	<b>59,713</b>	<b>-</b>	<b>916,875</b>	<b>308,177</b>	<b>1,284,765</b>
<b>realestate.com.au Ltd</b>					
nil					

## 21) Contributed equity and reserves

	<i>CONSOLIDATED</i>		<i>realestate.com.au Ltd</i>	
	<i>2007</i>	<i>2006</i>	<i>2007</i>	<i>2006</i>
	\$	\$	\$	\$
<b>(a) Issued and paid up capital</b>				
Ordinary shares (issued and fully paid)	56,001,961	56,001,961	56,001,961	56,001,961
<b>(b) Movement in ordinary shares on issue</b>				
At 1 July	127,255,057	56,001,961	107,359,365	28,955,709
Options exercised under Staff Share Option Scheme			1,557,000	233,550
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	127,255,057	56,001,961	127,255,057	56,001,961

**(c) Equity Reconciliation (Parent Interests)**

	CONSOLIDATED					realestate.com.au Ltd		
	Share Capital	Currency Translation Reserve	Other Reserve (note 23)	Retained Earnings / (Accumulated Losses)	Total	Share Capital	Retained Earnings / (Accumulated Losses)	Total
	\$	\$	\$	\$	\$	\$	\$	\$
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 Limited	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
At 1 July 2006	56,001,961	674,543		(1,925,103)	54,751,401	56,001,961	(3,125,764)	52,876,197
Total recognised income and expenses				15,064,078	15,064,078		(633,190)	(633,190)
Currency translation differences		(1,884,225)			(1,884,225)			
Put option (note 23c.v)			(1,703,260)		(1,703,260)			
At 30 June 2007	56,001,961	(1,209,682)	(1,703,260)	13,138,975	66,227,994	56,001,961	(3,758,954)	52,243,007

*Currency Translation Reserve:* The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of REA Group Europe Limited consolidated and its subsidiaries.

*Other Reserve:* This amount represents a recognised liability for a put option over the remaining 10% of shares in casa.it Srl held by the founder. It is recognised as liability and as a deduction against equity attributable to shareholders of the parent (note 23c.v). This recognition treatment is accordance with AASB 127 *Consolidated and Separate Financial Statements*.

**(d) Minority interests**

Interest in:	CONSOLIDATED		realestate.com.au Ltd	
	2007	2006	2007	2006
	\$	\$	\$	\$
Share Capital	24,480,429	18,026,814		
Current earnings	(4,076,063)	(1,580,864)		
Retained earnings	(1,580,864)			
Total Minority interests	18,823,502	16,445,950	-	-

## 22) Fair value and interest rate risk

### Fair values

Set out below is a comparison by category of carrying amounts and fair values 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.

	<i>Carrying amount</i>		<i>Fair value</i>	
	<i>2007</i>	<i>2006</i>	<i>2007</i>	<i>2006</i>
	<i>\$</i>	<i>\$</i>	<i>\$</i>	<i>\$</i>
<b>CONSOLIDATED</b>				
<i>Financial assets</i>				
Cash	9,823,595	13,191,864	9,823,595	13,191,864
Trade receivables	20,366,746	10,388,023	20,366,746	10,388,023
Non-current receivables from related parties	282,315		282,315	
<i>Financial liabilities</i>				
<i>On balance sheet</i>				
Trade payables	17,517,929	7,441,796	17,517,929	7,441,796
Interest bearing loans and borrowings:				
Obligations under finance leases and hire purchase contracts	2,858,460	1,257,918	2,858,460	1,257,918
Floating rate borrowings from related parties	4,891,616	1,518,032	4,891,616	1,518,032
<b>realestate.com.au Ltd</b>				
<i>Financial assets</i>				
Cash	1,046,485	3,427,414	1,046,485	3,427,414
Interest bearing loans to related parties	4,892,659	1,765,131	4,892,659	1,765,131
Non-current receivables from related parties	960,334		960,334	
<i>Financial liabilities</i>				
<i>On balance sheet</i>				
Trade payables	1,390,048	1,382,943	1,390,048	1,382,943
Related party payable	15,908,910	15,512	15,908,910	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 2007	< 1 year	>1 - <2 years	>2 - <3 years	>3 - <4 years	>4 - <5 years	> 5 years	Total	Weighted average effective interest rate %
<b>CONSOLIDATED</b>	\$	\$	\$	\$	\$	\$	\$	
<b>FINANCIAL ASSETS</b>								
<i>Fixed rate</i>								
nil								
<i>Floating rate</i>								
Cash assets	9,823,595						9,823,595	5.7%
<b>FINANCIAL LIABILITIES</b>								
<i>Fixed rate</i>								
Obligations under finance leases and hire purchase contracts	1,268,510	1,151,296	438,654				2,858,460	6.4%
<i>Floating rate</i>								
Loan from related party - News International	4,891,616						4,891,616	7.0%
<b>Year ended 30 June 2007</b>								
<b>realestate.com.au Ltd</b>	<b>&lt; 1 year</b>	<b>&gt;1 - &lt;2 years</b>	<b>&gt;2 - &lt;3 years</b>	<b>&gt;3 - &lt;4 years</b>	<b>&gt;4 - &lt;5 years</b>	<b>&gt; 5 years</b>	<b>Total</b>	<b>Weighted average effective interest rate %</b>
	\$	\$	\$	\$	\$	\$	\$	
<b>FINANCIAL ASSETS</b>								
<i>Fixed rate</i>								
nil								
<i>Floating rate</i>								
Cash assets	1,046,485						1,046,485	6.3%
Related Party Loan to Propertyfinder Holdings Group (note 23d)	4,892,659						4,892,659	7.0%
Total	5,939,144	-	-	-	-	-	5,939,144	
<b>FINANCIAL LIABILITIES</b>								
nil								

Year ended 30 June 2006	< 1 year	>1 - <2 years	>2 - <3 years	>3 - <4 years	>4 - <5 years	> 5 years	Total	Weighted average effective interest rate %
<b>CONSOLIDATED</b>	\$	\$	\$	\$	\$	\$	\$	
<b>FINANCIAL ASSETS</b>								
<i>Fixed rate</i>								
nil								
<i>Floating rate</i>								
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%
<b>Total</b>	<b>13,191,864</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>217,445</b>	<b>-</b>	<b>13,409,309</b>	

<b>FINANCIAL LIABILITIES</b>								
<i>Fixed rate</i>								
Obligations under finance leases and hire purchase contracts	448,572	404,955	246,899	157,492			1,257,918	8.2%
<i>Floating rate</i>								
Loan from related party - News International	1,518,032						1,518,032	6.5%

Year ended 30 June 2006	< 1 year	>1 - <2 years	>2 - <3 years	>3 - <4 years	>4 - <5 years	> 5 years	Total	Weighted average effective interest rate %
<b>realestate.com.au Ltd</b>	\$	\$	\$	\$	\$	\$	\$	
<b>FINANCIAL ASSETS</b>								
<i>Fixed rate</i>								
Related Party Loan to Web Effect Int.	201,570						201,570	6.5%
<i>Floating rate</i>								
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 Propertyfinder Holdings Group	1,517,651						1,517,651	6.5%
<b>Total</b>	<b>4,945,065</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>217,445</b>	<b>-</b>	<b>5,162,510</b>	

FINANCIAL LIABILITIES  
nil

## 23) Related party transactions

### (a) Subsidiaries

The consolidated financial statements include the financial statement of realestate.com.au Limited and the subsidiaries listed in the following table:

Name - Country of incorporation	Equity interest		Investment	
	2007	2006	2007	2006
	%	%	\$	\$
property.com.au Pty Limited – Australia	100%	100%	9,185,827	9,185,827
Netwide Solutions Pty Limited – Australia	100%	100%	5,775,820	5,775,820
Property Look Pty Limited – Australia	100%	100%	9,526,027	9,455,119
Hub Online Global Group – Australia	100%	100%	6,254,793	6,343,665
Web Effect International Pty Limited	100%	100%		
NL/HIA JV Pty Limited (“homesite.com.au”)	100%		1,652,004	
REA Group Europe Limited – UK	100%	100%	37,895,255	17,352,273
REA UK Limited – UK	50%*	50%*		
Propertyfinder Holdings Limited – UK (former Asserta Holdings)	95.2%**	95.2%**		
Asserta Home Limited – UK	100%	100%		
Asserta Business Limited – UK	100%	100%		
Propertyfinder.co.uk Limited – UK	100%	100%		
Internet Property Finder Limited – UK	100%	100%		
Propertyfinder Publications Limited – UK	100%	100%		
REA Italia Limited – Italy	66%			
casa.it Srl – Italy	90%			
casa.it Grup Srl – Romania	100%			
Synapse Internet Services S.A. – Luxembourg	100%			
athome International S.A. – Luxembourg	100%			
Altowin S.A. – Belgium	51%			

\* = REA Group Europe Limited controls REA UK Limited via a majority on the board and consequently has fully consolidated the financial accounts since acquisition date (2 Nov 2005)

\*\* = REA UK Limited has initiated the transfer of the remaining minority interest in August 2007. Since the acquisition of the Propertyfinder Holdings Limited and its subsidiaries in November 2005, the group has economically owned 100% of the shares.

### (b) Ultimate parent entity

The ultimate parent entity is News Limited in Australia.

### (c) Details of Key Management Personnel

#### Directors

Mr Richard J Freudenstein	(Chairman)
Mr Roger Amos	(Non-executive Director)
Mr Simon T Baker	(Chief Executive Officer & Managing Director)
Ms Kathleen Conlon	(Non-executive Director)
Mr Alasdair MacLeod	(Non-executive Director)
Mr John D McGrath	(Non-executive Director)
Mr Stephen P Rue	(Non-executive Director)
Mr Sam R White	(Non-executive Director)

#### Executives

Mr Georg Chmiel	Chief Financial Officer
Mrs Christine Vulovic	Chief Information / Operating Officer
Mr Warren Bright	General Manager United Kingdom (since February 2006)
Mr Shaun Di Gregorio	General Manager Australia & New Zealand
Mr Antonio Fregnan	General Manager Italy (since February 2007)
Mr Patrick Kersten	General Manager Great Luxembourg region (since February 2007)
Mr Andy Sheats	General Manager Corporate Development (since September 2005)

#### (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; and
- Establish appropriate, demanding performance hurdles in relation to variable executive compensation.

The Remuneration and Nomination Committee of the Board of Directors of the realestate.com.au Limited is responsible for determining and reviewing compensation arrangements for the directors, the MD/CEO, and all other executives. The 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 and Nomination Committee engaged in 2006 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: 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 short term incentive (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.

(iii) Compensation for the year-ended 30 June 2007 (Consolidated)

<b>Directors</b>		<i>Short term</i>			<i>Post employment</i>		<i>Total (% performance related)</i>
		<i>Salary &amp; Fees</i>	<i>Cash Bonus</i>	<i>Other</i>	<i>Superannuation</i>	<i>Retirement benefits</i>	
Roger Amos	<b>2007</b>	<b>63,103</b>			<b>5,679</b>		<b>68,782 (0%)</b>
	2006	n/a			n/a		n/a
Simon Baker (CEO / MD)	<b>2007</b>	<b>405,297</b>	<b>250,000</b>	<b>39,724</b>	<b>36,476</b>		<b>731,497 (34%)</b>
	2006	357,591	154,000	36,221	32,183		579,995 (27%)
Kathleen Conlon	<b>2007</b>						<b>0</b>
	2006						n/a
John McGrath	<b>2007</b>	<b>100,000</b>			<b>9,000</b>		<b>109,000 (0%)</b>
	2006	100,000			9,000		109,000 (0%)

<b>Executives</b>		<i>Short term</i>			<i>Post employment</i>		<i>Total (% performance related)</i>
		<i>Salary &amp; Fees</i>	<i>Cash Bonus</i>	<i>Other</i>	<i>Superannuation</i>	<i>Retirement benefits</i>	
Georg Chmiel	<b>2007</b>	<b>250,000</b>	<b>28,500</b>		<b>25,065</b>		<b>303,565 (10%)</b>
	2006	187,500	27,000		19,305		233,805 (13%)
Christine Vulovic	<b>2007</b>	<b>230,000</b>	<b>25,000</b>		<b>22,950</b>		<b>277,950 (10%)</b>
	2006	165,493	25,000		17,997		208,490 (13%)
Warren Bright	<b>2007</b>	<b>371,756</b>	<b>72,420</b>		<b>34,761</b>		<b>478,937 (15%)</b>
	2006	135,663	24,697		12,607		172,967 (14%)
Shaun Di Gregorio	<b>2007</b>	<b>200,000</b>	<b>70,000</b>		<b>24,300</b>		<b>294,300 (26%)</b>
	2006	153,167	50,000		18,285		221,452 (23%)
Antonio Fregnan	<b>2007</b>	<b>73,479</b>					<b>73,479 (0%)</b>
	2006						n/a
Patrick Kersten	<b>2007</b>	<b>60,679</b>	<b>33,710</b>				<b>94,389 (36%)</b>
	2006						n/a
Andy Sheats	<b>2007</b>	<b>187,076</b>	<b>40,000</b>		<b>20,437</b>		<b>247,513 (18%)</b>
	2006	135,000	31,319		14,969		181,288 (19%)

*(iv) Contract for Services*

A contract for the MD/CEO, Mr Simon Baker, is currently being negotiated.

*(v) Option holdings of Key Management (Consolidated)*

Mr. Antonio Fregnan, General Manager of casa.it (Italy), holds a put option to sell his remaining share of 10% in casa.it over 5 years from acquisition date (February 2007) for EUR 1.07m to REA Italia Limited representing the original valuation of casa.it.

There are no other options held by key management.

*(vi) Loans to Key Management (Consolidated)*

Nil

*(vii) Shareholdings in realestate.com.au Limited (Consolidated)*

**Directors**

	Balance 01-Jul 2006	Granted as remuneration	Net change other	Balance 30-Jun 2007
John McGrath	2,139,086		(100,000)	2,039,086
Sam White	16,249,045			16,249,045
Simon Baker	3,887,890		(407,379)	3,480,511
Roger Amos	n/a		2,363	2,363
Total	22,276,021		(505,016)	21,771,005

**Executives**

	Balance 01-Jul 2006	Granted as remuneration	Net change other	Balance 30-Jun 2007
Georg Chmiel	0		2,621	2,621
Chris Vulovic	30,286		2,621	32,907
Shaun Di Gregorio	229,915		3,773	233,688
Warren Bright	0		0	0
Antonio Fregnan	n/a		0	0
Patrick Kersten	n/a		0	0
Andy Sheats	0		2,621	2,621
TOTAL	260,201	-	11,636	271,837

All equity transactions with key management personnel have been entered into under terms and conditions no more favourable than those the group would have adopted if dealing at arm's length.

#### **(d) Transactions within the consolidation group**

##### *Transfer Pricing Agreement*

To account for services provided by one entity on behalf of another entity, adjustments and cross charges are made at arm's length between the separate legal entities and branches. In addition to that, Netwide Solutions Pty Limited is licensing to Propertyfinder Holdings Limited in the UK the new propertyfinder.com website which was completed in June 2006. A license fee of \$448,780 (or 3.75% of the online advertising revenues) was charged by Netwide Solutions Pty Limited during the current financial year. In addition, costs incurred by one group member on behalf of another group are on-charged on commercial terms.

##### *Loan to the Propertyfinder Holdings Group*

On 18 November 2005, the company entered into a working capital loan agreement with its controlled subsidiary Propertyfinder Holdings Limited to make funds available of a total amount of GBP 1,950,000 (2006: GBP 600,000) in form of an interest bearing loan at a rate of 2% over the base lending rate of the Bank of England. The loan is callable at any time. The balance of this loan including accrued interest at 30 June 2007 was \$4,892,659 (2006: \$1,517,651).

#### **(e) Other related party transactions**

##### *Acquisitions*

On 11 September 2006, the group purchased via its controlled 50% subsidiary REA UK Limited all the shares of Propertyfinder Publications Pty Limited (Homeground Marketing Limited) from News International Limited for \$3.2 million including acquisition related costs. After the transaction the acquired entity remains to be 50% owned by News International Limited - via its 50% share in REA UK Limited (see note 24).

On 1 March 2007, the group purchased all the shares of NL/HIA JV Pty Limited (homesite.com.au) from News Limited for \$1.65 million including acquisition related costs (see Business Combinations note 24).

##### *Disposal of the 50% interest in the REA HomeLoans joint venture*

On 29 June 2007, the group sold its 50% share in realestate.com.au Financial Services Pty Limited to Reva Services Pty Limited for the book value of the invested amount and under the condition of an early repayment of the loan provided by realestate.com.au Limited to realestate.com.au Financial Services Pty Limited of \$418,948. As the loan was previously deemed to be unrecoverable, the repayment of the loan resulted in a reversal of the provision. Reva Services Pty Limited is a 100% subsidiary of Reva Group Holdings Pty Limited. Mr Sam R White is the legal and beneficial owner of 100% of the securities in Jespian Investments Pty Limited which owns 33% of Reva Group Holdings Pty Limited.

##### *Advertising Sales*

The group entered into an online advertising agreement on commercial terms for 5 years with an option to extend it for another 10 years with realestate.com.au Financial Services Pty Limited after its disposal. 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. The group also entered into an online advertising agreement on commercial terms with its associate Homeguru Pty Limited. The group also developed websites for local realestate classified papers of News Limited in return for renaming them "realestate.com.au". No money was exchanged.

##### *Purchases*

During the year, the group utilised advertising services of the News Limited Group to the value of \$35,119 (2005: \$19,044), of SKYItalia to the value of \$20,227 (2006: nil), and News International Limited of \$255,196 (2006: \$769,042), on commercial terms and conditions. In addition, News International have facilitated the purchases of supplies external to the group during the first eight months since the acquisition of Propertyfinder Publications. This has resulted in a residual trade payable position (see note 17i). In addition, News Digital Media subleases an office with the group in Newcastle, Australia, and paid \$15,766 (2006: nil) in rent.

##### *Loan to Propertyfinder Holdings Group*

News International Limited and REA Group Europe Limited both hold a 50% stake in REA UK Limited which holds 95.2% of the shares in Propertyfinder Holdings Group. REA Group Europe Limited controls REA UK Limited via a majority on the board. On the 18 November 2005, News International Limited first entered into a working capital loan agreement with Asserta Holdings Group (later renamed to Propertyfinder Holdings Group) to make funds available of a total amount of GBP 1,950,000 (2006: GBP 600,000) in the form of an interest bearing loan at a rate of 2% over the base lending rate of the Bank of England (BoE). The loan is callable at any time. The balance of this loan including accrued interest at 30 June 2007 was \$4,891,616 (2006: \$1,518,032).

#### (f) 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.

## 24) Business Combinations

The key factors contributing to the provisional calculation of goodwill in all acquisitions, relate to the synergies existing within the acquired business and also synergies expected to be achieved as a result of combining with the rest of the group.

### a) Acquisition of Propertyfinder Publications Limited

On 11 September 2006, realestate.com.au Limited acquired via its controlled subsidiary REA UK Limited all of the shares of Homeground Marketing Limited later renamed Propertyfinder Publications Limited from News International Limited. The acquired company is an unlisted company which publishes some of the UK's leading real estate magazines.

The acquired business contributed revenues of \$5.8 million and a profit of \$9,036 for the period 11 September 2006 to 30 June 2007. If the acquisition had occurred on 1 July 2006, consolidated revenue and consolidated losses for the year ended 30 June 2007 would have been revenues of \$6.9 million and a loss of (\$51,202).

The fair value of the identifiable assets and liabilities of Propertyfinder Publications Limited as at the date of acquisition are:

	CONSOLIDATED	
	Book value	Fair value recognised
	\$	\$
Intangible assets*		462,711
Total Assets		462,711
Deferred Tax Liability		138,813
Total Liabilities		138,813
Net Assets	nil	323,898
Purchase price		
Cash paid by the acquirer up to December 2006 (a)		1,554,807
Costs associated with the acquisition (b)		118,361
Outstanding cash balance to be paid in July 2007		1,554,807
Total cost of the combination		3,227,975
Less: Fair Value of Net Assets acquired		(323,898)
Goodwill on acquisition		2,904,077
The cash outflow on acquisition is as follows:		
Cash consideration paid up to reporting date (a) + (b)		1,673,168
Less: Net cash acquired with the subsidiary		
Net cash outflow		1,673,168

\* = The identifiable intangible assets consist of the brand value of GBP 186,000 (\$462,711) which is being amortised over 5 years.

**b) Acquisition of Synapse Internet Services S.A. (atHome Group)**

On 6 February 2007, realestate.com.au Limited acquired via its controlled subsidiary REA Group Europe Limited all of the shares of Synapse Internet Services S.A. and its subsidiary atHome S.A.. Synapse Internet Services S.A. is an unlisted group with online advertising portals in Luxembourg, Germany, France, and Belgium. It also has a 51% interest in Altwin S.A., a real estate office solutions company in Belgium.

The acquired business contributed revenues of \$1,496,928 and a loss after tax of \$93,630 for the period 6 February 2007 to 30 June 2007. As the company did not produce monthly reports in the past and was on a different financial year, no monthly data can be provided with regards to pre-acquisition results. The company was subsequently renamed to atHome Group S.A..

The fair value of the identifiable assets and liabilities of Synapse Internet Services S.A. as at the date of acquisition are:

	CONSOLIDATED	
	Book value	Fair value recognised
	\$	\$
Cash and cash equivalents	12,077	12,077
Trade and other receivables	247,567	247,567
Other current assets	2,352	2,352
Property, plant and equipment	87,542	87,542
Intangible assets*	659,010	2,712,467
Goodwill	476,087	476,087
<b>Total Assets</b>	<b>1,484,635</b>	<b>3,538,092</b>
Payables	1,381,844	1,381,844
Current tax liabilities	46,818	46,818
Other current liabilities	290,400	290,400
Deferred tax liabilities	222,486	884,520
<b>Total Liabilities</b>	<b>1,941,548</b>	<b>2,603,582</b>
<b>Net Assets</b>	<b>(456,913)</b>	<b>934,510</b>
Purchase price		
Cash paid by the acquirer		7,582,140
Costs associated with the acquisition		213,813
Total cost of the combination		7,795,953
Less: Fair Value of Net Assets acquired		(934,510)
<b>Goodwill on acquisition</b>		<b>6,861,443</b>
The cash outflow on acquisition is as follows:		
Cash consideration paid		7,795,953
Less: Net cash acquired with the subsidiary		(12,077)
<b>Net cash outflow</b>		<b>7,783,876</b>

\* = Identifiable intangible assets include brand value, domain names, and customer relationships of EUR 1.22 million (\$2,053,457) which are being amortised over 10 years.

### c) Acquisition of casa.it Srl

On 8 February 2007, realestate.com.au Limited acquired via its controlled subsidiary REA Italia Limited 90% of the shares of casa.it Srl. casa.it Srl is an unlisted online advertising portal in Italy. The remaining 10% in casa.it Srl is held by the founder of the business. REA Italia is 66% owned by the group and 34% owned by SKY Italia which is owned by News Corp.

The acquired business contributed revenues of \$1,337,008 and a loss after tax attributable to members of parent of \$4,218 for the period 8 February 2007 to 30 June 2007. As the company did not produce monthly reports in the past and was on a different financial year, no monthly data can be provided with regards to pre-acquisition results.

The fair value of the identifiable assets and liabilities of casa.it Srl / REA Italia as at the date of acquisition are:

	CONSOLIDATED	
	Book value	Fair value recognised
	\$	\$
Cash and cash equivalents	528,925	528,925
Trade and other receivables	569,254	569,254
Other current assets	5	5
Property, plant and equipment	31,853	31,853
Intangible assets*		2,927,834
<b>Total Assets</b>	<b>1,130,037</b>	<b>4,057,871</b>
Payables	538,466	538,466
Other current liabilities	429,489	429,489
Deferred tax liabilities		1,090,618
Other provisions	20,077	20,077
<b>Total Liabilities</b>	<b>988,032</b>	<b>2,078,650</b>
<b>Net Assets</b>	<b>142,005</b>	<b>1,979,221</b>

#### Purchase price

Cash paid by the acquirer	14,622,261
Costs associated with the acquisition	658,068
Outstanding cash balance	1,660,678
Total cost of the combination	16,941,007
Less: Fair Value of Net Assets acquired	(1,979,221)
Adjusted for minority interest	197,923
<b>Goodwill on acquisition</b>	<b>15,159,709</b>

The cash outflow on acquisition is as follows:

Cash consideration paid	15,280,329
Less: Net cash acquired with the subsidiary	(528,925)
<b>Net cash outflow</b>	<b>14,751,404</b>

\* = The identifiable intangible assets consist of the brand value, domain names, and customer relationships of EUR 1.732 million (\$2,927,834) which are amortised over 10 years.

**d) Acquisition of NL/HIA JV Pty Limited (homesite.com.au)**

On 1 March 2007, realestate.com.au Limited acquired 100% of the shares of NL/HIA JV Pty Limited (homesite.com.au), an unlisted company and a leading renovation portal in Australia, from News Limited (a related party).

The acquired business contributed revenues of \$515,157 and a net profit of \$73,183 for the period 1 March 2007 to 30 June 2007. If the acquisition had occurred on 1 July 2006, consolidated revenue and consolidated losses for the full year would have been \$1,568,445 and losses of \$1,628,724 respectively.

The fair value of the identifiable assets and liabilities of homesite.com.au as at the date of acquisition are:

	CONSOLIDATED	
	Book value	Fair value recognised
	\$	\$
Other current assets	12,954	12,954
<b>Total Assets</b>	<b>12,954</b>	<b>12,954</b>
Payables	17,702	17,702
Provisions	37,225	37,225
Other current liabilities	14,429	14,429
Other provisions	20,000	20,000
<b>Total Liabilities</b>	<b>89,356</b>	<b>89,356</b>
<b>Net Assets</b>	<b>(76,402)</b>	<b>(76,402)</b>
Purchase price		
Cash paid by the acquirer		\$1,523,598
Costs associated with the acquisition		128,406
Total cost of the combination		1,652,004
Less: Fair Value of Net Assets acquired		76,402
<b>Goodwill on acquisition</b>		<b>1,728,406</b>
The cash outflow on acquisition is as follows:		
Cash consideration paid		1,652,004
Less: Net cash acquired with the subsidiary		
<b>Net cash outflow</b>		<b>1,652,004</b>

**e) Total net cash outflow**

	\$
Net cash outflow for Hub Online acquisition	1,240,962
Net cash outflow for Property Look Pty Limited acquisition	70,907
<b>Net cash outflow for acquisitions of prior years</b>	<b>1,311,869</b>
Net cash outflow for PFP acquisition	1,673,168
Net cash outflow for atHome acquisition	7,783,876
Net cash outflow for casa.it acquisition	14,751,404
Net cash outflow for homesite.com.au acquisition	1,652,004
<b>Net cash outflow from acquisitions of current year</b>	<b>25,860,452</b>
<b>Total net cash outflow</b>	<b>27,172,321</b>

**f) Other acquisitions**

On 23 November 2006, the group acquired the assets of Clarke Computers Pty Limited for \$650,000 and allocated the purchase price to software. Clarke Computers has been providing trust accounting and rent roll management software to the commercial and residential real estate industry for 24 years.

## 25) Commitments and Contingencies

### Operating lease commitments – Group as lessee

The group has entered into commercial leases for office property and 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	
	2007	2006	2007	2006
	\$	\$	\$	\$
Within one year	1,936,673	1,529,010		
After one year but not more than five years	1,490,168	2,451,862		
More than five years				
Total minimum lease payments	3,426,841	3,980,872		

### Finance lease commitments - Group as lessee

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

	2007		2006	
	Minimum lease payment	Present value of lease payments	Minimum lease payment	Present value of lease payment
	\$	\$	\$	\$
CONSOLIDATED				
Within one year	1,397,272	1,359,698	483,956	453,036
After one year but not more than five years	1,659,472	1,498,762	989,195	804,882
More than five years				
Total minimum lease payments	3,056,744	2,858,460	1,473,151	1,257,918
Less amounts representing finance charges	(198,284)		(215,233)	
Present value of minimum lease payments	2,858,460	2,858,460	1,257,918	1,257,918

	2007		2006	
	Minimum lease payment	Present value of lease payments	Minimum lease payment	Present value of lease payment
	\$	\$	\$	\$
realestate.com.au Ltd				
nil				

### Capital and other commitments

	CONSOLIDATED		realestate.com.au Ltd	
	2007	2006	2007	2006
	\$	\$	\$	\$
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		

Amounts disclosed as remuneration commitments include commitments arising from the service contracts of directors and executives referred to in note 23c 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 and Netwide Solutions Pty Limited to secure the credit line of \$10 million (2006: \$10 million) with National Australia Bank was given.

## 26) Auditors Remuneration

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

	CONSOLIDATED		realestate.com.au Ltd	
	2007	2006	2007	2006
	\$	\$	\$	\$
<i>Amounts received or due and receivable by Ernst &amp; Young (Australia) for</i>				
• An audit or review of the financial report of the entity and any other entity in the consolidated group	283,857	153,730	112,267	35,200
• Tax compliance services in relation to the entity and any entity in the consolidated group		162,536		146,386
• Assurance related services in relation to the entity and any entity in the consolidated group	28,170	118,023		28,000
	<b>312,027</b>	<b>434,289</b>	<b>112,267</b>	<b>209,586</b>
<i>Amounts received or due and receivable by related practices of Ernst &amp; Young (Australia) for</i>				
• An audit or review of the financial report of the entity and any other entity in the consolidated group	58,621	125,389		
• Tax compliance services in relation to the entity and any entity in the consolidated group		43,281		5,881
	<b>58,621</b>	<b>168,670</b>		<b>5,881</b>

## 27) 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 2007 cannot be ascertained, and the realestate.com.au Limited entity believes that any resulting liability would not materially affect the financial position of the group.

## 28) Subsequent events after balance sheet date

none