**APPENDIX 4E**
**Preliminary final report**

**Onthehouse Holdings Limited**
**ABN: 97 150 139 781**

**Year ending 30 June 2013**
**Previous corresponding period: 30 June 2012**

**RESULTS FOR ANNOUNCEMENT TO THE MARKET**

## Key Information

| | | Reporting Period $A'000 | Previous Reporting Period $A'000 |
|---|---|---|---|
| Revenue from continuing operations | Increased 19% to | 24,162 | 20,327 |
| Profit/(loss) from continuing operations after tax attributable to members | Decreased 53% to | 1,008 | 2,141 |
| Net profit/(loss) for the period attributable to members | Decreased 53% to | 1,008 | 2,141 |

### Dividends

The Company's strategic objectives continue to drive support from leading real estate agency groups and significant financial institutions. Internationally, there are comparative businesses that have been enjoying significant growth and market attention, providing a strong guide to the potential for Onthehouse to create substantial shareholder value.

With substantial growth opportunities available, and in order to leverage the Company's first mover advantage in Australia, the Board has resolved that the Company retain cash and maintain a conservative balance sheet to enable greater reinvestment in growth opportunities over the short term.

Accordingly, no dividend will be paid in respect of the year ended 30 June 2013.

## Net Tangible Assets

| | Current Period | Previous Period |
|---|---|---|
| Net tangible asset backing per ordinary security (cents) | (4.94) | 2.04 |

**This information should be read in conjunction with the Directors' report and the full year financial statements for the period. This report is audited.**

# Onthehouse Holdings Limited

## ABN 97 150 139 781

# Audited Financial Report

# Year Ended 30 June 2013

**Onthehouse Holdings Limited**

**Financial Report – Table of Contents**

**For the Year Ended 30 June 2013**

## CONTENTS

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 2013.

## 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 Chairman

Gail has over 35 years' experience in financial services and technology sectors, at the Chief Executive Officer, Chief Operating Officer and Chief Information Officer level. 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 and CEO 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. She is also a long standing member of Chief Executive Women (CEW).

Gail is currently a director of PayPal Australia, Baycorp, UXC (ASX: UXC), Chair of SIRCA and 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 (FAICD).

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

**Warwick Face** – Non-executive Director

Warwick is currently the Partner in charge of Transaction Services at Pitcher Partners Brisbane. Warwick has over 20 years broad ranged 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, 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.

## 1. Directors continued

**Diana Eilert** – Non-executive Director – appointed 1 July 2012

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.

**Jim McKerlie** – Non-executive Director – (resigned 26 September 2012)

Whilst a Director of Onthehouse Holdings Limited, Jim was also the Chairman and former Group CEO of Bullseye Pty Ltd, an international digital services company and a global provider of business software solutions. At that time, he was also the Chairman of Drillsearch Energy Limited (ASX: DLS), and was previously a partner at Deloitte and KPMG.

**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 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 6 years. Michael has a Bachelor of Laws.

## 1. Directors continued

### 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 |
| **W. Face** | 224,238 | 250,000 |
| **D. Eilert** | - | 250,000 |
| **M. Fredericks** | 7,077,606 | 750,000 |

## 2. Company secretary

### Sue Whidborne

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 also the Southbank Institute of Technology.

## 3. Dividends

A dividend of $493,050 (0.6 cents per fully paid share) (100% franked) was paid on 28 November 2012.

## 4. Principal activity

The Group's principal activities during the year were the provision of a broad range of products and services to real estate agencies, real estate groups, financial institutions and the public in Australia and New Zealand.

This bundling of products and services is designed to meet the material requirements of real estate professionals in Australia and New Zealand, as well as providing the general public in Australia with comprehensive and freely accessible real estate information.

## 5. Group overview

The Group uniquely provides a complementary range of real estate software, real estate data and online advertising solutions for real estate professionals, financial institutions and the Australian public. The Group operates a real estate data platform aggregating data from the Group's operating divisions, as well as external sources, including State and Territory governments. The business divisions operated by the Group consist of:

***Real Estate Solutions***

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

- Software, data management, online advertising 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.

## 5. Group overview continued

### *Real Estate Solutions continued*

Solutions provided include property management applications, sales management, website design, development and hosting, online marketing and advertising, data, mobile valuation data and other business intelligence solutions. A compelling point of differentiation from the Group's competitors is the provision of a complete solution that provides a real estate agency a comprehensive bundle of products and services required to effectively operate their business from a single supplier ("one-stop-shop"), as well as enabling property related transactions and decisions by property related businesses.

This solution suite is markedly enhanced by the addition of the Residex and The Real Estate Ad Network (REAN) businesses acquired by the Group, with the combination of the Group'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 Group's 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 of the Group range from small, start up real estate agents, to 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 Banking Group.

### *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 the Group. Collectively, the Onthehouse Media 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 information such as 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, which typically equates to less than 5% of properties in Australia (online classifieds advertising).

Onthehouse aggregates data from a range of external sources and user generated content (UGC), including Australian State and Territory Government land 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 a substantial number of 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 which now represent almost 40% 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, the real estate agency business is a mobile profession. Agents are seeking to have content empowered mobile solutions out in the field. The Group is very well positioned to benefit from the day when consumption of property information and agency solutions predominantly occurs through mobile devices.

Our online real estate marketplace benefits from a network effect. Our growing audience of consumers entices more real estate professionals to contribute distinguishing content, thereby making our marketplace more useful and attractive to end users.

## 5. Group overview continued

### *Consumer Online continued*

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 the Group'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.

### *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.com.au 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, estimated at over $8.5[^] billion. 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 significant amounts in advertising to build relationships with, and ultimately sell their products and services to, home owners.

[^] 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.

## 5. Group overview continued

***Industry Dynamics continued***

*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.

This end-to-end solution typically requires the following products and services uniquely provided by Onthehouse:

- Sales and rental trust accounting software;
- Property management software;
- Office administration software;
- Property advertising management software;
- Client relationship management software;
- Office reporting software;
- Real estate data products;
- Comprehensive sales data (including National state and territory government sales data);
- Owner / vendor lead generation;
- Market intelligence data; and
- Design, hosting and monetisation of real estate agency and real estate group websites.

### Operating results for the year

The Group achieved significant growth in revenue for the year ended 30 June 2013, up 19% on the prior corresponding period. Profits were re-invested back into the business with particular focus on the continued evolution of the Group's Real Estate Data platform and the Consumer Online business, resulting in a lower EBITDA for the year than the prior financial year.

| | Actual 2013 $'000 | Actual 2012 $'000 | Growth From Prior Year |
|---|---|---|---|
| Sales revenue | 24,100 | 20,283 | 19% |
| EBITDA (unaudited)** | 7,049 | 7,953 | (11%) |
| Transaction Costs* (unaudited) | 72 | 212 | (66%) |
| EBITDA excluding Transaction Costs (unaudited) | 7,121 | 8,165 | (13%) |
| Net Profit/(loss) after Tax | 1,008 | 2,141 | (53%) |
| Cash Balance as at 30 June | 4,187 | 3,066 | 37% |

* Transaction costs incurred in respect of the acquisition of investments

** 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 $967,000 (2012: $2,768,000) plus depreciation and amortisation of $5,605,000 (2012: $4,905,000), loss on sale of assets of $160,000 (2012: $35,000) financing costs of $379,000 (2012: $289,000) less interest income of $62,000 (2012: $44,000).

## 5. Group overview continued

**Operating results for the year continued**

| Division Performance | Revenue $'000 | EBITDA $'000 | Margin % | Depreciation & Amortisation (net of gain/loss on disposal) $'000 | Net Finance Costs $'000 | Profit Before Income Tax $'000 | Income Tax Expense $'000 | Net Profit $'000 |
|---|---|---|---|---|---|---|---|---|
| **30 June 2013** | | | | | | | | |
| **Real Estate Solutions** | 22,056 | 16,537 | 75% | | | | | |
| **Consumer Online** | 2,044 | (275) | (13%) | | | | | |
| **Unallocated income/ (expenses)*** | | (9,213) | | | | | | |
| **Total** | 24,100 | 7,049 | 29% | (5,765) | (317) | 967 | 41 | 1,008 |
| **30 June 2012** | | | | | | | | |
| **Real Estate Solutions** | 19,333 | 13,111 | 68% | | | | | |
| **Consumer Online** | 950 | 454 | 48% | | | | | |
| **Unallocated income/ (expenses)*** | | (5,612) | | | | | | |
| **Total** | 20,283 | 7,953 | 39% | (4,940) | (245) | 2,768 | (627) | 2,141 |

* Excluding net gain or loss on disposal of property, plant and equipment

Real Estate Solutions revenue increased by 14%, though market share across real estate agencies remained relatively flat. Consumer Online revenue increased by 115%, as the Group built its Consumer Online sales capability and continued to scale traffic on onthehouse.com.au.

The results reflect significant investment in building capability across a number of functional areas, with an increase of approximately 40% of the workforce, including the areas of media sales, customer service, product development, as well as infrastructure and corporate functions.

Key areas of focus during the year included investment in:

- Data technology platform;
- Data aggregation strategy and assets including the establishment of data and mobile product and development teams;
- Improving consumer and real estate agency engagement through product feature enhancement on onthehouse.com.au;
- Development of a real estate agency data product;
- Development and customising the Group's advertising media product features and data solutions offering to Australian financial institutions; and
- Infrastructure platforms to support our scaling financial services and real estate customers' audience demands.

## 5. Group overview continued

### Operating results for the year continued

***Review of financial position***

| Financial Position | FY13 ($'000) | FY12 ($'000) | Change | Cash Flow | FY13 ($'000) | FY12 ($'000) | Change |
|---|---|---|---|---|---|---|---|
| Cash | 4,187 | 3,066 | +37% | Operating Cash flow | 7,232 | 6,422 | +13% |
| Investments | - | 3,962 | (100%) | Investing cashflows | (7,087) | (5,782) | +23% |
| Goodwill and Intangibles | 66,287 | 59,618 | +11% | Financing cashflows | 976 | 679 | +44% |
| Total assets | 74,584 | 70,247 | +6% | Net change in cash | 1,121 | 1,319 | (15%) |
| Total borrowings | (3,842) | (2,331) | +65% | Cash at beginning of period | 3,066 | 1,747 | +76% |
| Total Equity | 62,229 | 61,287 | +2% | Cash at end of period | 4,187 | 3,066 | +37% |

Operating cashflows increased 13% to $7,232,000 enabling the Group to continue to invest in its product offerings, data and technology with an increase of 61% in software development to $2,467,000 (FY2012: $1,616,000) including enhancement in its Real Estate Solutions product offerings $1,258,000 (FY2012: $1,041,000); Consumer Online product offerings $732,000 (FY2012: $575,000) and Data Platform and associated offerings which will benefit customers across both divisions $477,000 (FY2012 included in Consumer Online).

In addition to the continued investment into the Group's products, strong operating cash flow has enabled the Company to fund $1,250,000 of the Residex Pty Ltd ("Residex") and The Ad Network Pty Ltd ("The Ad Network") acquisitions and pay a dividend of $493,000 in the reporting period. The year ended 30 June 2013 closed with a cash balance of $4,187,000 (30 June 2012: $3,066,000) and outstanding debt of $3,842,000 (30 June 2012: $2,331,000).

## 6. Significant changes in state of affairs

On 20 September 2012, the Company acquired the remaining 50% of Residex for $3,500,000. This was funded by debt of $2,500,000 and $1,000,000 operating cash flow. On 24 October 2012, the Company acquired 100% of The Ad Network for an upfront payment of $500,000 which was settled with $250,000 from operating cash flows and $250,000 script with contingent consideration of up to $1,500,000 payable in October 2014.

### Residex

The acquisition of Residex is strategic for the Group as it facilitates the integration of even greater data depth to the Group's 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.

### The Ad Network Pty Ltd

The acquisition of the The Ad Network Pty Ltd (REAN) in October 2012 brings in-house a specialised Real Estate advertising sales team and technology with established relationships and contracts with target clients and advertisers. This acquisition significantly increased the scale of Onthehouse's media audience and national reach.

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 alliance is delivering highly targeted and engaged national real-estate audiences to advertisers. 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.

## 6. Significant changes in state of affairs continued

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 to generate additional revenue for them.

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.

## 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

The Group operates a centralised data platform and two complementary business divisions that support and benefit from that underlying property database. The Group operates the Consumer Online business in Australia and the Real Estate Solutions business in Australia and New Zealand.

The real estate industry is increasingly influenced by the utilisation of real estate data, technology applications of that data, online, mobile and social advertising. Advertising in the real estate vertical is not limited to real estate classified advertising. The substantial advertising spend in the broader property segment is in the early stages of migration to online, mobile and social platforms, with more targeted and analytical advertising solutions in demand. The Group is well positioned to benefit from this market opportunity, given its unique data and business asset combinations, and focus on the broader "Home Owner" audience category, rather than buyers and renters seeking real estate classifieds.

The Group's approach to working closely with real estate groups and offices, (including designing, developing and hosting their website and broader online and mobile advertising solutions) and sharing revenue with the Group's real estate agency clients, establishes significant strategic benefits and barriers to entry.

The Group's strategy will therefore see us further investing in our strategic positioning as the market leader in Australia in:

- Supplying real estate agencies with their material software, data, online, mobile and social advertising from one supplier ("one-stop-shop");
- Partnering with real estate groups and agencies to further scale the Group's substantial real estate media network and generate revenue for those contributing businesses; and
- Empowering consumers with comprehensive and freely accessibility property information and facilitating introductions to local experts to assist them make more informed property decisions.

As such, the Group will continue to invest in a number of operating areas, including:

- The Group's data aggregation strategy and assets to achieve market leading data in target markets;
- Further investment in data & mobile product and development teams;
- Developing consumer and real estate agency engagement through product enhancement on onthehouse.com.au;
- Expansion of the marketing team and account management function in support of the Group's campaign to achieve further engagement of agents and consumers with the site;
- The launch and further enhancement of the Group's real estate agency Re:Search product;
- Product innovation to support banks and real estate customers; and
- Investment in new technology infrastructure management.

## 8. Likely developments continued

The Group is aware and always mindful that the Group's businesses and strategic objectives are challenging and could be impacted by competitive behaviour, regulatory change and other factors outside of the control of the Group. The Group operates in a highly competitive industry and has a number of large competitors in different segments of our business operations. The Group regularly monitors competitive behaviour, as well as local and international trends and innovation relevant to its business operations to identify potential opportunities and risks for our business.

More broadly, risks to the Group include the following;

- Competitive threats from other real estate portals locally and abroad;
- Competitive threats from other real estate data companies;
- Changes in the terms and conditions of material data licences, including agreements with state and territory governments;
- Change in regulatory environments which may adversely impact on the Group's strategy and product offering to market; and
- Underperformance of our solutions to our customer segments.

The above risks may adversely impact the Group's financial prospects and accordingly are continually monitored in line with the Group's risk framework. The Group's increasing investment of profits into technology, data and people will assist in managing competitor and technology risks.

## 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 3,070,000 unissued ordinary shares under options (3,570,000 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.

## 11. Indemnification and insurance of Directors and Officers

Pursuant to Access and Indemnity Deeds signed by the Directors and Company Secretary, the Group 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 Group 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 Group 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 2013 were as follows:

| | Directors' Meetings | | Meetings of committees: Audit & Risk | | Remuneration & Nominations | | Product & Technology | |
|---|---|---|---|---|---|---|---|---|
| **Director** | **A** | **B** | **A** | **B** | **A** | **B** | **A** | **B** |
| G. Pemberton | 17 | 16 | 4 | 3 | 5 | 5 | 2 | 2 |
| W.Face | 17 | 17 | 4 | 4 | 5 | 4 | n/a | n/a |
| D. Eilert | 17 | 14 | 4 | 4 | 5 | 5 | 2 | 2 |
| J. McKerlie | 8 | 0 | 1 | 0 | 2 | 0 | 0 | 0 |
| M. Fredericks* | 17 | 17 | n/a | n/a | n/a | n/a | n/a | n/a |

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 any of the 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 2013:

| Audit & Risk | Remuneration & Nominations | Product & Technology |
|---|---|---|
| G. Pemberton | G. Pemberton | G. Pemberton (c) |
| W. Face (c) | W. Face | D. Eilert |
| D. Eilert | D. Eilert (c) | J. McKerlie* |
| J. McKerlie* | J. McKerlie* | |

Note: (c) Designates the chairperson of the committee

* Resigned as Director on 26 September 2012

## 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 34 from the auditor of Onthehouse Holdings Limited.

There were no non-audit services provided by the Ernst & Young during the financial years ended 30 June 2013 and 30 June 2012.

## 15. Remuneration report (audited)

This remuneration report for the year ended 30 June 2013 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 2012 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) |
| W. Face | Director (non-executive) |
| M. Fredericks | Managing Director & CEO |
| D. Eilert | Director (non-executive) |
| J. McKerlie | Director (non-executive) – resigned 26 September 2012 |

#### ii. Executives

| | |
|---|---|
| S. Whidborne | Chief Financial Officer & Company Secretary |
| J. Lilienstein | Chief Operating Officer – resigned 31 March 2013 |
| K. Branagan | Chief Technology Officer – resigned 2 July 2013 |
| B. O'Brien | Chief Revenue Officer – appointed 25 October 2012 |

## 15. Remuneration report (audited) continued

Arun Thenabadu was appointed as Chief Technology Officer on 8 July 2013 and Chris Meehan was appointed Chief Operating Officer on 14 August 2013. 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 a committee of the Board. The committee is responsible for making recommendations to the Board on executive succession and talent planning strategy and approach, diversity strategy and executive remuneration and incentive policy . The committee also recommends recruitment, retention, performance measurement and termination policies and procedures for executives and directors.

The remuneration and nominations committee assesses the appropriateness of the nature and amount of remuneration of executives and non-executive directors 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.

***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 and nominations 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 and the level of the Group short-term incentive (STI) pool.

***Remuneration strategy***

The Group'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 Group.

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

- are aligned to the Group'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. Non-executive directors do not receive retirement benefits.

The current policy provides for initial grant of options to incoming non-executive directors of up to 250,000 options and also has a provision to provide further annual grants of up to 50,000 options with a maximum options at any time of 350,000 options per non-executive director.

## 15. Remuneration report (audited) continued

### c. Non-executive director remuneration arrangements continued

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.

| Fees Applicable (inclusive of any applicable superannuation) | 2013 Chair $ | 2013 Member $ | 2012 Chair $ | 2012 Member $ |
|---|---|---|---|---|
| Board | 110,000 | 70,000 | 100,000 | 60,000 |
| Audit & Risk Committee | 10,000 | 5,000 | 15,000 | - |
| Remuneration & Nomination Committee | 10,000 | 5,000 | - | - |
| Product & Technology Committee | 10,000 | 5,000 | - | - |

### d. Use of remuneration consultants

In July 2012, the Group'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.

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

GRG has confirmed that the above recommendations have been made free from undue influence by members of the Group'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 group 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.

In response to the recommendations:

- In respect of executive salaries, whilst at the lower end of the range, executive salaries were generally maintained. The exception was the base salary of the Managing Director which was increased to $350,000 to reflect market conditions.
- The policy in respect of the proportion of remuneration that is short term incentive and long term incentive was amended to provide a role specific framework for executives.

### e. Voting and comments made at the Company's 2012 Annual General Meeting

The Company received more than 79% of 'yes' votes on its remuneration report for the 2012 financial year.

## 15. Remuneration report (audited) continued

### f. Executive remuneration arrangements

***Remuneration levels and mix***

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

***Structure***

In the 2013 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 Group has annual STIs available to executives that seeks to provide a cash bonus subject to the attainment of clearly defined Group 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 Group is reasonable in the circumstances.

The short-term incentive plan (STIP) is a key component of OTH's performance-driven culture.

The STIP will ensure rewards are market-competitive to attract and retain talented people; remuneration is linked to performance so that higher levels of performance attract higher rewards; and the overall cost of remuneration is managed and linked to the ability of the Group to pay.

The remuneration and nominations committee believes that by combining revenue and profit parameters, the overall performance of OTH is properly reflected. In addition to the financial targets, part of the short-term incentive award is based on operational performance, assessed based on pre-defined measurable targets set for each eligible employee.

The STIP has been structured to ensure that payments are closely aligned to business performance and are designed to:

- deliver group performance improvements in line with the strategic plan
- provide rewards subject to the achievement of rigorous performance target, and
- align individual objectives to Group and business-specific objectives.

The STIP provides an annual cash incentive that is based on a maximum percentage of the eligible employee's "Fixed Salary" (base plus superannuation). The following financial and non-financial components constitute the key result areas of the STIP:

- Group Revenue
- Group EBITDA
- Operational Performance.

## 15. Remuneration report (audited) continued

### f. Executive remuneration arrangements continued

***Variable remuneration — short-term incentive (STI) continued***

The components are weighted dependant on a role being categorised as:

- CEO and COO;
- revenue generating;
- customer facing; or
- non-revenue generating.

The operational performance targets vary for each individual dependant on their role. Examples of such components could include customer satisfaction, increasing efficiencies and process improvement.

All targets are set at the beginning of the financial year and are designed to deliver results in line with the Group's overall strategic plan. This results in each eligible employee having a STI that is directly linked to their individual annual business objectives.

The Remuneration Committee reviews annually the ongoing appropriateness of the STI policy including performance measures, weighting of performance measures, performance hurdles, and assessment of performance and reward outcomes.

***Variable remuneration – long term incentive (LTI)***

The Group 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 vesting performance conditions attached (other than options being issued "out of the money").

The current policy provides for initial grant of options to incoming executives of up to 300,000 options or up to 1,000,000 options in the case of the CEO. The policy also has a provision to provide further annual grants of up to 200,000 options (500,000 options for the CEO) with the maximum options at any time of 700,000 options per executive or 2,000,000 options for the CEO. Annual grants are performance based (as they are issued with exercise prices that are "out of the money".

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.

***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 2001*.

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.

## 15. Remuneration report (audited) continued

### f. Executive remuneration arrangements continued

***Employee share option plans (ESOP) continued***

The Company has issued a total of 250,000 options during the year (2012: 1,600,000 options) to executives and directors of the Company. The key terms of these options are:

- the first vesting condition is between 24-36 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 - $5 plus the exercise price to be exercised in 10 days from ceasing employment.

***Hedge Policy***

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

***Group Performance and its link to remuneration***

As outlined above, performance-based remuneration (e.g. STIs and LTIs) is paid with reference to key performance indicators (being revenue, EBITDA and operational performance metrics).

The table below sets of the history of the key financial metrics of the Group and the performance-based remuneration allocated each year. STI awards are made based on an assessment of both financial and operational performance.

| | Actual 2013 $'000 | Actual 2012 $'000 | Actual 2011* $'000 |
|---|---|---|---|
| **Total revenue** | 24,162 | 20,327 | 1,485* |
| **EBITDA** | 7,049 | 7,953 | (1,518)* |
| **Dividends paid** | 493 | - | - |
| **Closing share price at 30 June** | $0.38 | $0.46 | $0.67 |
| **Performance-based remuneration** | 364 | 32 | - |

* Represents part-year operations

## 15. Remuneration report (audited) continued

### f. Executive remuneration arrangements continued

***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)** | $350,000 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 the Group** | The Group may terminate Mr Fredericks' employment without cause with six months' notice or payment of six months compensation in lieu of notice. Otherwise, the Group 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 Group for a period up to 12 months after termination. |

In addition to the above, Mr Fredericks was granted 750,000 options (pre Initial Public Offering) and also has access to a company car.

***Other Key Management Personnel***

Other Key Management Personnel are employed under a contract with the following key terms:

| | |
|---|---|
| **Term** | Rolling contracts |
| **Total fixed salary per annum (including superannuation)** | Varies per individual; refer to15(g) for details of remuneration paid |
| **Bonus / short term incentive** | Up to 50% of fixed salary subject to achievement of certain key performance indicators. |
| **Termination by executive** | Employment may be terminated by executive with notice periods ranging from one to three months |
| **Termination by the Group** | The Group may terminate an executive's employment without cause with notice (ranging between one to three months) or payment of compensation in lieu of notice. Otherwise, the Group may terminate an executive's employment for cause in which case they are 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 Group for a period up to 12 months after termination |
| **Employee share option plan** | The contracts also provide for the ability to participate in the Group's ESOP |

## 15. Remuneration report (audited) continued

### g. Executive contractual arrangements continued

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

**Year ended 30 June 2013**

| | Short-term benefits | | | | Post-employment | Long-term benefits | | Share based payments | Termination payments | Total | Performance related |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Fixed - Salary & fees $ | STI – Cash bonus $ | Non-monetary benefits $ | Other $ | Super-annuation $ | Cash Incentives $ | Long service leave $ | Options issued $ | $ | $ | % |
| **Non-executive Directors** | | | | | | | | | | | |
| G. Pemberton | 130,000 | - | - | - | - | - | - | 3,580 | - | 133,580 | 3% |
| W. Face | 85,000 | - | - | - | - | - | - | 3,580 | - | 88,580 | 4% |
| D. Eilert | 82,569 | - | - | - | 7,431 | - | - | 21,467 | - | 111,467 | 19% |
| J. McKerlie (resigned 26/09/12) | 17,431 | - | - | - | 1,569 | - | - | 7,161 | - | 26,161 | 27% |
| **Total Non-executive Directors** | **315,000** | **-** | **-** | **-** | **9,000** | **-** | **-** | **35,788** | **-** | **359,788** | **10%** |
| **Executive Director** | | | | | | | | | | | |
| M. Fredericks | 304,285 | 70,000 | 26,973 | - | 17,251 | - | - | 10,053 | - | 428,562 | 19% |
| **Other key management personnel** | | | | | | | | | | | |
| S.Whidborne | 224,384 | 33,750 | - | - | 16,470 | - | - | 36,185 | - | 310,789 | 23% |
| J. Lilienstein (resigned 31/3/13) | 165,972 | 81,250 | - | - | 15,583 | - | - | (3,324) | 63,199 | 322,680 | 24% |
| K. Branagan (resigned 2/07/13) | 208,503 | 62,500 | - | - | 16,470 | - | - | (2,406) | - | 285,067 | 21% |
| B. O'Brien (appointed 25/10/12) | 114,279 | 40,000 | 29,744 | - | 12,870 | - | - | - | - | 196,893 | 20% |
| **Total executive KMP** | **1,017,423** | **287,500** | **56,717** | **-** | **78,644** | **-** | **-** | **40,508** | **63,199** | **1,543,991** | **21%** |
| **Totals** | **1,332,423** | **287,500** | **56,717** | **-** | **87,644** | **-** | **-** | **76,296** | **63,199** | **1,903,779** | **19%** |

### 15. Remuneration report (audited) continued

#### g. Executive contractual arrangements continued

**Remuneration of key management personnel and the executives of the Company and the Group**
**Year ended 30 June 2012**

| | Short-term benefits | | | | Post-employment | Long-term benefits | | Share based payments | Termination payments | Total | Performance related |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 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 | 5% |
| W. Face | 75,000 | - | - | - | | - | - | 3,052 | - | 78,052 | 4% |
| J. McKerlie | 92,096 | - | - | - | 8,289 | - | - | 6,105 | - | 106,490 | 6% |
| **Total Non-executive Directors** | 227,096 | - | - | - | 8,289 | - | - | 12,209 | - | 247,594 | 5% |
| **Executive Director** | | | | | | | | | | | |
| M. Fredericks | 250,000 | - | - | - | 22,500 | - | - | 8,292 | - | 280,792 | 3% |
| **Other key management personnel** | | | | | | | | | | | |
| S.Whidborne (appointed 19/03/12) | 66,462 | - | - | - | 4,550 | - | - | 2,406 | - | 73,418 | 3% |
| J. Lilienstein (appointed 28/11/11) | 134,373 | - | - | - | 9,404 | - | - | 3,324 | - | 147,101 | 2% |
| K. Branagan (appointed 19/03/12) | 58,962 | - | - | - | 4,550 | - | - | 2,406 | - | 65,918 | 4% |
| C. Dawson (resigned 19/03/12) | 187,554 | - | - | - | 24,461 | - | - | 5,617 | 83,333 | 300,965 | 2% |
| E. Lynch (resigned 22/11/11) | 134,037 | - | - | - | 9,433 | - | 51,014 | (4,115) | - | 190,369 | (2%) |
| P. Dickman (resigned 11/11/11) | 70,601 | - | - | - | 7,062 | - | - | 1,659 | - | 79,322 | 2% |
| **Total executive KMP** | 901,989 | - | - | - | 81,960 | - | 51,014 | 19,589 | 83,333 | 1,137,885 | 2% |
| **Totals** | **1,129,085** | **-** | **-** | **-** | **90,249** | **-** | **51,014** | **31,798** | **83,333** | **1,385,479** | **2%** |

### 15. Remuneration report (audited) continued

#### h. Equity instruments

**Options awarded and vested during the year**

**Year ended 30 June 2013**

| | Terms & Conditions for each Grant during the year | | | | | | | Options vested during the year | |
|---|---|---|---|---|---|---|---|---|---|
| | Options awarded during the year No. | 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 | - | - | - | - | - | - | - | 125,000 | 50% |
| W. Face | - | - | - | - | - | - | - | 125,000 | 50% |
| D. Eilert | 250,000 | 27-Nov-2012 | 0.292 | 0.866 | 30-Jun-2017 | 1-Jul-2014 | 30-Jun-2017 | - | - |
| J. McKerlie | - | - | - | - | - | - | - | 250,000 | 50% |
| **Executive Directors** | | | | | | | | | |
| M. Fredericks | - | - | - | - | - | - | - | 300,000 | 40% |
| **Other key management personnel** | | | | | | | | | |
| S.Whidborne | - | - | - | - | - | - | - | - | - |
| J.Lilienstein | - | - | - | - | - | - | - | - | - |
| K.Branagan | - | - | - | - | - | - | - | - | - |
| B. O'Brien | - | - | - | - | - | - | - | - | - |
| **Total** | **250,000** | | | | | | | **800,000** | |

**15. Remuneration report (audited) continued**

**h. Equity instruments continued**

**Options awarded and vested during the year**

**Year ended 30 June 2012**

| | Terms & Conditions for each Grant during the year | | | | | | | Options vested during the year | |
|---|---|---|---|---|---|---|---|---|---|
| | Options awarded during the year No. | 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 | - | - | - | - | - | - | - | - | - |
| W. Face | - | - | - | - | - | - | - | - | - |
| J. McKerlie | - | - | - | - | - | - | - | - | - |
| **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 Apr 2017 | - | - |
| J.Lilienstein | 600,000 | 5-Jun-2012 | 0.157 | 0.513 | 30-Apr-2017 | 28-Nov-2013 | 30 Apr 2017 | - | - |
| K.Branagan | 500,000 | 5-Jun-2012 | 0.159 | 0.528 | 30-Apr-2017 | 19-Mar-2014 | 30 Apr 2017 | - | - |
| C.Dawson | - | - | - | - | - | - | - | 100,000 | 33% |
| E.Lynch | - | - | - | - | - | - | - | - | - |
| P.Dickman | - | - | - | - | - | - | - | - | - |
| **Total** | **1,600,000** | | | | | | | **100,000** | |

## 15. Remuneration report (audited) continued

### h. Equity instruments continued

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

| | Value of options granted during the year $ | Value of options exercised during the year $ | Value of options lapsed during the year $ | Remuneration consisting of options for the year % |
|---|---|---|---|---|
| **Non-executive Directors** | | | | |
| G. Pemberton | - | - | - | 2.7% |
| W. Face | - | - | - | 4.0% |
| D. Eilert | 73,038 | - | - | 19.3% |
| J. McKerlie | - | - | - | 27.4% |
| **Executive Directors** | | | | |
| M. Fredericks | - | - | - | 2.3% |
| **Other key management personnel** | | | | |
| S. Whidborne | - | - | - | 11.6% |
| J. Lilienstein** | - | - | (93,900) | (1.0%) |
| K. Branagan~ | - | - | - | (0.8%) |
| B. O'Brien | - | - | - | 0% |

^ For details on the valuation of the options, including models and assumptions used, please refer to note 26 of the financial statements.

** Represents forfeiture on resignation.

~ Options with a value of $79,500 (granted to Kieran Branagan in the prior financial year) lapsed on 12 July 2013 upon 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

**Gail Pemberton**
**Chairman**

29 August 2013

**Michael Fredericks**
**Managing Director**

29 August 2013

## 1. Corporate Governance at Onthehouse

The Board of Directors of Onthehouse Holdings Limited is responsible for establishing the corporate governance framework of the Group having regard to the ASX Corporate Governance Council (CGC) published guidelines as well as its corporate governance principles and recommendations.

Unless otherwise indicated, the information contained in this statement is true for the whole of the financial year commencing on 1 July 2012. The information provided below contains references to the Onthehouse Group's website: www.onthehouse.com.au. This statement should be read in conjunction with this website and with the Directors' Report, including the Remuneration Report, on pages 1 to 23 of this report.

### 1.1 Commitment to governance

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 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 ASX document, "Corporate Governance Policies and Recommendations with 2010 amendments" was published by the ASX Corporate Governance Council with the aim of enhancing the credibility and transparency of Australia's capital markets. The Company, as a listed entity, is required to report on the extent to which it has followed the Corporate Governance Recommendations contained in the document.

### 1.2 ASX Corporate Governance Council Recommendations Checklist

The table below cross-references the ASXCGC Recommendations to the relevant sections of the Corporate Governance Statement and the remuneration report.

| ASX Corporate Governance Principles and Recommendations | | Comply Yes / No | Reference |
|---|---|---|---|
| **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 | 2.1, 2.2 |
| 1.2 | Companies should disclose the process for evaluating the performance of senior executives. | Yes | 2.3<br>Directors' Report 15 |
| 1.3 | Companies should provide the information indicated in the guide to reporting on Principle 1. | Yes | 2.1, 2.2, 2.3, Directors' Report 15 |
| **Principle 2: Structure the board to add value** | | | |
| 2.1 | A majority of the board should be independent directors. | Yes | 2.4, 2.6 |
| 2.2 | The chair should be an independent director. | Yes | 2.4, 2.5, 2.6 |
| 2.3 | The roles of chair and chief executive officer (CEO) should not be exercised by the same individual. | Yes | 2.5 |
| 2.4 | The board should establish a nomination committee. | Yes | 3.1, 3.4 |
| 2.5 | Companies should disclose the process for evaluating the performance of the board, its committees and individual directors. | Yes | 2.8 |
| 2.6 | Companies should provide the information indicated in the guide to reporting on Principle 2. | Yes | 2.4, 2.5, 2.6, 2.8, 3.1, 3.4 |

## 1. Corporate Governance at Onthehouse continued

### 1.2 ASX Corporate Governance Council Recommendations Checklist continued

| ASX Corporate Governance Principles and Recommendations | | Comply Yes / No | Reference |
|---|---|---|---|
| **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. | Yes | 5.1, 5.3 |
| 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 | 5.2 |
| 3.3 | Companies should disclose in each annual report the measureable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them. | Yes | 3.4.1 |
| 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 | 3.4.1 |
| 3.5 | Companies should provide the information indicated in the guide to reporting on Principle 3. | Yes | 3.4.1, 5.1, 5.2, 5.3 |
| **Principle 4 — Safeguard integrity in financial reporting** | | | |
| 4.1 | The board should establish an audit committee. | Yes | 3.1, 3.2 |
| 4.2 | The audit committee should be structured so that it:<br>– Consists only of non-executive directors<br>– Consists of a majority of independent directors<br>– Is chaired by an independent chair, who is not chair of the board<br>– Has at least three members. | Yes | Director's report 12 |
| 4.3 | The audit committee should have a formal charter. | Yes | 3.2 |
| 4.4 | Companies should provide the information indicated in the guide to reporting on Principle 4. | Yes | 3.1, 3.2<br>Director's report 12 |
| **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 | 4.2 |
| 5.2 | Companies should provide the information indicated in the guide to reporting on Principle 5. | Yes | 4.2 |
| **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 | 4.1 |
| 6.2 | Companies should provide the information indicated in the guide to reporting on Principle 6. | Yes | 4.1 |
| **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 | 6.1 |

## 1. Corporate Governance at Onthehouse continued

### 1.2 ASX Corporate Governance Council Recommendations Checklist continued

| ASX Corporate Governance Principles and Recommendations | | Comply Yes / No | Reference |
|---|---|---|---|
| **Principle 7 — Recognise and manage risk (continued)** | | | |
| 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 | 6.2, 6.3, 3.1, 3.2 |
| 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 2001* 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 | 6.3 |
| 7.4 | Companies should provide the information indicated in the guide to reporting on Principle 7. | Yes | 6.1, 6.2, 6.3, 3.1, 3.2 |
| **Principle 8 — Remunerate fairly and responsibly** | | | |
| 8.1 | The board should establish a remuneration committee. | Yes | 3.1, 3.4<br>Directors' Report 12 |
| 8.2 | Companies should clearly distinguish the structure of nonexecutive directors' remuneration from that of executive directors and senior executives. | Yes | Directors' Report 15 |
| 8.3 | Companies should provide the information indicated in the guide to reporting on Principle 8. | Yes | 3.1, 3.4<br>Directors' Report 12<br>Directors' Report 15 |

## 2. Board of Directors

### 2.1 Board roles and responsibilities

Responsibility for the Group'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 Group, 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; and
- approving and monitoring financial and other reporting.

## 2. Board of Directors continued

### 2.2 Relationship between directors and management

Whilst the Board retains responsibility for the overall strategic direction and operational control of the Group, subject to the Company's Constitution and matters specifically reserved for the Directors, the Board has delegated the responsibility for day-to-day operation and administration of the Group to various officers, executives and management of the Group. Management must consult with the board on matters that are sensitive, extraordinary, or of a strategic nature or are otherwise outside their delegated authority limits.

### 2.3 Senior executive performance

The performance of senior executives is reviewed regularly against both measurable and qualitative indicators. The Managing Director conducts an annual performance assessment that involves an assessment of each direct report's performance against specific and measurable qualitative performance criteria. The performance assessment of the Managing Director is facilitated by the Chairman. The performance criteria against which the executives are assessed are aligned with the financial and non-financial objectives of the Group.

During the reporting period, a performance evaluation for senior executives (including the Managing Director) has taken place in accordance with this process.

### 2.4 Board composition

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:
  - two (2) non-executive Directors;
  - the Managing Director;
  - one (1) other non-executive Director who will be the Chair; and
- a majority of the Directors should be independent.

The skills, experience and expertise held by each director in office as at the date of this report are set out on pages 1 to 11 of this report, along with details of the period of office held by each director in office at the date of this report and membership of each Board Committee.

### 2.5 Chair of the Board

The roles of the Chairman and Managing Director are separate and the Chairman is a non-executive director.

The role of the Chairman is set out in the Board Charter and includes being responsible for managing the Board effectively, providing leadership to the Board and being the interface with the Managing Director.

### 2.6 Director Independence

Onthehouse considers a director to be independent when they are a non-executive director who is free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of their judgement.

The Board makes an assessment of the independence of each director upon their appointment and annually thereafter. Directors are required on an ongoing basis to disclose to the Board the relevant personal interests and conflicts of interest. Upon any such disclosure, a director's independence is reassessed.

## 2. Board of Directors continued

### 2.6 Director Independence continued

In accordance with the definition of independence above, the following directors of the Company are considered to be independent:

- Gail Pemberton;
- Warwick Face; and
- Diana Eilert.

### 2.7 Independent professional advice and access to Group information

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 Group's operations or undertakings in order to fulfil their duties and responsibilities as Directors. Any costs incurred are borne by Onthehouse.

### 2.8 Board Performance Review

An annual exercise is undertaken to evaluate the effectiveness of the board, board committees and individual directors.

For 2012, the board evaluation process was facilitated by Independent Board Evaluation, an independent external consultancy with no other connection with the Company, engaged by the chairman and co-ordinated by the company secretary.

A comprehensive brief was provided to Independent Board Evaluation. This included detailed interviews conducted with every board member and members of the executive team and the company secretary.

Based on these interviews, each Board members received a report on the Board as a whole and as individual members.

Each board member appraised the performance of non-executive and executive directors and provided feedback on each individual's performance and contribution.

A similar process was followed for the board committees. Independent Board Evaluation provided feedback to each of the committee chairs on the performance of each committee. In turn, this will be discussed and any actions agreed by each committee later this year.

Following the conclusion of this evaluation exercise, the board plans to hold a dedicated session at one of its scheduled meetings to discuss the output from the performance evaluation and to consider what actions to put into effect during the remainder of 2013.

### 2.9 Board meetings

The number of Board and Board Committee meetings held during the year along with the attendance by the directors is set out on page 11 of this report.

## 2. Board of Directors continued

### 2.10 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.

## 3. Committees of the Board

### 3.1 Overview

To assist in the execution of its responsibilities, the board has established three standing committees, the Audit and Risk Committee, the Product and Technology Committee and the Remuneration and Nominations Committee.

Each Committee has a charter, available on the Company's website, which sets out the respective duties and responsibilities of that committee. Committee charters are reviewed on regular basis, most recently in the current financial year.

### 3.2 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 Group 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.

## 3. Committees of the Board continued

### 3.2 Audit and Risk Committee continued

#### 3.2.1 External auditor

The role of the external auditor is to provide an independent opinion that the Group's financial reports are true and fair and comply with the applicable regulations. Ernst & Young is the Group's external auditor. The external auditor must remain independent of the Group at all times and comply with the *Corporations Act 2001* and other ethical requirements pertaining to financial independence and business relationships.

The lead audit engagement partner should be rotated after a period of no longer than five years and may not resume the role until at least two years have elapsed. Mr M Reid, the current lead audit engagement partner was first appointed in the financial year ended 30 June 2011.

Restrictions are placed on non-audit work performed by the auditor and projects outside the scope of the audit require the approval of the Audit and Risk Committee. An analysis of fees paid to the external auditor, including a break-down of fees for non-audit services, is provided in note 28 to the financial statements.

### 3.3 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 Group'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 Group.

### 3.4 Remuneration and Nomination 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 Group's remuneration policy and the Committee's work on behalf of the Board;

(f) the identification of suitable candidates for appointment to the Board; and

(g) the succession plan for the Chair and CEO and periodic evaluation of that plan.

In addition, the Remuneration and Nomination Committee is responsible for ensuring an appropriate HR Policy Framework is in place which is aligned to the goals, values and culture of the Group.

## 3. Committees of the Board continued

### 3.4 Remuneration and Nomination Committee continued

#### 3.4.1 Diversity

The Group values diversity and recognises the benefits it can bring to the organisation's ability to achieve its goals. The Board has established the following objectives in relation to gender diversity. As at reporting date, the objectives had been achieved.

| | Objective | | Actual at 30 June 2013 | |
|---|---|---|---|---|
| **Area** | **Number** | **%** | **Number** | **%** |
| Women employees in the whole organisation | 33 | 33% | 54 of 135 | 40% |
| Women in senior executive positions | 2 | 33% | 2 of 4 | 50% |
| Women on the Board | 2 | 40% | 2 of 4 | 50% |

## 4. Shareholders

### 4.1 Shareholder communication

The Company has developed a "Shareholder Communications Guidelines and Policy" which is available on the Company's website. 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 2001* in Australia; and
- 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; and
- 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.

A copy of the Company's Constitution is available to any shareholder upon request.

## 4. Shareholders continued

### 4.2 Continuous disclosures

The Company has established a policy that contains the key obligations of directors and employees of the Group in relation to continuous disclosure to help ensure compliance with its ASX Listing Rule and *Corporations Act 2001* obligations and also to ensure accountability at a senior executive level for that compliance.

A copy of the policy is available on the Company's website.

## 5. Ethical and responsible behaviour

### 5.1 Code of ethics and values

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

A copy of the code is available on the Company's website.

### 5.2 Code of code 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 law and best practice. The policy complies with ASX listing rule requirements on trading policies. Under the policy:

- Employees may not deal in Onthehouse securities during the two weeks prior to and the day after release of the following information:
  - Full year results to the ASX;
  - Half yearly results to the ASX; and
  - Quarterly results to the ASX.
- The OTH Board may impose other periods when Employees are prohibited from trading because price sensitive, non-public information may exist in relation to a matter.
- Additional restrictions apply to the Board, the Managing Director and his/her direct reports, the Company Secretary, and the Financial Controller as they are likely to be exposed to confidential or non-public information regarding the Company.

A copy of the policy is available on the Company's website.

### 5.3 Conflicts of interest

Directors have a duty to avoid conflicts of interest between the best interests of the Company and their own personal or commercial interests. Every Director must be aware of both actual and potential conflicts of interest. Directors are required to disclose conflicts of interest, potential or actual, to the full Board immediately. All positions and external Directorships must be disclosed to the full Board. If a conflict arises, common law requires that a Director with a conflict of interest should refrain from voting, entering in to any discussion or even being present during the relevant Board discussions. Details of director related entity transactions with the Group are set out in note 25 to the financial statements.

## 6. Risk Management

### 6.1 Approach to risk management

The Board is committed to the establishment and maintenance of adequate risk management systems. The Company's approach to risk management policy and systems are formalised in the Company's Audit and Risk Committee charter, which is available on the Company website.

### 6.2 Risk management process

The board has delegated responsibilities under the risk management policy to the Audit and Risk Committee. The Audit and Risk Committee has included within its Charter a section dealing with the monitoring and management of business, operational and financial risks, including appropriately systems and to ensure accountability at an executive level for risk oversight and management.

Each business unit is responsible for ensuring that it has in place appropriate risk management policies and procedures to meet its business, regulatory and operational requirements. During the financial year, the Audit and Risk Committee reviewed the Group's risk register and agreed it was satisfied with the management of the risks contained therein and the effectiveness of the risk management policy.

It is the responsibility of every employee to appropriately manage risk within their area of responsibility. To this end, Onthehouse places strong emphasis on maintaining a risk-aware culture in its decision making and operational processes.

### 6.3 Financial reporting

In accordance with section 295A of the *Corporations Act 2001*, the CEO and CFO have provided a written statement to the Board that:

- Their view provided on the Group'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 Group'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.

Ernst & Young
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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 2013, 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
29 August 2013

## Consolidated Statement of Comprehensive Income
## For the Year Ended 30 June 2013

Onthehouse Holdings Limited

| | Note | 2013<br>$'000 | 2012<br>$'000 |
|---|---|---|---|
| Revenue | 6 | **24,162** | 20,327 |
| | | | |
| Commissions | | **(812)** | (428) |
| Amortisation | 7 | **(5,268)** | (4,497) |
| Depreciation | 7 | **(337)** | (408) |
| Communications | | **(1,009)** | (771) |
| Employee benefits expense | | **(10,126)** | (7,376) |
| Advertising and marketing | | **(158)** | (251) |
| Occupancy | | **(1,089)** | (1,135) |
| Professional fees and insurance | | **(1,197)** | (518) |
| Motor vehicle and travel | | **(449)** | (400) |
| Other expenses | | **(2,317)** | (1,508) |
| Financing costs | 7 | **(379)** | (289) |
| Share of profit of jointly controlled entity | 13 | **(54)** | 22 |
| | | **(23,195)** | (17,559) |
| | | | |
| **Profit before income tax expense** | | **967** | 2,768 |
| Income tax benefit/(expense) | 8 | **41** | (627) |
| | | | |
| **Profit for the year** | | **1,008** | 2,141 |
| | | | |
| **Other comprehensive income** | | | |
| *Items that may be reclassified subsequently to profit or loss* | | | |
| Foreign currency translation | | **89** | 13 |
| **Other comprehensive income for the year, net of tax** | | **89** | 13 |
| **Total comprehensive income for the year** | | **1,097** | 2,154 |
| | | | |
| Profit is attributable to: | | | |
| Owners of Onthehouse Holdings Limited | | **1,008** | 2,141 |
| | | | |
| Total comprehensive income is attributable to: | | | |
| Owners of Onthehouse Holdings Limited | | **1,097** | 2,154 |

| **Earnings per share attributable to ordinary equity holders of the parent:** | | 2013<br>Per Share | 2012<br>Per Share |
|---|---|---|---|
| Basic (cents per share) | 9 | **1.23** | 2.62 |
| Diluted (cents per share) | 9 | **1.23** | 2.62 |

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

## Consolidated Statement of Financial Position
## For the Year Ended 30 June 2013
Onthehouse Holdings Limited

| | Note | 2013<br>$'000 | 2012<br>$'000 |
|---|---|---|---|
| **Current Assets** | | | |
| Cash and cash equivalents | 10 | **4,187** | 3,066 |
| Trade and other receivables | 11 | **2,682** | 2,537 |
| Income tax refundable | 8 | **26** | - |
| Other assets | 12 | **306** | 412 |
| Total current assets | | **7,201** | 6,015 |
| | | | |
| **Non-Current Assets** | | | |
| Investments | 13 | **-** | 3,962 |
| Property, plant & equipment | 14 | **1,096** | 652 |
| Intangible assets | 15 | **66,287** | 59,618 |
| Total non-current assets | | **67,383** | 64,232 |
| | | | |
| Total assets | | **74,584** | 70,247 |
| | | | |
| **Current Liabilities** | | | |
| Trade and other payables | 16 | **2,002** | 1,722 |
| Borrowings | 17 | **2,365** | 1,081 |
| Income tax payable | 8 | **-** | 219 |
| Provisions | 18 | **709** | 757 |
| Deferred revenue | 19 | **1,680** | 1,475 |
| Total current liabilities | | **6,756** | 5,254 |
| | | | |
| **Non-Current Liabilities** | | | |
| Borrowings | 17 | **1,477** | 1,250 |
| Deferred tax liabilities | 8 | **2,720** | 2,223 |
| Provisions | 18 | **1,402** | 233 |
| Total non-current liabilities | | **5,599** | 3,706 |
| | | | |
| Total liabilities | | **12,355** | 8,960 |
| Net assets | | **62,229** | 61,287 |
| | | | |
| **Equity** | | | |
| Contributed equity | 20 | **64,161** | 63,911 |
| Reserves | 21 | **3,155** | 2,463 |
| Accumulated losses | 21 | **(5,087)** | (5,087) |
| Total equity | | **62,229** | 61,287 |

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

# Consolidated Statement of Changes in Equity
## For the Year Ended 30 June 2013
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 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 |
| | | | | | | |
| **Balance at 1 July 2012** | **63,911** | **311** | **11** | **2,141** | **(5,087)** | **61,287** |
| Profit for the year | **-** | **-** | **-** | **1,008** | **-** | **1,008** |
| Other comprehensive income for the year | **-** | **-** | **89** | **-** | **-** | **89** |
| Total comprehensive income for the year | **-** | **-** | **89** | **1,008** | **-** | **1,097** |
| Share based payments | **-** | **88** | **-** | **-** | **-** | **88** |
| Dividends provided or paid | **-** | **-** | **-** | **(493)** | **-** | **(493)** |
| Acquisition consideration | **250** | **-** | **-** | **-** | **-** | **250** |
| **Balance at 30 June 2013** | **64,161** | **399** | **100** | **2,656** | **(5,087)** | **62,229** |

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

# Consolidated Statement of Cashflow
## For the Year Ended 30 June 2013
Onthehouse Holdings Limited

| | Note | 2013 $'000 | 2012 $'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers | | **27,350** | 21,352 |
| Payments to suppliers and employees | | **(19,767)** | (14,499) |
| Interest received | | **62** | 44 |
| Finance costs | | **(359)** | (289) |
| Income taxes paid | | **(54)** | (186) |
| Net cash from operating activities | 23 | **7,232** | 6,422 |
| **Cash flows from investing activities** | | | |
| Payments for software and data intangibles | 15 | **(2,631)** | (1,636) |
| Payments for acquisition of subsidiaries, net cash acquired | | **(3,627)** | (422) |
| Payments for investment in jointly controlled entity | | **-** | (3,240) |
| Payments for plant and equipment | 14 | **(838)** | (293) |
| Transaction costs relating to acquisitions | | **-** | (212) |
| Proceeds from disposal of plant and equipment | | **9** | 21 |
| Net cash (used in) investing activities | | **(7,087)** | (5,782) |
| **Cash flows from financing activities** | | | |
| Transaction costs on issue of shares | | **-** | (1,380) |
| Proceeds from borrowings | | **3,209** | 3,000 |
| Repayment of borrowings | | **(1,680)** | (793) |
| Borrowings net (related parties) | 25(e) | **(60)** | (148) |
| Dividends paid | | **(493)** | - |
| Net cash from financing activities | | **976** | 679 |
| **Net increase in cash and cash equivalents** | | **1,121** | 1,319 |
| Cash and cash equivalents at the beginning of the financial year | | **3,066** | 1,747 |
| Cash and cash equivalents at the end of the financial year | 10 | **4,187** | 3,066 |

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

## 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.

The consolidated financial report of the Company for the year ended 30 June 2013 was authorised for issue in accordance with a resolution of the directors on 29 August 2013.

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 Group is Australian dollars.

### (a) Basis of preparation

This general purpose financial report for the financial year ended 30 June 2013 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.

### (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 2013 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 Group 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 Group controls another entity.

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

### (b) Principles of consolidation continued

#### (i) Subsidiaries continued

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

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 Group.

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.

Where the Group obtains control of a subsidiary that was previously accounted for as an equity accounted investment in associate or jointly controlled entity, the Group remeasures its previously held equity interest in the acquiree at its acquisition date fair value and the resulting gain or loss is recognised in profit or loss. The differences between any addition purchase consideration and the fair value of identifiable net assets acquired is considered as a bargain price in profit or loss or goodwill.

#### (ii) Associates

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

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group'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 Group.

#### (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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

### (b) Principles of consolidation continued

#### (iii) Interests in joint ventures continued

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 Statement of Financial Position 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 statement of financial position. 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 Group 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 Group’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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

### (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.

### (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 Group 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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

### (g) Investments and other financial assets continued

***Recognition and derecognition***

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the 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.

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.

***Derecognition***

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Statement of Comprehensive Income.

### (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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

### (h) Property, plant and equipment continued

***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 Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased 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 Group 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.

### (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 Group 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 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 Group'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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

### (k) Goodwill and intangibles continued

***Goodwill continued***

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is 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 Group 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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

### (k) Goodwill and intangibles continued

***Software Development continued***

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.

***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 lease 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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

### (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 Group prior to the end of the financial year that are unpaid and arise when the Group 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 Group 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 Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the 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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

### (p) Share-based payment transactions

#### (i) Equity settled transactions

The Group 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 Group 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.

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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

### (p) Share-based payment transactions continued

#### (i) Equity settled transactions continued

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 Group 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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

### (t) Income tax and other taxes continued

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.

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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

### (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) Parent entity information

The financial information for the parent entity, Onthehouse Holdings Limited, included in note 31, has been prepared on the same basis as the consolidated financial statements, except as follows:

***Investments in subsidiaries and joint venture entities***

Investments in subsidiaries and joint venture entities are accounted for at cost less provision for impairment losses. Dividends received from subsidiary and joint venture entities are recorded as a component of other income and do not impact the recorded cost of investments.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

### (y) 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 Group |
|---|---|---|
| AASB 9 *Financial Instruments – revised* and consequential amendments to other accounting standards resulting from its issue | 1 Jan 2015 | 1 Jul 2015 |
| 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 2011-4 *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements* | 1 Jul 2013 | 1 Jul 2013 |
| 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 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 Group 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 Group's accounting for financial liabilities, as the Group does not have any liabilities at fair value through profit or loss.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

### (y) New accounting standards and interpretations continued

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 Group 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 Group 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 will continue to apply the Australian accounting standards as currently applied.

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 (as changes to the *Corporations Act 2001* mean the disclosures have effectively been moved to the Remuneration Report), but there will be no impact on the amounts recognised in the financial statements.

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 Group 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 Statement of Financial Position. The amendments to AASB 7 increase the disclosure about offset positions, including the gross position and the nature of the arrangements. The Group has not yet assessed the impact of the amendments, if any.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

### (y) New accounting standards and interpretations continued

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

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

## 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 Group has the following financial instruments:

| | 2013<br>$'000 | 2012<br>$'000 |
|---|---|---|
| *Financial Assets* | | |
| Cash and cash equivalents [a] | **4,187** | 3,066 |
| Trade and other receivables [a] | **2,682** | 2,537 |
| | **6,869** | 5,603 |
| *Financial Liabilities* | | |
| Trade and other payables [b] | **2,002** | 1,722 |
| Borrowings [b] | **3,842** | 2,331 |
| | **5,844** | 4,053 |

[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 Group's financial results.

***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. 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.

## 3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

### (a) Market risk continued

***Cash flow and fair value interest rate risk continued***

Accordingly, a change in interest rates at reporting date would not have impacted the carrying value of the Group's variable rate instruments, and would therefore have had no impact on the Group's equity or profit or loss.

### (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 Banking Corporation and ANZ Banking Group.

There were no material concentrations of credit risk in relation to receivables at balance date. Over 83% of receivables 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.

| | 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 |
|---|---|---|---|---|---|---|---|
| **2013** | | | | | | | |
| Trade and other payables | **2,002** | **2,002** | **2,002** | **-** | **-** | **-** | **-** |
| Shareholder loans | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| Bank Borrowings | **3,806** | **4,070** | **1,176** | **1,382** | **1,192** | **320** | **-** |
| Lease liabilities | **36** | **41** | **6** | **6** | **11** | **18** | **-** |
| | **5,844** | **6,113** | **3,184** | **1,138** | **1,453** | **338** | **-** |
| **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 | - | - | - | - |
| | 3,271 | 3,273 | 3,019 | 26 | 228 | - | - |

## 3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

### (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 the following hierarchy for determining and disclosing the value of financial instruments by valuation technique:

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

As at reporting date, the Group did not hold any financial instruments requiring measurement in accordance with the hierarchy outlined above.

## 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.

## 5. OPERATING SEGMENTS

Management has determined the operating segments based on the reports reviewed by the Board of Directors (the Chief Operating Decision Maker) for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit and loss and is measured consistently with operating profit or loss in the consolidated financial statements. However, Group financing (including finance costs and finance income) and income taxes are managed on a Group basis and are not allocation to operating segments.

The operating segments are identified in current year and the comparative numbers have been presented accordingly.

## 5. OPERATING SEGMENTS continued

### (a) Description of segments

The Group principally operates in two business segments: namely Real Estate Solutions and Consumer Online and are predominantly conducted with the Australian market with smaller operations in New Zealand.

***Real Estate Solutions***

The Real Estate Solutions Division provides tools for real estate agents, other property professionals and financial institutions to effectively run their businesses. It provides a platform for office administration, property sales, property information and management applications. The product offering includes software solutions for real estate agents, business performance tools for data and valuation related services that utilise Onthehouse's extensive databases and intellectual property.

***Consumer Online***

The Consumer Online Division is 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 division generates its revenue from advertising fees, corporate sponsorships and products offered to the retail and end-user market.

### (a) Segment analysis

*Year ended 30 June 2013*

| | Real Estate Solutions $'000 | Consumer Online $'000 | Total $'000 |
|---|---|---|---|
| Segment revenue | | | |
| Sales to external customers | 22,056 | 2,044 | 24,100 |
| **Total revenue** | **22,056** | **2,044** | **24,100** |
| **Segment EBITDA** | **16,537** | **(275)** | **16,262** |
| Unallocated data costs | | | (2,225) |
| Unallocated occupancy costs | | | (1,482) |
| Unallocated IT infrastructure and communications | | | (428) |
| Unallocated corporate costs | | | (5,018) |
| Other unallocated income/(expenses) | | | (220) |
| Depreciation and amortisation | | | (5,605) |
| **EBIT** | | | **1,284** |
| Interest revenue | | | 62 |
| Finance costs | | | (379) |
| **Profit before income tax** | | | **967** |
| Income tax benefit | | | 41 |
| **Profit for the year** | | | **1,008** |

### (b) Segment analysis (continued)

*Year ended 30 June 2013*

| | Real Estate Solutions $'000 | Consumer Online $'000 | Total $'000 |
|---|---|---|---|
| **Segment assets** | **2,305** | **328** | **2,633** |
| Deferred tax assets | | | - |
| Unallocated cash assets | | | 4,187 |
| Unallocated intangible assets | | | 66,287 |
| Unallocated property, plant and equipment | | | 1,096 |
| Other unallocated assets | | | 381 |
| **Total assets** | | | **74,584** |
| | | | |
| **Segment liabilities** | **1,680** | **-** | **1,680** |
| Deferred tax liabilities | | | 2,720 |
| Unallocated trade and other payables | | | 2,002 |
| Unallocated borrowings | | | 3,842 |
| Unallocated provisions | | | 2,111 |
| **Total liabilities** | | | **12,355** |

## 5. OPERATING SEGMENTS continued

### (b) Segment analysis continued

*Year ended 30 June 2012*

| | Real Estate Solutions $'000 | Consumer Online $'000 | Total $'000 |
|---|---|---|---|
| Segment revenue | | | |
| Sales to external customers | 19,333 | 950 | 20,283 |
| **Total revenue** | **19,333** | **950** | **20,283** |
| | | | |
| **Segment EBITDA** | **13,111** | **454** | **13,565** |
| Unallocated data costs | | | (892) |
| Unallocated occupancy costs | | | (1,530) |
| Unallocated IT infrastructure and communications | | | (389) |
| Unallocated corporate costs | | | (2,822) |
| Other unallocated income/(expenses) | | | (13) |
| Depreciation and amortisation | | | (4,905) |
| **EBIT** | | | **3,014** |
| Interest revenue | | | 44 |
| Finance costs | | | (289) |
| **Profit before income tax** | | | **2,769** |
| Income tax (expense)/benefit | | | (627) |
| **Profit for the year** | | | **2,142** |
| | | | |
| **Segment assets** | **1,999** | **470** | **2,469** |
| Deferred tax assets | | | - |
| Unallocated cash assets | | | 3,066 |
| Unallocated intangible assets | | | 59,618 |
| Unallocated property, plant and equipment | | | 652 |
| Unallocated investments | | | 3,962 |
| Other unallocated assets | | | 480 |
| **Total assets** | | | **70,247** |

## 5. OPERATING SEGMENTS continued

### (b) Segment analysis continued

*Year ended 30 June 2012*

| | Real Estate Solutions $'000 | Consumer Online $'000 | Total $'000 |
|---|---|---|---|
| **Segment liabilities** | **1,475** | **-** | **1,475** |
| Deferred tax liabilities | | | 2,223 |
| Unallocated trade and other payables | | | 1,722 |
| Unallocated borrowings | | | 2,331 |
| Unallocated provisions | | | 990 |
| Unallocated income tax payable | | | 219 |
| **Total liabilities** | | | **8,960** |

### (c) Notes to, and forming part of, the segment information

***i) Segment revenues***

Segment revenues are derived from sales to external customers as set out in the table above. The nature of the segment revenues are disclosed in Note 5(a) above.

***ii) Segment EBITDA***

The Group's key operating decision maker assesses the performance of the segments based on a measure of EBITDA. Corporate overheads (such as Board and Executive costs, occupancy cost, human resources and finance), interest revenue and expense, depreciation and amortisation are not reported to the chief operating decision maker by segment. These items are assessed at a Group level.

***iii) Unallocated expenses***

Unallocated expenses represented corporate overheads and group wide costs that are not reported to the Chief Operating Decision Maker on a segment basis. Examples of such expenditure included Board and Executive costs, human resources, occupancy costs, finance and data and IT infrastructure costs. These costs are managed on a group-wide basis.

***iv)Segment assets***

Segment assets consist of trade receivables. Unallocated assets include intangible assets property, plant and equipment, cash and cash equivalents and other assets. All unallocated assets are assessed by the chief operating decision maker at the Group level.

***v) Segment liabilities***

Segment liabilities consist of deferred revenue. Unallocated liabilities include borrowings, provisions for employee entitlements and other liabilities. All unallocated liabilities are assessed by the chief operating decision maker at a Group level.

## 5. OPERATING SEGMENTS continued

### (d) Geographic information

*Revenue from external customers*

| | 2013 $'000 | 2012 $'000 |
|---|---|---|
| Australia | **23,039** | 19,265 |
| New Zealand | **1,061** | 1,018 |
| Total revenue per consolidated income statement | **24,100** | 20,283 |

The revenue information above is based on the location of the customers.

*Non-current assets*

| | 2013 $'000 | 2012 $'000 |
|---|---|---|
| Australia | **67,383** | 64,232 |
| New Zealand | **-** | - |
| Total non-current assets per geographical region | **67,383** | 64,232 |

Non-current assets for this purpose consist of property, plant and equipment and intangible assets.

## 6. REVENUE

| | 2013 $'000 | 2012 $'000 |
|---|---|---|
| *Sales revenue* | | |
| Subscription and transaction revenue | **24,100** | 20,283 |
| *Other revenue* | | |
| Interest | **62** | 44 |
| | **24,162** | 20,327 |

## 7. EXPENSES

| | 2013 $'000 | 2012 $'000 |
|---|---|---|
| Profit before income tax includes the following specific expenses: | | |
| *Depreciation* | | |
| Plant and equipment | **337** | 408 |
| *Amortisation* | | |
| Software development | **2,346** | 1,482 |
| Data | **486** | 274 |
| Customer contracts and relationships | **2,051** | 2,535 |
| Joint ventured accounted amortisation Residex Pty Ltd | **188** | - |
| Other | **197** | 206 |
| Total Amortisation | **5,268** | 4,497 |
| *Finance costs* | | |
| Interest expense | **379** | 289 |
| *Lease payments* | | |
| Minimum lease payments – operating leases | **922** | 1,132 |
| Defined contribution superannuation expense | **794** | 631 |
| Loss on disposal of assets | **160** | 35 |

## 8. INCOME TAX

| | 2013 $'000 | 2012 $'000 |
|---|---|---|
| **Income tax expense** | | |
| Current tax | **(217)** | 59 |
| Deferred tax | **176** | 568 |
| Income tax (benefit)/expense | **(41)** | 627 |
| | | |
| **Numerical reconciliation of income tax expense to prima facie tax** | | |
| Profit before income tax | **967** | 2,768 |
| Tax at the Australian tax rate of 30% (2012: 30%) | **290** | 830 |
| Tax effect of amounts which are not deductible (taxable) in calculating taxable income: | | |
| - Share-based payments expense | **26** | 10 |
| - Non-deductible professional fees | **65** | 15 |
| - Difference in overseas tax rates | **(1)** | (4) |
| - Equity accounting for jointly controlled entity | **16** | (6) |
| - Other non-deductible expenses | **-** | 14 |
| - R&D offset | **(220)** | (232) |
| | **176** | 627 |
| | | |
| - Tax losses not brought to account | **-** | - |
| - (Over) provision | **(217)** | - |
| Income tax expense/(benefit) | **(41)** | 627 |
| | | |
| **Unrecognised deferred tax assets (at 30% tax rate)** | | |
| - Tax losses | **-** | 342 |
| - Temporary differences (unutilised R&D offset) | **493** | 219 |
| | **493** | 561 |

The deductible temporary differences and tax losses do not expire under current tax legislation. The Group has tax losses of $nil (2012:$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.

## 8. INCOME TAX continued

| Recognised deferred tax assets and liabilities | 2013 $'000 Income tax payable/ (receivable) | 2013 $'000 Deferred income tax (assets)/ liabilities | 2012 $'000 Income tax payable/ (receivable) | 2012 $'000 Deferred income tax (assets)/ liabilities |
|---|---|---|---|---|
| Opening balance | **219** | **2,223** | 346 | 1,655 |
| Charged to income | **(217)** | **176** | 59 | 568 |
| Taxes paid | **(54)** | **-** | (186) | - |
| Charge to equity | **-** | **-** | - | - |
| Acquisitions | **26** | **321** | - | - |
| Closing Balance | **(26)** | **2,720** | 219 | 2,223 |

| | 2013 $'000 | 2012 $'000 |
|---|---|---|
| **Deferred income tax at 30 June relates to the following:** | | |
| **Deferred tax liabilities:** | | |
| Intangibles – Customer relationships | **2,840** | 3,040 |
| Intangibles – Brand Names | **135** | 114 |
| Intangibles – Non competition agreements | **-** | 51 |
| Intangibles – Software | **1,174** | 423 |
| Gross deferred tax liabilities | **4,149** | 3,628 |
| Set off of deferred tax assets | **(1,429)** | (1,405) |
| Net deferred tax liabilities | **2,720** | 2,223 |
| **Deferred tax assets:** | | |
| Doubtful debts | **29** | 18 |
| Provision – employee benefits | **273** | 157 |
| Provision – make good | **47** | 117 |
| Accruals | **40** | 13 |
| Property, plant and equipment | **34** | - |
| Intangibles – Data | **145** | - |
| Equity raising costs | **861** | 1,100 |
| Gross deferred tax assets | **1,429** | 1,405 |
| Set off with deferred tax liabilities | **(1,429)** | (1,405) |
| Net deferred tax assets | **-** | - |

## 8. INCOME TAX continued

### 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.

| | 2013 $'000 | 2012 $'000 |
|---|---|---|
| At 1 July | **613** | 431 |
| Acquisition of subsidiaries | **13** | - |
| Tax payments | **11** | 182 |
| At 30 June | **637** | 613 |

## 9. EARNINGS PER SHARE

| | 2013 | 2012 |
|---|---|---|
| The following reflects the income used in the basic and diluted earnings per share computations: | | |
| Earnings used in calculating earnings per share ($'000) | **1,008** | 2,141 |
| ***Weighted average number of shares*** | | |
| Weighted average number of ordinary shares for basic earnings per share | **81,999,450** | 81,627,500 |
| **Effect of Dilution: Share options** | **150,399** | - |
| Weighted average number of ordinary shares for diluted earnings per share | **82,149,849** | 81,627,500 |

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

| | 2013 $'000 | 2012 $'000 |
|---|---|---|
| Cash on hand and at bank | **4,187** | 3,066 |
| | **4,187** | 3,066 |

## 11. TRADE AND OTHER RECEIVABLES

| | 2013 $'000 | 2012 $'000 |
|---|---|---|
| **Trade receivables** | **2,731** | 2,209 |
| **Allowance for impairment loss** | **(98)** | (64) |
| | **2,633** | 2,145 |
| **Other receivables** | **49** | 392 |
| | **2,682** | 2,537 |

### 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 $76,000 (2012: $90,000) 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:

| | 2013 $'000 | 2012 $'000 |
|---|---|---|
| At 1 July | **(64)** | (103) |
| Acquisition of subsidiaries | **(3)** | - |
| Allowance for impairment loss | **(76)** | (90) |
| Amounts written off | **45** | 129 |
| At 30 June | **(98)** | (64) |

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* |
|---|---|---|---|---|---|---|
| **2013** | **2,731** | **2,253** | **231** | **56** | **93** | **98** |
| **2012** | 2,209 | 1,948 | 93 | 48 | 56 | 64 |

* Past due not impaired (PDNI)

Considered impaired (CI)

## 11. TRADE AND OTHER RECEIVABLES continued

**Allowance for impairment loss continued**

Receivables past due but not considered impaired are $93,000 (2012: $56,000). 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 Group'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

| | 2013<br>$'000 | 2012<br>$'000 |
|---|---|---|
| Prepayments | **279** | 402 |
| Other assets | **27** | 10 |
| | **306** | 412 |

## 13. INVESTMENTS

As at 30 June 2012, the Group's investment in Residex Pty Ltd was equity accounted as an investment in a jointly controlled entity.

On 20 September 2012 the Group increased the Group's shareholding to 100% of Residex Pty Ltd.

| | 2013<br>$'000 | 2012<br>$'000 |
|---|---|---|
| **Investment in jointly controlled entity** | | |
| Residex Pty Limited | - | 3,962 |
| | - | 3,962 |

**Movements in carrying amounts**

Movement in investments during the financial period were as follows:

| | $'000 |
|---|---|
| Balance at 1 July 2012 | **3,962** |
| Amortisation of acquired intangibles | **(188)** |
| Share of the jointly controlled entity loss | **(54)** |
| Reclassification of ownership interest upon increase of shareholding to 100% | **(3,720)** |
| **Balance at 30 June 2013** | **-** |

## 14. PROPERTY, PLANT & EQUIPMENT

| | 2013 $'000 | 2012 $'000 |
|---|---|---|
| Plant & equipment – at cost | **2,626** | 2,626 |
| Accumulated depreciation | **(1,530)** | (1,974) |
| | **1,096** | 652 |
| Reconciliations of movements in the carrying amounts of property, plant and equipment are set out below. | | |
| Balance at 1 July | **652** | 940 |
| Additions | **838** | 293 |
| Acquisition of subsidiaries | **111** | - |
| Disposals | **(168)** | (173) |
| Depreciation | **(337)** | (408) |
| **Balance at 30 June** | **1,096** | 652 |

Plant & equipment includes $28,000 (2012: $21,000) under finance lease.

**Non-current assets pledged as security**

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

## 15. INTANGIBLE ASSETS

| | 2013 $'000 | 2012 $'000 |
|---|---|---|
| Software development – at cost | **13,061** | 8,309 |
| Accumulated amortisation | **(4,108)** | (1,763) |
| | **8,953** | 6,546 |
| Data – at cost | **4,955** | 2,709 |
| Accumulated amortisation | **(807)** | (321) |
| | **4,148** | 2,388 |
| Customer contracts and relationships– at cost | **14,270** | 13,297 |
| Accumulated amortisation | **(4,803)** | (2,752) |
| | **9,467** | 10,545 |
| Other intangibles – at cost | **972** | 774 |
| Accumulated amortisation | **(520)** | (223) |
| | **452** | 551 |
| Goodwill | **43,267** | 39,588 |
| | **66,287** | 59,618 |

## 15. INTANGIBLE ASSETS continued

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

| | Software $'000 | Data $'000 | Customer contracts& relationship $'000 | Other Intangibles $'000 | Goodwill $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| 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** |
| **Balance at 1 July 2012** | **6,546** | **2,388** | **10,545** | **551** | **39,588** | **59,618** |
| Additions | 2,503 | 128 | - | - | - | 2,631 |
| Acquisition of subsidiaries | 2,253 | 2,118 | 973 | 98 | 3,679 | 9,121 |
| Disposals | (3) | - | - | - | - | (3) |
| Amortisation* | (2,346) | (486) | (2,051) | (197) | - | (5,080) |
| **Balance at 30 June 2013** | **8,953** | **4,148** | **9,467** | **452** | **43,267** | **66,287** |

* Amortisation per the Consolidation Statement of Comprehensive Income of $5,268,000 includes $188,000 of amortisation of pre-acquisition intangibles within Residex Pty Ltd.

### (a) Impairment tests for goodwill

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

A segment-level summary of the allocation is presented below:

| | 2013 $'000 | 2012* $'000 |
|---|---|---|
| **Real Estate Solutions** | **39,589** | - |
| **Consumer Online** | **1,503** | - |
| **Unallocated** | **2,175** | 39,588 |
| **Whole-of- Business** | **43,267** | 39,588 |

* For the prior reporting year, the impairment test for goodwill and intangibles was conducted only at the whole-of-business level as it was determined that there was only one CGU as the Consumer Online division was immaterial.

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 four or five year period. Cash flows beyond the financial budget 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.

## 15. INTANGIBLE ASSETS continued

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

The following key assumptions for those CGUs that have significant goodwill allocated to them are as follows:

*Real Estate Solutions Cash Generating Unit*

The forecast period of five years assumes an average annual revenue growth rate of 7%, a long term growth rate beyond five years of 3% and a pre-tax discount rate of 15.07%.

*Consumer Online Cash Generating Unit*

The forecast period of four years assumes an average annual revenue growth rate of 90%, a long term growth rate beyond four years of 3% and a pre-tax discount rate of 20.91%.

*Whole-of-business Cash Generating Unit*

The forecast period of four years assumes an average annual revenue growth rate of 22% (2012: 20%), a long term growth rate beyond for years of 3% (2012: 2%) and a pre-tax discount rate of 14.30% (2012: 14.84%). The post-tax discount rate used on the whole-of-business model has increased from 2012 to 2013 by 0.13%. However, due to the increased forecast tax credits available over the forecast period, the pre-tax discount rate has decreased.

In performing the value-in-use calculations for each CGU, the Group has applied post-tax discount rates to discount the forecast future attributable post-tax cashflows. The equivalent pre-tax discount rates have been disclosed above.

The assumptions set out above have been used for the analysis of each CGU. Management determined forecast gross margin based on past performance and its expectations for the future. The revenue growth rates used are consistent with historical performance and forecasts for each CGU. The discount rates used reflect specific risks relating to the relevant CGUs.

### (c) Impact of possible changes in key assumptions

*Real Estate Solutions Cash Generating Unit*

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

*Consumer Online Cash Generating Unit*

If the revenue growth rate used in value-in-use calculation had been 3% lower than management's estimates at 30 June 2013 (87% instead of 90%), the recoverable amount of the CGU would equal its carrying amount. A reasonably possible change in any of the other key assumptions would not cause the carrying amount of the CGU to exceed its recoverable amount.

It should be noted that the CGU contains goodwill at reporting date of $1,503,000, which contains a contingent earn-out consideration component of $1,297,000, the payment of which is dependent on achievement of certain EBITDA hurdles (refer to note 29). Should the requirements of the contingent consideration fail to be achieved, the resultant write-back of the contingent consideration provision (refer to note 18) would offset the majority of any possible impairment expense in relation to the goodwill.

*Whole-of-business Cash Generating Unit*

If the discount rate used in value-in-use calculation had been 1.10% higher than management's estimates at 30 June 2013 (15.40% instead of 14.30%), the recoverable amount of the CGU would equal its carrying amount. A reasonably possible change in any of the other key assumptions would not cause the carrying amount of the CGU to exceed its recoverable amount.

## 16. TRADE AND OTHER PAYABLES

| | 2013 $'000 | 2012 $'000 |
|---|---|---|
| Trade payables | **1,005** | 850 |
| Other payables | **997** | 902 |
| | **2,002** | 1,722 |

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

| | 2013 $'000 | 2012 $'000 |
|---|---|---|
| **Current** | | |
| Commercial bill | **2,090** | 1,000 |
| Equipment finance facility | **266** | - |
| Lease liabilities – secured | **9** | 21 |
| Shareholder loans – unsecured (refer note 25e) | **-** | 60 |
| | **2,365** | 1,081 |
| **Non-current** | | |
| Commercial bill | **1,030** | 1,250 |
| Equipment finance facility | **420** | - |
| Lease liabilities – secured | **27** | - |
| | **1,477** | 1,250 |

Westpac Banking Corporation ("Westpac") has provided the Group with the following facilities:

| | 2013 $'000 | 2012 $'000 |
|---|---|---|
| Commercial bill facility | **1,250** | 2,250 |
| Commercial bill facility | **1,870** | - |
| Equipment finance facility | **686** | - |
| Credit standby facility | **458** | 625 |
| **Total used** | **4,264** | 2,875 |
| Facility limit | **4,672** | 4,250 |
| Total undrawn | **408** | 1,375 |

## 17. BORROWINGS continued

The equipment finance facility is subject to a fixed interest rate of 7.80% with a maturity date of 14 November 2015. The loan is repayable via monthly instalments of $26,000 (principal and interest). It is anticipated that the Group will utilise the balance of the equipment finance facility of $291,000 by 30 June 2014.

The commercial bill facilities are subject to an interest rate of BBSW + 1.90% and a line fee of 2.50%. There are two commercial bills included in the facility. The first has a principal outstanding of $1,250,000 and has a term expiring in May 2014 with principal repayments of $210,000 on a quarterly basis. The second has a principal outstanding of $1,870,000 and has a term expiring in September 2015 with principal repayments of $250,000 on a quarterly basis.

The credit standby facility is currently utilised as banker's undertakings/guarantees. These guarantees are not included in the statement of financial position (off-balance sheet). For further details refer to note 27.

The facilities are secured by floating registered circulating charge over the Company, its subsidiaries and all assets and uncalled capital. The facilities are subject to ongoing covenants relating to interest coverage ratio, debt coverage ratio and gearing, and are also subject to annual and quarterly monitoring. Onthehouse Holdings Limited has complied with the financial covenants during the 2013 and 2012 reporting periods.

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.

## 18. PROVISIONS

| | 2013 $'000 | 2012 $'000 |
|---|---|---|
| **Current** | | |
| Employee benefits | **573** | 534 |
| Make good | **136** | 223 |
| | **709** | 757 |
| **Non-current** | | |
| Employee benefits | **84** | 99 |
| Make good | **21** | 134 |
| Contingent consideration | **1,297** | - |
| | **1,402** | 233 |

**Movement in provisions**

| Movements in each class of provision other than employee benefits, during the financial year are set out below: | Make Good Provisions $'000 | Contingent consideration Provision $'000 |
|---|---|---|
| Balance at 1 July 2011 | 451 | - |
| - Additional provision recognised/(credited) | (94) | - |
| Balance at 30 June 2012 | 357 | - |
| - Acquired in a business combination | - | 1,297 |
| - Additional provision (credited) | (89) | - |
| - Provision utilised | (111) | - |
| Balance at 30 June 2013 | 157 | 1,297 |

## 18. PROVISIONS continued

**Movement in provisions continued**

**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

**Contingent consideration**: As described in Note 29, the Group acquired The Ad Network Pty Ltd on 24 October 2012. As part of the purchase agreement with the previous owners of The Ad Network Pty Ltd, a contingent consideration formula has been agreed.

## 19. DEFERRED REVENUE

| | 2013 $'000 | 2012 $'000 |
|---|---|---|
| **At 1 July** | **1,475** | 1,298 |
| Acquired from subsidiaries | **34** | - |
| Deferred during the year | **1,680** | 1,475 |
| Released to profit or loss | **(1,509)** | (1,298) |
| | **1,680** | 1,475 |

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

## 20. CONTRIBUTED EQUITY

| | 2013 $'000 | 2012 $'000 |
|---|---|---|
| **Share capital** | | |
| 82,174,927 (2012: 81,627,500) fully paid ordinary shares | **64,161** | 63,911 |

| Movements in ordinary share capital | Number of shares | $'000 |
|---|---|---|
| **Balance – 30 June 2011 and 30 June 2012** | **81,627,500** | **63,911** |
| Acquisition consideration – The Ad Network Pty Ltd (i) | **547,427** | 250 |
| | **82,174,927** | **64,161** |

(i) The acquisition of The Ad Network Pty Ltd was partially settled with 547,427 shares at $0.4567 per share (refer to note 29).

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.

## 20. CONTRIBUTED EQUITY continued

### 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.

## 21. RESERVES AND ACCUMULATED LOSSES

| | 2013 $'000 | 2012 $'000 |
|---|---|---|
| **a. Movements in accumulated losses** | | |
| Accumulated losses at 1 July | **(5,087)** | (5,087) |
| Accumulated losses at 30 June | **(5,087)** | (5,087) |

| | Profits Reserve $'000 | Share Based Payments Reserve $'000 | Foreign Currency Translation $'000 |
|---|---|---|---|
| Balance at 1 July 2011 | - | 279 | (2) |
| Share based payment expense for the year | - | 32 | - |
| | - | - | 13 |
| Profit for the year | 2,141 | - | - |
| Balance at 30 June 2012 | 2,141 | 311 | 11 |
| Share based payment expense for the year | **-** | **88** | **-** |
| Foreign currency translation | **-** | **-** | **89** |
| Dividends paid during the year | **(493)** | **-** | **-** |
| Profit for the year | **1,008** | **-** | **-** |
| **Balance at 30 June 2013** | **2,656** | **399** | **100** |

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

| | | 2013 $'000 | 2012 $'000 |
|---|---|---|---|
| a. | **Dividends provided for or paid** | | |
| | A dividend of 0.6 cents per share was paid in November 2012, fully franked based on tax paid at 30%. | **493** | - |

## 23. CASH FLOW STATEMENT RECONCILIATION

| | | 2013 $'000 | 2012 $'000 |
|---|---|---|---|
| a. | **Reconciliation of net profit to net cash from operating activities** | | |
| | Profit for the year | **1,008** | 2,141 |
| | Amortisation | **5,268** | 4,497 |
| | Depreciation | **337** | 408 |
| | Transaction costs in creditors and accruals | **78** | 1,592 |
| | Losses on property, plant and equipment | **160** | 35 |
| | Share of loss/(profit) of an associate | **54** | (22) |
| | Net exchange differences | **89** | (23) |
| | Equity settled share based payments expense | **88** | 32 |
| | Changes in operating assets and liabilities (net of amounts acquired): | | |
| | (Increase)/decrease in trade and other receivables | **670** | (848) |
| | (Increase)/decrease in prepayments | **225** | (399) |
| | (Increase/(decrease) in trade and other creditors | **(366)** | (726) |
| | Increase/(decrease) in income tax payable | **(272)** | (127) |
| | Increase/(decrease) in deferred taxes | **176** | 568 |
| | Increase/(decrease) in provisions | **(283)** | (706) |
| | Net cash from operating activities | **7,232** | 6,422 |
| b. | **Non-cash financing and investing activities** | | |
| | Settlement of subsidiary The Ad Network Pty Ltd purchase with shares (note 29) | **250** | - |

## 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 | | Investment $'000 | |
|---|---|---|---|---|---|
| | | 2013 | 2012 | 2013 | 2012 |
| onthehouse.com.au Pty Limited (i) | Australia | 100% | 100% | 4,619 | 4,619 |
| Console Australia Pty Limited (ii) | Australia | 100% | 100% | 42,623 | 42,623 |
| Console New Zealand Limited (ii), (vi) | New Zealand | 100% | 100% | 9 | 9 |
| PortPlus Pty Limited (ii) | Australia | 100% | 100% | 15,197 | 15,197 |
| PortPlus (NZ) Limited (ii), (vii) | New Zealand | 100% | 100% | 66 | 66 |
| Agent Apps Pty Ltd (iii) | Australia | 100% | 100% | - | - |
| Residex Pty Ltd (iv) | Australia | 100% | - | 7,440 | - |
| Residex Technology Pty Ltd (viii) | Australia | 100% | - | - | - |
| The Ad Network Pty Ltd (v) | Australia | 100% | - | 1,797 | - |
| | | | | 71,751 | 62,514 |

i. Acquired on 26 May 2011
ii. Acquired on 27 May 2011
iii. Acquired on 17 June 2011
iv. Acquired on 20 September 2012
v. Acquired on 24 October 2012
vi. Subsidiary of Console Australia Pty Limited
vii. Subsidiary of Console New Zealand Limited
viii. Subsidiary of Residex Pty Ltd

**(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 25.

## 25. KEY MANAGEMENT PERSONNEL

### (a) Key management personnel compensation

| | 2013 $ | 2012 $ |
|---|---|---|
| Short-term employee benefits | **1,676,640** | 1,129,085 |
| Post-employment benefits | **87,644** | 90,249 |
| Other long-term benefits | **-** | 51,014 |
| Termination benefits | **63,199** | 83,333 |
| Share-based payment | **76,296** | 31,798 |
| Total | **1,903,779** | 1,385,479 |

## 25. KEY MANAGEMENT PERSONNEL continued

### (b) Option holdings of key management personnel

| 30 Jun 2013 | Balance at beginning of period 1 Jul 12 | Granted as remuneration | Options exercised | Forfeitures | Balance at end of period 30 Jun 13 | Exercisable | Not exercisable |
|---|---|---|---|---|---|---|---|
| **Directors** | | | | | | | |
| G. Pemberton | 250,000 | - | - | - | 250,000 | 125,000 | 125,000 |
| W. Face | 250,000 | - | - | - | 250,000 | 125,000 | 125,000 |
| D. Eilert | - | 250,000 | - | - | 250,000 | - | 250,000 |
| J. McKerlie* | 500,000 | - | - | - | 500,000 | 250,000 | 250,000 |
| M. Fredericks | 750,000 | - | - | - | 750,000 | 300,000 | 450,000 |
| **Executives** | | | | | | | |
| S. Whidborne | 500,000 | - | - | - | 500,000 | - | 500,000 |
| J. Lilienstein[1] | 600,000 | - | - | (600,000) | - | - | - |
| K. Branagan[2] | 500,000 | - | - | - | 500,000 | - | 500,000 |
| B. O'Brien[3] | - | - | - | - | - | - | - |
| | **3,350,000** | **250,000** | **-** | **(600,000)** | **3,000,000** | **800,000** | **2,200,000** |

[1] Resigned 31 March 2013

[2] Resigned 2 July 2013

[3] Appointed 25 October 2012

* Disclosures based on holdings as at the date of resignation

| 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[4] | - | 500,000 | - | - | 500,000 | - | 500,000 |
| J. Lilienstein[5] | - | 600,000 | - | - | 600,000 | - | 600,000 |
| K. Branagan[6] | - | 500,000 | - | - | 500,000 | - | 500,000 |
| C. Dawson[7] | 300,000 | - | - | - | 300,000 | 100,000 | 200,000 |
| E. Lynch[8] | 500,000 | - | - | (500,000) | - | - | - |
| P. Dickman[9] | 150,000 | - | - | - | 150,000 | - | 150,000 |
| | **2,700,000** | **1,600,000** | **-** | **(500,000)** | **3,800,000** | **100,000** | **3,700,000** |

[4] Appointed 19 March 2012

[5] Appointed 28 November 2011

[6] Appointed 19 March 2012

[7] Resigned 19 March 2912

[8] Resigned 22 November 2011

[9] Resigned 11 November 2011

## 25. KEY MANAGEMENT PERSONNEL continued

### (c) Shareholdings of key management personnel

| 30 Jun 2013 | Balance at beginning of period 1 Jul 12 | Shares acquired in a business combination | Shares acquired | Shares disposed | Balance at end of period 30 Jun 13 |
|---|---|---|---|---|---|
| **Directors** | | | | | |
| G. Pemberton | 261,651 | - | - | - | 261,651 |
| W. Face | 224,238 | - | - | - | 224,238 |
| D. Eilert | - | - | - | - | - |
| J. McKerlie* | 730,530 | - | - | - | 730,530 |
| M. Fredericks | 7,077,606 | - | - | - | 7,077,606 |
| **Executives** | | | | | |
| S. Whidborne | - | - | - | - | - |
| J. Lilienstein* | 103,357 | - | - | - | 103,357 |
| K. Branagan | 10,000 | - | - | - | 10,000 |
| B. O'Brien | - | 328,456 | - | (164,228) | 164,228 |
| | **8,407,382** | 328,456 | **-** | **(164,228)** | **8,571,610** |

* Disclosures based on holdings as at the date of resignation

| 30 Jun 2012 | Balance at beginning of period 1 Jul 11 | Shares acquired in a business combination | Shares acquired | Shares disposed | Balance at end of period 30 Jun 12 |
|---|---|---|---|---|---|
| **Directors** | | | | | |
| G. Pemberton | 224,245 | - | 37,406 | - | 261,651 |
| W. Face | 224,238 | - | - | - | 224,238 |
| J. McKerlie | 730,530 | - | - | - | 730,530 |
| M. Fredericks | 7,077,606 | - | - | - | 7,077,606 |
| **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** |

### (d) Loans to key management personnel

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

## 25. KEY MANAGEMENT PERSONNEL continued

### (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 | 2013 $'000 | 2012 $'000 |
|---|---|---|
| Balance at 1 July | **-** | 148 |
| Repayments | **-** | (148) |
| **Balance at 30 June** | **-** | **-** |

The loan was unsecured and was non-interest bearing.

| Lauren Doherty (resigned as a Director 22 December 2010) | 2013 $'000 | 2012 $'000 |
|---|---|---|
| Balance at 1 July | **60** | 60 |
| Advances | **-** | - |
| Repayments | **(60)** | - |
| **Balance at 30 June** | **-** | **60** |

The loan was unsecured and was non-interest bearing.

### (f) Other transactions and balances with key management personnel and their related parties

Mr Warwick Face is a Partner of Pitcher Partners accountants (formerly Johnston Rorke). Pitcher Partners 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. Pitcher Partners received fees of $133,230 (2012: $65,320) during the financial year.

Ms Diana Eilert, trading as Diana Eilert and Associates, was engaged prior to becoming a Director to provide consulting services in respect of the Group's strategy on normal commercial terms and conditions. Diana Eilert and Associates received fees of $25,000 (2012: $nil) during the financial year.

Ms Gail Pemberton is a Director of Sirca Technology Pty Ltd, which was engaged in June 2013 to provide technology consulting services on normal commercial terms and conditions. Sirca Technology Pty Ltd invoiced fees of $17,287 (2012: $nil) during the year, which remained unpaid at 30 June 2013.

## 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:

| | 2013 $'000 | 2012 $'000 |
|---|---|---|
| Expense arising from options issued | **88** | 32 |
| | **88** | 32 |

## 26. SHARE-BASED PAYMENT PLANS continued

### Recognised share-based payment expenses continued

The share-based payment plans are described below. There have been no cancellations or modifications to any of the plans during 2013.

### 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 2001*.

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.

### Summary 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:

| | 2013<br>No. | 2013<br>WAEP | 2012<br>No. | 2012<br>WAEP |
|---|---|---|---|---|
| Outstanding at the beginning of the year | **3,800,000** | **0.80** | 2,700,000 | 1.00 |
| Granted during the year | **880,000** | **0.79** | 1,600,000 | 0.52 |
| Forfeited during the year | **(1,110,000)** | **0.64** | (500,000) | 1.00 |
| Exercised during the year | **-** | **-** | - | - |
| Expired during the year | **-** | **-** | - | - |
| Outstanding at the end of the year | **3,570,000** | **0.85** | 3,800,000 | 0.80 |
| Exercisable at the end of the year | **1,037,500** | **1.00** | 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; and
- the options granted to Michael Fredericks are subject to completion of two years employment with the Group (completed).

## 26. SHARE-BASED PAYMENT PLANS continued

### Summary of options granted continued

120,000 options expire on 2 January 2016, 1,000,000 options expire on 30 April 2017 and 250,000 options expire on 30 June 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; and
- upon cessation of employment - accelerated vesting of $1 plus the exercise price to be exercised in 10 days from ceasing employment.

**Weighted average remaining contractual life:** The weighted average remaining contractual life for the share options outstanding as at 30 June 2013 is 3.3 years (2012: 4.3 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 $0.26 (2012: $0.16).

### 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 2013.

| | 2013 Employee Options | 2013 Non-executive Director Options | 2012 Employee Options | 2012 Non-executive Director Options |
|---|---|---|---|---|
| Dividend yield (%) | **0.7%** | **0.7%** | 1.2% | 1.2% |
| Expected volatility (%) | **68.9%** | **70.0%** | 60.0% | 60.0% |
| Risk-free interest rate (%) | **2.5%** | **2.9%** | 2.4% | 2.4% |
| Expected life of options (years) | **3.66** | **4.59** | 3.61 | 3.36 |
| Option exercise price ($) | **$0.76** | **$0.87** | $0.53 | $0.51 |
| Weighted average share price at measurement date ($) | **$0.61** | **$0.70** | $0.43 | $0.43 |
| Model used | **Trinomial Lattice** | **Trinomial Lattice** | Trinomial Lattice | Trinomial Lattice |
| Fair value at grant date | **$0.373** | **$0.292** | $0.159 | $0.157 |

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 AND CONTINGENCIES

| | 2013 $'000 | 2012 $'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 | **646** | 736 |
| Later than one year but not later than 5 years | **152** | 438 |
| | **798** | 1,174 |

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

| | 2013 $'000 | 2012 $'000 |
|---|---|---|
| **Finance leases and hire purchase commitments – Group as lessee** | | |
| Commitments in relation to finance leases are payable as follows: | | |
| Within one year | **11** | 21 |
| After than one year but not later than five years | **30** | - |
| Total minimum lease payments | **41** | 21 |
| Less amounts representing future finance charges | **(5)** | - |
| Present value of minimum leasing payments | **36** | 21 |
| Included in the financial statements as: | | |
| Current borrowings (note 17) | **9** | 21 |
| Non-current borrowings (note 17) | **27** | - |
| | **36** | 21 |

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

### Guarantees

As at 30 June 2013, the Group has provided guarantees totalling $458,000 (2012: $625,000) to the lessors of the premises it occupies. These guarantees have been provided as a banker's undertaking provided by Westpac. No liability is expected to arise in relation to any of these guarantees.

### Contingent liabilities

The Directors are not aware of any contingent liabilities not otherwise disclosed in the accounts.

## 28. AUDITOR'S REMUNERATION

The auditor of Onthehouse Holdings Limited is Ernst & Young.

| | 2013<br>$ | 2012<br>$ |
|---|---|---|
| During the year the auditor of the Group earned the following remuneration: | | |
| *Audit services:* | | |
| Audit and review of the financial reports | **204,280** | 169,433 |
| *Other services:* | **-** | - |
| Total | **204,280** | 169,433 |

## 29. BUSINESS COMBINATIONS

**Acquisition of Residex Pty Ltd**

As at 30 June 2012, the Group held 50% of private property information services provider Residex Pty Ltd. This investment was equity accounted as an investment in a jointly controlled entity. The Group had entered into put and call options over the remaining 50% shareholding. In September 2012 the Group and the other shareholders of Residex Pty Ltd agreed to complete the acquisition of the remaining 50% for $3,500,000 thereby taking the Group's ownership to 100%. On 20 September 2012 the transaction completed and the Group gained control from this date.

The acquisition of Residex Pty Ltd is strategic for the Group as it facilitates the integration of even greater data depth to the Group's 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.

| Purchase consideration | $'000 |
|---|---|
| Cash paid | 3,500 |
| Fair value of the Group's equity interest in Residex transferred as part of business combination | 3,720 |
| Total purchase consideration transferred | 7,220 |

## 29. BUSINESS COMBINATIONS continued

### Acquisition of Residex Pty Ltd continued

The fair values of the identifiable assets and liabilities of Residex Pty Ltd at acquisition were:

| Assets acquired and liabilities assumed | Note | Fair value recognised on acquisition $'000 |
|---|---|---|
| Plant and equipment | | 67 |
| Cash and cash equivalents | | 182 |
| Trade and other receivables | | 564 |
| Identifiable intangible assets | | |
| Software | 15 | 2,253 |
| Data | 15 | 2,118 |
| Customer contracts | 15 | 321 |
| Customer relationships | 15 | 258 |
| Trademarks | 15 | 98 |
| **Total Assets** | | **5,861** |
| Trade payables | | 507 |
| Provision for employee benefits | | 108 |
| Deferred tax liability | | 203 |
| **Total Liabilities** | | **818** |
| **Total identifiable net assets at fair value** | | **5,043** |
| Goodwill arising on acquisition | 15 | 2,177 |
| **Purchase consideration transferred** | | **7,220** |
| *Analysis of cashflow on acquisition* | | |
| Net cash acquired | | 182 |
| Transaction costs^ | | (22) |
| **Net cash acquired on acquisition*** | | **160** |

^ Transaction costs of $22,000 have been expensed and are included in professional fees, in the Statement of Comprehensive Income.

* Included in cash flows from investing activities

The consolidated Statement of Comprehensive Income includes revenue of $1,932,000 and a loss of $50,000 for the reporting period, as a result of the acquisition of Residex Pty Ltd. Had the acquisition occurred at the beginning of the reporting period, the consolidated Statement of Comprehensive Income would have included revenue of $2,646,000 and a loss of $175,000.

Key factors contributing to the $2,177,000 of goodwill are the synergies expected to be achieved as a result of combining data and technology operations with the rest of the Group. None of the goodwill recognised is expected to be deductable for income tax purposes.

## 29. BUSINESS COMBINATIONS continued

### Acquisition of The Ad Network Pty Ltd

The Group acquired 100% of The Ad Network Pty Ltd on 24 October 2012 to bring in-house specialised Real Estate advertising sales team and technology with established relationships and contracts with target clients and advertisers.

| Purchase consideration | Note | $'000 |
| --- | --- | --- |
| Cash paid | | 250 |
| Shares in Onthehouse Holdings Limited at fair value | 20 | 250 |
| Contingent consideration | 18 | 1,297 |
| Total purchase consideration | | 1,797 |

As part of the purchase agreement with the previous owners of The Ad Network Pty Ltd, a contingent consideration formula has been agreed. In particular, additional consideration will be calculated as 5 times the FY14 EBITDA less the upfront payment of $500,000, capped at $1,500,000. The total maximum consideration is $2,000,000. The contingent consideration is payable no later than 1 October 2014, 50% of which may be settled through the issue of share capital in the Group.

As at the acquisition date, the fair value of the contingent consideration was estimated to be $1,297,000. This amount is included in non-current provisions – refer Note 18. The potential undiscounted amount of all future payments that the Group could be required to make under this arrangement is between $0 and $1,500,000, which can be made in either cash or shares in the Company. The fair value estimates reflect an appropriate discount rate and assumed probability adjusted EBITDA results for The Ad Network Pty Ltd.

## 29. BUSINESS COMBINATIONS continued

### Acquisition of The Ad Network Pty Ltd continued

The fair values of the identifiable assets and liabilities of The Ad Network Pty Ltd at acquisition were:

| Assets acquired and liabilities assumed | Note | Fair value recognised on acquisition $'000 |
|---|---|---|
| Plant and equipment | | 44 |
| Cash and cash equivalents | | 36 |
| Trade and other receivables | | 357 |
| Identifiable intangible assets | | |
| Customer contracts | 15 | 29 |
| Customer relationships | 15 | 365 |
| **Total Assets** | | **831** |
| Trade payables | | 376 |
| Provision for employee benefits | | 1 |
| Lease liabilities | | 41 |
| Deferred tax liability | | 118 |
| **Total Liabilities** | | **536** |
| **Total identifiable net assets at fair value** | | **295** |
| Goodwill arising on acquisition | 15 | 1,502 |
| **Purchase consideration transferred** | | **1,797** |
| | | |
| *Analysis of cashflow on acquisition* | | |
| Net cash acquired | | 36 |
| Transaction costs^ | | (56) |
| **Net cash acquired on acquisition*** | | **(20)** |

^ Transaction costs of $56,000 have been expensed and are included in professional fees in the Statement of Comprehensive Income.

* Included in cash flows from investing activities

The consolidated Statement of Comprehensive Income includes revenue of $792,000 and a loss of $83,000 for the reporting period, as a result of the acquisition of The Ad Network Pty Ltd. Had the acquisition occurred at the beginning of the reporting period, the consolidated Statement of Comprehensive Income would have included revenue of $1,240,000 and a loss of $152,000.

Key factors contributing to the $1,502,000 of goodwill are the synergies expected to be achieved as a result of bringing in-house specialised Real Estate advertising sales team and technology with established relationships and contracts with target clients and advertisers. None of the goodwill recognised is expected to be deductable for income tax purposes.

## 30. EVENTS AFTER THE REPORTING 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.

## 31. INFORMATION RELATING TO ONTHEHOUSE HOLDINGS LIMITED ("THE PARENT ENTITY")

| | 2013 $'000 | 2012 $'000 |
|---|---|---|
| Current assets | **2,214** | 2,099 |
| Total assets | **70,037** | 69,580 |
| Current liabilities | **2,814** | 1,084 |
| Total liabilities | **5,141** | 6,195 |
| | | |
| Contributed equity | **64,161** | 63,911 |
| Accumulated losses | **(526)** | (526) |
| Profits reserve | **1,261** | - |
| | **64,896** | 63,385 |
| | | |
| Profit/(loss) of the parent | **2,070** | (146) |
| Total comprehensive income of the parent | **2,070** | (146) |

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 2013 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 2013 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 2013.

On behalf of the board

**Gail Pemberton**
**Chairman**

29 August 2013

**Michael Fredericks**
**Managing Director**

29 August 2013

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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 2013, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flow 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.

### *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 2013 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 pages 12 to 23 of the directors' report for the year ended 30 June 2013. 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 for the year ended 30 June 2013, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

Mike Reid
Partner
Brisbane
29 August 2013

## ASX Additional Information

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 28 August 2013.

**(a) Distribution of equity securities**

i. Ordinary share capital

- 82,174,927 fully paid ordinary shares are held by 1,880 individual shareholders

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

ii. Options

- 3,070,000 options are held by 10 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 | 48 | - |
| 1,001 – 5,000 | 536 | - |
| 5,001 – 10,000 | 447 | - |
| 10,001 – 100,000 | 749 | 2 |
| 100,000 and over | 100 | 8 |
| | 1,880 | 10 |

**(b) Substantial shareholders**

| Ordinary shareholders | Number | Fully Paid Percentage |
|---|---|---|
| MICHAEL KENNETH FREDERICKS | 7,077,606 | 8.61% |
| AWJ FAMILY PTY LTD | 5,701,743 | 6.94% |
| UBS NOMINEES PTY LTD | 4,872,023 | 5.93% |
| ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD <CUSTODIAN A/C> | 3,767,444 | 4.58% |
| J P MORGAN NOMINEES AUSTRALIA LIMITED | 3,434,799 | 4.18% |
| | 24,853,615 | 30.24% |

### (c) Twenty largest shareholders of quoted equity securities

| Ordinary Shareholders | | Fully Paid Number | Percentage |
|---|---|---|---|
| 1 | MICHAEL KENNETH FREDERICKS <FREDERICKS ONTHEHOUSE NO.1> | 4,972,667 | 6.05% |
| 2 | UBS NOMINEES PTY LTD | 4,872,023 | 5.93% |
| 3 | AWJ FAMILY PTY LTD <ANGUS W JOHNSON FAMILY A/C> | 4,701,743 | 5.72% |
| 4 | ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD <CUSTODIAN A/C> | 3,767,444 | 4.58% |
| 5 | J P MORGAN NOMINEES AUSTRALIA LIMITED | 3,434,799 | 4.18% |
| 6 | MICHAEL KENNETH FREDERICKS <FREDERICKS ONTHEHOUSE NO.2> | 2,104,939 | 2.56% |
| 7 | BNP PARIBAS NOMS PTY LTD <DRP> | 2,000,000 | 2.43% |
| 8 | NATIONAL NOMINEES LIMITED | 1,665,518 | 2.03% |
| 9 | LAUREN KATHLEEN DOHERTY <DOHERTY ONTHEHOUSE> | 1,000,488 | 1.22% |
| 10 | AWJ FAMILY PTY LTD | 1,000,000 | 1.22% |
| 11 | CIBAW PTY LTD <THE BLIGH FAMILY A/C> | 906,501 | 1.10% |
| 12 | JEREMY SIMON NEWMAN | 836,332 | 1.02% |
| 13 | SANDHURST TRUSTEES LTD <TBF SMALL CAP VAL GRWTH A/C> | 750,000 | 0.91% |
| 14 | BJT903 PTY LTD <BJT903 SUPER FUND A/C> | 730,000 | 0.89% |
| 15 | MRS LANA ARZOUAN & MR ELIYAHU ARZOUAN | 594,119 | 0.72% |
| 16 | MYMAX INVESTMENTS PTY LTD <MYMAX FUND NO 8 A/C> | 571,258 | 0.70% |
| 17 | K PAGNIN PTY LTD <K PAGNIN FAMILY A/C> | 550,000 | 0.67% |
| 18 | RAPAKI PTY LTD <RAPAKI SHARE A/C> | 541,620 | 0.66% |
| 19 | SIXTH RELNOR PTY LTD <JULEG SUPER FUND A/C> | 539,000 | 0.66% |
| 20 | GLENLUCE PROPERTIES PTY LIMITED <GLENLUCE PROPERTIES S/F> | 510,529 | 0.62% |
| | | **36,048,980** | **43.87%** |

**Registered Office**

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**Auditor**

Ernst & Young

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