Appendix 4E

Preliminary final report

Name of entity
realestate.com.au Limited

ABN or equivalent company reference	Financial year ended ('current period')
54 068 349 066	**30 June 2008**

Results for announcement to the market				
Twelve Months ended 30 June ...		2008 $'000	2007 $'000	Change
Revenue from ordinary activities (excludes interest income)	Up	**155,633**	**107,293**	**45.1%**
Profit from ordinary activities after tax attributable to members	Up	**15,763**	**10,988**	**43.5%**
Net profit for the period attributable to members	Up	**15,763**	**10,988**	**43.5%**
Net profit for the period attributable to members of parent (after minority interest)	Up	**22,344**	**15,064**	**48.3%**

Dividends (distributions)	Amount per security	Franked amount per security
Final dividend	**Nil ¢**	**Nil ¢**
Previous corresponding period	**Nil ¢**	**Nil ¢**
Date for determining entitlements to the dividend	**N/A**	
Net Tangible Asset Backing	*Jun-08* *cents*	*Jun-07* *cents*
Net Tangible Asset Backing per Ordinary Security	2.1	(7.6)
Net Asset Backing increased from 66.8 cents per ordinary share as at the end of June 2007 to 90.2 cents per ordinary share as at the end of June 2008.		

Brief explanation of any of the figures reported above and short details of any bonus or cash issue or other item(s) of importance not previously released to the market:

This report is based on accounts which have been audited. The detailed financial statements are currently in the process of being finalised and consequently the audit report has not yet been signed.

Income Statement

For the year ended 30 June 2008

	Notes	CONSOLIDATED		realestate.com.au Ltd	
		2008	2007	2008	2007
		$'000	$'000	$'000	$'000
Revenues from services		**155,633**	**107,293**		
Salaries and employee benefits expense	6(c)	(59,503)	(40,598)		
Sales commission		(4,749)	(3,264)		
Marketing related expense		(19,351)	(15,801)		
Administration related costs		(5,897)	(4,426)	(869)	(837)
Share of loss of associate		(185)	(226)		
Other expenses	6(a)	(29,373)	(19,478)	(415)	(122)
Profit / (Loss) before tax, interest, depreciation and amortisation (EBITDA)		**36,575**	**23,500**	**(1,284)**	**(959)**
Depreciation and amortisation expense		(7,336)	(4,974)		
Profit / (Loss) before tax and interest (EBIT)		**29,239**	**18,526**	**(1,284)**	**(959)**
Interest income		759	673	658	324
Interest expense	6(b)	(898)	(742)	(527)	(235)
Profit / (Loss) before income tax (EBT)		**29,100**	**18,457**	**(1,153)**	**(870)**
Income tax (expense) / income	7	(13,337)	(7,469)	720	237
Net profit / (loss) for the period		**15,763**	**10,988**	**(433)**	**(633)**
Loss attributable to minority interest		6,581	4,076		
Profit / (Loss) attributable to members of parent		**22,344**	**15,064**	**(433)**	**(633)**
Earnings per share (cents per share)					
Basic EPS for profit for the year attributable to ordinary equity holder of the parent	8	17.6	11.8		
Diluted EPS for profit for the year attributable to ordinary equity holder of the parent	8	17.6	11.8		

Balance Sheet

As at 30 June 2008

	Notes	CONSOLIDATED		realestate.com.au Ltd	
		As at	As at	As at	As at
		30 June 2008	30 June 2007	30 June 2008	30 June 2007
		$ '000	$ '000	$ '000	$ '000
ASSETS					
Current assets					
Cash and cash equivalents	9	8,882	9,824	159	1,046
Trade and other receivables	10	27,763	20,367	1,072	4,893
Other current assets	11	2,972	2,005	215	64
Total current assets		**39,617**	**32,196**	**1,446**	**6,003**
Non-current assets					
Receivables from related parties			282		960
Investment in associates	24(b)		394		
Investment in subsidiaries	12			97,962	70,290
Property, plant and equipment	13	5,052	4,836		
Deferred tax asset	7	1,599	1,717	270	486
Intangible assets (excluding Goodwill)	14	18,940	16,315		
Goodwill	14, 15	93,238	78,450		
Total Non-current assets		**118,829**	**101,994**	**98,232**	**71,736**
TOTAL ASSETS		**158,446**	**134,190**	**99,678**	**77,739**
LIABILITIES					
Current liabilities					
Payables	16	19,660	17,518	1,944	1,390
Interest bearing loans and borrowings	17	1,193	6,160		
Provisions	19	2,317	1,579		
Current tax liabilities	7	6,218	8,394	5,887	8,086
Other current liabilities	18	9,817	8,800		
Total current liabilities		**39,205**	**42,451**	**7,831**	**9,476**
Non-current liabilities					
Payables to related parties			830	39,978	15,909
Interest bearing loans and borrowings	17	367	1,590		
Deferred tax liabilities	7	3,368	3,775	59	111
Provisions	19	682	492		
Total Non-current liabilities		**4,417**	**6,687**	**40,037**	**16,020**
TOTAL LIABILITIES		**43,622**	**49,138**	**47,868**	**25,496**
NET ASSETS		**114,824**	**85,052**	**51,810**	**52,243**

	Notes	*CONSOLIDATED*		*realestate.com.au Ltd*	
		As at	*As at*	*As at*	*As at*
		30 June 2008	*30 June 2007*	*30 June 2008*	*30 June 2007*
		$ '000	*$ '000*	*$ '000*	*$ '000*
EQUITY					
Contributed equity	20(a)	56,002	56,002	56,002	56,002
Foreign currency translation reserve	20(c)	(4,609)	(1,210)		
Business combination reserve	20(c)	568			
Other reserve	20(c)		(1,703)		
Retained earnings / (Accumulated losses)	20(c)	35,483	13,139	(4,192)	(3,759)
Parent interests		**87,444**	**66,228**	**51,810**	**52,243**
Minority interests	20(d)	**27,380**	**18,824**		
TOTAL EQUITY		**114,824**	**85,052**	**51,810**	**52,243**

Cash Flow Statement

For the year ended 30 June 2008

	Notes	*CONSOLIDATED*		*realestate.com.au Ltd*	
		2008	*2007*	*2008*	*2007*
		$'000	*$'000*	*$'000*	*$'000*
Cash flows from operating activities					
Receipts from customers		163,469	112,726		
Payments to suppliers and employees		(130,754)	(88,668)	(494)	
Interest received		759	673	374	59
Borrowing costs (Interest paid)		(726)	(483)	(527)	(235)
Income Tax paid		(16,877)	(3,162)	(16,586)	
Net cash flows from operating activities	9	**15,871**	**21,086**	**(17,233)**	**(176)**
Cash flows from investing activities					
Purchase of property, plant and equipment		(2,992)	(3,246)		
Purchase of intangible assets		(2,749)	(2,289)		
Proceeds from sale of property, plant and equipment		46	3		
Loan to related party				(1,001)	(1,880)
Repayment of loan from JV			419		419
Investment in associate			(620)		
Acquisition of subsidiary, net of cash acquired	24e	(23,390)	(27,172)	(22,500)	(18,945)
Net cash flows used in investing activities		**(29,085)**	**(32,905)**	**(23,501)**	**(20,406)**
Cash flows from financing activities					
Proceeds from issue of ordinary shares in subsidiary	24e	13,771	6,029		
Proceeds from borrowings			3,114	39,847	18,201
Payment of finance lease liabilities		(1,298)	(686)		
Net cash flows from financing activities		**12,473**	**8,457**	**39,847**	**18,201**
Net (decrease) in cash and cash equivalents		(741)	(3,362)	(887)	(2,381)
Net foreign exchange difference		(201)	(6)		
Cash and cash equivalents at beginning of period		9,824	13,192	1,046	3,427
Cash and cash equivalents at end of period	9	**8,882**	**9,824**	**159**	**1,046**

Non cash transactions

During the current financial year, the working capital loan of $4,892k from News International to the group's UK operations was converted to equity. At the same time, the working capital loan of $4,893k from realestate.com.au Limited to the group's UK operations was also converted to equity.

Statement of Changes in Equity

For the year ended 30 June 2008

	Attributable to equity holders of the parent					*Minority interest*	*Total equity*
CONSOLIDATED	*Issued capital*	*Retained earnings / (Accumulated losses)*	*Other reserve*	*Currency translation reserve*	*Total*		
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
At 1 July 2006	**56,002**	**(1,925)**		**675**	**54,752**	**16,446**	**71,198**
Foreign Currency translation differences				(1,885)	(1,885)	(749)	(2,634)
Profit / (Loss) for the period		15,064			15,064	(4,076)	10,988
Recognition of Put option for remaining share in casa.it held by founder			(1,703)		(1,703)		(1,703)
Minority interest on acquisition of subsidiary					-	7,203	7,203
At 30 June 2007	**56,002**	**13,139**	**(1,703)**	**(1,210)**	**66,228**	**18,824**	**85,052**
At 1 July 2007	**56,002**	**13,139**	**(1,703)**	**(1,210)**	**66,228**	**18,824**	**85,052**
Foreign Currency translation differences				(3,399)	(3,399)	(1,893)	(5,292)
Business Combination Reserve			568		568		568
Profit / (Loss) for the period		22,344			22,344	(6,581)	15,763
De-recognition of put option due to step up			1,703		1,703		1,703
Buyout of 10% minority interest in casa.it					-	(184)	(184)
Equity injections of minority interest holders					-	9,664	9,664
Minority interest on acquisition of subsidiary					-	7,550	7,550
At 30 June 2008	**56,002**	**35,483**	**568**	**(4,609)**	**87,444**	**27,380**	**114,824**

realestate.com.au Limited	*Issued capital*	*Retained earnings / (Accumulated losses)*	*Total*
	$'000	*$'000*	*$'000*
At 1 July 2006	**56,002**	**(3,126)**	**52,876**
Profit / (Loss) for the period		(633)	(633)
At 30 June 2007	**56,002**	**(3,759)**	**52,243**
At 1 July 2007	**56,002**	**(3,759)**	**52,243**
Profit / (Loss) for the period		(433)	(433)
At 30 June 2008	**56,002**	**(4,192)**	**51,810**

Notes to the Financial Statements

1) Corporate information

The financial report of realestate.com.au Limited for the year ended 30 June 2008 was authorised for issue in accordance with a resolution of the directors on 25 August 2008. realestate.com.au Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange. For information pertaining to the nature of operations refer to the Directors' Report.

2) Basis of preparation and 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 2008.

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 8 and AASB 2007-3	Operating Segments and consequential amendments to other Australian Accounting Standards	New standard replacing AASB 114 *Segment Reporting*, which adopts a management reporting approach to segment reporting.	1 January 2009	AASB 8 is a disclosure standard so will have no direct impact on the amounts included in the Group's financial statements, although it may indirectly impact the level at which goodwill is tested for impairment. In addition, the amendments may have an impact on the Group's segment disclosures.	1 July 2009
AASB 123 (Revised) and AASB 2007-6	Borrowing Costs and consequential amendments to other Australian Accounting Standards	The amendments to AASB 123 require that all borrowing costs associated with a qualifying asset be capitalised.	1 January 2009	These amendments to AASB 123 require that all borrowing costs associated with a qualifying asset be capitalised. The Group has no borrowing costs associated with qualifying assets and as such the amendments are not expected to have any impact on the Group's financial report.	1 July 2009
AASB 101 (Revised) and AASB 2007-8	Presentation of Financial Statements and consequential amendments to other Australian Accounting Standards	Introduces a statement of comprehensive income. Other revisions include impacts on the presentation of items in the statement of changes in equity, new presentation requirements for restatements or reclassifications of items in the financial statements, changes in the presentation requirements for dividends and changes to the titles of the financial statements.	1 January 2009	These amendments are only expected to affect the presentation of the Group's financial report and will not have a direct impact on the measurement and recognition of amounts disclosed in the financial report. The Group has not determined at this stage whether to present a single statement of comprehensive income or two separate statements.	1 July 2009
AASB 2008-1	Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations	The amendments clarify the definition of 'vesting conditions', introducing the term 'non-vesting conditions' for conditions other than vesting conditions as specifically defined and prescribe the accounting treatment of an award that is effectively cancelled because a non-vesting condition is not satisfied.	1 January 2009	The Group has share-based payment arrangements that may be affected by these amendments. However, the Group has not yet determined the extent of the impact, if any.	1 July 2009

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 3 (Revised)	Business Combinations	The revised standard introduces a number of changes to the accounting for business combinations, the most significant of which allows entities a choice for each business combination entered into – to measure a non-controlling interest (formerly a minority interest) in the acquiree either at its fair value or at its proportionate interest in the acquiree's net assets. This choice will effectively result in recognising goodwill relating to 100% of the business (applying the fair value option) or recognising goodwill relating to the percentage interest acquired. The changes apply prospectively.	1 July 2009	The Group may enter into some business combinations during the next financial year and may therefore consider early adopting the revised standard. The Group has not yet assessed the impact of early adoption, including which accounting policy to adopt.	1 July 2009
AASB 127 (Revised)	Consolidated and Separate Financial Statements	Under the revised standard, a change in the ownership interest of a subsidiary (that does not result in loss of control) will be accounted for as an equity transaction.	1 July 2009	If the Group changes its ownership interest in existing subsidiaries in the future, the change will be accounted for as an equity transaction. This will have no impact on goodwill, nor will it give rise to a gain or a loss in the Group's income statement.	1 July 2009
AASB 2008-3	Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127	Amending standard issued as a consequence of revisions to AASB 3 and AASB 127.	1 July 2009	Refer to AASB 3 (Revised) and AASB 127 (Revised) above.	1 July 2009
Amendments to International Financial Reporting Standards	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	The main amendments of relevance to Australian entities are those made to IAS 27 deleting the 'cost method' and requiring all dividends from a subsidiary, jointly controlled entity or associate to be recognised in profit or loss in an entity's separate financial statements (i.e., parent company accounts). The distinction between pre- and post-acquisition profits is no longer required. However, the payment of such dividends requires the entity to consider whether there is an indicator of impairment. AASB 127 has also been amended to effectively allow the cost of an investment in a subsidiary, in limited reorganisations, to be based on the previous carrying amount of the subsidiary (that is, share of equity) rather than its fair value.	1 January 2009	Recognising all dividends received from subsidiaries, jointly controlled entities and associates as income will likely give rise to greater income being recognised by the parent entity after adoption of these amendments. In addition, if the Group enters into any group reorganisation establishing new parent entities, an assessment will need to be made to determine if the reorganisation meets the conditions imposed to be effectively accounted for on a 'carry-over basis' rather than at fair value.	1 July 2009
Amendments to International Financial Reporting Standards	Improvements to IFRSs	The improvements project is an annual project that provides a mechanism for making non-urgent, but necessary, amendments to IFRSs. The IASB has separated the amendments into two parts: Part 1 deals with changes the IASB identified resulting in accounting changes; Part II deals with either terminology or editorial amendments that the IASB believes will have minimal impact.	1 January 2009 except for amendments to IFRS 5, which are effective from 1 July 2009.	The Group has not yet determined the extent of the impact of the amendments, if any.	1 July 2009

Since 1 July 2007 the Group has adopted the following Standards and Interpretations, mandatory for annual periods beginning on or after 1 July 2007. Adoption of these Standards and Interpretations did not have any effect on the financial position or performance of the Group.

- AASB 7 Financial Instruments: Disclosures
- AASB 2005-10 Amendments to Australian Accounting Standards (AASB 132, 101,114, 117, 133,139, 1, 4, 1023 and 1038)
- AASB 2007-4 Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments
- AASB 2007-7 Amendments to Australian Accounting Standards [AASB 1, AASB 2, AASB 4, AASB 5, AASB 107 & AASB 128]
- Interpretation 8 Scope of AASB 2 Share-based Payment
- Interpretation 9 Reassessment of Embedded Derivatives
- Interpretation 10 Interim Financial Reporting and Impairment
- Interpretation 11 Amendments to Australian Accounting Standards arising from AASB Interpretation 11 [AASB 2]

In order to increase the comparability of the Income Statement in an international context, interest income is shown separately from sales revenue in order to show EBITDA as a subtotal of the results.

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

Rounding of amounts

The company has applied the relief available to it in ASIC Class Order 98/100, and, accordingly, amounts in the financial statements and the directors' report have been rounded to the nearest thousand dollars.

(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.

i) Impairment

The carrying values of plant and equipment are reviewed for impairment at each reporting date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired. There are no assets which generate largely independent cash inflows. So the recoverable amount is determined for the cash-generating 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 are 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 / brand 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 de-recognition 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 cost. 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) Share-based payment transactions

(i) Equity settled transactions:
The group provides benefits to its employees (including key management personnel) in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions). There is currently one plan in place to provide these benefits, the Long Term Incentive Plan (LTIP), which provides benefits to executives identified by the Board. The fair value of each performance right is estimated at grant date using a Monte Carlo simulation. The valuation was performed independently by KPMG.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the award (the vesting date). At each subsequent reporting date until vesting, the cumulative charge to the income statement is in accordance with the valuation conditions as set out under the group's Long Term Incentive Plan (note 23).

Equity-settled awards granted by realestate.com.au Limited to employees of subsidiaries are recognised in the subsidiaries' separate financial statements as an expense with a corresponding credit to equity. As a result, the expense recognised by the group is the total expense associated with all such awards. Until an award has vested, any amounts recorded are contingent and will be adjusted if more or fewer awards vest than were originally anticipated to do so.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

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

(ii) Cash settled transactions:
The group currently does not provide benefits in the form of cash settled share-based payments.

(x) Contributed equity

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

(y) Earnings per share

Basic earnings per share 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 seeks to manage risk in ways that will generate and protect shareholder value. Management of risk is a continual process and an integral part of business management and corporate governance. The group's risk management strategy is aligned with the corporate strategy and company vision, to ensure that the risk management strategy contributes to corporate goals and objectives. The risk management program has been designed to establish a system of risk oversight and management and internal controls by having the framework in place to identify, assess, monitor and manage risk. The risk management methodology has been developed in line with the Australia/New Zealand Risk Management Standard (AS/NZ 4360). The program and methodology seek to promote awareness of risks and intelligent risk taking and management in, and among, all levels of the business.

The Board determines the group's tolerance for risk, after taking into account the strategic objectives and other factors including shareholder expectations, financial and reporting requirements and the financial position, organisational culture and the experience or demonstrated capacity in managing risks. Management is required to analyse its business risk in the context of Board expectations, specific business objectives and the organisation's risk tolerance.

One of the key areas of the group's risk management focus is on financial risk management. The group's principal financial instruments comprise receivables, payables, finance leases, bank and 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

- Foreign currency risk – as a result of foreign operations
- Interest rate risk – as a result of short term funding and finance leases
- Liquidity risk – as a result of short term funding
- Credit risk – as a result of trading

RISK EXPOSURE AND RESPONSES

Foreign currency risk

The consolidated group is exposed to foreign currency risk on sales, purchases, and funding transactions that are denominated in a currency other than the AUD. Approximately 22% (2007: 19%) of the group's revenues are denominated in currencies other than the reporting currency of the group. The currencies which give rise to this risk are primarily the British Pound, Euro, New Zealand Dollar, HK Dollar, and Dirham (UAE). 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.

As at 30 June 2008, the group had the following exposure to various foreign currencies:

	CONSOLIDATED		*realestate.com.au Ltd*	
	2008	*2007*	*2008*	*2007*
	$'000	*$'000*	*$'000*	*$'000*
Financial assets				
Cash and cash equivalents	3,464	1,782		
Trade and other receivables	7,111	8,702	1,025	4,893
	10,575	10,484	1,025	4,893
Financial liabilities				
Trade and other payables	13,733	13,324	1,723	1,834
Interest bearing loans and borrowings – related parties	1,049	9,784		
Interest bearing loans and borrowings – others	36	13		
	14,818	23,121	1,723	1,834
Net exposure	**(4,243)**	**(12,637)**	**(698)**	**3,059**

The following sensitivity is based on the foreign exchange risk exposure in existence at balance sheet date. 10% or 5% movements are key indicators of a significant change in the impact of financial risks for the UK, New Zealand, and all European locations and are based on available historic movements. For other locations (such as Hong Kong and Dubai) a higher tolerance was allowed to reflect the higher volatility of these currencies. As at 30 June 2008, had the Australian Dollar moved, with all other variables held constant, post tax profit and equity would have been affected as illustrated in the table below.

Management have assessed the closing net positions of each entity's assets in the table below for movements in currency to highlight the potential impact on the net asset position. There were no material impacts identified based on the parameters used.

	CONSOLIDATED		*realestate.com.au Ltd*	
	2008	*2007*	*2008*	*2007*
	$'000	*$'000*	*$'000*	*$'000*
Net Profit After Tax Higher / (Lower)				
AUD +10% versus 1 GBP	(1,534)	(518)		306
AUD -5% versus 1 GBP	767	259		(153)
AUD +10% versus 1 EUR	(329)	(110)	102	(110)
AUD -5% versus 1 EUR	164	55	(51)	55
AUD +10% versus 1 NZD	18	89		
AUD -5% versus 1 NZD	(11)	(51)		
AUD +20% versus 1 HKD	(485)		(345)	
AUD -10% versus 1 HKD	242		172	
AUD +20% versus 1 AED	(137)			
AUD -10% versus 1 AED	69			
Equity Higher / (Lower)				
AUD +10% versus 1 GBP	6,584	5,282		306
AUD -5% versus 1 GBP	(3,292)	(2,641)		(153)
AUD +10% versus 1 EUR	1,808	1,505	102	(110)
AUD -5% versus 1 EUR	(904)	(753)	(51)	55
AUD +10% versus 1 NZD	18	89		
AUD -5% versus 1 NZD	(11)	(51)		
AUD +20% versus 1 HKD	261		(345)	
AUD -10% versus 1 HKD	(130)		172	
AUD +20% versus 1 AED	309			
AUD -10% versus 1 AED	(154)			

Given the funding structure of the group, the relative immaterial impact of FX movements, the group policy does not include a need for foreign currency hedging. Management believe the balance sheet date risk exposures are representative of the risk exposure inherent in the financial instruments.

Interest rate risk

The group's exposure to the risk of change in market interest rates relates primarily to the group's short term debt obligations of a floating interest rate loan as described in note 21. Domestic interest rate movements contribute to 100% (2007: 100%) of overall interest rate risk exposure, therefore no further analysis of the impact of foreign interest rate changes was necessary.

As at 30 June 2008, the group had the following financial assets and liabilities exposed to interest rate risk*:

	CONSOLIDATED		*realestate.com.au Ltd*	
	2008	*2007*	*2008*	*2007*
	$'000	*$'000*	*$'000*	*$'000*
Financial assets				
Cash and cash equivalents	8,882	9,824	159	1,046
Trade and other receivables			1,022	4,893
	8,882	9,824	1,181	5,939
Financial liabilities				
Trade and other payables				
Interest bearing loans and borrowings – related parties		4,892		
Interest bearing loans and borrowings – others	1,560	2,858		
	1,560	7,750	-	-
Net exposure	**7,322**	**2,074**	**1,181**	**5,939**

* For a breakdown between variable and fixed interest rate exposure refer to note 21:

The group has managed its interest rate risk by the use of fixed rate instruments (finance lease) and by maximising the interest earned from funds balanced against the working capital needs.

The following sensitivity is based on the interest rate risk exposure in existence at balance sheet date and was based on historic movements in interest rates. As at 30 June 2008, with all other variables held constant, post tax profit and equity would have been affected as illustrated in the table below.

	CONSOLIDATED		*realestate.com.au Ltd*	
	2008	*2007*	*2008*	*2007*
	$'000	*$'000*	*$'000*	*$'000*
Post Tax Profit Higher / (Lower)				
+1.0% (100 basis points)	89	98	2	10
-1.0% (100 basis points)	(89)	(98)	(2)	(10)

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

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, and finance leases contracts.

All funding requirements are coordinated and established via corporate head office in Australia for all group operations, thereby enabling a centralised treasury management approach. The group minimises liquidity risk by maintaining a sufficient level of cash and equivalents, as well as ensuring the group has access to short term credit facilities as required. Assuming all variables are equal, no long-term facilities are required.

Maturity analysis of financial assets and liabilities

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

Year end 30 June 2008 – CONSOLIDATED	*<6 months*	*6-12 months*	*>1 year*	*TOTAL*
	$'000	*$'000*	*$'000*	*$'000*
Financial assets				
Cash and cash equivalents	8,882			8,882
Trade and other receivables	27,763			27,763
	36,645	-	-	36,645
Financial liabilities				
Trade and other payables	19,660			19,660
Interest bearing loans and borrowings – others	581	612	367	1,560
	20,241	612	367	21,220
Net maturity	**16,404**	**(612)**	**(367)**	**15,425**

Year end 30 June 2007 – CONSOLIDATED	*<6 months*	*6-12 months*	*>1 year*	*TOTAL*
	$'000	*$'000*	*$'000*	*$'000*
Financial assets				
Cash and cash equivalents	9,824			9,824
Trade and other receivables	20,085	282	282	20,649
	29,909	282	282	30,473
Financial liabilities				
Trade and other payables	16,688	830	830	18,348
Interest bearing loans and borrowings – related parties	4,892			4,892
Interest bearing loans and borrowings – others	726	542	1,590	2,858
	22,306	1,372	2,420	26,098
Net maturity	**7,603**	**(1,090)**	**(2,138)**	**4,375**

Year end 30 June 2008 – realestate.com.au Ltd

	<6 months $'000	6-12 months $'000	>1 year $'000	TOTAL $'000
Financial assets				
Cash and cash equivalents	159			159
Trade and other receivables	1,072			1,072
	1,231	-	-	1,231
Financial liabilities				
Trade and other payables	1,944			1,944
Intercompany Payables			39,978	39,978
Interest bearing loans and borrowings – related parties				
Interest bearing loans and borrowings – others				
	1,944	-	39,978	41,922
Net maturity	**(713)**	**-**	**(39,978)**	**(40,691)**

Year end 30 June 2007 – realestate.com.au Ltd

	<6 months $'000	6-12 months $'000	>1 year $'000	TOTAL $'000
Financial assets				
Cash and cash equivalents	1,046			1,046
Trade and other receivables	4,893			4,893
	5,939	-	-	5,939
Financial liabilities				
Trade and other payables	1,390			1,390
Intercompany Payables			15,909	15,909
Interest bearing loans and borrowings – related parties				-
Interest bearing loans and borrowings – others				-
	1,390	-	15,909	17,299
Net maturity	**4,549**	**-**	**(15,909)**	**(11,360)**

Credit risk

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

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

Fair values

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

4) Significant Accounting 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 15.

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 2008 and 30 June 2007.

Year ended 30 June 2008 *$'000*	Australia	UK	Italy	Luxembourg	Others	TOTAL
Revenue						
Sales - external customers	120,719	22,071	5,401	3,532	3,910	155,633
Intersegment revenues						569
Total segment revenue						156,202
Intersegment elimination						(569)
Total consolidated revenue						**155,633**
Result						
Segment result	61,946	(10,057)	(2,819)	1,054	(3,602)	46,522
Unallocated expenses*						(9,762)
Share of loss of associate						(185)
EBITDA						**36,575**
Depreciation and amortisation						(7,336)
Net Finance costs						(139)
Profit before income tax						**29,100**
Income tax expense						(13,337)
Net Profit for the year						**15,763**
Assets and Liabilities						
Segment assets	69,550	53,787	23,476	2,009	6,579	155,401
Investment in associate						-
Unallocated assets						3,045
Total assets						**158,446**
Segment liabilities	14,872	9,867	3,812	2,863	1,063	32,477
Unallocated liabilities						11,145
Total liabilities						**43,622**
Other segment information						
Capital expenditure	5,376	86	201		78	5,741

Year ended 30 June 2007 *$'000*	Australia	UK	Italy	Luxembourg	Other	TOTAL
Revenue						
Sales - external customers	85,745	17,891	1,337	1,227	1,093	107,293
Intersegment revenues						449
Total segment revenue						107,742
Intersegment elimination						(449)
Total consolidated revenue						**107,293**
Result						
Segment result	39,314	(8,180)	100	273	(107)	31,400
Unallocated expenses*						(7,674)
Share of loss of associate						(226)
EBITDA						**23,500**
Depreciation and amortisation						(4,974)
Net Finance costs						(69)
Profit before income tax						**18,457**
Income tax expense						(7,469)
Net Profit for the year						**10,988**
Assets and Liabilities						
Segment assets	48,055	46,229	20,552	9,593	687	125,116
Investment in associate						394
Unallocated assets						8,680
Total assets						**134,190**
Segment liabilities	13,617	8,602	3,293	1,633	371	27,516
Unallocated liabilities						21,622
Total liabilities						**49,138**
Other segment information						
Capital expenditure	5,055	308	98	19	55	5,535

* The group allocates its back office function consisting of the IT development activities for the online portals and agent solutions business, delivering online advertising and agent solution products, as well as certain central head office functions. Unallocated costs include corporate affairs, the group finance function, the corporate development function, the majority of the costs of the office of the CEO, R&D development costs, costs of Board and the Company Secretarial function.

Business Segments
The group has only one significant business segment, which is the provision of advertising services to the Real Estate industry.

Major customers
The group has a number of customers to which it provides both products and services. The group does not rely on any of these customers and none of them amount to 10% or more of external revenue.

6) Expense Accounts

	CONSOLIDATED		realestate.com.au Ltd	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
(a) Other expenses				
Consultants and Contractor Expenses	5,792	3,266	255	85
Property Expenses	3,480	2,593		15
Technology Expenses	4,318	2,892		
Travel Expenses	3,382	2,333		13
Print and Distribution Expenses of Publications	5,301	4,017		
Recruitment Expenses	2,562	1,159		
Reversal of provision for diminution of loan to JV		(419)		
All other Expenses	4,538	3,637	160	9
Total Other Expenses	**29,373**	**19,478**	**415**	**122**
(b) Finance costs				
Bank loans and overdrafts	579	315	527	235
Finance charges paid under finance leases	143	168		
Net foreign exchange loss on loans				
Related party loan (News International)	176	259		
Total Finance Costs	**898**	**742**	**527**	**235**
(c) Salaries and employee benefits expense				
Wages and Salaries	55,912	37,991		
Workers compensation costs	102	105		
Defined contribution plan expense (Superannuation)	3,234	2,334		
Long service leave provision	255	168		
Total Salaries and employee benefits expense	**59,503**	**40,598**	**-**	**-**

7) Income Tax

The major components of income tax expense are:

Income Statement	CONSOLIDATED		realestate.com.au Ltd	
	2008	*2007*	*2008*	*2007*
	$'000	*$'000*	*$'000*	*$'000*
Income tax expense				
Current income tax				
Current income tax charge	14,568	8,394	14,428	8,086
Adjustment for current income tax of previous years	17	(390)	(309)	
Provision balances of subsidiary members transferred to head entity			(14,920)	(9,029)
Tax losses (recognised)/utilised	(83)	(606)	(83)	226
Foreign exchange adjustment on benefit of tax losses recognised	(56)			
Deferred income tax				
Benefit of tax losses recognised	(850)			
Origination and reversal of temporary differences	(687)	76	261	516
Adjustments for income tax of previous years	428	(5)	(97)	(36)
Income tax expense reported in the income statement	**13,337**	**7,469**	**(720)**	**(237)**

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

Accounting profit before income tax	29,100	18,457	(1,153)	(870)
At the group's statutory income tax rate of 30% (2007: 30%)	8,730	5,537	(346)	(261)
Effect of foreign tax rate	(174)	10		
Foreign subsidiary losses not recognised in the group (a)	5,001	2,501		
Foreign branch tax losses not recognised (New Zealand)	165	262	38	82
Effect of tax losses recognised	(885)	(40)		
Change due to forming a tax consolidated group		(157)		
Non-deductible amortisation of intangibles	(19)	233		
Research and Development deduction	(342)	(481)	(6)	(22)
Legal fees	37			
Other	67			
Income tax expense on pre-tax net profit	12,580	7,865	(314)	(201)
Timing differences not recognised in prior years	757	(396)	(406)	(36)
Income tax expense on pre-tax net profit	13,337	7,469	(720)	(237)
Current income tax liability				
Consolidated current income tax liability	6,218	8,394	5,887	8,086

(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 $3,235k (2007: $2,428k) for REA UK Group, $1,150k (2007: $35k) for REA Italia Group, $511k (2007: $38k) for the Greater Luxembourg operations, and $106k (2007: nil) for REA Group Hong Kong.

Recognised deferred tax assets and liabilities	*Balance sheet*		*Income statement*	
Deferred income tax at 30 June relates to the following:	*2008*	*2007*	*2008*	*2007*
CONSOLIDATED	***$'000***	***$'000***	***$'000***	***$'000***
Deferred tax liabilities				
Intangibles	(3,070)	(3,047)	887	(755)
Receivables	(2)	(136)	134	136
Property, plant and equipment	(114)	(447)	333	447
Unrealised foreign exchange gains	(59)	(4)	(55)	4
Prepayments	(5)	(9)	4	9
Accrued income	(118)	(132)	14	100
Deferred income tax liabilities	(3,368)	(3,775)		
Deferred tax assets				
Takeover defence expenditure	208	289	(81)	96
Investments in Joint Ventures / Associates		68	(68)	(68)
Provision for doubtful debts	283	158	125	7
Accruals	118	76	42	(14)
Losses available for offset against future taxable income		83	(83)	401
Property, plant and equipment	7		7	
Depreciation - Leasehold improvements				40
Provisions	94	150	(56)	94
Provision of employee entitlements	863	495	278	(155)
Prepaid revenues	95	232	(137)	(119)
Unrealised foreign exchange losses	6	83	(77)	(79)
Finance leases	(75)	83	(158)	(68)
Deferred income tax assets	1,599	1,717		
Deferred tax (income) / expense			1,109	76
realestate.com.au Limited				
Deferred tax liabilities				
Unrealised foreign exchange gains	(59)		(59)	
Accrued income		(111)	111	86
Deferred income tax liabilities	(59)	(111)		
Deferred tax assets				
Takeover defence expenditure	206	289	(83)	96
Provision for doubtful debts				65
Accruals	59	31	28	(29)
Unrealised foreign exchange losses	5	83	(78)	(83)
Losses available for offset against future taxable income		83	(83)	380
	270	486		
Deferred tax (income) / expense			(164)	515

Tax consolidation
Following advice from tax advisers, the Board had decided to enter into tax consolidation from 1 July 2006 onwards.

(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 2008 $'000	2007 $'000
Net profit attributable to ordinary equity holders	22,344	15,064

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.

Weighted average number of ordinary shares (Basic EPS)	2008 number	2007 number
Issued ordinary shares as at 1 July	127,255,057	127,255,057
Weighted average number of ordinary shares as at 30 June (Basic EPS)	127,255,057	127,255,057

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.

Weighted average number of ordinary shares (Diluted EPS)	2008 number	2007 number
Issued ordinary shares as at 1 July	127,255,057	127,255,057
Effect of share options on issue during the financial year	-	-
Weighted average number of ordinary shares as at 30 June (Diluted EPS)	127,255,057	127,255,057

Other than the potential shares offered as part of the long term incentive plan disclosed in note 23, 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*	
	2008	*2007*	*2008*	*2007*
	$'000	*$'000*	*$'000*	*$'000*
Cash at bank and in hand	8,857	9,379	159	1,046
Short term deposits	25	445		
Total Cash & cash equivalents	**8,882**	**9,824**	**159**	**1,046**

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. The REA Group has in place a revolving cash advance facility (note 17).

Reconciliation of net profit after tax to net cash flows from operations	*CONSOLIDATED*		*realestate.com.au Ltd*	
	2008	*2007*	*2008*	*2007*
	$'000	*$'000*	*$'000*	*$'000*
Net profit / (loss) for the period	15,763	10,988	(433)	(633)
Adjustments for				
Depreciation and amortisation	7,336	4,974		
Net loss on disposal of property, plant and equipment	37	35		
Interest Expense on Loan converted to Minority Interest	172			
Employee option expense adjusted against Minority Interest	54			
FX Adjustment on Other payable	(202)		(191)	
Reversal of diminution of loan to JV		(419)		
Conversion accrued interest on loan to related party			(246)	
Share of losses of Associate	185	226		
Changes in assets and liabilities				
(Increase) / decrease in trade and other receivables	(7,761)	(8,712)	(21)	(98)
(Increase) / decrease in other current assets	(691)	(555)	(151)	15
(Increase) / decrease in deferred tax assets	208	136	216	430
(Decrease) / increase in other current liabilities	698	2,835	117	
(Decrease) / increase in deferred tax liabilities	(1,531)	(901)	(52)	86
(Decrease) / increase in current tax liabilities	(2,217)	5,072	(17,470)	
(Decrease) / increase in trade and other payables	3,342	6,459	998	1,257
(Decrease) / increase in provisions	478	948		(1,233)
Net cash from operating activities	**15,871**	**21,086**	**(17,233)**	**(176)**

For disclosure of financing activities refer to note 17 and for disclosure of non-cash financing and investing activities refer to notes 12, 13, and 14.

10) Current Assets - Trade and other receivables

	CONSOLIDATED		realestate.com.au Ltd	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Trade debtors (i)	29,841	20,566		
Allowance for doubtful debts	(2,756)	(1,812)		
	27,085	18,754	-	-
Related party receivables from related parties (ii)	68	1,296	1,025	4,893
Sundry debtors	610	317	47	
Total Trade and other receivables	**27,763**	**20,367**	**1,072**	**4,893**

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) The 2008 consolidated number of $68k consists of $7k related to News Digital Media and $61k related to SKYItalia a subsidiary of News Corporation. The 2008 realestate.com.au Ltd number includes $1,022k related to atHome Group S.A. and $3k related REA Group Hong Kong Limited.

Details regarding the credit risk and effective interest rate of current receivables are disclosed in note 3 and 21.

As at 30 June, the ageing analysis of trade receivables is as follows:

Trade debtors - past due date		Not impaired			
	TOTAL	0-30 days	31-60 days	61+ days	Considered Impaired
	$'000	$'000	$'000	$'000	$'000
CONSOLIDATED – 2008	12,396	4,294	2,049	3,297	2,756
CONSOLIDATED – 2007	7,280	627	2,418	2,423	1,812
realestate.com.au Ltd - 2008	-				-
realestate.com.au Ltd - 2007	-				-

Other receivables do not contain impaired assets and are not past due. It is expected that these other balances will be received when due. Details regarding foreign exchange and interest rate risk exposure are disclosed in note 3.

11) Current Assets - Other current assets

	CONSOLIDATED		realestate.com.au Ltd	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Prepayments and Deposits	2,480	1,944	215	64
Other current assets	492	61		
Total other current assets	**2,972**	**2,005**	**215**	**64**

12) Non-current Assets - Investment in subsidiaries

	CONSOLIDATED		realestate.com.au Ltd	
	2008	*2007*	*2008*	*2007*
	$'000	*$'000*	*$'000*	*$'000*
Total Investments in controlled entities – at cost (see note 22)	-	-	97,962	70,290

13) Non-current Assets - Property, plant and equipment

	CONSOLIDATED			realestate.com.au Limited		
Year ended 30 June 2008	*Leasehold Improve-ments*	*Hardware, Software, & Equipment*	*Total*	*Leasehold Improve-ments*	*Hardware, Software, & Equipment*	*Total*
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
At 1 July 2007						
Net of accumulated depreciation and impairment	1,085	3,751	4,836			
Additions	302	2,690	2,992			
Disposals		(429)	(429)			
Accumulated depreciation on disposals		346	346			
Acquisition of a subsidiary - at cost		1,265	1,265			
Acquisition of a subsidiary - accumulated depreciation		(1,137)	(1,137)			
Depreciation charge for the year	(587)	(2,181)	(2,768)			
Exchange adjustment - at cost	(6)	(130)	(136)			
Exchange adjustment - accumulated depreciation	5	78	83			
At 30 June 2008						
Net of accumulated depreciation and impairment	799	4,253	5,052			
At 1 July 2007						
At cost	1,704	8,671	10,375			
Accumulated depreciation and impairment	(619)	(4,920)	(5,539)			
Net carrying amount	1,085	3,751	4,836			
At 30 June 2008						
At cost	2,000	12,067	14,067			
Accumulated depreciation and impairment	(1,201)	(7,814)	(9,015)			
Net carrying amount	799	4,253	5,052			

The carrying value of systems and hardware held under finance leases at 30 June 2008 is $157k (2007: $383k). Additions during the year include $nil (2007: $nil) 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.

Year ended 30 June 2007	CONSOLIDATED Leasehold Improve-ments	Hardware, Software, & Equipment	Total	realestate.com.au Ltd Leasehold Improve-ments	Hardware, Software, & Equipment	Total
	$'000	$'000	$'000	$'000	$'000	$'000
At 1 July 2006						
Net of accumulated depreciation and impairment	532	2,930	3,462			
Additions	1,006	2,240	3,246			
Disposals	(73)	(112)	(185)			
Accumulated depreciation on disposals	52	93	145			
Acquisition of a subsidiary - at cost		585	585			
Acquisition of a subsidiary - accumulated depreciation		(466)	(466)			
Depreciation charge for the year	(431)	(1,499)	(1,930)			
Exchange adjustment - at cost	(1)	(62)	(63)			
Exchange adjustment - accumulated depreciation		42	42			
At 30 June 2007						
Net of accumulated depreciation and impairment	1,085	3,751	4,836			
At 1 July 2006						
At cost	772	6,020	6,792			
Accumulated depreciation and impairment	(240)	(3,090)	(3,330)			
Net carrying amount	532	2,930	3,462			
At 30 June 2007						
At cost	1,704	8,671	10,375			
Accumulated depreciation and impairment	(619)	(4,920)	(5,539)			
Net carrying amount	1,085	3,751	4,836			

14) Non-current Assets – Intangible assets and goodwill

	CONSOLIDATED				*realestate.com.au Ltd*
	Brand names, Customer and Advertising Relationships	*Software*	*Goodwill*	*Total*	*Total*
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
At 1 July 2007					
Cost (gross carrying amount)	13,414	8,040	78,450	99,904	
Accumulated amortisation and impairment	(2,136)	(3,003)		(5,139)	
Net carrying amount	11,278	5,037	78,450	94,765	
Year ended 30 June 2008					
At 1 July 2007, net of accumulated amortisation and impairment	11,278	5,037	78,450	94,765	
Additions	48	2,701		2,749	
Acquisition of a subsidiary - at cost	5,101	530	20,131	25,762	
Acquisition of a subsidiary - accumulated amortisation		(433)		(433)	
Amortisation	(1,680)	(2,888)		(4,568)	
Exchange adjustment - at cost	(974)	(68)	(5,343)	(6,385)	
Exchange adjustment - accumulated amortisation	224	64		288	
At 30 June 2008, net of accumulated amortisation and impairment	13,997	4,943	93,238	112,178	
At 30 June 2008					
Cost (gross carrying amount)	17,589	11,203	93,238	122,030	
Accumulated amortisation and impairment	(3,592)	(6,260)		(9,852)	
Net carrying amount	13,997	4,943	93,238	112,178	

The carrying value of software held under finance leases at 30 June 2008 is $1,067k (2007: $1,890k). Additions during the year include $nil (2007: $1,997k) of software held under finance leases. Leased assets are pledged as security for the related finance lease liabilities.

Brand names, 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.

	CONSOLIDATED				*realestate.com.au Ltd*
	Brand names, Customer and Advertising Relationships	*Software*	*Goodwill*	*Total*	*Total*
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
At 1 July 2006					
Cost (gross carrying amount)	8,382	3,060	54,308	65,750	
Accumulated amortisation and impairment	(887)	(960)		(1,847)	
Net carrying amount	7,495	2,100	54,308	63,903	
Year ended 30 June 2007					
At 1 July 2006, net of accumulated amortisation and impairment	7,495	2,100	54,308	63,903	
Additions	114	4,172		4,286	
Adjustment of Goodwill for change in purchase price			(18)	(18)	
Acquisition of a subsidiary - at cost	5,468	841	27,130	33,439	
Acquisition of a subsidiary - accumulated	(20)	(186)		(206)	
Amortisation	(1,264)	(1,894)		(3,158)	
Exchange adjustment - at cost	(550)	(33)	(2,970)	(3,553)	
Exchange adjustment - accumulated amortisation	35	37		72	
At 30 June 2007, net of accumulated amortisation and impairment	11,278	5,037	78,450	94,765	
At 30 June 2007					
Cost (gross carrying amount)	13,414	8,040	78,450	99,904	
Accumulated amortisation and impairment	(2,136)	(3,003)		(5,139)	
Net carrying amount	11,278	5,037	78,450	94,765	

The same principles as in financial year 2008 were applied for the comparative financial data of financial year 2007.

15) Impairment testing of Goodwill

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

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 16.0% (2007 15.5%) and cash flows beyond the five year period are extrapolated using a 3.5% (2007: 5.0%) growth rate, which is below the expected 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 ten year period. This longer period was chosen to better reflect the acquisition of Sherlock Publications Limited (note 24d) and the existence of both a print and online business in the UK operations. Management expects the print business to be more affected by economic volatility than the online business. The discount rate applied to cash flow projections is 14.6% (2007: 12.2%) and cash flows beyond the ten year period are extrapolated using a 2% (2007: 5.0%) growth rate, which is below the expected industry growth rate but was chosen for a conservative outlook.

Advertising Italy
The recoverable amount of this unit has been determined based on a value in use calculation using cash flow projections based on financial forecasts approved by senior management covering a five year period. The discount rate applied to cash flow projections is 16.4% (2007: no impairment test performed) and cash flows beyond the five year period are extrapolated using a 3% (2007: no impairment test performed) growth rate, which is below the expected industry growth rate but was chosen for a conservative outlook.

Advertising Greater Luxembourg region
The recoverable amount of this unit has been determined based on a value in use calculation using cash flow projections based on financial forecasts approved by senior management covering a five year period. The discount rate applied to cash flow projections is 16.6% (2007: no impairment test performed) and cash flows beyond the five year period are extrapolated using a 2% (2007: no impairment test performed) growth rate, which is below the expected industry growth rate but was chosen for a conservative outlook.

Advertising Hong Kong
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 16.1% (2007: not applicable) and cash flows beyond the five year period are extrapolated using a 3% (2007: not applicable) growth rate, which is below the expected industry growth rate but was chosen for a conservative outlook.

Advertising United Arab Emirates
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 12.9% (2007: not applicable) and cash flows beyond the five year period are extrapolated using a 3% (2007: not applicable) growth rate, which is below the expected industry growth rate but was chosen for a conservative outlook.

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

	CONSOLIDATED		*realestate.com.au Ltd*	
Carrying amount of goodwill	*2008* *$'000*	*2007* *$'000*	*2008* *$'000*	*2007* *$'000*
Advertising Australia/New Zealand	23,289	22,949		
Advertising United Kingdom	41,694	34,366		
Advertising Italy	17,220	14,275		
Advertising Greater Luxembourg region	6,598	6,860		
Advertising Hong Kong	2,247			
Advertising United Arab Emirates	2,190			
Total Carrying amount of goodwill	**93,238**	**78,450**	**-**	**-**

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.

Key assumptions used in "value in use" calculations for the 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

Key assumptions used in "value in use" calculations for the Advertising Italy 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 Italy and the expected increase in agent numbers

Key assumptions used in "value in use" calculations for the Advertising Great Luxembourg region 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 Greater Luxembourg region and the expected increase in agent numbers

Key assumptions used in "value in use" calculations for the Advertising Hong Kong 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 Hong Kong and the expected increase in agent numbers

Key assumptions used in "value in use" calculations for the Advertising United Arab Emirates (UAE) 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 United Arab Emirates and the expected increase in agent numbers

16) Current Liabilities - Payables

	CONSOLIDATED		realestate.com.au Ltd	
	2008	*2007*	*2008*	*2007*
	$'000	*$'000*	*$'000*	*$'000*
Trade payables	5,554	5,801		
Accruals	7,467	4,426	221	104
Payable to put option holder for sale of casa.it		1,703		
Payables to related parties (i)	1,718	3,276	1,723	1,286
Other payables	4,921	2,312		
Total payables	**19,660**	**17,518**	**1,944**	**1,390**

(i) Includes trade payables of $1,381k to News International and $337k to SKYItalia. For realestate.com.au Limited the $1,723k consist of the final payment of $1,491k for the acquisitions of Prime Media Limited and Square Foot Limited valued at balance sheet foreign exchange rate and a funding commitment of $232k to REA Hong Kong Limited.

Information regarding the effective interest rate and credit risk of current payables is set out in note 3 and 21.

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

		CONSOLIDATED		realestate.com.au Ltd	
		2008	*2007*	*2008*	*2007*
	Maturity	*$'000*	*$'000*	*$'000*	*$'000*
Current					
Obligations under finance leases and hire purchase contracts	2008 see Note 25	1,193	1,268		
Unsecured loans from other related parties	On demand		4,892		
		1,193	6,160	-	-
Non-current					
Obligations under finance leases and hire purchase contracts	see Note 25	367	1,590		
		367	1,590	-	-

Fair value disclosures: Details of the fair value of the group's interest bearing liabilities are set out in note 21.

Financing facilities available: At reporting date, the following financing facilities were available:

	CONSOLIDATED		realestate.com.au Ltd	
	2008	*2007*	*2008*	*2007*
	$'000	*$'000*	*$'000*	*$'000*
Total facility – Combined bank loan / overdraft facility (expiring 25 Sep 2008)	21,000	10,000	21,000	10,000
thereof used at reporting date	*0*	*0*	*0*	*0*
thereof unused at reporting date	*21,000*	*10,000*	*21,000*	*10,000*

The facility is secured by a cross guarantee between realestate.com.au Limited, Netwide Solutions Pty Limited, Property Look Pty Limited, and Web Effect Pty Limited.

18) Other current liabilities

	CONSOLIDATED		realestate.com.au Ltd	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Deferred revenues	9,458	7,940		
Prepaid revenues	359	860		
Total other current liabilities	**9,817**	**8,800**	**-**	**-**

19) Current and Non-current Liabilities – Provisions

	Lease Incentive	*Employment Severance Indemnity*	*Annual Leave*	*Long Service Leave*	*Long term incentive plan*	*Total*
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
CONSOLIDATED						
At 1 July 2007	64	39	1,540	428	-	2,071
Acquisition of subsidiary			29			29
Arising during the year		125	2,286	255	70	2,736
Utilised	(39)	(18)	(1,752)	(28)		(1,837)
At 30 June 2008	**25**	**146**	**2,103**	**655**	**70**	**2,999**
Current 2008	23		2,103	191		2,317
Non-current 2008	2	146		464	70	682
Total 2008	**25**	**146**	**2,103**	**655**	**70**	**2,999**
Current 2007	39		1,540			1,579
Non-current 2007	25	39		428		492
Total 2007	**64**	**39**	**1,540**	**428**	**-**	**2,071**

realestate.com.au Ltd

nil

20) Contributed equity and reserves

	CONSOLIDATED		realestate.com.au Ltd	
	2008	*2007*	*2008*	*2007*
	$'000	*$'000*	*$'000*	*$'000*
(a) Issued and paid up capital				
Ordinary shares (issued and fully paid)	56,002	56,002	56,002	56,002

(b) Movement in ordinary shares on issue	*2008 Number of shares*	*2008 $'000*	*2007 Number of shares*	*2007 $'000*
As at 1 July	127,255,057	56,002	127,255,057	56,002
As at 30 June	127,255,057	56,002	127,255,057	56,002

(c) Parent interests

	CONSOLIDATED				
	Share Capital	Retained Earnings / (Accumulated Losses)	Other reserve	Currency translation reserve	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
At 1 July 2006	**56,002**	**(1,925)**	**-**	**675**	**54,752**
Total recognised income and expenses		15,064			15,064
Currency Translation Reserve				(1,885)	(1,885)
Casa.it Put Option Reserve			(1,703)		(1,703)
At 30 June 2007	**56,002**	**13,139**	**(1,703)**	**(1,210)**	**66,228**
At 1 July 2007	**56,002**	**13,139**	**(1,703)**	**(1,210)**	**66,228**
Total recognised income and expenses		22,344			22,344
Currency Translation Reserve				(3,399)	(3,399)
Business Combination reserve			568		568
De-recognition of put option due to step up			1,703		1,703
At 30 June 2008	**56,002**	**35,483**	**568**	**(4,609)**	**87,444**

Business Combination Reserve: This amount is the result of the change in Sky Italia's minority interest from 34% to 30.6% (30 April 2008) as the group purchased the remaining 10% stake from the founder of casa.it. Sky Italia is a subsidiary of News Corporation.

Casa.it Put Option Reserve: The amount of $1,703k represented a recognised liability for a put option over the remaining 10% of shares in casa.it Srl held by the founder. This reserve and the corresponding liability were subsequently reversed as a result of the group's purchase of the remaining 10% of the shares from the founder.

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.

(c) Parent interests (cont'd)

	realestate.com.au Ltd		
	Share Capital	Retained Earnings / (Accumulated Losses)	Total
	$'000	$'000	$'000
At 1 July 2006	**56,002**	**(3,126)**	**52,876**
Total recognised income and expenses		(633)	(633)
At 30 June 2007	**56,002**	**(3,759)**	**52,243**
At 1 July 2007	**56,002**	**(3,759)**	**52,243**
Total recognised income and expenses		(433)	(433)
At 30 June 2008	**56,002**	**(4,192)**	**51,810**

(d) Minority interests

	CONSOLIDATED		*realestate.com.au Ltd*	
	2008	*2007*	*2008*	*2007*
Interest in:	*$'000*	*$'000*	*$'000*	*$'000*
Share Capital	39,617	24,480		
Current earnings	(6,581)	(4,076)		
Retained earnings	(5,656)	(1,580)		
Total Minority interests	27,380	18,824	-	-

(e) Capital management

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

The group's Dividend Policy provides scope for the Board to determine whether to pay a dividend, the timing of any dividend payment and the amount of any dividend payment. The Board bases its decision on existing financial data, forecasts and existing growth projects. Whilst the Board continues to pursue growth through acquisitions and investments, levels of cash reserves of REA Group in accordance with this policy will be maintained rather than distributed as dividends.

Other than through the Long Term Incentive Plan (note 23), Management has no current plans to issue further shares on the market.

Management monitors capital through the gearing ratio (net debt / total capital). At year end, the group is not in a net-debt position. The REA Group does have in place a revolving cash advance facility of $21million with the group's banker which enables management of the REA Group's working capital needs or acquisition funding.

The gearing ratios based on continuing operations at 30 June 2008 and 2007 were as follows:

	CONSOLIDATED		*realestate.com.au Ltd*	
	2008	*2007*	*2008*	*2007*
	$'000	*$'000*	*$'000*	*$'000*
Total borrowings	1,560	7,750	-	-
Less cash and cash equivalents	8,882	9,824	159	1,046
Net debt	Not existing	Not existing	Not existing	Not existing
Total equity	114,824	85,052	51,810	52,243
Total capital	114,824	85,052	51,810	52,243
Gearing Ratio	0%	0%	0%	0%

The group is not subject to externally imposed capital requirements.

21) Fair value and interest rate risk

Fair values

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

Contingencies

The Company and certain controlled entities have potential financial liabilities that may arise from certain contingencies disclosed in note 25. 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:

CONSOLIDATED	*< 1 year*	*>1 - <2 years*	*>2 - <3 years*	*>3 - <4 years*	*>4 - <5 years*	*> 5 years*	*Total*	*Weighted average effective interest rate %*
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	
Year ended 30 June 2008								
FINANCIAL ASSETS								
Fixed rate								
Nil								
Floating rate								
Cash assets	8,882						8,882	6.83%
FINANCIAL LIABILITIES								
Fixed rate								
Obligations under finance leases and hire purchase	1,193	367					1,560	5.93%
Floating rate								
Nil								
Year ended 30 June 2007								
FINANCIAL ASSETS								
Fixed rate								
Nil								
Floating rate								
Cash assets	9,824						9,824	5.70%
FINANCIAL LIABILITIES								
Fixed rate								
Obligations under finance leases and hire purchase	1,268	1,151	439				2,858	6.40%
Floating rate								
Loan from related party - News International	4,892						4,892	7.00%

realestate.com.au Ltd	*< 1 year*	*>1 - <2 years*	*>2 - <3 years*	*>3 - <4 years*	*>4 - <5 years*	*> 5 years*	*Total*	*Weighted average effective interest rate %*
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	
Year ended 30 June 2008								
FINANCIAL ASSETS								
Fixed rate								
Nil								
Floating rate								
Cash assets	159						159	6.83%
Related Party Loan to atHome Group	1,025						1,025	9.50%
Total	1,184	-	-	-	-	-	1,184	
FINANCIAL LIABILITIES								
Nil								
Year ended 30 June 2007								
FINANCIAL ASSETS								
Fixed rate								
Nil								
Floating rate								
Cash assets	1,046						1,046	6.30%
Related Party Loan to Propertyfinder Holdings Group	4,893						4,893	7.00%
Total	5,939	-	-	-	-	-	5,939	
FINANCIAL LIABILITIES								
Nil								

22) 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***	
	2008	*2007*	*2008*	*2007*
	%	*%*	*$'000*	*$'000*
property.com.au Pty Limited – Australia	100%	100%		9,186
Netwide Solutions Pty Limited – Australia	100%	100%	26,153	5,776
homeguru Pty Limited	63%	42%*		
ozhomevalue Pty Limited	100%			
Property Look Pty Limited – Australia	100%	100%		9,526
Hub Online Global Group – Australia	100%	100%	6,255	6,255
Web Effect International Pty Limited - Australia	100%	100%		
NL/HIA JV Pty Limited ("homesite.com.au") - Australia	100%	100%		1,652
REA Group FZ LLC - UAE	51%		3,580	
REA Group Hong Kong Limited – Hong Kong	100%		4,154	
Square Foot Limited – Hong Kong	100%			
Prime Media Limited – Hong Kong	100%			
REA Group Europe Limited – UK	100%	100%	57,820	37,895
REA UK Limited – UK	50%**	50%**		
Propertyfinder Holdings Limited – UK (former Asserta Holdings)	100%	95.2%		
Sherlock Publications Limited (hotproperty.co.uk) – UK	100%			
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	69.4%	66%		
casa.it Srl – Italy	100%	90%		
atHome Group S.A. – Luxembourg	100%	100%		
atHome International S.A. – Luxembourg	100%	100%		
Altowin S.A. – Belgium	100%	51%		
TOTAL			97,962	70,290

* In FY07 and up to the step-up acquisition on 1 October in FY08 homeguru Pty Limited was accounted for as an Investment in Associates. After the step-up acquisition full consolidation was commenced.

** REA Group Europe Limited controls all UK subsidiaries via a majority on the board and consequently has fully consolidated the financial accounts since acquisition date

During 2008 the businesses of property.com.au Pty, Property Look Pty Ltd and NL/HIA JV Pty Limited ("homesite.com.au") were transferred to Netwide Solutions Pty Ltd. In the separate financial statements of realestate.com.au Limited, this transfer has been accounted for as an equity distribution from property.com.au Pty, Property Look Pty Ltd and NL/HIA JV Pty Limited ("homesite.com.au") to realestate.com.au and corresponding equity contribution from realestate.com.au Limited to Netwide Solutions Pty Ltd. The equity distribution/contribution has been measured based on the carrying amounts of the investments in property.com.au Pty, Property Look Pty Ltd and NL/HIA JV Pty Limited ("homesite.com.au") such that the carrying amount of Netwide Solutions Pty Ltd has been increased by the previous carrying amount of the aforementioned investments. The equity distribution/contribution did not give rise to an impact on realestate.com.au Limited's profit for the period.

(b) Ultimate parent entity

The ultimate parent entity is News Corporation in United States of America.

(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) until 4 August 2008
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
Mr Shaun Di Gregorio	General Manager Asia Pacific
Ms Gillian Kent	General Manager United Kingdom (since January 2008)
Mr Jamie Pride	Country Manager Australia (since April 2008)
Ms Christine Vulovic	Chief Information Officer
Mr Andy Sheats	General Manager Corporate Development
Mr Warren Bright	General Manager Advertising United Kingdom (until February 2008)
Mr Patrick Kersten	General Manager Greater Luxembourg region
Mr Antonio Fregnan	General Manager Italy (until November 2007)

For the purpose of this report, only managers with responsibility for more than 10% of the group's revenues are deemed to be 'most influential' employees.

(i) Compensation for key management personnel

	CONSOLIDATED		*realestate.com.au Ltd*	
	2008	*2007*	*2008*	*2007*
	$	*$*	*$*	*$*
Short-term employee benefits	2,653,415	2,500,744		
Superannuation benefits	224,034	178,668		
Long service leave	129,081	74,733		
Long Term Incentive Plan (LTIP)	54,102			
Total Compensation	3,060,632	2,754,145	-	-

(ii) Contract for Services

A contract for the MD/CEO, Mr Simon Baker, was in place until 4 August 2008 and was terminated on that date.

(iii) Option holdings of Key Management (Consolidated)

Other than due to the LTIP (Note 23), there are no other options held by key management.

(iv) Loans to Key Management (Consolidated)

Nil

(v) Shareholdings in realestate.com.au Limited (Consolidated)

Directors

	Balance 01-Jul 2007	Granted as remuneration	Net change other	Balance 30-Jun 2008
John McGrath	2,139,086			2,139,086
Sam White	16,249,045			16,249,045
Simon Baker	3,480,511		(372,592)	3,107,919
Roger Amos	2,363			2,363
Total	21,871,005	-	(372,592)	21,498,413

Executives

	Balance 01-Jul 2007	Granted as remuneration	Net change other	Balance 30-Jun 2008
Georg Chmiel	2,621		174	2,795
Shaun Di Gregorio	233,688		14,839	248,527
Gillian Kent	n/a			-
Jamie Pride	n/a		1,050	1,050
Chris Vulovic	32,907		3,408	36,315
Total	269,216	-	19,471	288,687

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

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 $569k (2007: $449k) based on a % 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.

(e) Other related party transactions

Sales

Starting on 28 June 2007, the group has 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 to Reva Services Pty Limited. 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. SKYItalia (a News Group entity) has purchased advertising services from the group to the value of $389k (2007: $0k). News Digital Media subleases an office with the group in Newcastle, Australia, and paid $38k (2007: $16k) in rent. During the year, Internet Propertyfinder UK (a wholly owned subsidiary of REA UK) sold tax losses for $224k (GBP 102k) to News International under UK tax legislation.

Purchases

During the year, the group utilised advertising services of the News Limited Group to the value of $140k (2007: $35k), of SKYItalia to the value of $449k (2007: $20k), and News International Limited of $1,798k (2007: $255k), on commercial terms and conditions.

Loan to Propertyfinder Holdings Group

News International Limited and REA Group Europe Limited both hold a 50% stake in REA UK Limited which holds 100% 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 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 balance of this loan which was converted to equity including accrued interest at 31 December 2007 was $4,892k.

(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.

23) Long Term Incentive Plan

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

The performance measure selected by the Remuneration and Nomination Committee are based upon group revenues and EBITDA or EBIT for all executives responsible for the group, and regional or country revenues and contribution margin (EBITDA before internal allocations) for all other executives. The actual performance is compared to the budgeted measures for the performance period.

The initial offer for employees who were employed before 1 July 2006 is a transitional arrangement. It is either based in equal parts on the performance in FY 2009 and on the performance in FY 2010, or for recent additions to the management team only on performance in FY2010. The number of rights granted to the latter group is adjusted (pro-rata) for the number of days in services compared to the total number of days between grant date and vesting date.

Subsequently, it is planned that every year a new offer is made with a performance period as the third year after the grant date. If the executive leaves during or before the performance period due to illness, redundancy or death, any granted rights which the Board determines should not vest will lapse. If the executive leaves due to other reasons, the granted rights may be forfeited at the Board's discretion. If the executive leaves for any reason, any rights not yet granted will also be forfeited.

Rights are vested after the performance period. In case of under or over performance the eligible rights will be adjusted as per below:

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

There have been no forfeitures during the current year. As the performance periods lie in the future, no options are exercisable (or have been exercised) at balance date.

	Grant Date	Performance Period	Vesting date (and earliest exercise date)	Number of Rights granted	Value of Rights as at grant date $
Plan 1a – initial offer	22 May 2008	FY 2009	1 July 2009	69,767	360,000
Plan 1b – initial offer	22 May 2008	FY 2010	1 July 2010	126,805	654,315

The fair value of each performance right is estimated on the grant date using a Monte Carlo simulation. The valuation was performed independently by KPMG. So far no performance hurdles have been met as the performance period lies in the future.

	Weighted average share price at measurement date	Exercise price	Expected volatility	Risk-free interest rate	Expected life of performance right
Plan 1 – initial offer	$5.15 (*22 May 2008)*	$0.00	40.5%	6.673%	13 months
Plan 2 – initial offer	$5.15 (*22 May 2008)*	$0.00	40.5%	6.673%	25 months

	Simulated share price at vesting date	Weighted average fair value per right at grant date
Plan 1 – initial offer	$5.54	$5.16
Plan 2 – initial offer	$5.92	$5.16

The dividend yield of 0.0% applied reflects the fact that no dividend has been previously paid and that the expected life of the right is up to the vesting date. The expected volatility is based on the company's historic volatility and is designed to be indicative of future trends, which may also not be the actual future outcome.

The long term incentive plan resulted in share based compensation expenses of $69,546 (2007: nil).

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 Prime Media Limited and Square Foot Limited (Hong Kong)

On 13 September 2007, realestate.com.au Limited acquired via its fully owned subsidiary REA Group Hong Kong Limited 100% of the shares of Square Foot Limited and Prime Media Limited. The total purchase price was A$3,653k. A$1,716k of the purchase price was paid upfront, the remainder was paid in July 2008. The companies are unlisted print publishing businesses focusing on the real estate market in Hong Kong.

The acquired companies contributed revenues of A$1,245k and a net loss of A$701k for the period 13 September 2007 to 30 June 2008. A restatement of the pre-acquisition results, thereby providing results as if the combination had taken place at the beginning of the year, is impracticable and is therefore not disclosed here.

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

	CONSOLIDATED	
	Book value $'000	Fair value recognised $'000
Cash and cash equivalents	208	208
Trade and other receivables	255	255
Other current assets	23	23
Property, plant and equipment		
Deferred tax assets		
Intangible assets*		912
Total Assets	**486**	**1,398**
Payables	44	44
Current tax liabilities	42	42
Other current liabilities	52	52
Deferred tax liabilities		159
Total Liabilities	**138**	**297**
Net Assets	**348**	**1,101**
Purchase price		
(a) Cash consideration paid by the acquirer		1,716
(b) Costs associated with the acquisition		244
(c) Cash consideration paid in July 2008		1,693
Total cost of the combination		3,653
Less: Fair value of net assets acquired		(1,101)
Goodwill on acquisition		**2,552**
The cash outflow on acquisition is as follows:		
Cash consideration paid (a) + (b) + (c)		3,653
Less: Net cash acquired with the subsidiary		(208)
Less: cash consideration paid in July 2008 (c)		(1,693)
Net cash outflow		**1,752**

* Identifiable intangible assets comprise brand names calculated by the royalty method and which are being amortised over 10 years.

(b) Step-up acquisition of homeguru.com.au Pty Limited

During FY07, the company via its fully owned subsidiary Netwide Solutions Pty Limited invested $600k in homeguru.com.au Pty Limited which resulted in a 42% share of the voting rights (60% of the economic benefits) and equity accounted for the company as an investment in associates. On 1 October 2007, the company increased both its share of voting rights and economic benefits to a controlling stake of 63% and commenced consolidation from that date. homeguru.com.au Pty Limited is an unlisted company based in Australia which provides an online, interactive marketplace aimed at generating consumer leads for service providers (such as real estate agents, banks and insurance companies) and also giving consumers the ability to find information and be contacted by suitable service providers by logging information on a website.

The acquired business contributed revenues of A$1,193k and a net loss of A$350k for the period 1 October 2007 to 30 June 2008.

The fair value of the identifiable assets and liabilities of homeguru.com.au Pty Limited as at the date of consolidation are:

	CONSOLIDATED	
	Book value $'000	Fair value recognised $'000
Cash and cash equivalents	71	71
Trade and other receivables	112	112
Other current assets	25	25
Property, plant and equipment	19	19
Deferred tax assets	90	90
Intangible assets	41	41
Total Assets	**358**	**358**
Payables	263	263
Provisions	25	25
Total Liabilities	**288**	**288**
Net Assets	**70**	**70**

Purchase price	
Cash paid by the acquirer	161
TOTAL cost of the acquisition	161
Less: Fair value of net assets acquired (3% of $70k)	(2)
Goodwill related to previous step ups	167
Goodwill on acquisition	**326**
The cash outflow on acquisition is as follows:	
Cash consideration paid	161
Less: Net cash acquired with the subsidiary	(71)
Net cash outflow	**90**

(c) Acquisition of REA Group FZ LLC

On 3 March 2008, realestate.com.au Limited acquired 51% of REA Group FZ LLC in Dubai. The total purchase price was A$3,381k and comprises a payment to the sellers and an equity injection into the business. The company is an unlisted online advertising portal and print publishing businesses focusing on the real estate market in the United Arab Emirates.

The acquired business contributed revenues of A$292k and a net loss of A$257k for the period 3 March 2008 to 30 June 2008. A restatement of the pre-acquisition results, thereby providing results as if the combination had taken place at the beginning of the year, is impracticable and is therefore not disclosed here.

The fair value of the identifiable assets and liabilities of REA Group FZ LLC as at the date of consolidation are:

	CONSOLIDATED	
	Book value $'000	Fair value recognised $'000
Cash and cash equivalents	1,826	1,826
Trade and other receivables	113	113
Other current assets	16	16
Property, plant and equipment	36	36
Intangible assets*		799
Total Assets	**1,991**	**2,790**
Payables	50	50
Current liabilities	16	16
Total Liabilities	**66**	**66**
Net Assets	**1,925**	**2,724**
Purchase price		
Cash consideration paid by the acquirer		3,381
Costs associated with the acquisition		199
Total cost of the combination		3,580
Less: Fair value of net assets acquired		(2,724)
Adjusted for minority interest		1,335
Goodwill on acquisition		**2,191**
The cash outflow on acquisition is as follows:		
Cash consideration paid		3,580
Less: Net cash acquired with the subsidiary		(1,826)
Net cash outflow		**1,754**

* Identifiable intangible assets comprise brand name which were valued by an independent valuation company and being amortised over 10 years.

(d) Acquisition of Sherlock Publications Limited

On 9 April 2008, realestate.com.au Limited acquired via its 50% owned but through a board majority controlled subsidiary REA UK Limited all the shares of Sherlock Publications Limited. The total purchase price was A$11,912k. The company is an unlisted online advertising portal and print publishing business focusing on the real estate market in the UK. At the date of the acquisition, the site was used by 1,300 paying real estate agencies to advertise 170,000 listings. In addition, its publications Hotproperty and Renting had a combined circulation of 120,000 per month.

The acquired business contributed revenues of A$1,501k and a net loss of A$301k for the period 9 April 2008 to 30 June 2008. A restatement of the pre-acquisition results, thereby providing results as if the combination had taken place at the beginning of the year, is impracticable and is therefore not disclosed here.

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

	CONSOLIDATED	
	Book value $'000	Fair value recognised $'000
Cash and cash equivalents	282	282
Trade and other receivables	440	440
Other current assets	213	213
Property, plant and equipment	73	73
Intangible assets*		3,446
Total Assets	**1,008**	**4,454**
Payables	1,225	1,225
Provisions	27	27
Other current liabilities	251	251
Deferred tax liabilities		965
Total Liabilities	**1,503**	**2,468**
Net Assets	**(495)**	**1,986**
Purchase price		
Cash consideration paid by the acquirer		11,912
Costs associated with the acquisition		681
Total cost of the combination		12,593
Less: Fair value of net assets acquired		(1,986)
Goodwill on acquisition		**10,607**
The cash outflow on acquisition is as follows:		
Cash consideration paid		12,593
Less: Net cash acquired with the subsidiary		(282)
Net cash outflow		**12,311**

* Identifiable intangible assets comprise brand name, trade marks, domain name, advertiser and estate agent relation ships which were valued by an independent valuation company and being amortised over 8-10 years.

(e) Total net cash outflow due to acquisitions of subsidiaries

	$'000
Net cash outflow for Homesite (Australia, renovate site, final payment)	13
Net cash outflow for casa.it acquisition (Italy, residential site, final payment for 90% of the shares)	1,661
Net cash outflow for Propertyfinder Publications (London Property News) acquisition (UK, print publication, final payment)	1,555
Net cash outflow for Propertyfinder Holdings (formerly Asserta Holdings) acquisition (UK, residential site, acquisition of remaining 4.8% of the shares held by estate agents)	1,405
Net cash outflow for Altowin (Belgium, agent software, acquisition of the remaining 49%)	334
Net cash outflow for additional casa.it (Italy, residential site, acquisition of the remaining 10% of the shares from the founder)	2,515
Net cash outflow from acquisitions of prior years	**7,483**
Net cash outflow for REA Hong Kong Group acquisition (note 24a)	1,752
Net cash outflow for Home Guru acquisition (note 24 b)	90
Net cash outflow for REA FZ LLC ("propertyfinder.ae") acquisition (note 24c)	1,754
Net cash outflow for Sherlock Publications ("hotproperty") acquisition (note 24d)	12,311
Net cash outflow for acquisitions for year ended 30 June 2008	**15,907**
Total net cash outflow	**23,390**

The minority shareholders in the UK operations (News International) and the Italian operations (SKY Italia) have contributed $8,200k to the total cash outflow of $23,390k.

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*	
	2008	*2007*	*2008*	*2007*
	$'000	*$'000*	*$'000*	*$'000*
Within one year	2,552	1,937		
After one year but not more than five years	3,384	1,490		
More than five years				
Total minimum lease payments	5,936	3,427	-	-

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:

	2008		*2007*	
CONSOLIDATED	*Minimum lease payment $'000*	*Present value of lease payments $'000*	*Minimum lease payment $'000*	*Present value of lease payment $'000*
Within one year	1,240	1,204	1,397	1,360
After one year but not more than five years	379	356	1,658	1,498
More than five years				
Total minimum lease payments	1,619	1,560	3,055	2,858
Less amounts representing finance charges	(59)		(197)	
Present value of minimum lease payments	1,560	1,560	2,858	2,858

	2008		*2007*	
realestate.com.au Ltd	*Minimum lease payment $'000*	*Present value of lease payments $'000*	*Minimum lease payment $'000*	*Present value of lease payment $'000*
Total	-	-	-	-

Capital and other commitments

	CONSOLIDATED		*realestate.com.au Ltd*	
	2008	*2007*	*2008*	*2007*
Property, plant and equipment	*$'000*	*$'000*	*$'000*	*$'000*
Within one year				
After one year but no more than 5 years				
Longer than five years				
Total	-	-	-	-

Amounts disclosed as remuneration commitments include commitments arising from the service contracts of directors and executives referred to in note 22c that are not recognised as liabilities and are not included in the directors' or executives' remuneration.

Guarantees

The loan facility is secured by a cross guarantee between realestate.com.au Limited, Netwide Solutions Pty Limited, Property Look Pty Limited, and Web Effect Pty Limited.

26) Auditors Remuneration

The auditor of realestate.com.au Limited is Ernst & Young.	*CONSOLIDATED*		*realestate.com.au Ltd*	
	2008	*2007*	*2008*	*2007*
	$'000	*$'000*	*$'000*	*$'000*
Amounts received or due and receivable by Ernst & Young (Australia) for				
• An audit or review of the financial report of the entity and any other entity in the consolidated group	492	386	235	149
• Assurance related services in relation to the entity and any entity in the consolidated group	36	28	36	
	528	**414**	**271**	**149**
Amounts received or due and receivable by related practices of Ernst & Young (Australia) for				
• An audit or review of the financial report of the entity and any other entity in the consolidated group	198	59		
	198	**59**	**-**	**-**

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 2008 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

Acquisition of UK Property Shop Limited

On 8 July 2008, the REA Group (ASX:REA, realestate.com.au Ltd and its subsidiary businesses) acquired UK Property Shop Limited (UKPS) for £530,000 (A$1.1 million) through its 50%-owned United Kingdom subsidiary, Propertyfinder Holdings Ltd. Launched in 1999, ukpropertyshop.co.uk is a comprehensive UK estate agent directory, listing the details of 17,000 UK agent offices in 3,000 towns. In April 2008, it was visited by 592,000 people, making it the 7th most visited property site in the UK (ComScore). Propertyfinder Holdings will run ukpropertyshop.co.uk in parallel with its existing propertyfinder.com and hotproperty.co.uk property search portals. Agents who purchase a Propertyfinder subscription will have their property listings displayed on all three sites for the price of one subscription. In addition, agents will have the option of purchasing a priority position to increase the promotion of their business details on ukpropertyshop.co.uk. It is impracticable at this point in time to disclose the accounting for business combination.

Departure of MD/CEO

On 4 August 2008, Richard Freudenstein, the chairman of the REA Group, announced the departure of Managing Director and Chief Executive Officer Simon Baker, effective immediately. Mr Baker received a termination payment in accordance with his employment contract comprising of a payment of $315k (representing 6 months of base salary), as well as a payout of $315k (representing his 6 month notice period) and a pro-rata bonus of $189k for the time up to end of the notice period (1 July 2008 - 4 February 2009).

Chief Financial Officer Georg Chmiel has been appointed as acting CEO until a replacement is announced.