

**MEDIA RELEASE**

25 February 2008

**The REA Group delivers 50% revenue growth and 68% EBITDA growth in the half year ending 31 December 2007**

The REA Group (ASX:REA, realestate.com.au Ltd and its subsidiary companies) today announced a 68% EBITDA<sup>1</sup> growth and a 50% revenue growth for the half year ending 31 December 2007.

The REA Group is the leading online real estate media company with operations in 12 countries, 18 real estate websites, 8 print publications and back office tools.

The highlights of the half year are:

	<b>FY 2008 1<sup>st</sup> Half Yr (\$000's)</b>	<b>FY 2007 1<sup>st</sup> Half Yr (\$000's)</b>	<b>Half Year on Half Year Growth</b>
Revenues from Services <sup>2</sup>	71,396	47,733	49.6%
EBITDA <sup>1</sup>	14,244	8,480	68.0%
Profit attributable to members of parent (after minority interests)	7,767	5,677	36.8%

Over the last six months, the Group has delivered strong growth in real estate agent customers, property listings and unique browsers.

- Paying agents increased 56% to 18,931 as at 31 December 2007.
- Property listings grew 58% to a record high of 1,152,330 as at 31 December.
- Combined traffic across all sites averaged 7.3 million per month, up 55% year on year. It went on to record an all-time high of more than 8.8 million unique browsers in January 2008. (Nielsen//NetRatings, Omniture)

In Australia, the REA Group's largest market, the company continues to operate the most popular residential and commercial real estate sites.

- Australian revenues were up 39% to \$54.9 million.
- Subscribing Australian agents increased to 8,824 as at 31 December 2007, representing about 95% of Australian agents.

<sup>1</sup> Earnings Before Interest, Tax, Depreciation and Amortisation

<sup>2</sup> Excludes Interest Income

- Average revenue per agent increased to \$758 in December.
- Two of every three minutes<sup>3</sup> spent looking at Australian real estate sites was spent on one of our sites.
- During the half year, realholidays.com.au launched and took leadership in the Australian holiday rentals market—with significantly more listings than any other holiday rentals website.

Simon Baker, CEO and Managing Director, said:

"These excellent results reflect the hard work and dedication of our teams in Australia, New Zealand, Asia, Europe and the Middle East.

"Our core Australian business continues to deliver strong growth with agents buying more products, developers and display advertisers increasing their spend, and more consumers visiting our sites - all leading to strong revenue and profitability growth.

"We are also very pleased with the continued strong growth in our overseas ventures. In particular, the UK and Italy have delivered strong half year on half year growth. The UK has increased revenues by 42% over the corresponding half in FY 2007 and in January 2008 had moved in second place in ComScore's real estate site rankings. Our Italian business continues to go from strength to strength and as market leader is used by over 7,000 Italian agents.

"Our growth strategy is twofold: continue to expand our presence in the markets where we currently operate and identify and move into new, attractive markets. The last half saw us add Squarefoot in Hong Kong and Propertyfinder.ae in the UAE to the network. Overall we are creating a global network of leading real estate sites and using this network to offer our advertisers unparalleled marketing opportunities for their listings and their brands."

*Explanatory Note: Unless otherwise specified, comparisons in this release are between the half year ending 31 December 2007 and the corresponding period of the prior half year ending 31 December 2006.*

### ENDS

#### **About the REA Group**

realestate.com.au Ltd. (ASX:REA) and its subsidiary companies, known as the REA Group, make up a global online real estate advertising company headquartered in Melbourne, Australia. It has operations in 12 countries. It publishes 18 websites and 8 print publications. The REA Group had revenues of AUD\$108m in FY 2007, has more than 8.8m unique visitors per month (January 2008, Nielsen//NetRatings, Omniture) and is profitable. As a listed company, realestate.com.au Ltd operates as an independent entity.

#### **Media Contact:**

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<sup>3</sup> Nielsen//NetRatings

# Appendix 4D

Preliminary half-year report

Name of entity  
realestate.com.au Limited

ABN or equivalent company reference  
54 068 349 066

## Results for announcement to the market

Half-Year to		31 Dec 07 A\$'000	% Change from half-year ended 31 Dec 06	31 Dec 06 A\$'000
Revenues from ordinary activities (excluding interest income)	Up	71,396	49.6%	47,733
Profit from ordinary activities after tax attributable to members	Up	4,958	50.9%	3,285
Net Profit for the period attributable to members	Up	4,958	50.9%	3,285
Net Profit for the period attributable to members of parent (after minority interest)	Up	7,767	36.8%	5,677

### Dividends:

It is not proposed that dividends will be paid or provided for out of the profit for the half-year to 31 December 2007.

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

Refer to Directors' Report for details.

Net Tangible Asset Backing (NTA Backing)	Dec 07	Jun 07
	Cents	Cents
Net Tangible Asset Backing per Ordinary Security	(6.7)	(7.6)
Net Asset Backing increased from 66.8 cents per ordinary share as at the end of June 2007 to 70.5 cents per ordinary share as at the end of December 2007.		

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## Corporate Information

ABN 54 068 349 066

### DIRECTORS

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

### COMPANY SECRETARY

Mr Nicholas J V Geddes, Australian Company Secretaries Pty Limited

### REGISTERED OFFICE

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

### PRINCIPAL PLACE OF BUSINESS

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

### SHARE REGISTER

Computershare Registry Services Pty Limited  
Yarra Falls, 452 Johnson Street  
Abbotsford, VIC 3067, Australia

realestate.com.au Limited shares are listed on the Australian Stock Exchange.

### SOLICITORS

Mallesons Stephen Jaques  
Level 50, 600 Bourke Street  
MELBOURNE, VIC 3000  
Australia

### BANKERS

National Australia Bank Limited

### AUDITORS

Ernst & Young  
Australia

## Directors' Report

Your Directors submit their report for the half-year ended 31 December 2007.

### DIRECTORS

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

Mr Richard J Freudenstein (Chairman)  
 Mr Roger Amos  
 Mr Simon T Baker (Managing Director and CEO)  
 Ms Kathleen Conlon  
 Mr John D McGrath  
 Mr Alasdair MacLeod  
 Mr Stephen P Rue  
 Mr Sam R White

### REVIEW AND RESULTS OF OPERATIONS

realestate.com.au Limited and its subsidiaries (referred to herein as "The REA Group") successfully continued its international expansion in online real estate advertising. As at December 2007, the REA Group operated 18 websites in ten countries, with most of the sites either first or second in each of its market. The group has also announced or completed three strategic acquisitions: Hong Kong, United Arab Emirates, and a step-up in the investment in homeguru.com.au.

Areas of operations	June 2007	December 2007
Residential Online Advertising	realestate.com.au property.com.au homesite.com.au  allrealestate.co.nz propertyfinder.com casa.it athome.lu athome.be athomeLorraine.fr athome54.de	realestate.com.au property.com.au homesite.com.au realholidays.com.au homeguru.com.au allrealestate.co.nz propertyfinder.com casa.it athome.lu athome.be athomeLorraine.fr athome54.de / athome.de squarefoot.co.hk allglobalproperties.com propertyfinder.ae [UAE] (completed in February 08)
Residential Print Advertising	Propertyfinder Publications	Propertyfinder Publications Squarefoot / Inside Discovery Bay Publications athome magazine and athome new homes (Lux) Albabworld [UAE] (completed in February 08)
Commercial Property Advertising	realcommercial.com.au / propertylook.com.au realcommercial.co.nz / propertylook.co.nz atoffice.lu	realcommercial.com.au / propertylook.com.au realcommercial.co.nz / propertylook.co.nz atoffice.lu
Agent Back Office Solutions	Hub Online Web Design Services Clarke Computers Altowin (Belgium)	Hub Online Web Design Services Clarke Computers Altowin (Belgium and Luxembourg)

While the acquisitions are an investment in future growth, the REA Group has yet again successfully delivered organic growth across its operations.

The financial performance of the REA Group, compared half-year by half-year, is summarised below:

Financial Comparative Data (\$'000)	FY 2005 1 <sup>st</sup> Half-Yr	FY 2005 2 <sup>nd</sup> Half-Yr	FY 2006 1 <sup>st</sup> Half-Yr	FY 2006 2 <sup>nd</sup> Half-Yr	FY 2007 1 <sup>st</sup> Half-Yr	FY 2007 2 <sup>nd</sup> Half-Yr	FY 2008 1 <sup>st</sup> Half-Yr
Revenues from Services*	15,180	18,238	24,507	35,884	47,733	59,560	71,396
Operating Expenses	(12,660)	(14,363)	(18,419)	(27,022)	(39,253)	(44,540)	(57,152)
Takeover Defence Costs			(1,607)				
<b>EBITDA</b>	<b>2,250</b>	<b>3,875</b>	<b>4,481</b>	<b>8,862</b>	<b>8,480</b>	<b>15,020</b>	<b>14,244</b>
Depreciation and Amortisation	(464)	(519)	(848)	(1,449)	(2,119)	(2,855)	(3,366)
<b>EBIT</b>	<b>2,056</b>	<b>3,356</b>	<b>3,633</b>	<b>7,413</b>	<b>6,361</b>	<b>12,165</b>	<b>10,878</b>
Net Interest (Expense) / Income	62	146	(258)	(204)	139	(208)	(118)
<b>Earnings Before Tax</b>	<b>2,118</b>	<b>3,502</b>	<b>3,375</b>	<b>7,209</b>	<b>6,500</b>	<b>11,957</b>	<b>10,760</b>
Income Tax (Expense)	27	2,445	(765)	(3,178)	(3,215)	(4,254)	(5,802)
Minority Interest (net of taxes)			252	1,329	2,392	1,684	2,809
<b>Profit attributable to members of parent</b>	<b>2,145</b>	<b>5,947</b>	<b>2,862</b>	<b>5,360</b>	<b>5,677</b>	<b>9,387</b>	<b>7,767</b>
<b>Employees (FTE)</b>	<b>132</b>	<b>159</b>	<b>224</b>	<b>294</b>	<b>365</b>	<b>479</b>	<b>587</b>
<b>Subscribing Paying Agents</b>	<b>5,836</b>	<b>6,414</b>	<b>7,058</b>	<b>10,713</b>	<b>12,140</b>	<b>17,011</b>	<b>18,931</b>

\* = Excludes Interest Income

The key financial highlights for the first half-year included:

**Revenues** of \$71.4 million, up by 50 percent over the corresponding period last financial year (half-year ending 31 December 2006) and by 20 percent over the last half-year (half-year ending 30 June 2007).

**Operating expenses** of \$57.1 million, up by 46 percent over the corresponding period last financial year (half-year ending 31 December 2006) and by 28 percent over the last half-year (half-year ending 30 June 2007). The key driver of operating expenses continues to be employees and commission payments to staff and media agencies. It contributes \$30.0 million or 52.7 percent of the overall operating expenses. Staff numbers increased from 479 at the end of June 2007 to 587 at the end of December 2007. The majority of new staff members were employed in sales and marketing positions around the world. They were focused on signing up new agents and implementing market leading account management services to existing customers, thus driving greater take up of additional advertising products and services.

**EBITDA** of \$14.2 million, up by 68 percent over the corresponding period last financial year (half-year ending 31 December 2006) and down by 5 percent over the last half-year (half-year ending 30 June 2007). All margins improved on a 1<sup>st</sup> half-year to 1<sup>st</sup> half-year comparison basis both for the group as well as for individual countries. The groups cost base does not grow linear from half-year to half-year. The relative expense increase is higher in the first half-year as a result of staff numbers and related costs consistent with the growth of the business and acquisitions.

**Property Listings** across all sites increased to 1,152,330 listings in December 2007, up by 421,328 listings compared to December 2006 and up by 62,005 listings compared to June 2007.

**Subscribing Paying Agents** increased from 17,011 as at 30 June 2007 to 18,931 as at 31 December 2007.

Key operational highlights on a country basis the situation were as follows:

Country	Revenue (A\$ '000s)	EBITDA (A\$ '000s)	Margin
<b>for the half-year ended 31 December 2007</b>			
Australia*	54,936	28,800	52.4%
United Kingdom	10,989	(4,004)	(36.4%)
Italy	2,284	(1,058)	(46.3%)
Luxembourg	1,569	379	24.2%
Other countries	1,618	(1,205)	(74.5%)
Unallocated overhead		(8,668)	
<b>Total</b>	<b>71,396</b>	<b>14,244</b>	<b>20.0%</b>
<b>for the half-year ended 31 December 2006</b>			
Australia*	39,636	20,150	50.8%
United Kingdom	7,751	(5,031)	(64.9%)
Italy			
Luxembourg			
Other countries	346	(483)	(139.6%)
Unallocated overhead and loss of associate		(6,156)	
<b>Total</b>	<b>47,733</b>	<b>8,480</b>	<b>17.8%</b>

\* includes share of loss in associate (homeguru.com.au)

- **Australia**
  - The number of subscribing agents across all portals increased to 8,824, up from 8,410 as at 30 June 2007 resulting in an estimated market share of approximately 95 percent in the residential segment.
  - Average revenue per month from Australian agents increased to \$758 by 31 December 2007, up by 15 percent from June 2007 and up by 29 percent from December 2006.
  - Additional advertising now represents 35 percent (compared with 30 percent as at 31 December 2006) of the overall revenue from residential agents. Additional advertising revenue is generated from sales of Banner Advertising, Feature Properties, Guaranteed Top Spot, eBrochures, and Feature Agent advertising products. The other 65 percent (70 percent) of the overall revenue from residential agents represents subscription revenue.
  - A significant growth in revenues from the property developer and third party segment compared to previous periods.
  - A further strengthening of the realcommercial.com.au / propertylook.com.au and homesite.com.au portals, the launch of a retirement section and of a realholidays.com.au portal (#1 in Australia in holiday rental listings).
  - A new, improved look and feel of the main residential site, realestate.com.au.
- **United Kingdom**
  - An increase in paying agent numbers from 3,919 (30 June 2007) to 4,181 (31 December 2007). propertyfinder.com is now used by approximately one third of the UK estate agents.
  - A signup of a major agent group in December 2007 with 499 offices, will further increase the agent numbers in the second half of FY08.
  - A strong significant growth in revenues from the property developer and third party segment compared to previous periods.
  - The turn-around of Propertyfinder Publications into a break-even publishing business supporting the online brand.
- **Italy**
  - A strong growth in paying agent numbers from 3,511 as at 30 June 2007 to 4,489 as at 31 December 2007. Including the 2,599 agents on trial subscriptions, casa.it is the clear leader in the Italian market with 7,088 agents using the site.
  - A significant growth in advertising revenue from developers and third parties.
- **Luxembourg:** Strong take-up of business in the Luxembourg Region and further extension of the number one position.



- **All other countries**
  - A significant growth in paying agent numbers in New Zealand from 496 to 551 as at 31 December 2007. Including the 93 agents on trial subscriptions, allrealestate.co.nz now has a market share of 43 percent.
  - Further growth into the German, French, and Belgium market.
  - First online revenues in Hong Kong based on 59 signed up paying agents as at 31 December 2007.
  
- **Unallocated Overhead**
  - 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, development costs for a global IT platform, costs of Board and the Company Secretarial function.

#### ***Cash Flow***

During the half-year, realestate.com.au Limited delivered \$3.7 million (31 December 2006: \$6.0 million) in operating cash flow. Corporate income tax paid is up from \$3.3 million to \$11.1 million due to FY07 and FY08 tax instalments being paid in the first half-year of FY08.

#### ***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.

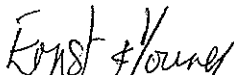
Signed in accordance with a resolution of the Directors.

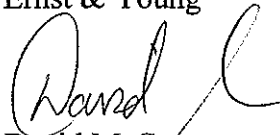
Mr Richard J Freudenstein  
Chairman  
Sydney  
25 February 2008

## **Auditor's Independence Declaration**

To the Directors of realestate.com.au Limited

In relation to our review of the half-year financial report of realestate.com.au Limited for the half-year ended 31 December 2007, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

  
Ernst & Young



David McGregor  
Partner  
Melbourne  
25 February 2008

## Financial Statements

INCOME STATEMENT for the half-year ended 31 December 2007	Notes	CONSOLIDATED	
		31 Dec 2007	31 Dec 2006
		\$'000	\$'000
Revenues from services		71,396	47,733
Salaries and employee benefits expense		(27,869)	(18,818)
Sales commission		(2,172)	(1,291)
Marketing related expense		(9,655)	(7,940)
Administration related costs		(2,859)	(2,297)
Share of profit / (loss) of associate		(185)	(78)
Other expenses	3a	(14,412)	(8,829)
<b>Profit before tax, interest, depreciation and amortisation (EBITDA)</b>		<b>14,244</b>	<b>8,480</b>
Depreciation and amortisation expense		(3,366)	(2,119)
<b>Profit before tax and interest (EBIT)</b>		<b>10,878</b>	<b>6,361</b>
Interest income		328	382
Interest expense		(446)	(243)
<b>Profit before income tax (EBT)</b>		<b>10,760</b>	<b>6,500</b>
Income tax expense	4	(5,802)	(3,215)
<b>Net profit for the period</b>		<b>4,958</b>	<b>3,285</b>
Loss attributable to minority interest		2,809	2,392
<b>Profit attributable to members of parent</b>		<b>7,767</b>	<b>5,677</b>
<b>Earnings per share (cents per share)</b>			
Basic EPS for profit for the half year attributable to ordinary equity holders of the parent		6.1	4.5
Diluted EPS for profit for the half year attributable to ordinary equity holders of the parent		6.1	4.5

BALANCE SHEET as at 31 December 2007	Notes	CONSOLIDATED	
		As at	As at
		31 Dec 2007	30 June 2007
		\$'000	\$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	7	13,163	9,824
Trade and other receivables		21,140	20,367
Other current assets		2,848	2,004
<b>Total current assets</b>		<b>37,151</b>	<b>32,195</b>
<b>Non-current assets</b>			
Receivables from related parties			283
Investment in associates			394
Deferred income tax asset		1,737	1,717
Property, plant and equipment		4,884	4,836
Intangible assets		16,919	16,315
Goodwill		81,359	78,450
<b>Total non-current assets</b>		<b>104,899</b>	<b>101,995</b>
<b>TOTAL ASSETS</b>		<b>142,050</b>	<b>134,190</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables		18,729	17,518
Interest-bearing loans and borrowings	3b	14,180	6,160
Provisions		2,042	1,579
Current tax liabilities		3,227	8,394
Other current liabilities	3c	8,432	8,800
<b>Total current liabilities</b>		<b>46,610</b>	<b>42,451</b>
<b>Non-current liabilities</b>			
Payables to related parties			830
Interest-bearing loans and borrowings		926	1,590
Deferred tax liabilities		3,969	3,775
Other provisions		617	492
<b>Total non-current liabilities</b>		<b>5,512</b>	<b>6,687</b>
<b>TOTAL LIABILITIES</b>		<b>52,122</b>	<b>49,138</b>
<b>NET ASSETS</b>		<b>89,928</b>	<b>85,052</b>
<b>EQUITY</b>			
Contributed equity		56,002	56,002
Foreign currency translation reserve		(1,703)	(1,210)
Other reserve		(1,780)	(1,703)
Retained earnings		20,906	13,139
<b>Parent interests</b>		<b>73,425</b>	<b>66,228</b>
Minority interests		16,503	18,824
<b>TOTAL EQUITY</b>		<b>89,928</b>	<b>85,052</b>

CASH FLOW STATEMENT for the half-year ended 31 December 2007	Notes	CONSOLIDATED	
		31 Dec 2007	31 Dec 2006
		\$'000	\$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		77,314	51,154
Payments to suppliers and employees		(62,588)	(42,135)
Interest received		324	276
Borrowing costs (Interest paid)		(204)	(56)
Corporate income tax paid		(11,118)	(3,280)
<b>Net cash flows from operating activities</b>		<b>3,728</b>	<b>5,959</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(1,359)	(1,907)
Proceeds from sale of property, plant and equipment		2	
Purchase of intangible assets		(2,054)	(1,012)
Investment in associate			(470)
Loan to joint venture			(175)
Acquisition of subsidiary, net of cash acquired	8c	(6,490)	(3,208)
<b>Net cash flows used in investing activities</b>		<b>(9,901)</b>	<b>(6,772)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of ordinary shares in subsidiary		2,188	755
Proceeds from borrowings		8,040	1,856
Payment of finance lease liabilities		(726)	(261)
<b>Net cash flows from financing activities</b>		<b>9,502</b>	<b>2,350</b>
Net increase in cash and cash equivalents		3,329	1,537
Net foreign exchange difference		10	(10)
Cash and cash equivalents at beginning of period		9,824	13,192
<b>Cash and cash equivalents at end of period</b>		<b>13,163</b>	<b>14,719</b>

STATEMENT OF CHANGES IN EQUITY	Attributable to equity holders of the parent					Minority interest	Total equity
	Issued capital	Accumulated earnings / (losses)	FX Translation Reserve	Other Reserve	Total		
CONSOLIDATED	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 July 2006	56,002	(1,925)	675		54,752	16,446	71,198
Profit for the period		5,677			5,677	(2,392)	3,285
Foreign currency translation differences			66		66	66	132
Minority interest on acquisition of subsidiary						1,555	1,555
At 31 December 2006	56,002	3,752	741		60,495	15,675	76,170

At 1 July 2007	56,002	13,139	(1,210)	(1,703)	66,228	18,824	85,052
Profit for the period		7,767			7,767	(2,809)	4,958
Foreign currency translation differences			(493)		(493)	(240)	(733)
Revaluation of put option held by casa.it founder				(77)	(77)		(77)
Minority interest on acquisition of subsidiary						728	728
At 31 December 2007	56,002	20,906	(1,703)	(1,780)	73,425	16,503	89,928

## Notes to the Financial Statements

### 1) Basis of Preparation and Accounting Policies

#### Basis of preparation

This general purpose condensed financial report for the half year ended 31 December 2007 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is recommended that the half-year financial report be read in conjunction with the annual report for the year ended 30 June 2007 and considered together with any public announcements made by realestate.com.au Limited during the half year ended 31 December 2007 in accordance with the continuous disclosure obligations of the *ASX listing rules*.

Apart from the changes in accounting policy noted below, the accounting policies and methods of computation are the same as those adopted in the most recent annual financial report.

#### Changes in Accounting Policy

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.

#### 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.

## 2) Segment Information

### Geographical Segments

The Group's geographical segments are determined based on the location of the Group's assets. The following tables present revenue and results regarding geographical segments for the half-years ended 31 December 2007 and 31 December 2006.

Half-Year ended 31 December 07 in \$ '000	AUS	NZL	UK	Italy	Luxem- bourg	Ger- many	France	Belgium	Hong Kong	Overhead (IT / Corporate)	TOTAL
<b>REVENUE</b>											
Sales to external customers	54,936	547	10,989	2,284	1,569	101	193	373	404		71,396
Intersegment sales										296	296
<b>Total segment revenue</b>	<b>54,936</b>	<b>547</b>	<b>10,989</b>	<b>2,284</b>	<b>1,569</b>	<b>101</b>	<b>193</b>	<b>373</b>	<b>404</b>	<b>296</b>	<b>71,692</b>
Intersegment elimination											(296)
<b>Total consolidated revenue</b>											<b>71,396</b>
<b>RESULT</b>											
Segment result	28,985	(305)	(4,004)	(1,058)	379	(124)	(206)	(164)	(406)	(8,668)	14,429
Share of loss in associates											(185)
<b>EBITDA</b>											<b>14,244</b>
Depreciation and amortisation											(3,366)
Net interest											(118)
<b>Net profit before income tax</b>											<b>10,760</b>

Half-Year ended 31 December 06 in \$ '000	AUS	NZL	UK	Italy	Luxem- bourg	Ger- many	France	Belgium	Hong Kong	Overhead (IT / Corporate)	TOTAL
<b>REVENUE</b>											
Sales to external customers	39,636	346	7,751								47,733
Intersegment sales										206	206
<b>Total segment revenue</b>	<b>39,636</b>	<b>346</b>	<b>7,751</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>	<b>206</b>	<b>47,939</b>
Intersegment elimination											(206)
<b>Total consolidated revenue</b>											<b>47,733</b>
<b>RESULT</b>											
Segment result	20,228	(483)	(5,031)	Nil	Nil	Nil	Nil	Nil	Nil	(6,156)	8,558
Share of loss in associates											(78)
<b>EBITDA</b>											<b>8,480</b>
Depreciation and amortisation											(2,119)
Net interest											139
<b>Net profit before income tax</b>											<b>6,500</b>



**Business Segments**

There is only one significant business segment.

**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.

**3) Selected Accounts**

	<i>Notes</i>	<i>CONSOLIDATED</i>	
		<i>Half-year ended 31 Dec 2007</i>	<i>Half-year ended 31 Dec 2006</i>
<b>(a) Other expenses</b>			
		<i>\$'000</i>	<i>\$'000</i>
Consultant and contractor expenses		2,672	1,187
Property expenses		1,602	1,211
Technology expenses		1,782	1,297
Travel expenses		1,685	1,070
Printing (London Property News)		2,321	1,781
Recruitment expenses		1,584	642
Other expenses		2,766	1,641
<b>Total other expenses</b>		<b>14,412</b>	<b>8,829</b>
<b>(b) Other current interest-bearing loans and borrowings</b>			
		<i>As at 31 Dec 2007</i>	<i>As at 30 June 2007</i>
		<i>\$'000</i>	<i>\$'000</i>
Obligations under finance leases		1,206	1,268
Loan from News International Limited to Propertyfinder Holdings Group	10b	6,974	4,892
Loan from NAB to REA Group		6,000	
<b>Total current interest-bearing Loans and Borrowings</b>		<b>14,180</b>	<b>6,160</b>
<b>(c) Other current liabilities</b>			
		<i>As at 31 Dec 2007</i>	<i>As at 30 June 2007</i>
		<i>\$'000</i>	<i>\$'000</i>
Deferred revenues		7,862	7,940
Prepaid subscriptions		570	860
<b>Total other current liabilities</b>		<b>8,432</b>	<b>8,800</b>

**4) Tax expense**

The major components of income tax expense for the half-year ended 31 December 2007 and 31 December 2006 were:

	<i>Notes</i>	<i>CONSOLIDATED</i>	
		<i>Half-year ended 31 Dec 2007</i>	<i>Half-year ended 31 Dec 2006</i>
		<i>\$'000</i>	<i>\$'000</i>
<i>Current Income Tax</i>			
Current income tax charge		5,909	3,990
Adjustments in respect of current income tax of previous year		(246)	(153)
<i>Deferred Income Tax</i>			
Relating to origination and reversal of temporary differences		139	(622)
<b>Income tax expense reported in the consolidated income statement</b>		<b>5,802</b>	<b>3,215</b>

The Group did not recognise any existing tax losses outside of Australia – the recoverability of existing tax losses will be assessed at year end.

**5) Dividends paid and proposed**

The company does not plan to pay dividends during the financial year 2008.

**6) Contributed equity**

There were no issues of capital during the half-year ended 31 December 2007.

**7) Cash and cash equivalents**

For the purpose of the half-year cash flow statement, cash and cash equivalents are comprised of the following:

	<i>Notes</i>	<i>CONSOLIDATED</i>	
		<i>Half-year ended 31 Dec 2007</i>	<i>Half-year ended 31 Dec 2006</i>
		<i>\$'000</i>	<i>\$'000</i>
Cash at bank and in hand		12,709	14,291
Short-term deposits		454	428
		<u>13,163</u>	<u>14,719</u>

**8) 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 is between A\$ 3.1 million and A\$ 4.5 million depending on the financial performance during the first 8 months. A\$ 1.7 million of the purchase price was paid upfront, the remainder is to be paid after the first 8 months of ownership. The companies are unlisted print publishing businesses focusing on the real estate market in Hong Kong.

The acquired companies contributed revenues of A\$ 404k and a net loss of A\$ 102k for the period 13 September 2007 to 31 December 2007. A restatement of the pre-acquisition results 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	Fair value recognised
	\$'000	\$'000
Cash and cash equivalents	211	211
Trade and other receivables	258	258
Other current assets	23	23
Intangible assets*		922
<b>Total Assets</b>	<b>492</b>	<b>1,414</b>
Payables	44	44
Current tax liabilities	42	42
Other current liabilities	53	53
Deferred tax liabilities		161
<b>Total Liabilities</b>	<b>139</b>	<b>300</b>
<b>Net Assets</b>	<b>353</b>	<b>1,114</b>
Purchase price		
Cash paid by the acquirer		1,739
Minimum amount still to be paid by the acquirer		1,384
Costs associated with the acquisition		238
Total cost of the combination		3,361
Less: Fair value of net assets acquired		(1,114)
<b>Goodwill on acquisition</b>		<b>2,247</b>
The cash outflow on acquisition is as follows:		
Cash consideration paid		1,977
Less: Net cash acquired with the subsidiary		(211)
<b>Net cash outflow</b>		<b>1,766</b>

\* = 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 \$600,000 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\$ 375k and a net loss of A\$ 63k for the period 1 October 2007 to 31 December 2007.

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	Fair value recognised
	\$'000	\$'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
<b>Total Assets</b>	<b>358</b>	<b>358</b>
Payables	263	263
Provisions	25	25
<b>Total Liabilities</b>	<b>288</b>	<b>288</b>
<b>Net Assets</b>	<b>70</b>	<b>70</b>
Purchase price		
Cash paid by the acquirer for acquisition of 3%		161
Fair value of net assets acquired (3% of 70)		(2)
Goodwill on acquisition of 3%		159
Goodwill related to previous step-ups		167
<b>Total Goodwill on acquisition</b>		<b>326</b>
The cash outflow on acquisition is as follows:		
Cash consideration paid		161
Less: Net cash acquired with the subsidiary		(71)
<b>Net cash outflow</b>		<b>90</b>

## c) Total net cash outflow due to acquisitions of subsidiaries

	\$'000
Cash outflow for homesite.com.au acquisition	13
Last payments for the acquisition of 90% of casa.it	1,661
2 <sup>nd</sup> and last payment for the London Property News (Propertyfinder Publications) acquisition	1,555
Acquisition of the remaining 4.8% shares in Propertyfinder Holdings	1,405
<b>Net cash outflow from acquisitions of prior years</b>	<b>4,634</b>
Cash outflow for REA Hong Kong Group acquisition (Squarefoot / Prime media)	1,766
Net cash outflow for Home Guru Step-up acquisition	90
<b>Total net cash outflow due to acquisition of a subsidiary</b>	<b>6,490</b>

## 9) Contingent claims and 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 31 December 2007 cannot be ascertained, and the parent entity believes that any resulting liability would not materially affect the financial position of the group.

## 10) Events after the Balance Sheet date

## (a) Acquisition of REA Group FZ LLC. (Dubai)

On 11 October 2007, realestate.com.au Limited announced the acquisition of 51% of the shares of REA Group FZ LLC for USD 3.1 million (A\$ 3.7 million). As part of this transaction, realestate.com.au Limited will obtain a board majority in the acquired company and commence full consolidation. Completion of the transaction was conditional on obtaining requisite government approval. REA Group FZ LLC is an unlisted company located in a free trade zone in Dubai, United Arab Emirates (UAE), which publishes Albabworld, a leading real estate magazine in the region, and also has started a real estate portal propertyfinder.ae. The REA Group applied and was granted UAE governmental approval to acquire the company and completion has occurred in February 2008.

## (b) Conversion of current Interest-bearing loan

As at 1 January 2008, the working capital loan to the group's UK operations from News International Limited (Note 3b) as well as from realestate.com.au Limited was converted to equity (parent and minority interest).

## Directors' Declaration

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

In the opinion of the directors:

- (a) the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the financial position as at 31 December 2007 and the performance for the half year ended on that date of the consolidated entity; and
  - (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

Richard J Freudenstein  
Chairman of the Board of Directors

Sydney  
25 February 2008

To the members of realestate.com.au Limited

GPO Box 67  
Melbourne VIC 3001

## Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of realestate.com.au Limited, which comprises the balance sheet as at 31 December 2007, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end.

### *Directors' Responsibility for the half-year Financial Report*

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001* and other mandatory financial reporting requirements in Australia. As the auditor of realestate.com.au Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

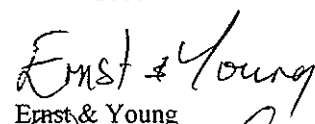
### *Independence*

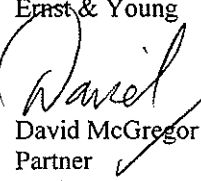
In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

### *Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of realestate.com.au Limited is not in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 and of its performance for the half-year ended on that date; and
- (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



Ernst & Young  
  
David McGregor  
Partner  
Melbourne  
25 February 2008