

# Appendix 4E

## Preliminary final report

Name of entity

realestate.com.au Limited

ABN or equivalent company reference

54 068 349 066

Financial year ended ('current period')

30 June 2003

### Results for announcement to the market

<i>Twelve Months Ended 30 June</i>		<i>% Change from previous 12 months</i>	<i>2003 A\$'000</i>
Revenues from ordinary activities	up	60.9%	9,540
Loss from ordinary activities after tax attributable to members	down	(74.2%)	(1,540)
Loss from extraordinary items after tax attributable to members	gain (loss) of		N/A
Loss for the period attributable to members	down	(74.2%)	(1,540)

<b>Dividends (distributions)</b>	Amount per security	Franked amount per security
Final dividend	Nil ¢	Nil ¢
Previous corresponding period	Nil ¢	Nil ¢

Date for determining entitlements to the dividend

N/A

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

The 74.2 percent improvement in earnings (i.e. reduction in the loss) was driven by:

- A 60.9 percent growth in revenue. This revenue growth was primarily driven by the increase in subscribing real estate agents from 1,901 as at 1 July 2002 to 3,173 as at 30 June 2003.
- A 9.7 percent reduction in overall expenses from \$11.9 million in 2002 to \$10.7 million in 2003. This reduction was primarily driven by the cessation in January 2003 of the amortisation charge associated with the purchase of shares in realestate.com.au by News Limited in 2001.

# Statement of Financial Performance

realestate.com.au Limited

YEAR ENDED 30 JUNE 2003	Notes	Consolidated	
		2003	2002
		\$	\$
<b>REVENUE FROM ORDINARY ACTIVITIES</b>	1	<b>9,539,690</b>	5,926,858
Depreciation and amortisation expenses	1	(2,689,544)	(5,097,768)
Borrowing costs expense	1	(46,667)	(56,342)
Salaries and employee benefits expense		(3,712,333)	(3,350,799)
Expenses from ordinary activities	1	(4,630,905)	(3,382,799)
<b>TOTAL EXPENSES FROM ORDINARY ACTIVITIES</b>		<b>(11,079,449)</b>	(11,887,708)
<b>LOSS FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE</b>		<b>(1,539,759)</b>	(5,960,850)
Income tax attributable to ordinary activities	1	-	-
<b>LOSS FROM ORDINARY ACTIVITIES AFTER INCOME TAX EXPENSE</b>		<b>(1,539,759)</b>	(5,960,850)
<b>NET LOSS</b>		<b>(1,539,759)</b>	(5,960,850)
<b>NET LOSS ATTRIBUTABLE TO MEMBERS OF REALESTATE.COM.AU LIMITED</b>	3	<b>(1,539,759)</b>	(5,960,850)
<b>TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS ATTRIBUTABLE TO MEMBERS OF REALESTATE.COM.AU LIMITED</b>		<b>(1,539,759)</b>	(5,960,850)
Basic earnings (loss) per share (cents per share)	4	(1.7)	(6.6)
Diluted earnings (loss) per share (cents per share)	4	(1.5)	(6.5)

The Statement of Financial Performance is to be read in conjunction with the notes to the financial statements.

# Statement of Financial Position

realestate.com.au Limited

AT 30 JUNE 2003

Notes

Consolidated

		2003	2002
		\$	\$
<b>CURRENT ASSETS</b>			
Cash Assets		2,190,767	1,093,449
Receivables		1,488,219	796,180
Other		396,136	2,680,094
<b>TOTAL CURRENT ASSETS</b>		<b>4,075,122</b>	<b>4,569,723</b>
<b>NON-CURRENT ASSETS</b>			
Receivables		-	-
Other financial assets		-	342,434
Property, plant and equipment		353,445	286,173
<b>TOTAL NON-CURRENT ASSETS</b>		<b>353,445</b>	<b>628,607</b>
<b>TOTAL ASSETS</b>		<b>4,428,567</b>	<b>5,198,330</b>
<b>CURRENT LIABILITIES</b>			
Payables		798,538	783,073
Provisions		238,940	278,983
Other		1,060,047	494,900
<b>TOTAL CURRENT LIABILITIES</b>		<b>2,097,525</b>	<b>1,556,956</b>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing liabilities		750,000	750,000
Provisions		33,380	26,850
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>783,380</b>	<b>776,850</b>
<b>TOTAL LIABILITIES</b>		<b>2,880,905</b>	<b>2,333,806</b>
<b>NET ASSETS</b>		<b>1,547,662</b>	<b>2,864,524</b>
<b>EQUITY</b>			
Parent entity interest			
Contributed equity	2	21,683,563	21,460,723
Accumulated losses	3	(20,135,901)	(18,596,199)
Total parent entity interest in equity		1,547,662	2,864,524
<b>TOTAL EQUITY</b>		<b>1,547,662</b>	<b>2,864,524</b>

The Statement of Financial Position is to be read in conjunction with the notes to the financial statements.

# Statement of Cash Flows

realestate.com.au Limited

YEAR ENDED 30 JUNE 2003	Notes	Consolidated	
		2003	2002
		\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		9,682,364	5,899,965
Payments to suppliers and employees		(8,668,457)	(6,051,882)
Interest received		55,501	43,181
Borrowing costs		(36,876)	(56,342)
NET CASH (USED IN) OPERATING ACTIVITIES		1,032,532	(165,078)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(277,648)	(142,603)
Proceeds from sale of non-current assets		342,434	215,000
Advances to related parties		-	-
NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		64,786	72,397
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issues of ordinary shares		-	-
Payment of share issue costs		-	-
Proceeds from borrowings - other		-	-
Repayment of finance lease principal		-	-
NET CASH FLOWS FROM FINANCING ACTIVITIES		-	-
NET (DECREASE) IN CASH HELD		1,097,318	(92,681)
Add opening cash brought forward		1,093,449	1,186,130
<b>CLOSING CASH CARRIED FORWARD</b>		<b>2,190,767</b>	<b>1,093,449</b>

The Statement of Cash Flows is to be read in conjunction with the notes to the financial statements.

# Notes

realestate.com.au Limited

30 JUNE 2003

Notes

Consolidated

2003  
\$

2002  
\$

## 1. OPERATING PROFIT

### Revenues from operating activities

Revenue from services	9,140,356	5,668,677
Total revenues from operating activities	<u>9,140,356</u>	<u>5,668,677</u>

### Revenues from non-operating activities

Interest - Other persons/corporations	56,900	43,181
Proceeds from sale of non-current assets	342,434	215,000
Total revenues from non-operating activities	<u>399,334</u>	<u>258,181</u>

### Total revenues from ordinary activities

<u>9,539,690</u>	<u>5,926,858</u>
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### Expenses

#### Depreciation and Amortisation Expenses

Depreciation of non-current assets		
Office furniture and equipment	210,376	198,909
Total depreciation of non-current assets	<u>210,376</u>	<u>198,909</u>

Amortisation of non-current assets		
Advertising expenditure carried forward	2,479,168	4,898,859
Total amortisation of non-current assets	<u>2,479,168</u>	<u>4,898,859</u>

### Total depreciation and amortisation expenses

<u>2,689,544</u>	<u>5,097,768</u>
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### Borrowing costs expensed

Interest expense	46,667	56,342
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### Total borrowing costs expensed

<u>46,667</u>	<u>56,342</u>
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### Expense from Ordinary Activities

Administrative expenditure	615,384	545,772
Bad and doubtful debts - intercompany	-	-
Bad and doubtful debts - trade debtors	24,647	(32,139)
Consultancy expense	947,794	820,201
Equipment leasing expenses	140,430	166,958
Diminution in value of investment	-	294,670
Marketing expense	941,540	740,533
Settlement – Nerve systems Pty Ltd	-	112,500
Non-current asset sold during the year	342,434	-
Technology expense	414,731	480,916
All other Expenses	1,203,945	253,388

### Total Expense from Ordinary Activities

<u>4,630,905</u>	<u>3,382,799</u>
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### Losses/(Gains)

Net loss on disposal of property, plant and equipment	-	20,963
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Net (gain) on disposal of other non current assets	-	(215,000)
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## Notes (continued)

realestate.com.au Limited

30 JUNE 2003

Notes

Consolidated

2003

2002

\$

\$

### 2. CONTRIBUTED EQUITY

#### (a) Issued and paid up capital

Ordinary shares fully paid	<b>21,683,563</b>	21,460,723
	<b>21,683,563</b>	21,460,723

#### (b) Movements in shares on issue

	2003		2002	
	Number of shares	\$	Number of shares	\$
Beginning of the financial year	<b>91,500,784</b>	<b>21,460,723</b>	90,497,917	21,345,084
– issue of shares to STB Holdings (Simon Baker, CEO)	<b>1,480,000</b>	<b>222,840</b>	600,000	54,000
– issue of shares to REINSW in lieu of outstanding commissions	-	-	402,867	61,639
End of the financial year	<b>92,980,784</b>	<b>21,683,563</b>	91,500,784	21,460,723

#### (c) Share Options

Options over ordinary shares issued on 24 July 2002 were 2,879,000 staff options with an exercise price of 15c and an expiry date of 24 July 2007. Of the staff options issued, 30 percent (863,700) of options vest on 24 July 2003, a further 30 percent (863,700) on 24 July 2004 and the remaining 40 percent (1,151,600) on 24 July 2005.

Options lapsed during the year were;

- 80,000 employee options exercisable at 50 cents each,
- 50,000 staff options exercisable at 15 cents each,
- 525,000 Chairman's options exercisable at 30.1 cents each and
- 686,755 general options exercisable at 55 cents each.

No options were exercised by staff or other option holders during the year (2002: Nil).

At the end of the year there were 13,670,000 (2002: 12,091,775) unissued ordinary shares in respect of which options were outstanding.

#### (d) Terms and conditions of contributed equity

##### Ordinary shares

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the company.

### 3. ACCUMULATED LOSSES

Accumulated losses	<b>(20,135,901)</b>	(18,596,199)
<b>(a) Accumulated losses</b>		
Balance at the beginning of year	<b>(18,596,142)</b>	(12,635,349)
Net loss attributable to members of realestate.com.au Limited	<b>(1,539,759)</b>	(5,960,850)
Balance at end of year	<b>(20,135,901)</b>	(18,596,199)

## Notes (continued)

realestate.com.au Limited

30 JUNE 2003

Notes

Consolidated

2003

2002

\$

\$

### 4. EARNINGS PER SHARE

The following reflects the income and share data used in the calculations of basic and diluted earnings per share:

Net loss (1,539,759) (5,960,850)

#### Adjustments:

Earnings used in calculating basic and diluted earnings per share

(1,539,759) (5,960,850)

Number of shares Number of shares

Weighted average number of ordinary shares used in calculating basic earnings per share

92,264,084 90,943,986

#### Effect of dilutive securities:

Share options

10,800,000 800,000

Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share

103,064,084 91,743,986

### 5. ACCOUNTING POLICIES

#### (a) Basis of accounting

The financial report is a general purpose financial report that has been prepared in accordance with the requirements of the Corporations Act 2001 that includes applicable Accounting Standards. Other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) have also been complied with.

The financial report has been prepared in accordance with the historical cost convention.

#### (b) Changes in accounting policies

The accounting policies adopted are consistent with those of the previous year except for the accounting policy with respect to employee benefits.

The consolidated entity has adopted the revised Accounting Standard AASB 1028 "Employee Benefits", which has resulted in a change in the accounting policy for the measurement of employee benefit liabilities. Previously, the consolidated entity measured the provision for employee benefits based on remuneration rates at the date of recognition of the liability. In accordance with the requirements of the revised Standard, the provision for employee benefits is now measured based on the remuneration rates expected to be paid when the liability is settled. The effect of the revised policy has been to decrease current year profits by \$11,000 due to an increase in the employee benefits expense. Current provisions at 30 June 2003 have increased by \$11,000.

### 6. NTA BACKING

Net Tangible Backing per Ordinary Security (undiluted)

1.7 cents

3.1 cents

### 7. SUBJECT TO AUDIT

The accounts are in the process of being audited and are not likely to be subject to dispute or qualification.

Monday 1st September 2003

## realestate.com.au DELIVERS SECOND HALF PROFIT

During the financial year ended 30 June 2003, realestate.com.au delivered significant financial growth, highlighted by its first half year of profitability.

The key financial highlights included:

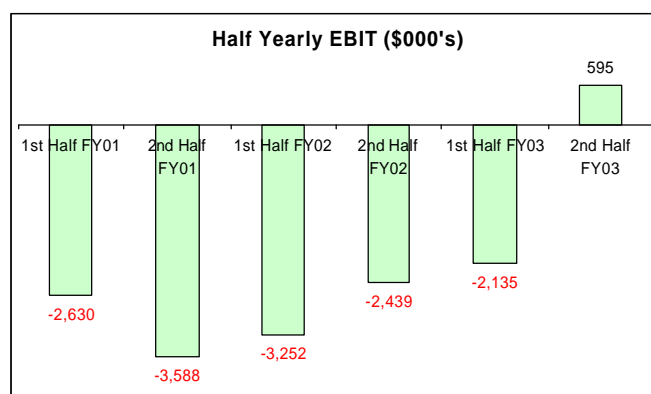
- Second half profit of \$595,000
- Closing cash position increased by 100% to \$2.2 million
- Revenues increased by 61% to \$9.5 million
- Total expenses (operating plus depreciation & amortisation) decreased by 6.8%
- Reported loss improved from \$6.0 million in FY 2002 to \$1.5 million in FY 2003

### Five Year Financial Summary

	Unit	2003	2002	2001	2000	1999
Revenue	\$'000	9,540	5,927	3,821	2,489	1,052
Operating Expenses	\$'000	(8,390)	(6,790)	(6,717)	(7,149)	(1,081)
EBITDA	\$'000	1,150	(863)	(2,896)	(4,660)	(29)
Depreciation & Amortisation	\$'000	(2,689)	(5,098)	(3,322)	(806)	(76)
EBIT pre-abnormals & tax	\$'000	(1,539)	(5,961)	(6,218)	(5,466)	(105)
NPAT & abnormals	\$'000	(1,539)	(5,961)	(6,218)	(6,281)	(105)
Operating cash flow	\$'000	1,033	(165)	(3,487)	(3,712)	(80)
Closing cash position	\$'000	2,191	1,093	1,186	1,969	760
Total assets	\$'000	4,429	5,199	10,619	6,059	1,107
Total liabilities	\$'000	2,881	2,334	1,909	2,254	318
Net assets	\$'000	1,548	2,865	8,710	3,805	789
EPS (ordinary)	cents	(1.7)	(6.6)	(9.6)	(16.3)	n.a.*
EPS (diluted)	cents	(1.5)	(6.5)	(9.6)	(16.3)	n.a.*
Dividend		n.a.	n.a.	n.a.	n.a.	n.a.*

Note: n.a. = not applicable

\* realestate.com.au listed on the Australian Stock Exchange 29-Nov-1999





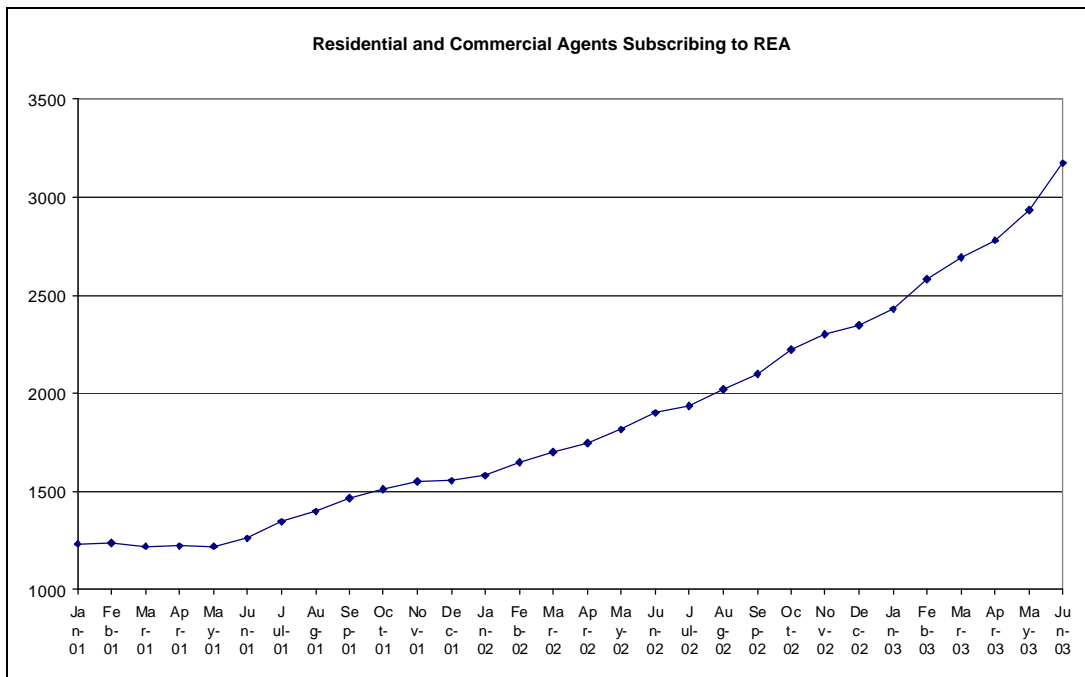
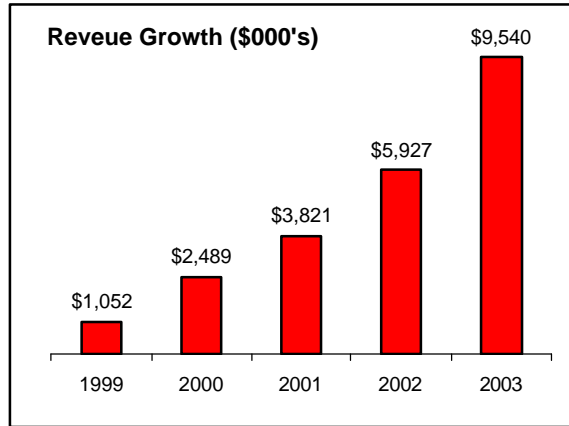
### Cash flow

During the financial year, realestate.com.au increased cash at bank by \$1.098 million to \$2.191 million. This increase was primarily generated through \$1.033 million in operating cash flow.

### Revenue

During the financial year, realestate.com.au increased revenue by 61% to \$9.5 million. This increase was due to:

- A 67% increase in subscribing agents to 3,173. Between 40% and 45% of Australian real estate agents now subscribe to realestate.com.au.
- Increase in agents purchasing platinum subscriptions to 23% of the customer base in FY03.
- Strong growth in revenue from the Property Developer segment.
- Strong growth in additional advertising revenue from residential and commercial agents.
- Revenue growth from the launch of the realcommercial.com.au site.



### Expenses

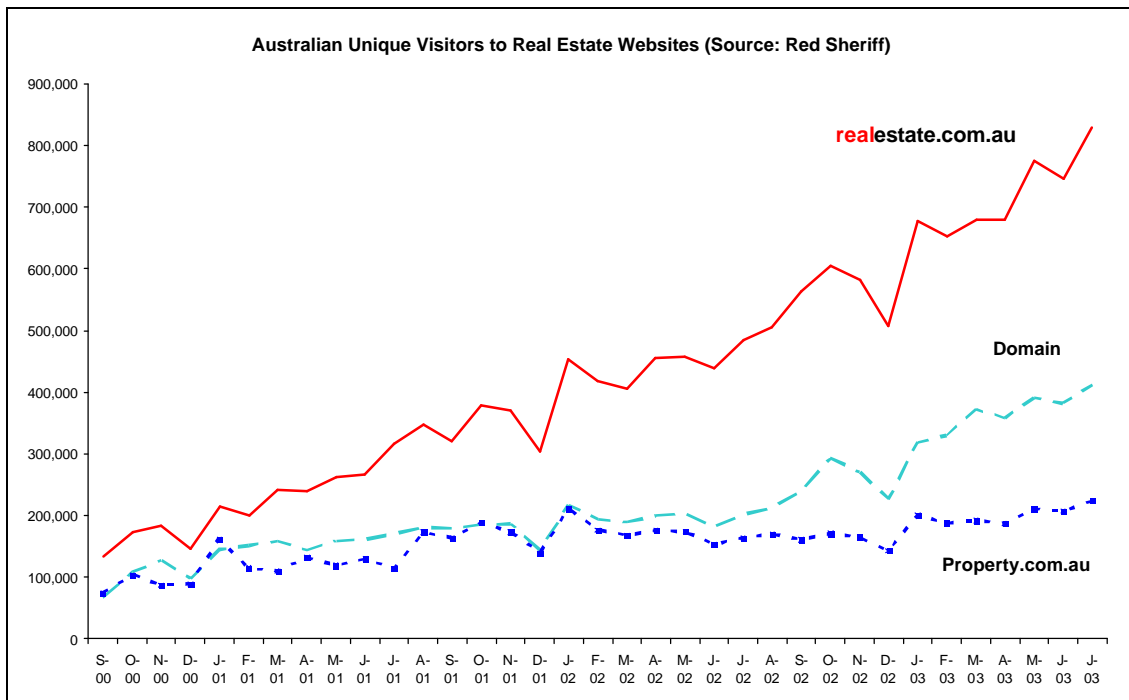
Although revenues increased by 61% over the year, operating expenses increased by only 24% to \$8.4 million. This positive result was achieved through continued effective cost management and continuous cost improvement.

The key driver of operational expenses continues to be employees with realestate.com.au increasing its staff from 31 at the end of June 2002 to 60 at the end of June 2003. Salary and employee benefits were \$3.7m during the financial year.

While a loss of \$1.5 million for the 2003 financial year has been reported, the key driver of this loss was an amortisation and depreciation charge of \$2.7 million. This amortisation and depreciation charge primarily relates to the prepaid advertising used by News Limited to acquire a proportion of their share holdings in realestate.com.au. This charge ceased in February 2003.

### Visitors to realestate.com.au

realestate.com.au continues to be the most visited real estate site in the country. Over the last 12 months, readership (unique visitors) of realestate.com.au has increased by 60% and realestate.com.au continues to have more readers than the nearest two portal sites combined.



According to Simon Baker, CEO of realestate.com.au, "The last 12 months has seen enormous growth in realestate.com.au. Not only has there been strong financial growth, there continues to be significant take up by the real estate industry and consumers who clearly see realestate.com.au as being the best source of online real estate information."

"The challenge for the next 12 months will be continuing to sign up new agents while working more closely with our current customers to help them gain greater value from online advertising. By taking this partnering approach, realestate.com.au will be able to capture new, improved revenue streams."

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