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ASX RELEASE

2012 Annual Report

26 October 2012: Please find attached (in accordance with Listing Rule 4.7) for release to the market, a copy of the Onthehouse Holdings Limited (ASX: OTH) 2012 Annual Report.

The Onthehouse Holdings Limited 2012 Annual Report is also available at our website at http://shareholders.onthehouse.com.au/company-reporting/annual-reports.

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About Onthehouse Holdings Limited

Onthehouse Holdings Limited (ASX: OTH) is an ASX listed Australian online real estate content and services platform headquartered in Brisbane. The business divisions operated by the Company consist of:

The Consumer Online division provides a platform of publicly available real estate websites underpinned by the www.onthehouse.com.au website, providing free access to an extensive database of real estate content and property values on most properties in Australia, including traditional real estate online classified listings. The website is comparable to successful offerings in the US (Zillow) and UK (Zoopla) and has very quickly become the third largest online real estate platform in Australia, currently attracting more than 1.3 million unique browsers per month.

The Real Estate Solutions division provides tools for real estate agents, other property professionals and financial institutions. It provides an integrated platform for office administration, property sales and management applications, online advertising solutions and other business performance tools for real estate agents and data and valuation related services for financial institutions utilising Onthehouse's extensive database.

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Empowering consumers to make informed property decisions.

Providing Australia's only one-stop-shop real estate solutions platform.

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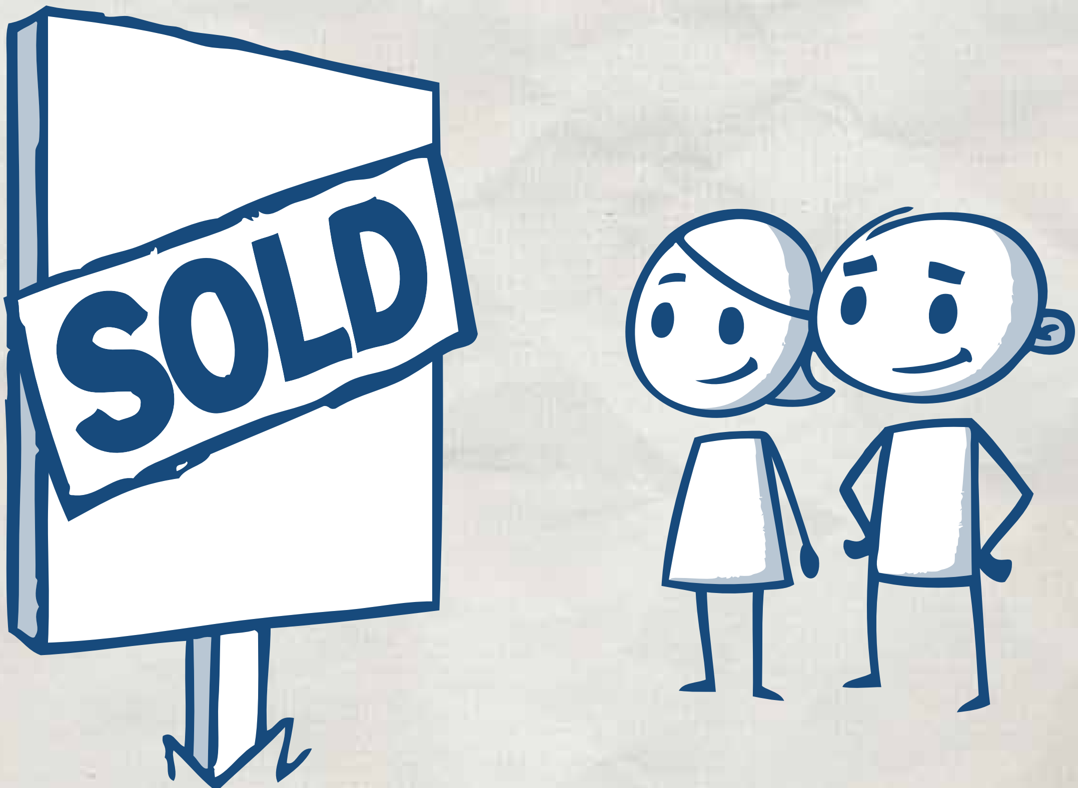

Chairman and CEO Address

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Dear Shareholders

Introduction

We are pleased to present the Annual Report for Onthehouse Holdings Limited (Onthehouse) for the 2012 financial year.

It has been a challenging and successful for year for Onthehouse. The 2012 financial year saw the company acquire three companies, integrate four businesses, list on the Australian Stock Exchange under the ticker symbol OTH (ASX:OTH), invest in recruiting talent, whilst still substantially increasing revenue and achieving our earnings target in accordance with our Prospectus.

After years of building the foundations of Onthehouse, it was very rewarding to watch the delivery of the early stages of our corporate strategy. Our results have been truly impressive on the back of continued growth in the Real Estate Solutions business, aggressive scaling of the Consumer Online business, considerable investment in development and data, as well as 22% growth in revenue and over 80% growth in EBITDA[1].

Company Performance

Onthehouse achieved a strong financial performance in the 2012 financial year, delivering on the Company's 2012 Prospectus earnings forecast during a period of substantial investment and in a difficult real estate climate.

In the year to 30 June 2012, Onthehouse's operating revenue increased by 22% to $20.3 million (from $16.7 million proforma[2] result as outlined in the company's 2011 Prospectus) and EBITDA increased by approximately 80% to $8.0M (from $4.4 million proforma result as outlined in the company's 2011 Prospectus).

This strong performance has been generated due to the company's business model and the company's commitment to:

- empowering the public with freely accessible property data, information and tools to enable them to make informed property decisions;
- providing real estate agencies with a "one-stop-shop" content enabled and mobile solution for all of their agency needs; and
- generating cost effective leads for real estate agents and finance professionals and assisting agents drive traffic to, and monetise, their online marketing initiatives.

Onthehouse is in a sound financial position, benefiting from strong, reliable cash flows, with operating cash flow of $6.2M in the 2012 financial year.

Business drivers

The strong financial performance of the company in the 2012 financial year, in a difficult real estate environment, demonstrates the resilience of the 2 business divisions, Real Estate Solutions and Consumer Online.

Continued success of the Onthehouse business divisions is anticipated as the company capitalises on:

- growth in its end to end solutions for real estate agency professionals, with greater yield per real estate agency and market share; and
- momentum in user and industry engagement in the Consumer Online business and user generated content and activity driving:
  - premium content sponsorship support; and
  - lead generation revenue for real estate agents and mortgage related professionals.

The company continues to invest in these four strategic areas:

- enhancing our end-to-end Real Estate Solutions business
- evolution of the Consumer Online business
- mobile content innovation
- building a freely accessible, comprehensive and current property data platform to enhance these, and our unique market position.

Talented People

In a relatively short period of time, Onthehouse has already assembled a high quality team of senior managers and mid-level staff, who are integral to delivering the Onthehouse strategy and capitalising on its first mover advantage in a period of rapid industry change. We believe that the Company's leadership, including CFO, Sue Whidborne, COO, Jason Lilienstein, CTO, Kieran Branagan and our most recent addition to the team, Beth O'Brien who heads up the Consumer Online division, represents a vibrant, talented and aligned leadership group.

The Board and the senior management team appreciate the valuable contribution that the staff at Onthehouse have made to deliver the Company's performance in the 2012 financial year.

1 Information in addition to IFRS measures included in this report has been used for consistency with the prospectus and user readability. The measures have been derived from audited information contained in the financial statements.

2 Proforma (unaudited) results as outlined in the prospectus used as comparative results for FY11 are not meaningful due to business combinations.

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Exciting Outlook

Real estate related advertising and solutions is a large addressable market in Australia.

We believe that the real estate markets in Australia and internationally are experiencing a profound shift in consumer behaviour with the rapid growth and fragmentation of consumer user time spent online, using mobile devices and the desire from consumers to obtain greater transparency to allow them to make more informed real estate related decisions.

The shift of advertising dollars in the real estate vertical away from inefficient and expensive news print classifieds to more efficient online media has rewarded leading online real estate classified websites in Australia. However, we are witnessing the rapid growth of the "next wave" of online solutions in the real estate vertical with the evolution of online real estate solutions offering a significantly broader definition of real estate content (more than classifieds) and a greater consumer and industry engagement value proposition across multiple platforms. The rapid growth of Zillow Inc and Trulia Inc in the United States and the market valuations attributed to these companies is evidence of this continuing trend.

Many of the small to mid-sized real estate agency businesses are struggling with the required technology and data investment required to stay competitive. Onthehouse aims to partner with these businesses by providing them with a set of compelling and integrated business solutions to drive business growth.

Onthehouse is in the enviable position of capitalising on its first mover advantage in addressing these inevitable industry trends in Australia, consistent with leading international markets.

In the Real Estate Solutions business, Onthehouse is the dominant supplier of solutions to the real estate agency market in Australia and is unrivalled in its stable of product assets required to offer an industry "one-stop-shop" solution. It operates a real estate data platform as a compelling value add to its software solutions and is driving innovation in mobile product solutions.

The company's outlook in the Consumer Online business is even more exciting. Onthehouse is the leading challenger to the traditional real estate classifieds market in Australia. With the acquisition of The Real Estate Ad Network, Onthehouse will shortly aggregate and manage the sale of real estate advertising on a very significant scale (estimated at approximately 4 million unique browsers per month). The generation and sharing of advertising revenue by Onthehouse with leading real estate groups also further aligns the company's aspirational position as the "partner of choice" for industry. Onthehouse.com.au is enjoying an impressive run and may claim to be Australia's fastest growing and unique real estate website, with aggressive growth in traffic, engagement and revenue during the 2012 financial year. As an aggregated network, Onthehouse is now a substantial real estate media company, very well positioned to generate substantial online real estate advertising revenue, commensurate with its audience.

Whilst we are very proud of what has been achieved by the management team and staff at Onthehouse in its first year as a listed company, Onthehouse has significant upside in terms of consumer brand awareness, traffic, lead generation to real estate agents, mortgage professionals and other real estate related advertisers, and associated value added opportunities. We will continue to invest in these areas in the coming year and beyond.

Sincerely

Gail Pemberton

Gail Pemberton
Chairman

Michael Fredericks
CEO and Managing Director

Our Market Position

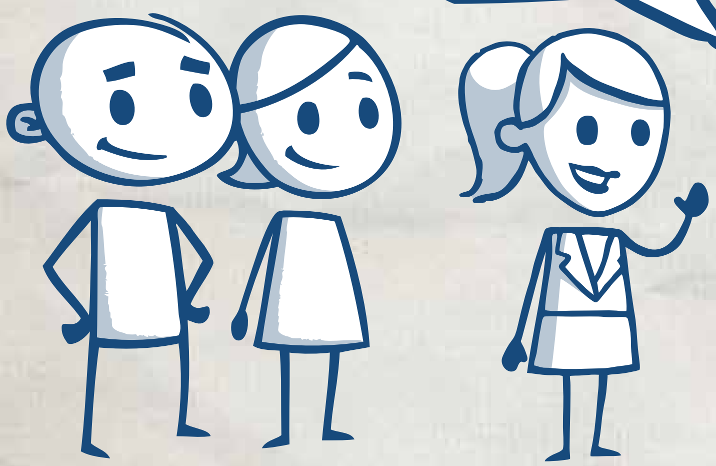
"Empowering" consumers with freely accessible real estate data, content and tools

The leading challenger to traditional real estate classifieds

"Partnering" with real estate industry stakeholders

First mover advantage in the "next wave" of Consumer Online innovation

Driving mobile content innovation



Dominant supplier of solutions to real estate agency market

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Key Areas of Operations

Real Estate Solutions

The Real Estate Solutions division provides a digital real estate platform powering:

- software, online and mobile solutions for real estate agents and other clients in the broader property sector; and
- data and valuation related services for financial institutions

with over 4000 clients in Australasia.

Solutions provided include property management applications, sales management, web, online marketing and advertising, data, mobile and other business intelligence solutions. A compelling point of differentiation from Onthehouse's competitors is the provision of a complete solution that enables all property related transactions and decisions by businesses.

This solution suite is markedly enhanced by the addition of the Residex and The Real Estate Ad Network (REAN) businesses, with the combination of Onthehouse's existing solutions and REAN's leading real estate vertical advertising business forming a powerful real estate media network. The integration of Residex provides even greater data depth to the Onthehouse database from one of Australia's oldest real estate data businesses, with over 20 years of proprietary real estate information and a range of leading automated valuation methodology solutions.

Clients range from small, start up real estate agents to blue chip, niche groups such as hockingstuart, Barry Plant and Marshall White to larger corporate groups including Ray White, LJ Hooker and First National in Australia and Barfoot & Thompson and PGG Wrightson in New Zealand to other large publicly listed corporations such as ANZ, BHP Billiton Mitsubishi Alliance and BHP Iron Ore.

Consumer Online

The Onthehouse Consumer Online business division consists of the flagship onthehouse.com.au website and a network of real estate websites, developed, hosted or monetised by Onthehouse. Collectively, the Onthehouse Consumer Online Network (incorporating The Real Estate Ad Network) comprises a substantial monthly audience of approximately 4 million unique browsers.

Onthehouse.com.au is an online marketplace connecting Australians (home owners and home shoppers) with property information and local real estate professionals to assist them make informed property decisions.

The site provides end users with a rich and freely accessible source of property information, including a description of the property, sold history, sales and rental listing history, estimated property values, comparative property details, mapping information, property images, local analytical and value trending information in a database of over 13 million properties.

The content is not limited to properties currently listed for sale or rent (Classifieds).

Onthehouse aggregates data from a range of external sources and user generated content (UGC), including Australian State and Territory Government land sales departments, real estate agencies and agents, industry stakeholder groups and the general public. The company differentiates itself by providing a rich source of information on most properties in Australia for free, whether or not the property is currently listed for sale or rent. By doing so, Onthehouse is redefining accessible online property content.

The company is also investing in mobile applications of its products. Mobile now represents almost 30% of onthehouse.com.au's traffic. Onthehouse is expected to benefit from the shift of consumer online behaviour to mobile devices as consumers are most interested in investigating property information and contacting a real estate professional when they are curb-side, looking at homes. Similarly, real estate agency services is a mobile profession. Agents are seeking to have content empowered mobile solutions out in the field. We anticipate and welcome the day when consumption of property information and agency solutions predominately occur by mobile device. Onthehouse is very well positioned to benefit from that occurrence.

Our online real estate marketplace benefits from a network effect. Our growing audience of consumers using our online and mobile real estate information and tools, entices more real estate professionals to contribute content to distinguish themselves and entices home owners to contribute content on their own and surrounding properties and local area, thereby making our marketplace more useful and attractive to end users.

Real estate agents and mortgage professionals can interact with Australian home owners, providing free and paid sources of introduction to existing or prospective home owners and landlords ("leads"). Revenue is principally generated in two categories: Media (advertising) and) Marketplace (lead generation). Most of Onthehouse's revenue in this business division is currently generated from display advertising, principally from banks, building societies and mortgage brokers. In the foreseeable future, it is anticipated that greater revenue will be generated from real estate professionals and finance professionals in the Marketplace category through lead generation.

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REALESTATEADNETWORK

In October 2012, Onthehouse acquired The Real Estate Ad Network (REAN). This acquisition catapults the scale of Onthehouse's audience and national reach. With an online audience of approximately 4 million[3] unique browsers per month, the two companies will generate significant income for real estate agency groups across Australia.

REAN is Australia's leading real estate vertical advertising firm, specialising in generating premium-advertising revenue for most of the leading real estate groups in Australia. The combination of the companies will establish a one-stop-shop for the industry. The new alliance will deliver highly targeted and engaged national real-estate audiences to advertisers.

REAN complements Onthehouse's offering by monetising websites for real estate agencies and groups. REAN offers advertisers access to targeted audiences who are focused on real estate and are transaction ready, working with the leading real estate brands in Australia including LJ Hooker, Raine and Horne, First National, Barry Plant, Richardson & Wrench, Laing + Simmons, Run Property, Stockdale & Leggo, Remax Place Estate agents and many more.

The power of REAN joining Onthehouse's leading group of businesses is a win for both the advertiser and the Australian Real Estate Industry. No other competitor is positioned to offer this full service solution. This is a real game changer for the Australian market.

The acquisition of REAN further supports Onthehouse's intention to partner with the leading real estate agencies and groups in Australia in order to drive greater efficiencies and now, to generate additional revenue for them.

REAN has assembled an impressive national media network of real estate group media assets (online and offline) to establish it as one of Australia's leading real estate vertical media network.

The REAN acquisition also cements the expertise of Onthehouse's senior management team by bringing with it the company's founder and online advertising industry veteran, Beth O'Brien.

Beth is known for her expertise in digital strategy and her proven entrepreneurial spirit. She lends her talents to REAN Australia and United States, digital marketing and advertising firms that she founded in her native Australia. Beth's vision is to use media technology and innovation to generate revenues and cost effective marketing to the real estate industry.

Beth previously honed her skills working for a number of inaugural media entrepreneurs and leaders such as Lachlan Murdoch, Mark Carnegie, John Singleton, Alan Jones and James Packer. Beth has held senior management positions in Australia's leading media organisations as Director of Business Development at Macquarie Network, Head of Business & Partner Development at ninemsn, Manager Optus Interactive TV, Optus Mobile and News Digital Media/News Ltd.

Beth is especially adept at collaborating with real estate firms, and works with industry giants across Australia/NZ and America such as Century 21, REMAX and LJ Hooker. In June 2011, Beth was Honored by Cambridge Who's Who for Excellence in Advertising in NY and in March 2012? REAN was awarded the 35th fastest growing start up business in Australia.

Beth has earned a Business Diploma from the Graduate School of Management and most recently completed her US Real Estate license. Her professional affiliations include the Interactive Advertising Bureau and the Real Estate Institute of Australia and the national finalist of The Telstra Business Woman of the Year Award in 2002. In March 2011, REAN was awarded 35th fastest growing start up business in Australia by smartcompanies.com.au.

3 Google Analytics August 2012, May include some duplication

What Makes Us Different

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Industry Dynamics

An Australian's Most Important Asset

Australians love property. Homes are a cornerstone of the public's daily personal and working lives. Property decisions are among the most important and emotional decisions made by the public and a person's home is commonly their most valuable asset. Consequently, much of the public's hard earned savings are also invested into their homes. Historically, little objective property information and advice has been accessible to the general public. In addition, the information available to recipients of this information, typically real estate professionals, has not been comprehensive and current. This has been the plight of the public for some time, despite the fact that the changing value of a person's home can profoundly impact a person's wealth in the long term and financial stability in the short term. In addition to purchasing and renting decisions, home owners make other significant decisions connected to their homes during their lives, including decisions relating to mortgage selection, refinancing, home renovation, home maintenance and investment property decisions.

Onthehouse is the clear market leader in meeting this obvious need in Australia, which explains the rapid growth of our user generated traffic and engagement.

Large Market Opportunity

Residential real estate is one of Australia's largest economic sectors. It is estimated at over $8.5B[4]. The industry segments supporting this large sector, include real estate agents, finance related professionals, property management professionals, home construction companies and home maintenance and improvement professionals. To attract new business, these businesses spend billions of dollars each year in advertising to build relationships with, and ultimately sell their products and services to, home owners.

4 Frost & Sullivan 2011 report to Onthehouse Holdings Ltd.

Local Marketplaces

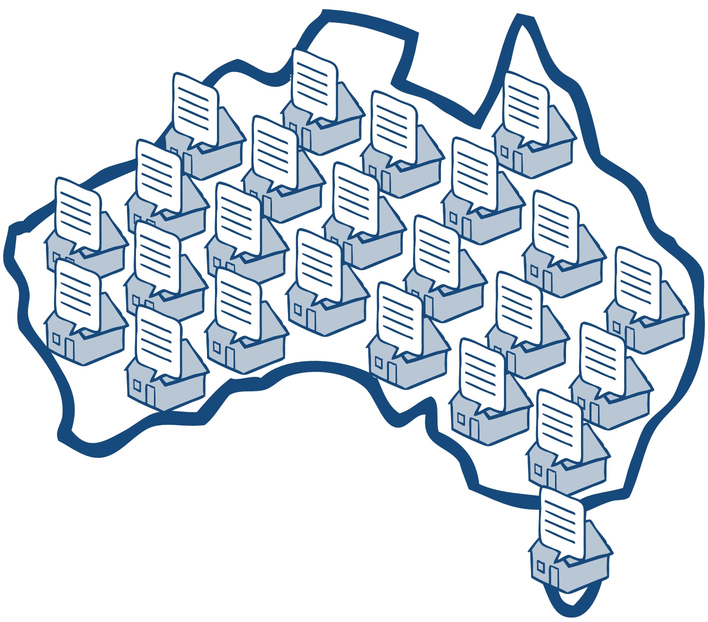
Real estate consists of fragmented local marketplaces. Home related local markets are highly fragmented networks of home-related goods and service suppliers. Local real estate agents and mortgage related professionals compete for profile and transaction business. Each suburb, street and home has unique qualities and features that impact on value, including location, size, amenities and condition of the property. These local marketplace dynamics, create challenges for local agents, other real estate professionals, trades people and home owners. Consumers are challenged to find meaningful information to monitor the value of their home, and when they are ready, to investigate and choose the right real estate professional to meet their specific needs and preferences. Local real estate professionals are starved of cost effective methods to build relationships with local home owners other than inefficient and costly print and outdoor advertising solutions.

Growth of Online and Mobile Property Content Solutions

Consumers are increasingly looking to online and mobile products and technology to meet their needs for property intelligence and tools. With the rapid growth of mobile technology, this demand for property intelligence is sought on their mobile device of choice and on demand.

End-to-End Real Estate Agency Solution

Real estate agencies traditionally have used multiple sales management, property management, real estate data and client relationship management (CRM) products from different suppliers. As a result, agencies have experienced inefficiencies around content management, duplication of effort and additional overheads. There has not been an end-to-end solution in Australia and New Zealand for real estate agents to manage all of their operational and online marketing needs, despite the obvious benefits associated with utilisation of such a system.



Why We Are Different

Onthehouse is the market leader in Australia in the supply and management of real estate solutions comprising real estate software, websites and online marketing solutions for real estate agencies and groups. In doing so, Onthehouse provides solutions which meet the operational needs of a real estate agency. As a single supplier of these requisite products, Onthehouse offers greater efficiencies, functionality and savings to industry.

Onthehouse is also the market leader in Australia in providing a substantial online audience with a rich source of information on most properties in Australia for free, to empower consumers to make informed property decisions.

The combination of the Onthehouse agency solutions, online assets and large scaling audience with the Onthehouse and The Real Estate Ad Network's established relationships with real estate groups and advertisers, is a compelling and unique value proposition.

Real Estate Data and Reports

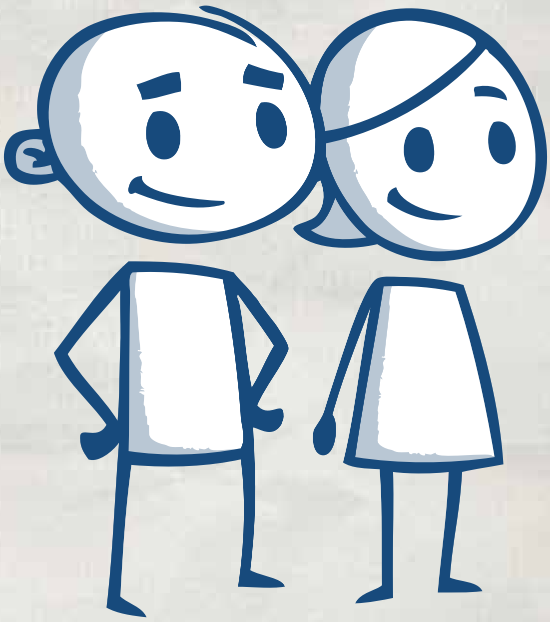
- Client and local residents database
- Comparative Market Analysis Reports
- Group and office reporting
- CRM software
- Consumer sales data and values reporting

Property Management

- Property management software
- Rental trust accounting software
- Systems, reports and data
- Mobile property inspection tool
- Yield on investment
- Rental AVM

Buying and Renting Search

- For sale and rental classifieds



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Finance Related Decisions

- Mortgage comparison and application
- Financial planning / property investment decisions
- Valuation solution (AVM)
- Property values reporting

Selling and Renting

- Property valuation / pricing data and tools
- Rental pricing estimation (AVM)
- Agent comparison and benchmarking
- Comparative rented data

Monitoring Home Values

- Sales data results
- Analytical data from sales results
- Valuation estimates

Real Estate Agency Sales and Client Management

- Sales management software
- Client CRM
- Mobile sales management tool
- Mobile sales data and analytics tools

Renovation and Interior Design

- Interior design content
- Renovation content
- Return on investment analysis

Case Studies

Influential Victorian real estate group, hockingstuart, has been working with Onthehouse for two years in implementing their complete technology solution. hockingstuart have 48 offices throughout Victoria and are an industry benchmark for success in the Victorian and national real estate market.

hockingstuart were seeking some uniformity in their front of house and back of house systems and processes and came to Onthehouse to drive a business solution. Their existing legacy products were outdated and provided by multiple suppliers, with no uniformity or integration.

The business was seeking a single integrated solution to provide efficiencies and streamline processes. Onthehouse were excited to work with hockingstuart on this journey.

Implementing software and other solutions takes time and effort, as well as dedication and communication at all levels of both organisations. Onthehouse recognises that every organisation is different, and faces different communication and technology challenges with each project.

Onthehouse worked closely with the hockingstuart team throughout this process. hockingstuart CEO Nigel O'Neil says "The key for hockingstuart is for its technology platform system to greatly streamline efficiencies and processes in our businesses – not to continue doing things just because that is the way they have always been done. For us, this means a single point of entry and integration across a platform using the one solution, rather than a bevy of different products that do not talk to one another. Let me say that the process has not been without its challenges! However Onthehouse listened to what we needed, and then acted on it to tailor a solution to suit our needs. We do not see any other player in the market that can provide the breadth and depth of offerings that Onthehouse has today".

By the end of this financial year, hockingstuart plan to have 90% participation by all of its agents utilising the entire solution, including sales and sales (CRM) management, property management, data and online marketing.

"We do not see any other player in the market that can provide the breadth and depth of offerings that are offered by Onthehouse."

Nigel O'Neil
CEO
hockingstuart

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Barry Plant Real Estate was established in 1979 and today has over 80 offices in Victoria and Queensland. Onthehouse has been a long term supplier to Barry Plant, providing web, e-marketing, sales and property management solutions to the group.

In February 2012, Barry Plant embarked on a project to upgrade its corporate website with significantly enhanced features and functionality, both at the front end and also at the back end. After going to tender to the open market, Barry Plant chose Onthehouse to provide a single solution to do this and awarded a three year supply arrangement.

The key was recognising that this was not simply a new look website, but also significantly enhanced backend functionality that will help its franchisees run their businesses more efficiently. Barry Plant's CEO Mike McCarthy says "A key differentiator for us is that Onthehouse has the complete solution and we did not view this as just providing a new website alone. The days of dealing with multiple small real estate suppliers are numbered - we need a one stop solution that provides our offices with a competitive advantage and saves time and money."

In addition, Onthehouse have provided a range of value added services including training, account management and pricing/bundling incentives to ensure it is a true partnering arrangement, rather than a traditional, supplier relationship.

The Onthehouse team is working closely with Barry Plant to understand and design a customised solution before embarking on the build. The project is due for completion in early 2013.

"We need a one stop solution that provides our offices with a competitive advantage and saves time and money. The days of dealing with multiple small real estate suppliers are numbered."

Mike McCarthy
CEO
Barry Plant

BarryPlant
Your red carpet experience

Board of Directors

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Gail Pemberton
Non-executive Chairman

Gail has over 30 years experience in the financial services industry, at the Chief Executive Officer, Chief Operating Officer and Chief Information Officer level, and has developed risk management and strategic skills with particular experience in data management, information technology, business process rationalisation and outsourcing. Gail was the former Chief Operating Officer of BNP Paribas Securities Services in the UK and prior to transferring to London, Gail was Managing Director of Australia and New Zealand for BNP Paribas Securities Services. Before joining BNP, Gail was an Executive Director at Macquarie Bank where she was Group Chief Information Officer for 12 years and Chief Operating Officer for the Financial Services Group. While at Macquarie, Gail played a leading role in several major acquisitions including the global investment banking operations of Bankers Trust Australia and multiple stockbroking businesses.

Gail was named Chief Information Officer of the Year (1999) and Chief Information Officer of the Decade (2000) by Australian Banking and Finance Magazine and was awarded the Federal Government Centenary Medal (2001) for outstanding services to Australian business.

Gail is currently a director of Paypal Australia, Baycorp, UXC, Chair of SIRCA and Chair of Onevue. Gail has undertaken post graduate study overseas at Harvard and IMD, has a Master of Arts from UTS and is a Fellow of the Australian Institute of Company Directors.

Gail chairs the Product and Technology Committee and is a member of the Remuneration & Nominations Committee and the Audit & Risk Committee.

Michael Fredericks
Managing Director and CEO

Michael is the founder of Onthehouse and the driving force behind its vision and strategy. Michael has over 11 years experience as an intellectual property and technology lawyer. Previously, Michael was a partner of national law firm HWL Ebsworth Lawyers, specialising in intellectual property and technology (including web based business concepts). Michael established and was the Department Head of the Brisbane Corporate Department and National Department Head of the Technology & Intellectual Property Department at the firm. Michael oversaw strong organic growth of his Brisbane Corporate team in Australia's Fastest Growing Law Firm (The Australian Legal Survey, 2006 and 2007).

Michael has extensive knowledge of the real estate data, online real estate classifieds and real estate business solutions markets in Australia. Michael has established a wealth of industry connections and relationships which has formed the foundations of development of the Onthehouse platform and business strategy over the last 5 years. Michael has a Bachelor of Laws.

Diana Eilert
Non-executive Director

Diana is a professional Non-executive Director, appointed to the Boards of AMP Life, Queensland Urban Utilities (Queensland's largest water retailer) in addition to Onthehouse.

With an executive career spanning more than 25 years, Diana's major roles include Group Executive responsible for Suncorp's entire insurance business and later, Group Executive People, Technology, Marketing and Joint Ventures for Suncorp. Diana also worked for 10 years with Citibank where she variously ran retail Credit and Risk, the Mortgage business, retail Funds Management business, and the Direct Bank reporting to the Country Head. Diana built a strength in strategy in her early career as a Principal of AT Kearney and, subsequently, as a Partner of IBM Consulting. From 2009 until 2012 she developed this further when working with News Ltd, initially consulting then as Head of Strategy and Corporate Development.

Diana's previous directorships include REA group (realestate.com.au)(ASX:REA), Chairmanship of GIO Australia and directorships of various other Suncorp subsidiaries. She holds a Bachelor of Science, Master of Commerce and is a member of Chief Executive Women.

Diana chairs the Remuneration & Nominations Committee and is a member of the Audit & Risk Committee and the Product & Technology Committee.

Warwick Face
Non-executive Director

Warwick is currently the Partner in charge of the Transaction Advisory Services Practice of Brisbane Pitcher Partner firm Johnston Rorke. Warwick has 19 years broad ranging professional and commercial experience, and for two years was the Chief Financial Officer of Brisbane based property information and software services business RP Data Ltd. During his time at RP Data Ltd he led the company's IPO process, oversaw the completion of six acquisitions and integrations, and also managed strong organic growth. Warwick was previously a Partner of Deloitte Australia, and prior to that a Principal at Ernst & Young working in Australia, the USA's Silicon Valley and New York.

Warwick has a Bachelor of Commerce and is a member of the Institute of Chartered Accountants in Australia.

Warwick chairs the Audit & Risk Committee and is a member of the Remuneration & Nominations Committee.

Senior Management Team

Onthehouse's operations are managed by the Senior Management Team, comprising of:

- Managing Director & CEO, Michael Fredericks (featured on page 12);
- Chief Operating Officer, Jason Lilienstein;
- Chief Financial Officer & Company Secretary, Sue Whidborne;
- Chief Technology Officer, Kieran Branagan; and
- the most recent addition to the team, Beth O'Brien who heads up the Consumer Online Division (featured on page 6).

Together, the Senior Management Team bring to the organisation a wealth of software, technology and online experience to continue to drive the business forward and bring the Onthehouse vision to fruition.

Sue Whidborne
Chief Financial Officer and Company Secretary

Sue Whidborne joined Onthehouse in March 2012, bringing over 20 years of experience in the areas of finance and accounting, both in commerce and public practice. As a Chartered Accountant, Sue worked with PwC for 12 years, both in Brisbane and in the UK advising across a wide range of industries including the software industry, construction and infrastructure, government and financial services. For the last decade, Sue has worked in the software industry, predominantly with Mincom. At Mincom, Sue held a variety of finance roles culminating in her taking the position of Chief Finance Officer. Prior to joining Onthehouse Holdings, Sue was the Chief Financial Officer at RMSS, a risk management software company and Southbank Institute of Technology.

Jason Lilienstein
Chief Operating Officer

Jason is Chief Operating Officer, responsible for all operations across Onthehouse. Prior to Onthehouse, Jason has worked in a variety of executive roles in software and emerging technology businesses, including Mincom, MHB Holdings and eServGlobal Limited. In particular, at Mincom, he was part of the management team responsible for tripling software revenues and a 300%+ return to shareholders over a two year period. At eServGlobal, he led the demerger of the prepaid billing software business and its eventual sale to Oracle for $115M. He has also consulted to numerous large organisations on various technology issues. Jason is a Non-executive Director of Micropower Solutions Limited, which includes internet company iseekgolf.com.

Kieran Branagan
Chief Technology Officer

Kieran has a strong technology background with over 26 years experience in both infrastructure and software development. His early career experience was in the competitive motor industry with Ford and BMW and then later he held a number of roles in Software Development and Product Management with Texas Instruments ending up with Product Management responsibility for the EMEA region.

In his most recent role before joining Onthehouse he was responsible for Software Development within Virgin Australia's IT team and for some key advances on the Virgin platform including the high profile re-development of Virgin Australia's E-Commerce platform which transacts revenues close to $3bn a year.

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Onthehouse Holdings Limited
ABN 97 150 139 781

Audited Financial Report
Year Ended 30 June 2012

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The Directors present their report on Onthehouse Holdings Limited ("Onthehouse" or "the Company") and its subsidiaries ("the Group") for the financial year ended 30 June 2012. Onthehouse Holdings Limited was incorporated as a public company on 29 March 2011 and was listed on the Australian Stock Exchange on 3 June 2011.

Information set out in this Directors' Report, and the current year's results and the Remuneration Report represent Onthehouse Holdings Limited, however comparative operating results and the Remuneration Report reflect a continuation of onthehouse.com.au.

1. Directors

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

Names, qualifications, experience and special responsibilities

Gail Pemberton

Non-executive Interim Chairman – appointed Interim Chairman 21 June 2012

Gail has over 30 years' experience in the financial services industry, at the Chief Executive Officer, Chief Operating Officer and Chief Information Officer level, and has developed risk management and strategic skills with particular experience in data management, information technology, business process rationalisation and outsourcing. Gail was the former Chief Operating Officer of BNP Paribas Securities Services in the UK and prior to transferring to London, Gail was Managing Director of Australia and New Zealand for BNP Paribas Securities Services. Before joining BNP, Gail was an Executive Director at Macquarie Bank where she was Chief Information Officer for 12 years and then Chief Operating Officer for the Financial Services Group. While at Macquarie, Gail played a leading role in several major acquisitions including the global investment banking operations of Bankers Trust Australia and multiple stockbroking businesses.

Gail was named Chief Information Officer of the Year (1999) and Chief Information Officer of the Decade (2000) by Australian Banking and Finance Magazine and was awarded the Centenary Medal (2001) for outstanding services to Australian business.

Gail is currently a director of Paypal Australia, Baycorp, UXC, Chair of SIRCA, Chair of Onevue and independent adviser to the NSW Government on Corporate and Shared Services Reform. Gail has undertaken post graduate study overseas at Harvard and IMD, a Master of Arts from UTS and is a Fellow of the Australian Institute of Company Directors.

Gail chairs the Product and Technology Committee and is a member of the Remuneration & Nominations Committee and the Audit & Risk Committee.

Michael Fredericks

Managing Director & CEO

Michael is the founder of Onthehouse and the driving force behind its vision and strategy. Michael has over 11 years' experience as an intellectual property and technology lawyer. Previously, Michael was a partner of national law firm HWL Ebsworth Lawyers, specialising in intellectual property and technology (including web based business concepts). Michael established and was the Department Head of the Brisbane Corporate Department and National Department Head of the Technology & Intellectual Property Department at the firm. Michael oversaw strong organic growth of his Brisbane Corporate team in Australia's Fastest Growing Law Firm (The Australian Legal Survey, 2006 and 2007).

Michael has extensive knowledge of the real estate data, online real estate classifieds and real estate business solutions markets in Australia. Michael has established a wealth of industry connections and relationships which has formed the foundations of development of the Onthehouse platform and business strategy over the last 5 years. Michael has a Bachelor of Laws.

Warwick Face

Non-executive Director

Warwick is currently the Partner in charge of the Transaction Advisory Services Practice of Brisbane Pitcher Partner firm Johnston Rorke. Warwick has 19 years broad ranging professional and commercial experience, and for two years was the Chief Financial Officer of Brisbane based property information and software services business RP Data Ltd. During his time at RP Data Ltd he led the company's IPO process, oversaw the completion of six acquisitions and integrations, and also managed strong organic growth. Warwick was previously a Partner of Deloitte Australia, and prior to that a Principal at Ernst & Young working in Australia, the USA's Silicon Valley and New York.

Warwick has a Bachelor of Commerce and is a member of the Institute of Chartered Accountants in Australia.

Warwick chairs the Audit & Risk Committee and is a member of the Remuneration & Nominations Committee.

Diana Eilert

Non-executive Director – appointed 1 July 2012

Diana was most recently the Head of Strategy and Corporate Development at News Ltd, where she was responsible for identifying, analysing and implementing strategic growth opportunities. She was also a News Ltd nominee Director on the Board of REA Group Limited (ASX:REA).

Diana's recent focus on disruptive and digital businesses builds on her substantial broad executive career in financial services. This includes 4 years as a Group Executive for Suncorp where she ran Suncorp's entire insurance business, and 10 years with Citibank, where she headed up the mortgage business, the managed fund business and Citibank's Direct Bank. Diana's strong line management experience is complemented by her strength in strategy developed through consulting to telcos, media and financial services as a Partner with IBM and a Principal with AT Kearney.

Diana is an experienced Non-executive Director, and is currently a Board member of Queensland Urban Utilities, and was previously Chair of GIO Australia and other Suncorp subsidiaries.

Diana chairs the Remuneration & Nominations Committee and is a member of the Audit & Risk Committee and the Product & Technology Committee.

Jim McKerlie

Non-executive Director – resigned as Chairman 21 June 2012

Jim has worked for over 25 years as a senior executive and business consultant in Australia, North America, Europe, Asia and South Africa specialising in technology development, business integration and the growth of new media opportunities.

Jim is the current Chairman and former Group CEO of Bullseye Pty Ltd, an international digital services company and a global provider of business software solutions. Bullseye is one of Australia's largest independent providers of digital marketing, application development and internet integration services and was created by the merger of four separate businesses in 2007, which Jim managed.

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1. Directors continued

He is also currently Chairman of Drillsearch Energy Limited (ASX) (appointed 12 August 2008) and formerly a director of Great Artesian Oil and Gas Ltd (ASX) (from 12 September 2007 to 12 August 2008), Two Way TV Ltd (ASX) and Chairman of Circumpacific Energy Corp (TSVX)(from 26 November 2009 to 25 November 2010). Previously, Jim was a partner at Deloitte and KPMG.

Jim is a member of the Audit & Risk Committee and the Remuneration & Nominations Committee.

Interests in the shares and options of the Company and related bodies corporate

As at the date of this report, the interest of the Directors in the shares and options of Onthehouse Holdings Limited were:

Director	Number of Ordinary Shares	Options
G. Pemberton	261,651	250,000
J. McKerlie	730,530	500,000
M. Fredericks	7,077,606	750,000
W. Face	224,238	250,000

250,000 options have been offered to Diana Eilert subject to shareholder approval.

2. Company secretary

Sue Whidborne
Appointed 20 Mar 2012

Sue Whidborne joined Onthehouse Holdings in March 2012, bringing over 20 years of experience in the areas of finance and accounting, both in commerce and public practice. As a Chartered Accountant, Sue worked with PwC for 12 years, both in Brisbane and in the UK advising across a wide range of industries including the software industry, construction and infrastructure, government and financial services. For the last decade, Sue has worked in the software industry, predominantly with Mincom. At Mincom, Sue held a variety of finance roles culminating in her taking the position of Chief Finance Officer (CFO). Prior to joining Onthehouse Holdings, Sue was the CFO at RMSS, a risk management software company and Southbank Institute of Technology.

Craig Dawson
Resigned 20 Mar 2012

Craig is a Chartered Accountant and has more than 16 years extensive financial management experience gained in a variety of ASX listed entities with both local and international operations. Craig was previously the Chief Financial Officer of leading ASX-listed online travel company Wotif.com Holdings Limited, where he led finance teams in Brisbane, Sydney, Thailand and Malaysia in managing the significant growth for the company. Previously he was the Queensland General Manager – Corporate Services at Tattersalls Limited, responsible for the finance and administration divisions of Tattersalls Queensland operations.

3. Dividends

The Directors advise that no dividends have been paid or declared since the start of the financial year (2011: nil).

After 30 June 2012, a final dividend of $489,765 (0.6 cents per fully paid share) (100% franked) has been declared by the Directors. The dividend is to be paid out of the Profits Reserve. The record date for determining entitlement to the final dividend is 16 November 2012 and the dividend is payable in 30 November 2012.

4. Principal activity

The Group's principle activities during the year were the provision of real estate software, data services, and online advertising to real estate professionals, financial institutions and the public in Australia and New Zealand.

5. Group overview

The Group operates a real estate content platform aggregating real estate data from the Group's operating divisions and external sources, including State & Territory governments. The business divisions operated by the Group consist of:

Consumer Online

The Consumer Online division provides a platform of publicly available real estate websites underpinned by the onthehouse.com.au website, providing free access to an extensive database of real estate content and property information on most properties in Australia, including historical sales and rental data, comparative property data, and traditional real estate classified listings.

Real Estate Solutions

The Real Estate Solutions division provides tools for real estate agents, other property professionals and financial institutions. This division consists of the Console, Portplus and Residex businesses. It provides an integrated platform for office administration, property sales and property management applications, online advertising solutions and other business performance tools for real estate agents and data and valuation related services for financial institutions utilising Onthehouse's extensive database.

Residex leverages the Group's extensive database of property information to provide customised data and reports to the Australian real estate, mortgage broking and financial lending industries. As at 30 June 2012, the Group holds 50% of Residex Pty Limited. The acquisition of the Residex interest is strategic for Onthehouse as it facilitates the integration of even greater data depth to the Onthehouse database from one of Australia's oldest real estate data businesses with over 20 years of proprietary real estate information and a leading automated valuation methodology product.

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5. Group overview continued

Operating results for the year

The Group achieved significant growth in revenue and earnings for the year ended 30 June 2012. The Board is pleased to report the Group's EBITDA result is in line with its prospectus forecast. That represents an 80% increase on the FY11 proforma results.

	Actual 2012 $'000	Prospectus (unaudited) 2011 $'000	Actual 2011 $'000	Growth From Prospectus
Revenue	20,327	16,712^	1,485	22%
EBITDA**	7,953	4,418^	-	80%
Transaction Costs* (unaudited)	212	-	-	
EBITDA excluding Transaction Costs (unaudited)	8,165	4,418^	-	85%
Net Profit/(loss) after Tax	2,141	-	(1,826)	
Cash Balance as at 30 June^^	3,066	-	1,747	76%

^ Proforma results as outlined in the prospectus used as comparative results for FY11 are not meaningful due to business combinations

* Transaction costs incurred in respect of the acquisition of investments

^^ Cash at 30 June 2012 was lower than the prospectus forecast cash balance of $8,556,000 due primarily to the further acquisition of Residex, increased investment in development and a reduction in borrowings.

** Information in addition to IFRS measures included in this report has been used for consistency with the prospectus and user readability. The measures have been derived from information contained in the financial statements. EBITDA equals net profit before tax $2,768,000 add depreciation and amortisation $4,940,000 add net financing costs $245,000.

Review of financial position

The consolidated cash flow statement shows an increased cash balance for the Company for the year to $3,066,000 with outstanding debt of $2,331,000. This was generated from operating activities for the Company.

Risk management

The Board is responsible for overseeing the Company's systems of internal control and risk management. The Board has delegated the direct review of risk management to the Audit and Risk Committee which comprises 4 independent directors. As part of its role the Committee will continue to review the effectiveness of the Company's risk management systems annually including a documented risk management framework.

6. Significant changes in state of affairs

On 2 August 2011, the Company acquired a further 40% of Residex Pty Limited for $3,240,000. Completion occurred on the 8 August 2011, taking the Group's ownership to 50%. This was funded by a drawdown of the Westpac debt facility.

In addition, the Company entered into a put and call agreement for the remaining 50% shares in Residex Pty Limited. Should the put or call be exercised, final settlement is expected to occur between 9 July 2012 and 23 July 2013. The consideration for the final settlement will be determined by the reported profit before tax over the preceding 12 months but will not be lower than $3,500,000.

7. Significant events after the balance date

No matter of circumstance has arisen since the end of the financial year that has significantly affected, or may significantly affect, the Group's operations, the results of those operations or the Group's state of affairs in subsequent financial years.

8. Likely developments and expected results

Further information on likely developments in the operations of the Group and expected results of operations have not been included in this annual financial report because the Directors believe it would be likely to result in unreasonable prejudice for the Group.

9. Environmental disclosure

The operations of the Group are not subject to any particular or significant environmental regulation under any law of the Commonwealth of Australia or any of its states or territories. The Group has not incurred any liability under any environmental legislation.

10. Shares options

Unissued shares

As at the date of this report, there were 3,800,000 unissued ordinary shares under options (3,800,000 at the reporting date). Refer to the remuneration report for further details of the options outstanding. Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company or any related body corporate.

Shares issued as a result of the exercise of options

During the financial year no shares were issued as a result of the exercise of options.

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11. Indemnification and insurance of Directors and Officers

Pursuant to Access and Indemnity Deeds signed by the Directors and Company Secretary, the Company has agreed to indemnify each Director and the Secretary against any liability incurred by the Director or Secretary being a Director or Secretary of the Company and to pay all reasonable defence costs in relation to any claim alleging any liability on the part of the Director or Secretary as a result of the Director or Secretary being a Director or Secretary of the Company.

The Company has agreed to maintain Director's and Officers' Liability Insurance upon terms and conditions reasonably satisfactory to the Directors. Under the terms of the policy, the Company is precluded from disclosing the details of premiums paid.

12. Directors' meetings

The number of Directors' meetings (including meetings of committees of Directors) and number of meetings attended by each Director during the year ended 30 June 2012 were as follows:

			Meetings of committees					
Director	Directors' meetings		Audit & Risk		Remuneration & Nominations		Product & Technology	
	A	B	A	B	A	B	A	B
G. Pemberton	12	11	5	5	2	2	2	2
J. McKerlie	12	12	5	4	2	2	2	1
M. Fredericks*	12	12	5	5	2	2	2	1
W. Face	12	12	5	5	2	2	2	1

A – Number of meetings held during the time the Director held office during the year or was a member of the committee during the year.

B – Number of meetings attended.

* Not a member of the Audit & Risk and Remuneration & Nominations committees.

Committee membership

As at the date of this report, the Company had an Audit & Risk committee, Remuneration & Nominations committee, and a Product & Technology committee of the Board of Directors.

Members acting on the committees of the Board during the year ended 30 June 2012:

Audit & Risk	Remuneration and Nominations	Product & Technology
W. Face (c)	J. McKerlie (c)	G. Pemberton (c)
J. McKerlie	W. Face	W. Face
G. Pemberton	G. Pemberton	J. McKerlie
		M. Fredericks

Note: (c) Designates the chairperson of the committee

13. Rounding

The amounts contained in this report and in the financial report have been rounded to the nearest $1,000 (where rounding is applicable and where noted ($'000)) under the option available to the Company under ASIC CO 98/0100. The Company is an entity to which the Class Order applies.

14. Auditor Independence and non-audit services

The directors received the declaration set out on page 23 from the auditor of Onthehouse Holdings Limited.

The following non-audit services were provided by the entity's auditor, Ernst & Young. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

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

	2012 $	2011 $
Due diligence services	-	68,000
Investigating accountant services	-	489,097
Total	-	557,097

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15. Remuneration report (audited)

This remuneration report for the year ended 30 June 2012 outlines the remuneration arrangements of the Group in accordance with the requirements of the *Corporations Act 2001* (the Act) and its regulations. This information has been audited as required by section 308(3C) of the Act.

The remuneration report details the remuneration arrangements for Key Management Personnel (KMP) who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent company.

The remuneration report is presented under the following sections:

a. Individual key management personnel disclosures
b. Board oversight of remuneration
c. Non-executive Director remuneration arrangements
d. Use of remuneration consultants
e. Voting and comments made at the Company's 2011 Annual General Meeting
f. Executive remuneration arrangements
g. Executive contractual arrangements
h. Equity instruments

a. Individual key management personnel disclosures

Key management personnel

(i) Directors

G. Pemberton	Chairman (non-executive) – appointed Interim Chairman 21 June 2012
W. Face	Director (non-executive)
M. Fredericks	Managing Director & CEO
J. McKerlie	Director (non-executive) – resigned as Chairman 21 June 2012

(ii) Executives

S. Whidborne	Chief Financial Officer & Company Secretary – appointed 19 March 2012
J. Lilienstein	Chief Operating Officer – appointed 28 November 2011
K. Branagan	Chief Technology Officer – appointed 19 March 2012
C. Dawson	Chief Financial Officer & Company Secretary – resigned 19 March 2012
E. Lynch	Director Products and Services – resigned 22 November 2011
P. Dickman	Director Corporate Development – resigned 11 November 2011

With the exception of the appointment of Diana Eilert as a non-executive Director from 1 July 2012, there were no other changes to KMP after the reporting date and before the date the financial report was authorised for issue.

b. Board oversight of remuneration

Remuneration and Nominations Committee

The remuneration and nominations committee is responsible for making recommendations to the Board on the appointment of and remuneration arrangements for Non-executive Directors and executives. The remuneration and nominations committee assesses the appropriateness of the nature and amount of remuneration of Non-executive Directors and executives by reference to relevant employment market conditions, with the overall objective of ensuring maximum stakeholder benefit from the retention of a high performing director and executive team. In determining the level and composition of executive remuneration, the remuneration committee can also engage external consultants to provide independent advice.

The remuneration and nominations committee comprises three independent Non-executive Directors. With the appointment of Diana Eilert to the committee as chair effective 1 July 2012, the committee currently comprises four Non-executive Directors as a transition arrangement.

Remuneration approval process

The Board approves the remuneration arrangements of the CEO and executives and all awards made under the long-term incentive (LTI) plan, following recommendations from the remuneration committee. The Board also sets the aggregate remuneration of Non-executive Directors which is then subject to shareholder approval.

The remuneration and nominations committee approves, having regard to the recommendations made by the CEO, the level of the Company short-term incentive (STI) pool.

Remuneration strategy

The Company's remuneration strategy is designed to attract, motivate and retain employees and Non-executive Directors by identifying and rewarding high performers and recognising the contribution of each employee to the continued growth and success of the Company.

To this end, key objectives of the Company's reward framework are to ensure that remuneration practices:

- are aligned to the Company's business strategy
- offer competitive remuneration benchmarked against the external market
- provide strong linkage between individual and Group performance and rewards.

c. Non-executive Director remuneration arrangements

Remuneration structure

In accordance with best practice corporate governance, the structure of Non-executive Directors and executive remuneration is separate and distinct.

Structure

The remuneration of Non-executive Directors consists of directors' fees and committee fees (where applicable). Non-executive Directors have typically received a single grant of options on appointment as a mechanism to attract high calibre experienced Non-executive Directors. This policy is currently under review. Non-exectuive directors do not receive retirement benefits.

Non-executive Directors are to be paid such aggregate directors fees as the Company in general meeting determines, to be divided among them as agreed. The current limit is $400,000.

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15. Remuneration report (audited) continued

2012* Fees Applicable (inclusive of any applicable superannuation)	Chair $	Member $
Board	100,000	60,000
Audit & Risk Committee	15,000	-
Remuneration & Nomination Committee	-	-
Product & Technology Committee	-	-

* no directors' fees were payable in respect of 2011

d. Use of remuneration consultants

In July 2012, the Company's remuneration Committee employed the services of Godfrey Remuneration Group Pty Limited (GRG) to provide recommendations in relation to market benchmarking the competitiveness of its executive remuneration practices including short term and long term incentive plan design. As at the date of this report, this engagement was still in progress.

GRG provided remuneration recommendations as defined in section 9B of the *Corporations Act 2001* and will be paid $26,300 for these services.

GRG has confirmed that the above recommendations have been made free from undue influence by members of the Company's key management personnel.

The following arrangements were made to ensure that the remuneration recommendations were free from undue influence:

- GRG was engaged by, and reported directly to, the chair of the remuneration committee. The agreement for the provision of remuneration consulting services was executed by the chair of the remuneration committee under delegated authority on behalf of the Board.
- The report containing the remuneration recommendations were provided by GRG directly to the chair of the remuneration committee; and
- GRG was permitted to speak to management throughout the engagement to understand company processes, practices and other business issues and obtain management perspectives. However, GRG was not permitted to provide any member of management with a copy of their draft or final report that contained the remuneration recommendations.

As a consequence, the Board is satisfied that the recommendations were made free from undue influence from any members of key management personnel based on the scope of the service and the arrangements made.

e. Voting and comments made at the Company's 2011 Annual General Meeting

The Company received more than 85% of 'yes' votes on its remuneration report for the 2011 financial year. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration policies.

f. Executive remuneration arrangements

Remuneration levels and mix

The Company aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Company and aligned with market practice.

Structure

In the 2012 financial year, the executive remuneration framework consisted of the following components:

- Fixed remuneration
- Variable remuneration

Fixed remuneration

Executive contracts of employment do not include any guaranteed base pay increases. External market data will be obtained if necessary from national remuneration surveys to ensure that base pay is set to reflect the market. Base pay for senior executives is reviewed annually to ensure that it is competitive with the market.

Variable remuneration – short-term incentive (STI)

The Company has annual STIs available to executives that seeks to provide a cash bonus subject to the attainment of clearly defined Company, business unit and individual measures.

The total potential STI available is set at a level so as to provide sufficient incentive to executives to achieve the operational targets and such that the cost to the Company is reasonable in the circumstances.

Actual STI payments awarded to each executive depend on the extent to which specific targets set at the beginning of the financial year are met.

In the 2012 financial year, the 100% of the STI targets were based on overachievement of the prospectus earnings forecast. The requisite overachievement was not met with no STIs payable as a result.

Variable remuneration – long term incentive (LTI)

The Company uses equity as part of its remuneration approach and this has taken the form of an issue of options under employee share option plans. Each option entitles the holder to one fully paid ordinary share in the Company. Executives have typically received a single grant of options on appointment as a mechanism to attract and retain high calibre experienced executives, with no performance conditions attached. This policy is currently under review.

The Board reviews the use of options from time to time. It is considered that options are an effective long term incentive that aligns executives with shareholder interests.

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15. Remuneration report (audited) continued

Employee share option plans (ESOP)

Under the terms of the ESOP, offers to apply for the issue of options to subscribe for shares may be made to eligible employees or Directors, as determined by the Board. The total number of Shares which may be acquired from the issue of options under the ESOP must not exceed 5% of the total of the following:

- the total number of issued shares in the Company as at the date of the offer made to the participant;
- the total number of shares underlying the options issued under the ESOP; and
- the number of shares underlying the outstanding options to subscribe for Shares issued by the Company under any other employee share or option scheme of the Company, less that number of options granted under certain exemptions listed in the terms of the ESOP including where the offer of options did not need disclosure to investors under the Corporations Act.

The Board has discretion to determine the specific terms and conditions applying to each offer under the ESOP including the exercise price. The options are personal to the participant and cannot be exercised by another person, unless approved by the Board.

The Company has issued a total of 1,600,000 options during the year (2011: 3,350,000 options) to executives and directors of the Company. The key terms of these options are:

Options issued during 2012:

- the first vesting condition is 24 months after employment commences
- exercise price is Value Weighted Close Price for the 5 days preceding the date of the grant plus a 25% premium
- upon cessation of employment – accelerated vesting of $1 plus the exercise price to be exercised in 10 days from ceasing employment.

Options issued during 2011:

- the first vesting condition was listing;
- the exercise price for the options was $1.00;
- the options granted to Michael Fredericks, Eddie Lynch (resigned 21 November 2011) and Craig Thwaites (resigned 30 June 2011) are also subject to completion of two years employment with the Group.

Hedge Policy

No Directors or Officers may hedge their risk on shares or options held in the Company.

Company Performance

As at 30 June 2012 the Company's share price was $0.46 (2011: $0.675) and the earnings per share for the year ended 30 June 2012 was a gain per share of $0.03 (2011: loss $0.19).

g. Executive contractual arrangements

Remuneration arrangements for key management personnel are formalised in employment agreements.

Managing Director

Michael Fredericks is employed under a contract with the following key terms:

Term	Three years, until the end of April 2014
Total fixed salary per annum (including superannuation)	$272,500 subject to annual review.
Bonus/short term incentive	Up to 40% of fixed salary subject to achievement of certain key performance indicators.
Termination by executive	Mr Fredericks may terminate his employment on six months' notice.
Termination by Company	The Company may terminate Mr Fredericks' employment without cause with six months' notice or payment of six months compensation in lieu of notice. Otherwise, the Company may terminate his employment for cause in which case he is entitled to unpaid salary and statutory amounts.
Restrictions	The agreement includes certain restrictions on being associated with competitive businesses or soliciting clients or employees of the Company for a period up to 12 months after termination.

In addition to the above, Mr Fredericks has received 750,000 options and also has access to a Company car.

Other Key Management Personnel

All other KMP have rolling contracts which provides for a fixed salary (inclusive of superannuation) plus a short term incentive component which ranges from 25% to 50% of the base salary, with standard leave entitlements. The contracts also provide for the ability to participate in the Company's ESOP. The Company may terminate the employment contracts without cause by providing written notice or making payment in lieu of notice, based on the individual's annual salary component with notice period of a range of 3 to 6 months. Termination payments are generally not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct the Company can terminate employment at any time.

15. Remuneration report (audited) continued

Remuneration of key management personnel and the executives of the Company and the Group

	Short-term benefits				Post-employment	Long-term benefits		Share-based payments	Termination payments	Total	Performance related
Year ended 30 June 2012	Fixed - Salary & fees $	STI - Cash bonus $	Non monetary benefits $	Other $	Super-annuation $	Cash Incentives $	Long service leave $	Options issued $	$	$	%
Non-executive Directors											
G. Pemberton	60,000	-	-	-		-	-	3,052	-	63,052	-
W. Face	75,000	-	-	-		-	-	3,052	-	78,052	-
J. McKerlie	92,096	-	-	-	8,289	-	-	6,105	-	106,490	-
Total Non-executive Directors	227,096	-	-	-	8,289	-	-	12,209	-	247,594	-
Executive Directors											
M. Fredericks	250,000	-	-	-	22,500	-	-	8,292	-	280,792	-
Other key management personnel											
S.Whidborne (appointed 19/03/12)	66,462	-	-	-	4,550	-	-	2,406	-	73,418	-
J. Lilienstein (appointed 28/11/11)	134,373	-	-	-	9,404	-	-	3,324	-	147,101	-
K. Branagan (appointed 19/03/12)	58,962	-	-	-	4,550	-	-	2,406	-	65,918	-
C. Dawson (resigned 19/03/12)	187,554	-	-	-	24,461	-	-	5,617	83,333	300,962	-
E. Lynch (resigned 22/11/11)	134,037	-	-	-	9,433	-	51,014	(4,115)	-	190,369	-
P. Dickman (resigned 11/11/11)	70,601	-	-	-	7,062	-	-	1,659	-	79,322	-
Total executive KMP	901,989	-	-	-	81,960	-	51,014	19,589	83,333	1,137,885	-
Totals	**1,129,085**	**-**	**-**	**-**	**90,249**	**-**	**51,014**	**31,798**	**83,333**	**1,385,479**	**-**

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15. Remuneration report (audited) continued

	Short-term benefits				Post-employment	Long-term benefits		Share-based payments	Termination payments	Total	Performance related
Year ended 30 June 2011	Fixed -Salary & fees $	STI - Cash bonus $	Non monetary benefits $	Other $	Super-annuation $	Cash Incentives $	Long service leave $	Options issued $	$	$	%
Non-executive Directors											
G. Pemberton	20,000	-	-	-	-	-	-	1,283	-	21,283	-
J. McKerlie	31,792	-	-	-	-	-	-	2,565	-	34,357	-
W. Face	26,500	-	-	-	-	-	-	1,283	-	27,783	-
Total Non-executive Directors	78,292	-	-	-	-	-	-	5,131	-	83,423	-
Executive Directors											
M. Fredericks	193,462	-	-	-	7,962	-	-	3,086	-	204,510	-
Other key management personnel											
C. Dawson	28,846	-	-	-	2,596	-	-	1,234	-	32,676	-
E. Lynch	19,231	-	-	-	1,731	-	-	4,115	-	25,077	-
P. Dickman	68,462	-	-	-	6,162	-	-	617	-	75,241	-
C. Thwaites (resigned 30/06/11)	8,462	-	-	-	966	-	-	-	52,105	61,533	-
Total executive KMP	318,463	-	-	-	19,417	-	-	9,052	52,105	399,037	-
Totals	**396,755**	**-**	**-**	**-**	**19,417**	**-**	**-**	**14,183**	**52,105**	**482,460**	**-**

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15. Remuneration report (audited) continued

h. Equity instruments

Options awarded and vested during the year

Year ended 30 June 2012	Options awarded during the year No.	Terms and Conditions for each Grant during the year						Options vested during the year	
		Award date	Fair value per option at award date ($)	Exercise Price ($)	Expiry Date	First exercise date	Last exercise date	No.	%
Non-executive Directors									
G. Pemberton	-	-	-	-	-	-	-	-	-
J. McKerlie	-	-	-	-	-	-	-	-	-
W. Face	-	-	-	-	-	-	-	-	-
Executive Directors									
M. Fredericks	-	-	-	-	-	-	-	-	-
Other key management personnel									
S. Whidborne	500,000	5-Jun-2012	0.159	0.528	30-Apr-2017	19-Mar-2014	30 April 2017	-	-
J. Lilienstein	600,000	5-Jun-2012	0.157	0.513	30-Apr-2017	28-Nov-2013	30 April 2017	-	-
K. Branagan	500,000	5-Jun-2012	0.159	0.528	30-Apr-2017	19-Mar-2014	30 April 2017	-	-
C. Dawson	-	-	-	-	-	-	-	100,000	33.33
E. Lynch	-	-	-	-	-	-	-	-	-
P. Dickman	-	-	-	-	-	-	-	-	-
Total	1,600,000							100,000	

Year ended 30 June 2011	Options awarded during the year No.	Terms and Conditions for each Grant during the year						Options vested during the year	
		Award date	Fair value per option at award date ($)	Exercise Price ($)	Expiry Date	First exercise date	Last exercise date	No.	%
Non-executive Directors									
G. Pemberton	250,000	30-Mar-2011	0.0388	1.00	30-Jun-2016	30-Jun-2013	30-Jun-2016	-	-
J. McKerlie	500,000	30-Mar-2011	0.0388	1.00	30-Jun-2016	30-Jun-2013	30-Jun-2016	-	-
W. Face	250,000	30-Mar-2011	0.0388	1.00	30-Jun-2016	30-Jun-2013	30-Jun-2016	-	-
Executive Directors									
M. Fredericks	750,000	30-Mar-2011	0.0425	1.00	30-Jun-2016	30-Jun-2013	30-Jun-2016	-	-
Other key management personnel									
C. Dawson	300,000	30-Mar-2011	0.0425	1.00	30-Jun-2016	30-Jun-2012	30-Jun-2016	-	-
E. Lynch	1,000,000	30-Mar-2011	0.0425	1.00	30-Jun-2016	30-Jun-2013	30-Jun-2016	-	-
P. Dickman	150,000	30-Mar-2011	0.0425	1.00	30-Jun-2016	30-Jun-2013	30-Jun-2016	-	-
C. Thwaites (resigned 30/06/11)	150,000	30-Mar-2011	0.0425	1.00	30-Jun-2016	30-Jun-2013	30-Jun-2016	-	-
Total	**3,350,000**							**-**	

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15. Remuneration report (audited) continued

Value of options awarded, exercised and lapsed during the year ^

	Value of options granted during the year $	Value of options exercise during the year $	Value of options lapsed during the year $	Remuneration consisting of options for the year %
Non-executive Directors				
G. Pemberton	-	-	-	4.8%
W. Face	-	-	-	3.9%
J. McKerlie	-	-	-	5.7%
Executive Directors				
M. Fredericks	-	-	-	3.0%
Other key management personnel				
S. Whidborne	79,470	-	-	3.3%
J. Lilienstein	93,933	-	-	2.3%
K. Branagan	79,470	-	-	3.6%
C. Dawson	-	-	-	1.9%
E. Lynch **	-	-	(21,250)	(2.2)%
P. Dickman	-	-	-	3.3%

^ For details on the valuation of the options, including models and assumptions used, please refer to note 25 of the financial statements.
** Represents forfeiture on resignation.

There were no alterations to the terms and conditions of options awarded as remuneration since their award date.

Shares issued on exercise of options

There were no shares issued on exercise of executive options.

Signed in accordance with a resolution of the Directors.

Gail Pemberton
Chairman

31 August 2012

Michael Fredericks
Managing Director

31 August 2012

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The Board of Directors of Onthehouse Holdings Limited is responsible for establishing the corporate governance framework of the Company having regard to the ASX Corporate Governance Council (CGC) published guidelines as well as its corporate governance principles and recommendations. The Board guides and monitors the business and affairs of Onthehouse Holdings Limited on behalf of the shareholders by whom they are elected and to whom they are accountable.

Onthehouse is committed to achieving and maintaining the highest standards of conduct and has undertaken various initiatives, as outlined in this section, that are designed to achieve this objective. Onthehouse's corporate governance charters and policies are intended to "institutionalise" good corporate governance and, generally, to build a culture of best practice both in Onthehouse's own internal practices and in its dealings with others. The following are a tangible demonstration of Onthehouse's corporate governance commitment.

Independent professional advice

With the prior approval of the chairman, which may not be unreasonably withheld or delayed, each director has the right to seek independent legal and other professional advice concerning any aspect of the Company's operations or undertakings in order to fulfil their duties and responsibilities as Directors. Any costs incurred are borne by Onthehouse.

Code of ethics and values

Onthehouse has developed and adopted a detailed code of conduct to guide Directors in the performance of their duties.

Code of conduct for transactions in securities

Onthehouse has developed and adopted a formal securities trading policy to regulate dealings in securities by Directors and senior management and their associates. This is designed to ensure fair and transparent trading in accordance with both the law and best practice.

Charter

The code of conduct and securities trading policy (amongst others and referred to above) can be inspected on the Company's website at www.onthehouse.com.au.

Substantial compliance with ASX corporate governance guidelines and best practice recommendations

The ASX document, "Corporate Governance Policies and Recommendations with 2010 amendments" Corporate Governance Policies and Recommendations published 30 June 2010 by the ASX Corporate Governance Council with the aim of enhancing the credibility and transparency of Australia's capital markets.

The Company is in compliance with the following principles and recommendations.

The table below summarises the Company's compliance with the CGC's recommendations.

Recommendation	Comply Yes/No	ASX Listing Rule/CGC	Reference/explanation
Principle 1 – Lay solid foundations for management and oversight			
1.1 Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	Yes	ASX CGC 1.1	The role of the Board and delegation to management have been formalised and will continue to be refined. Onthehouse complies with the Guidelines in this area.
1.2 Companies should disclose the process for evaluating the performance of senior executives.	Yes	ASX CGC 1.2	
1.3 Companies should provide the information indicated in the guide to reporting on Principle 1.	Yes	ASX CGC 1.3	
Principle 2 – Structure the board to add value			
2.1 A majority of the board should be independent directors.	Yes	ASX CGC 2.1	Each of the Non-executive Directors, including the chairman, are independent. Together the directors have a broad range of experience, expertise, skills, qualifications and contacts relevant to the business of the Company. The Board currently consists four Non-executive Directors and an executive director who is also the Managing Director and Chief Executive Officer. The Managing Director is not independent. The Board considers that a four to five person board is an appropriate size for a company with the size and growth profile of Onthehouse. The Board may seek to add additional directors to the Board in the future. There are procedures in place to allow Directors to seek, at Onthehouse's expense, independent advice concerning any aspect of operations.
2.2 The chair should be an independent director.	Yes	ASX CGC 2.2	
2.3 The roles of chair and chief executive officer (CEO) should not be exercised by the same individual.	Yes	ASX CGC 2.3	
2.4 The board should establish a nomination committee.	Yes	ASX CGC 2.4	
2.5 Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	Yes	ASX CGC 2.5	
2.6 Companies should provide the information indicated in the guide to reporting on Principle 2.	Yes	ASX CGC 2.6	

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Recommendation	Comply Yes/No	ASX Listing Rule/CGC	Reference/explanation
Principle 3 – Promote ethical and responsible decision-making			
3.1 Companies should establish a code of conduct and disclose the code or a summary of the code as to: • The practices necessary to maintain confidence in the company's integrity • The practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders • The responsibility and accountability of individuals for reporting and investigating reports of unethical practices	Yes	ASX CGC 3.1	The Board has adopted a detailed code of conduct and a detailed securities trading policy. The Board will ensure that restrictions on dealings in securities are strictly enforced. The code and policy have been designed with a view to ensuring the highest ethical and professional standards, as well as compliance with legal obligations, and therefore compliance with the Guidelines. The Company values diversity and recognises the benefits it can bring to the organisation's ability to achieve its goals. Accordingly the Company has developed diversity policy, a copy of which can be found on the Company website. This policy outlines the Company's diversity objectives in relation to gender, age, cultural background and ethnicity. It includes requirements for the Board to establish measurable objectives for achieving diversity, and for the Board to assess annually both the objectives, and the Company's progress in achieving them.
3.2 Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.	Yes	ASX CGC 3.2	
3.3 Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	Yes	ASX CGC 3.3	
3.4 Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	Yes	ASX CGC 3.4	
3.5 Companies should provide the information indicated in the guide to reporting on Principle 3.	Yes	ASX CGC 3.5	
Principle 4 – Safeguard integrity in financial reporting			
4.1 The board should establish an audit committee.	Yes	ASX CGC 4.1	The Audit and Risk Committee has been established and operates under its own charter and complies with the Guidelines.
4.2 The audit committee should be structured so that it: • Consists only of Non-executive Directors • Consists of a majority of independent directors • Is chaired by an independent chair, who is not chair of the board • Has at least three members.	Yes	ASX CGC 4.2 ASX LR 12.7	
4.3 The audit committee should have a formal charter.	Yes	ASX CGC 4.3	
4.4 Companies should provide the information indicated in the guide to reporting on Principle 4.	Yes	ASX CGC 4.4	
Principle 5 – Make timely and balanced disclosure			
5.1 Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	Yes	ASX CGC 5.1	Onthehouse's current practice on disclosure is consistent with the Guidelines. Policies for compliance with ASX Listing Rule disclosure requirements are included in the Company's Board Charter and disclosure policy.
5.2 Companies should provide the information indicated in the guide to reporting on Principle 5.	Yes	ASX CGC 5.2	
Principle 6 – Respect the rights of shareholders			
6.1 Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Yes	ASX CGC 6.1	The Board recognises the importance of this principle and strives to communicate with Shareholders regularly and clearly. The Company's policies including its disclosure policy and Shareholder communication policy comply with the Guidelines in relation to the rights of Shareholders.
6.2 Companies should provide the information indicated in the guide to reporting on Principle 6.	Yes	ASX CGC 6.2	

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Recommendation	Comply Yes/No	ASX Listing Rule/CGC	Reference/explanation
Principle 7 – Recognise and manage risk			
7.1 Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Yes	ASX CGC 7.1	The Company's approach to risk management policy and systems are formalised in the Company's Audit and Risk committee charter (which complies with the Guidelines in relation to risk management) and is kept under regular review. This is also reviewed by the Board. The Board and Audit and Risk Committee seek to continually improve the risk management systems of the Company.
7.2 The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	Yes	ASX CGC 7.2	
7.3 The board should disclose whether it has received assurance from the CEO [or equivalent] and the Chief Financial Officer (CFO) [or equivalent] that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Yes	ASX CGC 7.3	
7.4 Companies should provide the information indicated in the guide to reporting on Principle 7.	Yes	ASX CGC 7.4	
Principle 8 – Remunerate fairly and responsibly			
8.1 The board should establish a remuneration committee.	Yes	ASX CGC 8.1	The Remuneration and Nomination Committee has been established with its own charter.
8.2 Companies should clearly distinguish the structure of nonexecutive directors' remuneration from that of executive directors and senior executives.	Yes	ASX CGC 8.2	
8.3 Companies should provide the information indicated in the guide to reporting on Principle 8.	Yes	ASX CGC 8.3	

Onthehouse Holdings Limited's corporate governance practices were in place for the year ended 30 June 2012, and in the prior year from the period of listing to 30 June 2011.

Various corporate governance practices are discussed within this statement. For further information on corporate governance policies adopted by Onthehouse Holdings Limited's, refer to our website: www.onthehouse.com.au.

Scope of responsibility of Board

Responsibility for the Company's proper corporate governance rests with the Board. The Board's guiding principles in meeting this responsibility are to act honestly, fairly and diligently, in accordance with the law, in the interests of Onthehouse's Shareholders (with a view to building sustainable value for them) and those of employees and other stakeholders. The Board's responsibilities generally involve:

- overseeing the Company, including its control and accountability systems
- appointing and removing the Chief Executive Officer, or equivalent
- where appropriate, ratifying the appointment and removal of senior executives
- providing input into and final approval of management's development of corporate strategy and performance objectives
- reviewing, ratifying and monitoring systems of risk management and internal control, codes of conduct and legal compliance
- monitoring senior executives' performance and implementation of strategy
- ensuring appropriate resources are available to senior executives
- approving and managing the progress of major capital expenditure, capital management and acquisitions and divestitures
- approving and monitoring financial and other reporting.

Composition of Board

The Board performs its roles and function, consistent with the above statement of its overall corporate governance responsibility, in accordance with the following principles:

- The Board should comprise at least:
  (a) two (2) non-executive Directors;
  (b) the Managing Director;
  (c) one (1) other non-executive Director who will be the Chair
- a majority of the Directors should be independent.

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Board charter and policy

The Board has adopted a charter (which will be kept under review and amended from time to time as the Board may consider appropriate) to give formal recognition to the matters outlined above. This charter sets out various other matters that are important for effective corporate governance including the following:

- a detailed definition of "independence";
- a framework for strategic planning and risk management;
- a framework for individual performance review and evaluation;
- responsibilities and duties of its committees;
- ethical standards and values – formalised in a detailed code of conduct;
- diversity – formalised in a detailed diversity policy;
- dealings in securities – formalised in a detailed securities trading policy designed to ensure fair and transparent trading by Directors and senior management and their associates; and
- communications with Shareholders and the market.

These initiatives, together with other matters provided for in the Board's charter, are designed to "institutionalise" good corporate governance and generally build a culture of best practice in Onthehouse's own internal practices and in its dealings with others.

Audit and Risk Committee

The Audit and Risk Committee's responsibilities and duties include, but are not limited to, making recommendations to the Board on the following:

(a) ensuring the integrity of the financial statements of the Company and disclosure of all relevant matters to the external auditor and the Board;
(b) appointment, reward and performance of the external auditor and the integrity of the external audit process as a whole;
(c) identification and management of business risks;
(d) the effectiveness of the systems of internal control and risk management, including the application of ASX Corporate Governance Principle 7.

Product and Technology Committee

The Product and Technology Committee's responsibilities and duties include, but are not limited to, making recommendations to the Board on the following:

(a) ensuring that the Company's technology and product strategy exist and are aligned with and underpin each other and the overall corporate strategy;
(b) all risks associated with the delivery of the strategy are identified and mitigated consistent with the risk appetite of the Company.

Remuneration and Nominations Committee

The Remuneration and Nomination Committee's responsibilities and duties include, but are not limited to, making recommendation to the Board on the following:

(a) the remuneration policy and its application (specifically) to the CEO and (generally) to the executives reporting to the CEO;
(b) the adoption of annual and longer-term incentive plans;
(c) the specific determination of levels of reward to the CEO and approval of the general/overall terms of the rewards to executives reporting to the CEO;
(d) guidance to the Chair on the annual evaluation of the CEO;
(e) the communication to the shareholders on the Company's remuneration policy and the Committee's work on behalf of the Board;
(f) the identification of suitable candidates for appointment to the Board;
(g) the succession plan for the Chair and CEO and periodic evaluation of that plan.

Gender Diversity

In accordance with this policy and ASX Corporate Governance Principles, the Board has established the following objectives in relation to gender diversity. The aim is to achieve these objectives over the coming 2 to 3 years as director and senior executive positions become vacant and appropriately skilled candidates are available:

	Objective		Actual at 30 June 2012	
Area	Number	%	Number	%
Women employees in the whole organisation	33	33%	34 of 100	34
Women in senior executive positions	2	33%	1 of 4	25
Women on the Board	2	40%	2 of 5	40

CEO and CFO certification

In accordance with section 295A of the Corporations Act, the CEO and CFO have provided a written statement to the Board that:

- Their view provided on the Company's financial report is founded on a sound system of risk management and internal compliance and control which implements the financial policies adopted by the Board.
- The Company's risk management and internal compliance and control system is operating effectively in all material respects.

The Board agrees with the views of the ASX on this matter and notes that due to its nature, internal control assurance from the CEO and CFO can only be reasonable rather than absolute. This is due to such factors as the need for judgement, the use of testing on a sample basis, the inherent limitations in internal control and because much of the evidence available is persuasive rather than conclusive and therefore is not and cannot be designed to detect all weaknesses in control procedures.

In response to this, internal control questions are required to be completed by the key management personnel of all significant business units, including finance managers, in support of these written statements.

Shareholder communication policy

Pursuant to Principle 6, Onthehouse's objective is to promote effective communication with its shareholders at all times. Onthehouse is committed to:

- Ensuring that shareholders and the financial markets are provided with full and timely information about Onthehouse Holdings Limited's activities in a balanced and understandable way
- Complying with continuous disclosure obligations contained in the ASX listing rules and the Corporations Act in Australia
- Communicating effectively with its shareholders and making it easier for shareholders to communicate with Onthehouse Holdings Limited

To promote effective communication with shareholders and encourage effective participation at general meetings, information is communicated to shareholders:

- Through the release of information to the market via the ASX
- Through the distribution of the annual report and notices of annual general meeting
- Through shareholder meetings and investor relations presentations
- Through letters and other forms of communications directly to shareholders
- By posting relevant information on Onthehouse Holdings Limited's website.

The external auditors are required to attend the annual general meeting and are available to answer any shareholder questions about the conduct of the audit and preparation of the audit report.

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Auditor's Independence Declaration to the Directors of Onthehouse Holdings Limited

In relation to our audit of the financial report of Onthehouse Holdings Limited for the financial year ended 30 June 2012, 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

Ernst & Young

Mike Reid
Partner
31 August 2012

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Consolidated Statement of Comprehensive Income
For the Year Ended 30 June 2012
Onthehouse Holdings Limited

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	Note	2012 $'000	2011 $'000
Revenue	6	20,327	1,485
Licence fees and sales-based incentives		(428)	(333)
Amortisation	7	(4,497)	(427)
Depreciation	7	(408)	(53)
Communications		(771)	(103)
Employee benefits expense		(7,376)	(1,591)
Occupancy		(1,135)	(196)
Professional fees and insurance		(518)	(422)
Other expenses		(2,159)	(358)
Financing costs		(289)	(1)
Share of profit of jointly controlled entity	13	22	-
		(17,559)	(3,484)
Profit/(loss) before income tax expense		2,768	(1,999)
Income tax (expense)/benefit	8	(627)	173
Profit/(loss) for the year		2,141	(1,826)
Other comprehensive income			
Foreign currency translation		13	(2)
Other comprehensive income for the year, net of tax		13	(2)
Total comprehensive income for the year		2,154	(1,828)
Profit/(loss) is attributable to:			
Owners of Onthehouse Holdings Limited		2,141	(1,826)
Total comprehensive income is attributable to:			
Owners of Onthehouse Holdings Limited		2,154	(1,828)

Earnings per share attributable to ordinary equity holders of the parent:		2012 Per Share	2011 Per Share
Basic (cents per share)	9	2.62	(19.09)
Diluted (cents per share)	9	2.62	(19.09)

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

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	Note	2012 $'000	2011 $'000
Current Assets			
Cash and cash equivalents	10	3,066	1,747
Trade and other receivables	11	2,537	1,689
Other assets	12	412	12
Total current assets		6,015	3,448
Non-Current Assets			
Investments	13	3,962	700
Property, plant & equipment	14	652	940
Intangible assets	15	59,618	62,278
Total non-current assets		64,232	63,918
Total assets		70,247	67,366
Current Liabilities			
Trade and other payables	16	1,722	2,998
Borrowings	17	1,081	45
Income tax payable		219	346
Provisions	18	757	1,445
Deferred revenue	19	1,475	1,298
Total current liabilities		5,254	6,132
Non-Current Liabilities			
Borrowings	17	1,250	228
Deferred tax liabilities	8	2,223	1,655
Provisions	18	233	250
Total non-current liabilities		3,706	2,133
Total liabilities		8,960	8,265
Net assets		61,287	59,101
Equity			
Contributed equity	20	63,911	63,911
Reserves	21	2,463	277
Accumulated losses	21	(5,087)	(5,087)
Total equity		61,287	59,101

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

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Consolidated Statement of Changes in Equity
For the Year Ended 30 June 2012
Onthehouse Holdings Limited

	Contributed equity $'000	Share based payments reserve $'000	Foreign currency translation reserve $'000	Profits reserve $'000	Accumulated losses $'000	Total $'000
	Note 20	Note 21	Note 21	Note 21	Note 21	
Balance at 1 July 2010	2,576	265	-	-	(3,261)	(420)
Loss for the year	-	-	-	-	(1,826)	(1,826)
Other comprehensive income for the year	-	-	(2)	-	-	(2)
Total comprehensive income for the year	-	-	(2)	-	(1,826)	(1,828)
Contributions of equity	64,544	-	-	-	-	64,544
Transaction costs on share issue	(3,209)	-	-	-	-	(3,209)
Share based payments	-	14	-	-	-	14
Balance at 30 June 2011	63,911	279	(2)	-	(5,087)	59,101
Balance at 1 July 2011	**63,911**	**279**	**(2)**	**-**	**(5,087)**	**59,101**
Profit for the year	**-**	**-**	**-**	**2,141**	**-**	**2,141**
Other comprehensive income for the year	**-**	**-**	**13**	**-**	**-**	**13**
Total comprehensive income for the year	**-**	**-**	**13**	**2,141**	**-**	**2,154**
Share based payments	**-**	**32**	**-**	**-**	**-**	**32**
Balance at 30 June 2012	**63,911**	**311**	**11**	**2,141**	**(5,087)**	**61,287**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

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	Note	2012 $'000	2011 $'000
Cash flows from operating activities			
Receipts from customers		21,352	1,656
Payments to suppliers and employees		(14,499)	(2,687)
Interest received		44	5
Finance costs		(289)	(1)
Income taxes (paid)/refunded		(186)	414
Net cash from /(used in) operating activities	22	6,422	(613)
Cash flows from investing activities			
Payments for software and data intangibles	15	(1,636)	(420)
Payments for acquisition of subsidiaries, net cash acquired	28	(422)	(49,538)
Payments for investment in jointly controlled entity	13	(3,240)	(700)
Payments for plant and equipment	14	(293)	(49)
Transaction costs relating to acquisitions	13,28	(212)	-
Proceeds from disposal of plant and equipment		21	-
Net cash (used in) investing activities		(5,782)	(50,707)
Cash flows from financing activities			
Proceeds from issues of shares		-	56,939
Transaction costs on issue of shares		(1,380)	(3,206)
Proceeds from borrowings		3,000	-
Repayment of borrowings		(793)	(355)
Borrowings net (related parties)		(148)	(324)
Net cash from financing activities		679	53,054
Net increase in cash and cash equivalents		1,319	1,734
Cash and cash equivalents at the beginning of the financial year		1,747	13
Cash and cash equivalents at the end of the financial year	10	3,066	1,747

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

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1. Corporate Information

Onthehouse Holdings Limited ("the Company") is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange. Onthehouse Holdings Limited was incorporated as a public company on 29 March 2011 and was listed on the Australian Stock Exchange on 3 June 2011.

The comparative statement of comprehensive income, statement of changes in equity and statement of cash flows for the 30 June 2011 year consists of the following:

- Onthehouse Holdings Limited for the period 29 March 2011 to 30 June 2011
- Onthehouse.com.au Pty Ltd for the period 1 July 2010 to 30 June 2011
- Console Australia Pty Ltd (and New Zealand subsidiary) for the period 27 May 2011 to 30 June 2011
- PortPlus Pty Ltd (and New Zealand subsidiary) for the period 27 May 2011 to 30 June 2011

The consolidated financial report of the Company for the year ended 30 June 2012 was authorised for issue in accordance with a resolution of the directors on 31 August 2012.

The nature of the operations and principal activities of the Group are described in the directors' report.

2. Summary of Significant Accounting Policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Both the functional and presentation currency of the Company is Australian dollars.

(a) Basis of preparation

This general purpose financial report for the financial year ended 30 June 2012 has been prepared in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. Onthehouse Holdings Limited is a for-profit entity for the purpose of preparing the financial statements.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated.

Compliance with IFRS

The financial statements of Onthehouse comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Historical cost convention

These financial statements have been prepared under the historical cost convention, except for available-for-sale investments which have been measured at fair value.

Going Concern Assumption

The financial statements have been prepared using the going concern assumption. As at 30 June 2012, current assets exceeded current liabilities by $761,000 which includes deferred revenue of $1,475,000 (2011: current liabilities exceeded current assets by $2,684,000).

The Company has entered into put and call options over the remaining 50% shareholding of Residex Pty Ltd. The put exercise period is from 9 July 2012 to 23 July 2013 and allows the vendor to put the remaining 50% to the Company, while the call is exercisable by the Company from 9 July 2013 to 23 July 2013. The purchase price of shares is the higher of $3,500,000 or 50% of 8 times the EBITDA for the prior 12 months on the relevant accounts date. As at the date of this report the vendor has not exercised his option. It is noted should this occur:

- based on the financial results for the year ended 30 June 2012, the purchase price would not exceed $3,500,000;
- as at 30 June 2012 the Company has cash and cash equivalents of $3,066,000 and expects to continue to generate positive operating cashflow (2012: $6,422,000); and
- the Company has unutilised finance facilities totalling $1,375,000 (refer note 17). These structure of facilities have been re-allocated since 30 June 2012 to ensure sufficient facilities are at call to complete the acquisition should the put or call option be exercised.

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Company as at 30 June 2012 and the results of all subsidiaries for the year then ended. Onthehouse Holdings Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all entities (including special purpose entities) over which the Company has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Company.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Company.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the Statement of Comprehensive Income, Statement of Financial Position and Statement of Changes in Equity respectively.

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2. Summary of Significant Accounting Policies continued

(b) Principles of consolidation continued

(ii) Associates

Associates are all entities over which the Company has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

The Company's share of its associates' post acquisition profits or losses is recognised in profit or loss, and its share of post acquisition other comprehensive income is recognised in other comprehensive income. The cumulative post acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised as reduction in the carrying amount of the investment.

When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured long-term receivables, the Company does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Company.

(iii) Interests in joint ventures

A joint venture is a contractual arrangement whereby two or more parties (venturers) undertake an economic activity that is subject to joint control. Joint control exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the venturers. A jointly controlled entity is a joint venture that involves the establishment of a company, partnership or other entity to engage in economic activity that the group jointly controls with its fellow venturers.

The results, assets and liabilities of a jointly controlled entity are incorporated in these financial statements using the equity method of accounting. Under the equity method, the investment in a jointly controlled entity is carried in the balance sheet at cost plus post-acquisition changes in the group's share of net assets of the jointly controlled entity, less distributions received and less any impairment in value of the investment. Loans advanced to jointly controlled entities are also included in the investment on the group balance sheet. The group income statement reflects the group's share of the results after tax of the jointly controlled entity. The group statement of recognised income and expense reflects the group's share of any income and expense recognised by the jointly controlled entity outside profit and loss.

Financial statements of jointly controlled entities are prepared for the same reporting year as the group. Where necessary, adjustments are made to those financial statements to bring the accounting policies used into line with those of the group. The group assesses investments in jointly controlled entities for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication of impairment exists, the carrying amount of the investment is compared with its recoverable amount, being the higher of its fair value less costs to sell and value in use. Where the carrying amount exceeds the recoverable amount, the investment is written down to its recoverable amount.

(c) Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination shall be measured at fair value, which shall be calculated as the sum of the acquisition date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity issued by the acquirer, and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred, and included in administrative expenses.

When the Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Company's operating or accounting policies and other pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with AASB 139 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

(d) Operating segments

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start up operations which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the Board of directors.

Operating segments have been identified based on the information provided to the chief operating decision makers – being the Board of Directors.

(e) Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value for the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are included within interest-bearing loans and borrowings in current liabilities on the Statement of Financial Position.

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2. Summary of Significant Accounting Policies continued

(f) Trade and other receivables

Trade receivables, which generally have 30-60 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment.

Collectability of trade receivables is reviewed on an ongoing basis at an operating unit level. Individual debts that are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that the Company will not be able to collect the receivable. Financial difficulties of the debtor, default payments or debts more than 60 days overdue are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

(g) Investments and other financial assets

Investments and financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement are categorised as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired or originated. Designation is re-evaluated at each reporting date, but there are restrictions on reclassifying to other categories.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs.

Recognition and derecognition

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Company 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 market place. Financial assets are derecognised when the right to receive cash flows from the financial assets has expired or when the entity transfers substantially all the risks and rewards of the financial assets. If the entity neither retains nor transfers substantially all of the risks and rewards, it derecognises the asset if it has transferred control of the assets.

Subsequent measurement

(i) Loans and receivables

Loans and receivables including loan notes and loans to key management personnel 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 rate method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired. These are included in current assets, except for those with maturities greater than 12 months after balance date, which are classified as non-current.

(ii) Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets, principally equity securities, that are designated as available-for-sale or are not classified as the preceding category. After initial recognition available-for-sale financial assets are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

The fair values of investments that are actively traded in organised financial markets are determined by reference to quoted market bid prices at the close of business on the reporting date. For investments with no active market, fair values are determined using valuation techniques. Such techniques include: using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis; and option pricing models, making as much use of available and supportable market data as possible and keeping judgemental inputs to a minimum.

(h) Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Depreciation is calculated on a straight-line basis over the estimated useful life of the specific assets as follows:

- Plant and equipment – over 5 to 15 years
- Leased equipment – over 8 to 10 years

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

Derecognition

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.

(i) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Finance leases, which transfer to the Company 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 asset 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 in finance costs 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 Company will obtain ownership by the end of the lease term. Operating lease payments are recognised as an operating expense in the statement of comprehensive income (net income) on a straight-line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

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2. Summary of Significant Accounting Policies continued

(j) Impairment of non-financial assets other than goodwill and indefinite life intangibles

Non-financial assets other than goodwill and indefinite life intangibles are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

The Company conducts an annual internal review of asset values, which is used as a source of information to assess for any indicators of impairment. External factors, such as changes in expected future processes, technology and economic conditions, are also monitored to assess for indicators of impairment. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

(k) Goodwill and intangibles

Goodwill

Goodwill acquired in a business combination is initially measured at cost of the business combination being the excess of the consideration transferred over the fair value of the Company's net identifiable assets acquired and liabilities assumed. If this consideration transferred is lower than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised in profit or loss. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company'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 Company are assigned to those units or groups of units. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes, and is not larger than an operating segment determined in accordance with AASB 8.

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.

Intangibles

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 recognised in profit or loss 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 their useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the amortisation period or method, as appropriate, which is a change in accounting estimate.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level consistent with the methodology outlined for goodwill above. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed each reporting period to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate and is thus accounted for on a prospective basis.

Software Development

An intangible asset arising from a software development expenditure is recognised only when the Company can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Expenditure on research activities, undertaken with the prospect of enhancing software is recognised in profit or loss as an expense as incurred. Maintenance costs of internally developed software are expensed in statement of comprehensive income.

Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure so capitalised is amortised over the period of expected benefit from the related project.

The carrying value of an intangible asset arising from development expenditure is tested for impairment annually when the asset is not yet available for use, or more frequently when an indication of impairment arises during the reporting period.

Property Database

Costs in relation to acquiring data from third parties as well as expenditure incurred in developing or enhancing the data are capitalised. Where the data acquired from third parties does not confer the right of use beyond one year, the costs of such data are expensed in the year acquired.

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2. Summary of Significant Accounting Policies continued

(k) Goodwill and intangibles continued

Customer Contract and Relationships

Customer contracts and relationships have been recognised as part of business combinations as the future value expected to accrue to the Group.

Other Intangibles

Other intangibles recognised as part of business combinations include brand names and non-competition agreements.

Derecognition

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

Amortisation

Amortisation is calculated over the cost of the asset, or another amount substituted for cost, less its residual value. Amortisation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite.

The estimated useful lives are reviewed at least annually and in the current and comparative periods are as follows:

- Property database – 10 years
- Software – 3-5 years
- Customer relationships – 7-10 years
- Other intangibles – 2 -20 years

(l) Trade and other payables

Trade and other payables are carried at amortised cost and due to their short-term nature they are not discounted. They represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

(m) 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. Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(n) Provisions and employee benefits

Provisions are recognised when the Company 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 Company 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 Statement of Comprehensive Income (net income) net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

(o) Employee leave benefits

(i) Wages, salaries, and annual leave

Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

(ii) Long service leave

The liability for long service leave is recognised 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 wage 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.

(p) Share-based payment transactions

(i) Equity settled transactions

The Company provides benefits to its Directors and 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).

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using a binomial model.

In valuing equity-settled transactions, no account is taken of any vesting conditions, other than (if applicable):

- Non-vesting conditions that do not determine whether the Company receives the services that entitle the employees to receive payment in equity or cash
- Conditions that are linked to the price of the shares of the Company (market conditions).

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 statement of comprehensive income (net income) is the product of:

- The grant date fair value of the award.
- The current best estimate of the number of awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being met.
- The expired portion of the vesting period.

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2. Summary of Significant Accounting Policies continued

(p) Share-based payment transactions continued

(i) Equity settled transactions continued

The charge to the statement of comprehensive income for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding entry to equity.

Equity-settled awards granted by the Company to employees of subsidiaries are recognised in the Company's separate financial information as an additional investment in the subsidiary with a corresponding credit to equity. As a result, the expense recognised by the Company in relation to equity-settled awards only represents the expense associated with grants to its employees. 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. Any award subject to a market condition or non-vesting condition is considered to vest irrespective of whether or not that market condition or non-vesting is fulfilled, provided that all other conditions are satisfied.

If a non-vesting condition is within the control of the Company, or the employee, the failure to satisfy the condition is treated as a cancellation. If a non-vesting condition within the control of neither the Company nor employee is not satisfied during the vesting period, any expense for the award not previously recognised is recognised over the remaining vesting period, unless the award is forfeited.

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.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

(q) 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.

(r) Deferred Revenue

Deferred revenue relates to subscription based revenue invoiced earlier than the month the revenue is earned and is recognised over the period of the relevant subscription.

(s) Revenue recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Subscription and transaction revenue

Revenue from the provision of software and data services are recognised on a straight-line basis over the term of the agreement once the customer has access to the software and data application.

Transactional services are recognised at the date of the service, and in respect of development revenue by reference to the stage of completion of a contract or contracts in progress at reporting date or at the time of completion of the contract and billing to the customer. Stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours for each contract which is determined by a set quotation with the customer. As the contracts are reasonably short, there is only a small amount outstanding at balance date, as such the level of judgement required is minimal.

(ii) Interest revenue

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(t) Income tax and other taxes

Current tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of comprehensive income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax is provided on all temporary differences at the reporting 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
- 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 credits 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
- 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

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2. Summary of Significant Accounting Policies continued

(t) Income tax and other taxes continued

The carrying amount of deferred income tax assets is reviewed at each reporting 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 reporting 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 reporting date.

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.

(u) Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in this financial report.

(v) Other taxes

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

- When the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable
- Receivables and payables, which are stated with the amount of GST included

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(w) Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members of the 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
- 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.

(x) New accounting standards and interpretations

Relevant accounting standards and interpretations that have recently been issued or amended but are not yet effective and have not been adopted for the year are as follows:

Standard/Interpretation	Application date of standard	Application date for the Company
AASB 9 *Financial Instruments – revised* and consequential amendments to other accounting standards resulting from its issue	1 Jan 2013*	1 Jul 2013*
AASB 10 *Consolidated Financial Statements*	1 Jan 2013	1 Jul 2013
AASB 11 *Joint Arrangements*	1 Jan 2013	1 Jul 2013
AASB 12 *Disclosure of Interests in Other Entities*	1 Jan 2013	1 Jul 2013
AASB 127 *Separate Financial Statements - revised*	1 Jan 2013	1 Jul 2013
AASB 128 *Investments in Associates and Joint Ventures - revised*	1 Jan 2013	1 Jul 2013
AASB 13 *Fair Value Measurement*	1 Jan 2013	1 Jul 2013
AASB 1053 *Application of Tiers of Australian Accounting Standards*	1 Jul 2013	1 Jul 2013
AASB 2010-8 *Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets*	1 Jan 2012	1 Jul 2012
AASB 2011-4 *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements*	1 Jul 2013	1 Jul 2013
AASB 2011-9 *Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income*	1 Jul 2012	1 Jul 2012
AASB 119 *Employee Benefits – revised*	1 Jan 2013	1 Jul 2013
AASB 2012-2 *Amendments to Australian Accounting Standards – Disclosures - Offsetting Financial Assets and Financial Liabilities*	1 Jan 2013	1 Jul 2013
AASB 2012-3 *Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities*	1 Jan 2014	1 Jul 2014
AASB 2012-5 *Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle*	1 Jan 2013	1 Jul 2013

*The IASB has amended IFRS 9 to defer the mandatory effective date to annual reporting periods beginning on or after 1 January 2015. The AASB is yet to issue a similar amendment.

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2. Summary of Significant Accounting Policies continued

(x) New accounting standards and interpretations continued

The Directors anticipate that the adoption of these Standards and Interpretations in future years may have the following impacts:

AASB 9 – This revised standard provides guidance on the classification and measurement of financial assets, which is the first phase of a multi-phase project to replace AASB *139 Financial Instruments: Recognition and Measurement*. Under the new guidance, a financial asset is to be measured at amortised cost only if it is held within a business model whose objective is to collect contractual cash flows and the contractual terms of the asset give rise on specified dates to cash flows that are payments solely of principal and interest (on the principal amount outstanding). All other financial assets are to be measured at fair value. Changes in the fair value of investments in equity securities that are not part of a trading activity may be reported directly in equity, but upon realisation those accumulated changes in value are not recycled to the profit or loss. Changes in the fair value of all other financial assets carried at fair value are reported in the profit or loss. The Company is yet to assess the impact of the new standard. In the second phase of the replacement project, the revised standard incorporates amended requirements for the classification and measurement of financial liabilities. The new requirements pertain to liabilities at fair value through profit or loss, whereby the portion of the change in fair value related to changes in the entity's own credit risk is presented in other comprehensive income rather than profit or loss. There will be no impact on the Company's accounting for financial liabilities, as the Company does not have any liabilities at fair value through profit or loss.

AASB 10, AASB 11, AASB 12, AASB 127 and AASB 128 – These new and revised standards are a suite of five standards dealing with consolidation, joint venture arrangements and related disclosures. The main features are:

- AASB 10 – Introduces a new control model and replaces parts of AASB 127 *Consolidated and Separate Financial Statements*. The new model broadens the situations when an entity is considered to be controlled and is likely to lead to more entities being consolidated.
- AASB 11 – Replaces AASB131 *Interests in Joint Ventures* and uses the principle of control from AASB 10 to define joint control. It also removes the option to account for jointly controlled entities using proportionate consolidation.
- AASB 12 – Requires disclosure of information pertaining to an entity's interests in subsidiaries, joint arrangement, associates and structures entities, including significant judgements and assumptions.
- AASB 127 – This amended standard deals only with separate financial statements, with the consolidated financial statement requirements having moved to AASB 10. It carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications.
- AASB 128 – Only limited amendments have been made to this standard including accounting for associates and joint ventures held for sale and changes in interests held in associates and joint ventures.

The Company does not expect the new standards to have a significant impact on its composition and the related disclosures.

AASB 13 – The new standard replaces the fair value measurement guidance contained in the various standards. It provides guidance on how to determine fair value by defining fair value and providing a framework for measurement, but does not change when an entity is required to determine fair value. It also expands the disclosures required when fair value is used. The Company is yet to assess whether any of its current measurement techniques will require revision due to the new guidance, however, it is anticipated that disclosures may be more extensive.

AASB 1053 – The new standard introduces a revised two-tier differential reporting regime: Tier 1 are the Australian Accounting Standards as currently applied; Tier 2 is the reduced disclosure regime which retains the recognition and measurement requirements of Australian Accounting Standards but with reduced disclosure requirements. For profit sector entities that are publicly accountable must report under Tier 1. The Company is yet to assess the impact of this new standard, if any.

AASB 2010-8 – This amendment to AASB 112 Income Taxes provides a rebuttable presumption that the recovery of the carrying amount of an investment property carried at fair value in accordance with AASB140 *Investment Property,* will be through sale. As the Company currently does not hold investment property, there will be no impact on any amounts recognised in the financial statements.

AASB 2011-4 – This amendment proposes the removal of individual key management personnel (KMP) disclosure requirements from AASB124. This is to eliminate replication with the *Corporations Act 2001* and achieve consistency with the international equivalent standard. The KMP disclosures will be reduced as a result of these amendments, but there will be no impact on the amounts recognised in the financial statements.

AASB 2011-9 – The amendments affect the presentation of items of other comprehensive income. Accordingly, only the presentation and disclosure of related items in the financial report are expected to be impacted.

AASB 119 – These amendments introduce various modifications including changes to the measurement of defined benefit plans, change in the timing for recognition of termination benefits and amends the definition of short-term and other long-term employee benefits. The Company is yet to assess the impact of these amendments, if any.

AASB 2012-2 and AASB 2012-3 – The amendments to AASB132 clarify when an entity has a legally enforceable right to set-off financial assets and financial liabilities permitting entities to present balances net on the balance sheet. The amendments to AASB 7 increase the disclosure about offset positions, including the gross position and the nature of the arrangements. The Company has not yet assessed the impact of the amendments, if any.

AASB 2012-5 – These amendments introduce various changes to AASBs. The Company has not yet assessed the impact of the amendments, if any.

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3. Financial Risk Management Objectives and Policies

The Group's activities expose it to a variety of financial risks: market risk (mainly interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on managing these risks and implementing and monitoring of controls around the cash management function.

The Group's financial risk management is centralised and governed by policies approved by the Board of Directors. The Board of Directors monitors the operating compliance and performance. The Board provides principles for overall risk management, as well as policies covering specific areas, such as identifying risk exposure, analysing and deciding upon strategies, performance measurement, the segregation of duties and other controls around the cash management functions.

The Company has the following financial instruments:

	2012 $'000	2011 $'000
Financial Assets		
Cash and cash equivalents	**3,066**	1,747
Trade and other receivables [a]	**2,537**	1,689
Available-for-sale financial assets (refer note 13)	**-**	700
	5,603	4,136
Financial Liabilities		
Trade and other payables [b]	**1,722**	2,998
Borrowings [b]	**2,331**	273
	4,053	3,271

[a] Loans and receivables category
[b] Amortised cost category

(a) Market risk

Foreign exchange risk

As a result of operations in New Zealand the Group is exposed to transaction and translation risk in this currency. The impact of this is not considered to be material to the Company's results.

Price risk

The Group is exposed to equity securities price risk arising from investments held by the Group and classified as available-for-sale financial assets. The price risk for the available-for-sale financial assets, which are in unlisted securities, is immaterial in terms of the possible impact on profit or loss or total equity.

Cash flow and fair value interest rate risk

The Group's main cash flow interest rate risk arises from the commercial bills and cash and cash equivalents which are subject to variable interest rates. The Group's main fair value interest rate risk arises from finance leases with fixed rates. The Group also has non-interest bearing shareholder loans. All the borrowings are either repayable in the short term or rolling 90 day commercial bills at variable rates. Given the quantum of borrowings involved there is no significant fair value risk associated with changes in market interest rates.

At 30 June 2012, if interest rates had increased /decreased by 100 basis points from the year-end interest rates with all variables held constant, post tax profit and equity for the year would have been $7,000 higher/lower (2011: 100 basis points – $3,000 higher/lower), due mainly to interest income from cash and cash equivalents.

(b) Credit risk

Credit risk arises from cash and cash equivalents and receivables. The credit risk on financial assets which have been recognised is generally the carrying amount, net of any provisions.

At balance date, cash and deposits were held with Westpac and ANZ Banking Groups.

There were no material concentrations of credit risk in relation to receivables at balance date. Over 80% of receivable are managed through a direct debit process. For receivables collateral is not normally obtained.

(c) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash reserves to meet the ongoing operational requirements of the business. It is the Group's policy to maintain sufficient funds in cash and cash equivalents. Furthermore, the Group monitors its cash requirements as and when appropriate.

Maturities of financial liabilities

The tables below analyse the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

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3. Financial Risk Management Objectives and Policies continued

(c) Liquidity risk continued

	Carrying Amount $'000	Total Contractual Cash Flows $'000	Less than 6 Months $'000	6 – 12 Months $'000	1 – 2 years $'000	2 -5 years $'000	Over 5 years $'000
2012							
Trade and other payables	1,722	1,722	1,722	-	-	-	-
Shareholder loans	60	60	60	-	-	-	-
Bank Borrowings	2,250	2,411	565	548	1,047	251	-
Lease liabilities	21	21	21	-	-	-	-
	4,053	4,214	2,368	548	1,047	251	-
2011							
Trade and other payables	2,998	2,998	2,998	-	-	-	-
Shareholder loans	208	208	-	-	208	-	-
Lease liabilities	65	67	21	26	20	-	-
	3,271	3,273	3,019	26	228	-	-

In addition, the Company entered into a put and call agreement for the remaining 50% shares in Residex Pty Limited. Should the put or call be exercised, final settlement is expected to occur between 9 July 2012 and 23 July 2013. The consideration for the final settlement will be determined by the reported profit before tax over the preceding 12 months but will not be lower than $3,500,000.

(d) Fair values

Fair value of financial assets and liabilities must be estimated for recognition and measurement or for disclosure purposes.

The net fair value of trade receivables, trade payables and borrowings approximates their carrying value due to their short-term nature.

The Group uses various methods in estimating the fair value of a financial instrument. The methods comprise:

Level 1 – the fair value is calculated using quoted prices in active markets

Level 2 – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)

Level 3 – the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

The available-for-sale financial assets fair value is $nil (2011: $700,000) as determined with reference to Level 3.

4. Significant Accounting Judgements, Estimates and Assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Intangibles with finite useful lives

The Group assesses impairment and the lives of the intangibles at each reporting date by evaluating conditions specific to the Group and to the particular intangibles that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. Refer note 15 for further information.

Intangibles with indefinite useful lives

The Group assesses whether goodwill and intangibles with indefinite useful lives are impaired at least annually. This requires the estimation of the recoverable amount of the cash-generating units to which the goodwill and the intangibles with indefinite useful lives are allocated. The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill and intangible assets with indefinite useful lives are outlined in note 15.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences where the Group considers that it is probable that future tax profits will be available to utilise those temporary differences. Significant judgement is required to determine the amount of deferred tax assets that can be recognised based on the likely timing and the level of future tax profits together with future tax planning strategies.

5. Operating Segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Group's chief operating decision makers, being the Board of Directors.

The Group operates in one segment being real estate content including property data. Consumer online has been combined with real estate solutions as it does not meet the threshold criteria as a segment.

The operating result presented in the statement of comprehensive income represents the same segment information as reported to the Board.

The Group does not have any customers which represent greater than 10% of total revenue.

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6. Revenue

	2012 $'000	2011 $'000
Sales revenue		
Subscription and transaction revenue	20,283	1,480
Other revenue		
Interest	44	5
	20,327	1,485

7. Expenses

	2012 $'000	2011 $'000
Profit before income tax includes the following specific expenses:		
Depreciation		
Plant and equipment	408	53
Amortisation		
Software development	1,482	156
Customer contracts and relationships	2,535	217
Data	274	37
Other	206	17
Total Amortisation	4,497	427
Finance costs		
Interest expense	289	1
Lease payments		
Minimum lease payments – operating leases	1,132	151
Defined contribution superannuation expense	631	85

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8. Income Tax

	2012 $'000	2011 $'000
Income tax expense		
Current tax	59	(80)
Deferred tax	568	253
Income tax expense/(benefit)	627	(173)
Numerical reconciliation of income tax expense to prima facie tax		
Profit/(Loss) before income tax	2,768	(1,999)
Tax at the Australian tax rate of 30% (2011: 30%)	830	(599)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
- Share-based payments expense	10	13
- Non-deductible professional fees	15	74
- Difference in overseas tax rates	(4)	-
- Equity accounting for jointly controlled entity	(6)	-
- Other non-deductible expenses	14	5
- R&D offset	(232)	-
	627	(507)
- Tax losses not brought to account	-	334
- Deductible temporary differences not brought to account	-	-
Income tax expense/benefit	627	(173)
Unrecognised deferred tax assets (at 30% tax rate)		
- Tax losses	342	342
- Temporary differences (unutilised R&D offset)	219	-
	561	342

The deductible temporary differences and tax losses do not expire under current tax legislation. The Group has tax losses of $1,140,000 (2011:$1,140,000) which arose in Australia. Deferred tax assets have not been recognised in prior years in respect of these items because it is not certain that future taxable profit will be available against which the Group can utilise the deferred tax assets.

The R&D offset determined has been set off against the tax liability relating to the Australian resident entities. The remaining balance forms part of the unrecognised deferred tax assets.

Recognised deferred tax assets and liabilities	2012 $'000 Current income tax	2012 $'000 Deferred income tax	2011 $'000 Current income tax	2011 $'000 Deferred income tax
Opening balance	346	1,655	-	-
Charged to income	59	568	80	(253)
Taxes paid	(186)	-	-	-
Charge to equity	-	-	-	(1,375)
Acquisitions	-	-	266	3,283
Closing Balance	219	2,223	346	1,655

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8. Income Tax continued

	2012 $'000	2011 $'000
Deferred income tax at 30 June relates to the following:		
Deferred tax liabilities:		
Intangibles – Customer relationships	3,040	3,434
Intangibles – Brand Names	114	120
Intangibles – Non competition agreements	51	107
Intangibles – Software	423	-
Gross deferred tax liabilities	3,628	3,661
Set off of deferred tax assets	(1,405)	(2,006)
Net deferred tax liabilities	2,223	1,655
Deferred tax assets:		
Doubtful debts	18	17
Provision – employee benefits	157	250
Provision – restructuring	-	122
Provision – make good	117	136
Accruals	13	106
Equity raising costs	1,100	1,375
Gross deferred tax assets	1,405	2,006
Set off with deferred tax liabilities	(1,405)	(2,006)
Net deferred tax assets	-	-

Tax Consolidation

Onthehouse Holdings Limited and its 100% owned Australian resident subsidiaries formed a tax consolidated group with effect from 26 May 2011. Onthehouse Holdings Limited is the head entity of the tax 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.

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 members of the tax consolidated group.

Franking account

Balance of franking account on a tax paid basis at financial year-end adjusted for franking credits arising from payment of provision for income tax and dividends recognised as receivables, franking debits and any credits that may be prevented from distribution in subsequent years.

	2012 $'000	2011 $'000
At 1 July	431	-
Acquisition of subsidiaries	-	431
Tax payments	182	-
At 30 June	613	431

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9. Earnings Per Share

	2012 $'000	2011 $'000
The following reflects the income used in the basic and diluted earnings per share computations:		
Earnings used in calculating earnings per share	2,141	(1,826)
Weighted average number of shares		
Weighted average number of ordinary shares for basic earnings per share	81,627,500	9,565,314
Effect of Dilution: Share options	-	-
Weighted average number of ordinary shares for diluted earnings per share	81,627,500	9,565,314

Options are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent they are dilutive.

10. Cash and Cash Equivalents

	2012 $'000	2011 $'000
Cash on hand and at bank	3,066	1,747
	3,066	1,747

11. Trade and Other Receivables

	2012 $'000	2011 $'000
Trade receivables	2,209	1,757
Allowance for impairment loss	(64)	(103)
	2,145	1,654
Other receivables	392	35
	2,537	1,689

Allowance for impairment loss

Trade receivables are non-interest bearing and are generally 30 – 60 day terms. A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. An impairment loss of $90,000 (2011: $Nil) has been recognised by the Group in the current year. These items have been included in the other expense item. No individual amount within the impairment allowance is material.

Movements in the provision for impairment loss were as follows:

	2012 $'000	2011 $'000
At 1 July	(103)	(6)
Acquisition of subsidiaries	-	(101)
Allowance for impairment loss	(90)	-
Amounts written off	129	4
At 30 June	(64)	(103)

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11. Trade and Other Receivables continued

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

$'000	Total	0 – 30 days	31 – 60 days	61 – 90 days	+ 91 days PDNI*	+ 91 days CI*
2012	2,209	1,948	93	48	56	64
2011	1,757	1,569	74	11	-	103

* Past due not impaired (PDNI)
Considered impaired (CI)

Receivables past due but not considered impaired are $56,000 (2011: $nil). Payment terms on these amounts have not been renegotiated; however credit has been stopped until further payment is received. Amounts in other receivables do not contain impaired assets and are not past due. It is expected that these other balances will be received when due.

Fair value and credit risk

Due to the short-term nature of these receivables, their carrying value is assumed to approximate their fair value.

The maximum exposure to credit risk is the fair value of the receivables. Collateral is not held as security, nor is it the Company's policy to transfer (on-sell) receivables to special purpose entities. Further details regarding fair value and credit risk is disclosed in note 3.

12. Other Current Assets

	2012 $'000	2011 $'000
Prepayments	**402**	2
Other assets	**10**	10
	412	12

13. Investments

As at 30 June 2011, Onthehouse.com.au Pty Limited held a 10.02% interest in private property information services provider Residex Pty Ltd which was accounted for as an available-for-sale financial asset. On the 5 August 2011, the Company increased the Group's shareholding to 50.00% of Residex Pty Ltd through the purchase of shares for $3,240,000. As at 30 June 2012, the Group's investment is equity accounted as an investment in a jointly controlled entity.

	2012 $'000	2011 $'000
Available for sale financial asset		
Shares in Residex Pty Limited	**-**	700
Investment in jointly controlled entity		
Residex Pty Limited	**3,962**	-
	3,962	700

Refer to Note 2 Going Concern for details of put and call agreements over remaining 50% of shares of Residex.

(a) Movements in carrying amounts

Movement in investments during the financial period were as follows:

	$'000
Balance at 1 July 2011	700
Additional investment	3,240
Share of the jointly controlled entity profit	22
Balance at 30 June 2012	3,962

Direct costs relating to the Residex investment of $53,000 were expensed in the statement of comprehensive income.

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13. Investments continued

(b) Summarised financial information of jointly controlled entity

The Group's share of the results of its associate and its aggregated assets (including goodwill) and liabilities are as follows:

		Group's share of			
	Ownership Interest %	Assets $'000	Liabilities $'000	Revenues $'000	Profit $'000
2012					
Residex Pty Limited	50	4,303	341	2,995	22

The above jointly controlled entity is incorporated in Australia.

14. Property, Plant and Equipment

	2012 $'000	2011 $'000
Plant & equipment – at cost	**2,626**	2,546
Accumulated depreciation	**(1,974)**	(1,606)
	652	940

Reconciliations of movements in the carrying amounts of property, plant and equipment are set out below.

	2012 $'000	2011 $'000
Balance at 1 July	**940**	51
Additions	**293**	49
Acquisition of subsidiaries	**-**	893
Disposals	**(173)**	-
Depreciation	**(408)**	(53)
Balance at 30 June	**652**	940

Plant & equipment includes $21,000 (2011: $64,000) under finance lease.

Non-current assets pledged as security

Refer to note 17 for information on assets pledged as security.

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15. Intangible Assets

	2012 $'000	2011 $'000
Software development – at cost	8,309	6,793
Accumulated amortisation	(1,763)	(381)
	6,546	6,412
Data – at cost	2,709	2,689
Accumulated amortisation	(321)	(47)
	2,388	2,642
Customer contracts and relationships	13,297	13,297
Accumulated amortisation	(2,752)	(217)
	10,545	13,080
Other intangibles	774	774
Accumulated amortisation	(223)	(17)
	551	757
Goodwill	39,588	39,387
	59,618	62,278

Movement in intangible assets during the financial year were as follows:

	Software $'000	Data $'000	Customer contracts & relationships $'000	Other Intangibles $'000	Goodwill $'000	Total $'000
Balance at 1 July 2010	236	137	-	1	-	374
Additions	378	42	-	-	-	420
Acquisition of subsidiaries	6,370	2,500	13,297	773	39,387	62,327
R&D tax credit refunds	(416)	-	-	-	-	(416)
Amortisation	(156)	(37)	(217)	(17)	-	(427)
Balance at 30 June 2011	**6,412**	**2,642**	**13,080**	**757**	**39,387**	**62,278**
Additions	1,616	20	-	-	201	1,837
Amortisation	(1,482)	(274)	(2,535)	(206)	-	(4,497)
Balance at 30 June 2012	**6,546**	**2,388**	**10,545**	**551**	**39,588**	**59,618**

In 2011 R&D tax credits were received for software development work performed, which are subsequently offset against the capitalised cost. All of the above intangible assets recognised are held in one cash generating unit. The recoverable amount of the intangible assets has been determined based on the purchase price allocation as approximating fair value.

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15. Intangible Assets continued

(a) Impairment tests for goodwill

Goodwill is allocated to the Group's cash generating units (CGUs) identified according to operating segment and country of operation.

The recoverable amount of a CGU is determined based on value in use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five year period. Cash flows beyond the five year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long term average growth rate for the business in which the CGU operates.

(b) Key assumptions used for value-in-use calculations

These assumptions have been used for the analysis of each CGU within the business segment. Management determined budgeted margin based on past performance and its expectations for the future. The weighted average growth rates used are consistent with forecasts included in industry reports.

The discount rates used reflect specific risks relating to the relevant segments and the countries in which they operate. The following assumptions were used in the value in use calculations: pre-tax discount rate 14.84% and long term growth rate 2%.

Cash outflows for financial years from 30 June 2013 onwards have been adjusted to reflect an estimated increase in energy, supply chain and transport costs arising from the introduction of the Clean Energy Legislation (Clean Energy Act 2011 and supporting legislation) from 1 July 2012. It is unlikely that any of the Group's activities will be identified as being emission-intensive trade-exposed (EITE). As a result, the cash inflows do not include any allowance for potential EITE assistance.

(c) Impact of possible changes in key assumptions

The Directors consider that there are no reasonable possible change in key assumptions on which management has based its determination of recoverable amount, which would cause the carrying amount to exceed the recoverable amount.

16. Trade and Other Payables

	2012 $'000	2011 $'000
Trade payables	820	2,725
Other payables	902	273
	1,722	2,998

Trade and other payables are non-interest bearing.

Fair value risk

Due to the short-term nature of these payables, their carrying value is assumed to approximate their fair value.

17. Borrowings

	2012 $'000	2011 $'000
Current		
Commercial bill	1,000	-
Lease liabilities – secured	21	45
Shareholder loans – unsecured (refer note 24e)	60	-
	1,081	45
Non-current		
Commercial bill	1,250	-
Lease Liabilities – secured	-	20
Shareholder loans – unsecured (refer note 24e)	-	208
	1,250	228

Facilities

Westpac Banking Corporation ("Westpac") has provided the Company a commercial bill and credit standby facility of $4,250,000 (2011: $5,000,000) of which $2,875,000 (2011: $nil) was utilised comprising $2,250,000 commercial bill and $625,000 in bankers undertakings/guarantees. The facility has a three year term with principal repayments of $250,000 on a quarterly basis. The facility is secured by floating registered circulating charge over the Company, its subsidiaries and all assets and uncalled capital. The facility is subject to ongoing covenants relating to interest coverage ratio, debt coverage ratio and gearing, and is also subject to annual and quarterly monitoring. Onthehouse Holdings Limited has complied with the financial covenants during the 2012 reporting period.

Lease liabilities are effectively secured as the rights to the relevant assets revert to the lessor in the event of default.

Information about the Group's risk exposure is provided in note 3.

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18. Provisions

	2012 $'000	2011 $'000
Current		
Employee benefits	534	695
Make-good	223	342
Restructuring	-	408
	757	1,445
Non-current		
Employee benefits	99	141
Make-good	134	109
	233	250

Movement in provisions

Movements in each class of provision other than employee benefits, during the financial year are set out below:

	Make Good Provision $'000	Restructuring Provision $'000
Balance at 1 July 2010	12	-
- Acquisition of subsidiaries	437	-
- Additional provision recognised	2	408
Balance at 30 June 2011	451	408
- Additional provision recognised/(credited)	(94)	(408)
Balance at 30 June 2012	357	-

Make-good: The Group has certain leases that require the asset to be returned to the lessor in a lease stipulated condition. As such, a provision for make good obligations is measured and recognised at the expected cost of returning the asset to the agreed condition.

Restructuring: As described in Note 28, the Company acquired Console Australia Pty Limited and PortPlus Pty Ltd on the 27 May 2011. As a result of the process, various duplication of roles were identified and a detailed restructuring plan was drawn up and put into place by year end. The restructuring was completed by August 2011.

19. Deferred Revenue

	2012 $'000	2011 $'000
At 1 July	1,298	-
Acquired from subsidiaries	-	1,300
Deferred during the year	1,475	1,298
Released to profit or loss	(1,298)	(1,300)
	1,475	1,298

Deferred income consists of customer subscriptions paid in advance on monthly or quarterly accounts.

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20. Contributed Equity

	2012 $'000	2011 $'000
Share capital		
81,627,500 (2011: 81,627,500) fully paid ordinary shares	**63,911**	63,911

Movements in ordinary share capital		Number of Shares	$'000
Balance – 30 June 2010		**1,907,165**	**2,576**
Pre IPO capital raisings	(i)	651,738	1,939
Conversion of shareholder loan	(ii)	23,277	75
Conversion of share-based payment award	(iii)	38,230	-
Gift shares	(iv)	9,312	30
Balance of onthehouse.com.au Pty Limited 26 May 2011		**2,629,722**	**4,620**
Additional shares arising from share split (7.23 shares for every share held)	(v)	16,370,278	-
Acquisition consideration – Portplus	(vi)	7,500,000	7,500
Shares issued in connection with IPO	(vii)	55,000,000	55,000
IPO costs (net of tax)		-	(3,209)
Conversion of share-based payment award	(iii)	127,500	-
Balance – 30 June 2011 and 30 June 2012		**81,627,500**	**63,911**

(i) During the year ended 30 June 2011 and prior to the IPO a total of 651,738 shares were issued in various capital raisings at an average price of $2.97 per share.

(ii) During the year 75,000 owing to a Director was converted into 23,277 shares at a value of $3.22 per share.

(iii) The Group has been provided services totalling $265,000 including advertising and employee benefits in years prior to 30 June 2010, the fair value of which have been recorded in the relevant period's statement of comprehensive income. Under the terms of these agreements, Onthehouse agreed to issue shares equal to the fair value of services provided at the share price on the date of issue. During the year 38,230 shares were issued based on the fair value price of $3.22 per share which is equal to the price of other capital raising in the period prior to the initial public offering. Subsequently 127,500 were issued at $1.00 per share (based on the post share split price) in the float.

(iv) On 31 March 2011 9,312 shares were granted to employees at a value of $3.22 per share.

(v) On 26 May 2011, in preparation for the acquisition of onthehouse.com.au Pty Ltd, shares were split at 7.23 shares for each share held.

(vi) The acquisition of Portplus Pty Ltd was partially settled with 7,500,000 shares at $1.00 per share. Refer note 28.

(vii) On 27 May 2011, 55,000,000 new shares at $1.00 per share were issued pursuant to the prospectus.

Effective 1 July 1998, the corporations legislation in place abolished the concepts of authorised capital and par value shares. Accordingly, the parent does not have authorised capital nor par value in respect of its issued shares.

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of commercial bills, finance leases and shareholder loans disclosed in note 17, cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued capital, reserves and accumulated losses as disclosed above and in note 21 respectively.

In order to maintain or adjust the capital structure, the Company may pay dividends to shareholders, pay returns capital to shareholders, issue new shares or sell assets to reduce debt. Currently the Company raises capital to fund start-up losses as required.

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21. Reserves And Accumulated Losses

	2012 $'000	2011 $'000
(a) Movements in accumulated losses		
Accumulated losses at 1 July	(5,087)	(3,261)
Loss for the year	-	(1,826)
Accumulated losses at 30 June	(5,087)	(5,087)

	Profits Reserve $'000	Share Based Payments Reserve $'000	Foreign Currency Translation $'000
(b) Movements in reserves			
Balance at 1 July 2010	-	265	-
Share based payment expense for the year	-	14	-
Foreign currency translation	-	-	(2)
Balance at 30 June 2011	-	279	(2)
Share based payment expense for the year	-	32	-
Foreign currency translation	-	-	13
Profit for the year	2,141	-	-
Balance at 30 June 2012	2,141	311	11

The profits reserve represents current year profits which is maintained in a reserve to preserve the characteristic as a profit and not appropriated against prior year accumulated losses.

The share-based payments reserve is used to recognise the fair value of share–based payment transactions issued by the Company issued to suppliers in return for services.

The foreign currency translation reserve is used to record the exchange differences arising from the translation of financial statement of foreign subsidiaries.

22. Dividends

	2012 $'000	2011 $'000
(a) Dividends not recognised at the end of the reporting period		
Since year end the Directors have recommended the payment of a final dividend of 0.6 cents per fully paid ordinary share (2011: nil), fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid in November out of profits reserve at 30 June 2012, but not recognised as a liability at year end, is	490	-

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23. Cash Flow Statement Reconciliation

	2012 $'000	2011 $'000
(a) Reconciliation of net profit/(loss) to net cash from/(used in) operating activities		
Profit/(loss) for the year	2,141	(1,826)
Amortisation	4,497	427
Depreciation	408	53
R&D tax refund offset against software development	-	416
Transaction costs in creditors and accruals	1,592	-
(Gains)/Losses on property, plant and Equipment	35	-
Share of profit of an associate	(22)	-
Net exchange differences	(23)	(2)
Equity settled share based payments expense	32	44
Changes in operating assets and liabilities (net of amounts acquired):		
(Increase)/decrease in trade and other receivables	(848)	34
(Increase)/decrease in prepayments	(399)	(1)
Increase/(decrease) in trade and other creditors	(726)	(504)
Increase/(decrease) in income tax payable	(127)	78
Increase/(decrease) in deferred taxes	568	(253)
Increase/(decrease) in provisions	(706)	921
Net cash from/(used in) operating activities	6,422	(613)
(b) Non-cash financing and investing activities		
Settlement of subsidiary Portplus Pty Ltd purchase with shares (note 28)	-	7,500
Conversion of shareholder loan	-	75

24. Related Party Disclosures

(a) Subsidiaries

The consolidated financial statements include the financial statements of Onthehouse Holdings Limited and the subsidiaries listed in the following table.

Name	Country of Incorporation	% Equity interest 2012	% Equity interest 2011	Investment $'000 2012	Investment $'000 2011
onthehouse.com.au Pty Limited (i)	Australia	100%	100%	4,619	4,877
Console Australia Pty Limited (ii)	Australia	100%	100%	42,623	42,623
Console New Zealand Limited (ii), (iii)	New Zealand	100%	100%	9	9
PortPlus Pty Limited (ii)	Australia	100%	100%	15,197	15,148
PortPlus (NZ) Limited (ii), (iv)	New Zealand	100%	100%	66	66
				62,514	62,723

(i) Acquired on 26 May 2011
(ii) Acquired on 27 May 2011
(iii) Subsidiary of Console Australia Pty Limited
(iv) Subsidiary of PortPlus Pty Ltd

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24. Related Party Disclosures continued

(b) Ultimate parent: The ultimate parent company is Onthehouse Holdings Limited.

(c) Key management personnel (KMP): Details relating to KMP, including remuneration paid, are included in note 24.

(d) Transactions with related parties: The Group holds a 50% equity interest in Residex Pty Limited.

During the period of the 2012 financial year Residex Pty Ltd was a jointly controlled entity, the total amount of sales to Residex were $308,000, and total purchases from Residex were $286,000. These sales to and purchases from were made at terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 30 June 2012, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2011: $Nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

25. Key Management Personnel

(a) Key management personnel compensation

	2012 $	2011 $
Short-term employee benefits	**1,129,085**	396,755
Post-employment benefits	**90,249**	19,417
Other long-term benefits	**51,014**	-
Termination benefits	**83,333**	52,105
Share-based payment	**31,798**	14,183
Total	**1,385,479**	482,460

(b) Option holdings of key management personnel

30 Jun 2012	Balance at beginning of period 1 Jul 11	Granted as remuneration	Options exercised	Forfeitures	Balance at end of period 30 Jun 12	Exercisable	Not exercisable
Directors							
G. Pemberton	250,000	-	-	-	250,000	-	250,000
W. Face	250,000	-	-	-	250,000	-	250,000
J. McKerlie	500,000	-	-	-	500,000	-	500,000
M. Fredericks	750,000	-	-	-	750,000	-	750,000
Executives							
S. Whidborne	-	500,000	-	-	500,000	-	500,000
J. Lilienstein	-	600,000	-	-	600,000	-	600,000
K. Branagan	-	500,000	-	-	500,000	-	500,000
C. Dawson	300,000	-	-	-	300,000	100,000	200,000
E. Lynch	500,000	-	-	(500,000)	-	-	-
P. Dickman	150,000	-	-	-	150,000	-	150,000
	2,700,000	**1,600,000**	**-**	**(500,000)**	**3,800,000**	**100,000**	**3,700,000**

includes forfeitures

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25. Key Management Personnel continued

(b) Option holdings of key management personnel continued

30 Jun 2011	Balance at beginning of period 1 Jul 10	Granted as remuneration	Options exercised	Net change Other #	Balance at end of period 30 Jun 11	Exercisable	Not exercisable
Directors							
G. Pemberton	-	250,000	-	-	250,000	-	250,000
J. McKerlie	-	500,000	-	-	500,000	-	500,000
M. Fredericks	-	750,000	-	-	750,000	-	750,000
W. Face	-	250,000	-	-	250,000	-	250,000
Executives							
C. Dawson	-	300,000	-	-	300,000	-	300,000
E. Lynch	-	1,000,000	-	(500,000)	500,000	-	500,000
P. Dickman	-	150,000	-	-	150,000	-	150,000
C. Thwaites	-	150,000	-	(150,000)	-	-	-
	-	3,350,000	-	(650,000)	2,700,000	-	2,700,000

includes forfeitures

(c) Shareholdings of key management personnel

30 Jun 2012	Balance at beginning of period 1 Jul 11	Shares acquired	Shares disposed	Balance at end of period 30 Jun 12
Directors				
G. Pemberton	224,245	37,406	-	261,651
J. McKerlie	730,530	-	-	730,530
M. Fredericks	7,077,606	-	-	7,077,606
W. Face	224,238	-	-	224,238
Executives				
S. Whidborne	-	-	-	-
J. Lilienstein	-	103,357	-	103,357
K. Branagan	-	10,000	-	10,000
C. Dawson	224,245	-	(63,671)	160,574
E. Lynch	2,620,978	-	(120,000)	2,500,978
P. Dickman	-	-	-	-
	11,101,842	150,763	(183,671)	11,068,934

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25. Key Management Personnel continued

(c) Shareholdings of key management personnel continued

30 Jun 2011	Balance at beginning of period 1 Jul 10	Shares acquired	Share acquired on settlement of loan	Shares issued on purchases of Onthehouse.com.au	Shares received as settlement on Portplus	Balance at end of period 30 Jun 11
Directors						
G. Pemberton	-	31,037	-	193,208	-	**224,245**
J. McKerlie	-	93,110	-	637,420	-	**730,530**
M. Fredericks	859,522	110,754	23,277	6,084,053	-	**7,077,606**
W. Face	-	31,036	-	193,202	-	**224,238**
Executives						
C. Dawson	-	31,037	-	193,208	-	**224,245**
E. Lynch	-	120,000	-	-	2,500,978	**2,620,978**
P. Dickman	-	-	-	-	-	**-**
C. Thwaites	-	-	-	-	-	**-**
	859,522	**416,974**	**23,277**	**7,301,091**	**2,500,978**	**11,101,842**

(d) Loans to key management personnel

There were no loans to key management personnel during the current or prior reporting period.

(e) Loans from Director-related entities (refer note 17)

The following loans from key management personnel (or their related entities) were in place during the current or prior financial period:

Michael Fredericks	2012 $'000	2011 $'000
Balance at 1 July	**148**	547
Repayments	**(148)**	(323)
Converted to shares	**-**	(75)
Balance at 30 June	**-**	148

The loan was unsecured and non-interest bearing.

Lauren Doherty (resigned as a Director 22 December 2010)	2012 $'000	2011 $'000
Balance at 1 July	**60**	60
Advances	**-**	-
Repayments	**-**	-
Balance at 30 June	**60**	60

The loan is unsecured and is non-interest bearing.

Other transactions and balances with key management personnel and their related parties

Mr Warwick Face is a Partner of Johnston Rorke, accountants. Johnston Rorke has been engaged from time to time to provide financial advice including accounting support, taxation, financial modelling and calculation services to the Group on normal commercial terms and conditions. Johnston Rorke received $nil (2011: $410,000) fees included in IPO transaction costs and a further $65,320 (2011: $46,000) relating to accounting and tax advice and due diligence for Residex share purchase.

Mr Jim McKerlie is the Chairman of the Bullseye Group, an international digital services company, and a global provider of business software solutions. During the year Bullseye Group were paid a fee of $24,000 for technical review services (2011: $5,000, for due diligence services).

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26. Share-Based Payment Plans

Recognised share-based payment expenses

The expense recognised from share-based payment transactions recognised as part of employee benefits expense were as follows:

	2012 $'000	2011 $'000
Expense arising from options issued	32	14
Expense arising from gift shares granted	-	30
	32	44

The share-based payment plans are described below. There have been no cancellations or modifications to any of the plans during 2012.

Employee share option plans (ESOP)

Under the terms of the ESOP, offers to apply for the issue of Options to subscribe for Shares may be made to eligible employees or Directors, as determined by the Board.

The total number of Shares which may be acquired from the issue of Options under the ESOP must not exceed 5% of the total of the following:

- the total number of issued Shares in the Company as at the date of the offer made to the participant;
- the total number of Shares underlying the Options issued under the ESOP; and
- the number of Shares underlying the outstanding Options to subscribe for Shares issued by the Company under any other employee share or option scheme of the Company, less that number of Options granted under certain exemptions listed in the terms of the ESOP including where the offer of Options did not need disclosure to investors under the Corporations Act.

The Board has discretion to determine the specific terms and conditions applying to each offer under the ESOP including the exercise price. The Options are personal to the participant and cannot be exercised by another person, unless approved by the Board.

Summaries of options granted

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of, and movements in, share options issued during the year:

	2012 No.	2012 WAEP	2011 No.	2011 WAEP
Outstanding at the beginning of the year	2,700,000	1.00	-	-
Granted during the year	1,600,000	0.52	3,350,000	1.00
Forfeited during the year	(500,000)	1.00	(650,000)	1.00
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at the end of the year	3,800,000	0.80	2,700,000	1.00
Exercisable at the end of the year	100,000	1.00	-	-

2,200,000 options expire on 30 June 2016. The key terms of these options are:

- the first vesting condition was listing
- exercise price of $1.00
- the options granted to Michael Fredericks are subject to completion of two years employment with the Company.

1,600,000 options expire on 30 April 2017. The key terms of these options are:

- the first vesting condition is 24 months after employment commences
- exercise price is Value Weighted Close Price for the 5 days preceding the date of the grant plus a 25% premium
- upon cessation of employment - accelerated vesting of $1 plus the exercise price to be exercised in 10 days from ceasing employment.

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26. Share-Based Payment Plans continued

Weighted average remaining contractual life: The weighted average remaining contractual life for the share options outstanding as at 30 June 2012 is 4.3 years (2011: 5 years).

Range of exercise price: The exercise price of the options range from $0.51 to $1.00.

Weighted average fair value: The weighted average fair value of options granted during the year was $0.16 (2011: $0.04).

Option pricing model

The fair value of the equity-settled share options granted is estimated as at the date of grant using a Trinomial Lattice Model taking into account the terms and conditions upon which the options were granted.

The following table lists the inputs to the models used for the years ended 30 June 2012.

	2012 Executive Options	2012 Non-executive Director Options	2011 Executive Options	2011 Non-executive Director Options
Dividend yield (%)	1.2%	1.2%	2.0%	2.0%
Expected volatility (%)	60.0%	60.0%	60.0%	60.0%
Risk-free interest rate (%)	2.4%	2.4%	4.5%	4.5%
Expected life of options (years)	3.61	3.36	3.17	2.17
Option exercise price ($)	$0.53	$0.51	$1.00	$1.00
Weighted average share price at measurement date ($)	$0.43	$0.43	$0.25	$0.25
Model used	Trinomial Lattice	Trinomial Lattice	Trinomial Lattice	Trinomial Lattice
Fair value at grant date	$0.159	$0.157	$0.042	$0.039

The effects of early exercise have been incorporated into the calculations by using an expected life for the option that is shorter than the contractual life based on historical exercise behaviour, which is not necessarily indicative of exercise patterns that may occur in the future. The expected volatility was determined using an analysis of the volatility of comparable companies. The resulting expected volatility therefore reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

27. Commitments for Expenditure

	2012 $'000	2011 $'000
Leasing commitments		
Operating lease commitments – Group as lessee		
Commitments in relation to operating leases contracted for at the reporting date but not recognised as liabilities, payable:		
Within one year	**736**	928
Later than one year but not later than 5 years	**438**	915
	1,174	1,843

The operating leases primarily relate to leases of premises. The operating leases are under normal commercial operating lease terms and conditions with third parties.

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27. Commitments for Expenditure continued

	2012 $'000	2011 $'000
Finance leases and hire purchase commitments – Group as lessee		
Commitments in relation to finance leases are payable as follows:		
Within one year	**21**	47
After than one year but not later than five years	**-**	20
Total minimum lease payments	**21**	67
Less amounts representing future finance charges	**-**	(2)
Present value of minimum leasing payments	**21**	65
Included in the financial statements as:		
Current borrowings (note 17)	**21**	45
Non-current borrowings (note 17)	**-**	20
	21	65

Finance leases comprise leases of items of plant and equipment under normal commercial finance lease terms and conditions.

28. Auditor's Remuneration

The auditor of Onthehouse Holdings Limited is Ernst & Young.

	2012 $	2011 $
During the year the auditor of the Company earned the following remuneration:		
Audit services:		
Audit and review of the financial reports	**169,433**	112,500*
Other services:		
Due diligence	**-**	68,000
Investigating accountants services	**-**	489,087
Total	**169,433**	669,587

* The 2012 amount includes an additional $36,000 of fees incurred in relation to the 2011 audit that were paid in the 2012 financial year.

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29. Business Combinations

Acquisition of Console Australia Pty Ltd

On 27 May 2011, the Company acquired 100% of the voting shares of Console Australia Pty Limited a private company based in Queensland specialising in the provision of real estate software, primarily trust accounting. The consideration was $42,373,000 in cash. Subsequent to 30 June 2011, an additional working capital adjustment amount of $250,000 was paid which resulted in a corresponding increase of consideration to $42,623,000.

The fair values of the identifiable assets and liabilities of Console Australia Pty Limited (and its New Zealand controlled 100% subsidiary) as at the date of acquisition were:

	Note	Consolidated fair value at acquisition date (restated) $'000
Plant and equipment		704
Deferred tax asset		236
Cash and cash equivalents		220
Trade receivables		1,275
Prepayments		9
Intangible assets		
- Software		4,408
- Customer contracts & relationships		11,665
- Property database		2,000
- Other intangibles		436
		20,953
Trade payables		(759)
Other payables and accrued expenses		(369)
Provision for employee benefits		(367)
Provision for make-good		(273)
Deferred revenue		(1,001)
Borrowings		(398)
Deferred tax liabilities		(3,378)
		(6,545)
Provisional fair value of identifiable net assets		14,408
Goodwill arising on acquisition	15	28,215
		42,623
Acquisition-date fair-value of consideration transferred:		
Cash paid prior to 30 June 2011		42,373
Cash paid subsequent to 30 June 2011		250
Consideration transferred		42,623
Direct costs relating to the acquisition (included in professional fees) $127,000 (2011: $103,000)		230
The cash outflow on acquisition is as follows:		
Net cash acquired with the subsidiary		220
Cash paid prior to 30 June 2011		(42,373)
Cash paid subsequent to 30 June 2011		(250)
Net consolidated cash outflow		(42,403)

30 June 2012 financial statements showed that the fair value of goodwill at the date of acquisition was $28,215,000, an increase of $117,000 compared with the provisional value of $28,098,000 recorded as at 30 June 2011. This change is the result of a reclassification of a corresponding amount in plant and equipment, to give total plant and equipment on the acquisition of $704,000 compared with the provisional value of $821,000.

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29. Business Combination continued

Acquisition of PortPlus Pty Ltd

On 27 May 2011, the Company acquired 100% of the voting shares of PortPlus Pty Ltd a private company based in Victoria specialising in real estate software, primarily an internet based website development and Customer Relationship Management (CRM) solution. The consideration was $15,025,000 and comprised an issue of equity instruments, and cash. Subsequent to 30 June 2011, an additional completion adjustment amount of $172,000 was paid which resulted in a corresponding increase in consideration to $15,197,000.

The fair values of the identifiable assets and liabilities of PortPlus Pty Ltd (and its New Zealand controlled 100% subsidiary) as at the date of acquisition were:

	Note	Consolidated fair value at acquisition date (restated) $'000
Plant and equipment		72
Deferred tax asset		180
Cash and cash equivalents		139
Trade receivables		447
Intangible assets		
- Software		1,962
- Customer contracts & relationships		1,632
- Property database		500
- Other intangibles		337
		5,269
Trade payables		(154)
Other payables and accrued expenses		(99)
Provision for employee benefits		(408)
Provision for make good		(164)
Deferred revenue		(299)
Deferred tax liabilities		(321)
		(1,445)
Provisional fair value of identifiable net assets		3,824
Goodwill arising on acquisition	15	11,373
		15,197
Acquisition-date fair-value of consideration transferred:		
Shares issued, at fair value		7,500
Cash paid prior to 30 June 2011		7,525
Cash paid subsequent to 30 June 2011		172
Consideration transferred		15,197
Direct costs relating to the acquisition (included in professional fees)		
$31,000 (2011: $51,000)		83
The cash outflow on acquisition is as follows:		
Net cash acquired with the subsidiary		139
Cash paid prior to 30 June 2011		(7,525)
Cash paid subsequent to 30 June 2011		(172)
Net consolidated cash outflow		(7,558)

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29. Business Combination continued

30 June 2012 financial statements showed that the fair value of goodwill at the date of acquisition was $11,373,000, an increase of $84,000 compared with the provisional value of $11,289,000 recorded as at 30 June 2011. This change is the result of a working capital adjustments which gave resulted in an additional $49,000 in consideration and reclassification of $35,000 in other payables and accrued expenses to give total other payables and accrued expenses of on the acquisition of $99,000 compared with the provisional value of $64,000.

The consolidated statement of comprehensive income includes sales revenue and net profit for the year ended 30 June 2011 of $1,458,000 and $38,000 respectively, as a result of the acquisition of Console Australia Pty Limited and PortPlus Pty Ltd. Had the acquisitions occurred at the beginning of the reporting period, the consolidated statement of comprehensive income would have included revenue and profit of $16,991,000 and $2,397,000 respectively.

Key factors contributing to the $39,588,000 of goodwill are the synergies existing within the acquired business, and synergies expected to be achieved as a result of combining Console Australia Pty Limited and PortPlus Pty Ltd with the rest of the Group. None of the goodwill recognised is expected to be deductable for income tax purposes.

Included in the companies acquired were receivables with a gross contractual and fair value of $1,722,000 resulting from trade sales with customers.

30. Contingencies

The Directors are not aware of any contingent liabilities not otherwise disclosed in the accounts. The Company has entered into put and call options over the remaining 50% shareholding of Residex Pty Ltd. The put exercise period is from 9 July 2012 to 23 July 2013 and allows the vendor to put the remaining 50% to the Company, while the call is exercisable by the Company from 9 July 2013 to 23 July 2013. The purchase price of shares is the higher of $3,500,000 or 50% of 8 times the EBITDA for the prior 12 months on the relevant accounts date.

31. Events After The Balance Sheet Date

No matter of circumstance has arisen since the end of the financial year that has significantly affected, or may significantly affect, the Group's operations, the results of those operations or the Group's state of affairs in subsequent financial years.

32. Information Relating to Onthehouse Holdings Limited ("The Parent Entity")

	2012 $'000	2011 $'000
Current assets	**2,099**	1,122
Total assets	**69,580**	64,031
Current liabilities	**1,084**	-
Total liabilities	**6,195**	500
Contributed equity	**63,911**	63,911
Accumulated losses	**(526)**	(380)
	63,385	63,531
Loss of the parent	**(146)**	(380)
Total comprehensive income of the parent	**(146)**	(380)

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In accordance with a resolution of the Directors of Onthehouse Holdings Limited, I state that:

1. In the opinion of the Directors:
   (a) the financial statements and notes of Onthehouse Holdings Limited for the financial year ended 30 June 2012 are in accordance with the *Corporations Act 2001*, including:
      (i) Giving a true and fair view of the Company's financial position as at 30 June 2012 and performance for the year ended on that date
      (ii) Complying with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Regulations 2001
   (b) The financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 2(a); and
   (c) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2 This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2012.

On behalf of the board

Gail Pemberton	**Michael Fredericks**
Chairman	**Managing Director**
31 August 2012	31 August 2012

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Independent auditor's report to the members of Onthehouse Holdings Limited

Report on the financial report

We have audited the accompanying financial report of Onthehouse Holdings Limited, which comprises the consolidated statement of financial position as at 30 June 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit 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.

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ERNST & YOUNG

Opinion

In our opinion:

a. the financial report of Onthehouse Holdings Limited is in accordance with the *Corporations Act 2001*, including:

   i giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and

   ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.

Report on the remuneration report

We have audited the Remuneration Report included in section 15 of the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Onthehouse Holdings Limited for the year ended 30 June 2012, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

Mike Reid
Partner
Brisbane
31 August 2012

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Additional information required by the Australian Securities Exchange Limited Listing Rules and not shown elsewhere in this report is as follows. The information is current as at 21 August 2012.

(a) Distribution of equity securities

(i) Ordinary share capital

- 81,627,500 fully paid ordinary shares are held by 1,918 individual shareholders

All issued ordinary shares carry one vote per share and carry the rights to dividends.

(ii) Options

- 3,800,000 options are held by 9 individual option holders

Options do not carry a right to vote.

The number of shareholders, by size of holding, in each class are:

	Fully paid ordinary shares	Options
1 – 1,000	21	-
1,001 – 5,000	530	-
5,001 – 10,000	481	-
10,001 – 100,000	787	-
100,001 and over	99	9
	1,918	9

(b) Substantial shareholders

	Fully paid	
Ordinary shareholders	Number	Percentage
MICHAEL KENNETH FREDERICKS	7,077,606	8.67%
WILSON HTML INVESTMENT GROUP LIMITED AND ITS ASSOCIATES	8,982,709	11.0%
AWJ FAMILY PTY LTD	5,605,161	6.88%
AUST EXECUTOR TRUSTEES SA LTD	4,179,891	5.12%
	25,845,367	**31.67%**

(c) Twenty largest shareholders of quoted equity securities

		Fully paid	
Ordinary shareholders		Number	Percentage
1	MICHAEL KENNETH FREDERICKS <FREDERICKS ONTHEHOUSE NO 1>	4,972,667	6.09%
2	AUST EXECUTOR TRUSTEES SA LTD <TEA CUSTODIANS LIMITED>	4,179,891	5.12%
3	BPN PARIBAS NOMS PTY LTD <MASTER CUST DRP>	3,250,000	3.98%
4	CATHERINE THERESE LYNCH	2,500,978	3.06%
5	JP MORGAN NOMINEES AUSTRALIA LIMITED	2,414,387	2.96%
6	MICHAEL KENNETH FREDERICKS <FREDERICKS ONTHEHOUSE NO 2>	2,104,939	2.58%
7	GLOBALX INFORMATION SERVICES PTY LTD	2,015,629	2.47%
8	AWJ FAMILY PTY LTD <AWJ FAMILY A/C>	1,631,250	2.00%
9	AWJ FAMILY PTY LTD <ANGUS W JOHNSON FAMILY A/C>	1,605,161	1.97%
10	WESTERMAN JOINT TRUST COMPANY LIMITED	1,567,500	1.92%
11	MR ANGUS WILLIAM JOHNSON & MRS LINDY JOHNSON < DENA SUPER FUND A/C>	1,368,750	1.68%
12	MR GARY LEONARD MAGGS & MRS SHIRLEY ANNE MAGGS <L T JOHNSON A/C>	1,116,205	1.37%
13	LAUREN KATHLEEN DOHERTY <DOHERTY ONTHEHOUSE>	1,000,488	1.23%
14	AWJ FAMILY PTY LTD	1,000,000	1.23%
15	JEREMY SIMON NEWMAN	836,332	1.02%
16	GLENLUCE PROPERTIES PTY LIMITED <GLENLUCE PROPERTIES S/F>	730,530	0.89%
17	ELIYAHU ARZOUAN & LANA ARZOUAN	594,119	0.73%
18	K PAGNIN PTY LTD <K PAGNIN FAMILY A/C>	550,000	0.67%
19	MYMAX INVESTMENTS PTY LTD <MYMAX FUND NO.8>	520,757	0.64%
20	CIBAW PTY LTD <THE BLIGH FAMILY A/C>	520,000	0.64%
		34,479,583	**42.25%**

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Notes

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Corporate Directory

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Website
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ASX code: OTH

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onthehouse.com.au