



Rightmove plc
157-160 Piccadilly
London
W1J 9EB

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RIGHTMOVE plc
PRELIMINARY RESULTS FOR THE YEAR ENDED 31 DECEMBER 2006

Rightmove plc, the UK's number one property website, today announces results for the year ended 31 December 2006, its first full year results following flotation on 15 March 2006.

Highlights:

- Revenue grew 85% from £18.2m to £33.6m
- Underlying pre-tax profits¹ increased 101% from £8.8m to £17.7m
- Final dividend proposed of 3p per share making 4.5p for the full year
- Website usage up more than 80% over 2005 and consistently a top 10 website²
- Overall advertiser membership increased by 42% from 11,483 to 16,321
- Pipeline of new advertising products and services on track for Q1 2007 delivery

Notes:

¹ Pre-tax profits from continuing operations and before flotation costs and share based payments expense

² Source: Hitwise: ranking of UK websites by page impressions from UK visitors

Ed Williams, Group Managing Director, said:

"2006 was a landmark year in Rightmove's history. Not only did we make a successful transition from being a privately owned business into a public company and a member of the FTSE250 index, but we also delivered strong growth in all areas. Indeed the rate of growth exceeded our expectations at the time of the flotation in March 2006, resulting in two upgrades to our profit forecasts since then. All our growth was organic and driven by increases in revenue.

"More than anything though I am pleased that we have preserved the creativity and entrepreneurialism that defines our company. We have a strong pipeline of new products and services to serve the housing market that now stretches through 2007. We remain committed to increasing the value that estate agents and new home developers get from our service. More than ever Rightmove is the place where home hunters find their next home.

"The outlook for continued growth remains strong. Membership numbers continue to grow, with very high retention rates. The recent launch of RightmoveChoice, our premium search service, has proved an immediate success with our customers. We are also making our very first footsteps into attracting a wider base of advertisers with the launch of advertising around our new interactive map service, Aboutmyplace.

"These and other developments, and continued strong growth in our core business, makes us as confident about the future of our business as we were at the time of the IPO."

For more information please contact:

Rightmove

For Ed Williams, Group Managing Director, and
Graham Zacharias, Finance Director please contact
Maud Rousseau

020 7318 9095

Maitland

Neil Bennett / Brian Hudspith / Charlotte Barker

020 7379 5151

Introduction

Revenue increased by 85% to £33.6 million (2005: £18.2 million) and pre-tax profits from continuing operations (before flotation costs and share based payments expense) doubled to £17.7million (2005: £8.8 million). Net cash balances at the year end were £14.9 million (2005: £5.6 million). These impressive financial results were underpinned by strong performance against key metrics. Customer members increased by nearly 5,000 to 16,321 (2005: 11,483), up 42%. We continued to increase the value we deliver to our members and this was reflected in turn by a healthy increase in their average spend with us. Customer retention rate remained around 93% for the third year in succession.

Operating Review

Rightmove's aim is to be the place for all UK home movers to find details of all properties available to buy or rent. We provide an easy-to-use but sophisticated on-line property search. With the depth of information that we provide, including photographs, brochures, location maps, virtual tours, measurements and floor plans, home hunters can immediately identify a preferred property and contact the advertiser by phone or email.

Our service is directed at four key membership groups:

- estate agents
- letting (rental) agents
- new homes developers
- overseas homes agents offering properties outside the UK but interested in advertising to UK-based home hunters.

By providing the tools and marketing support to boost our members' own marketing effectiveness, we help improve their accuracy in pricing properties and help them win business from vendors and landlords. Our service therefore goes far beyond traditional advertising. This is an important part of our membership service and builds loyalty with both our members and home hunters.

Keys to success

Rightmove's success is the result of our contribution to our advertisers' success. We help our advertisers by providing quality enquiries at a significantly lower cost than their traditional advertising alternatives. For estate agents and letting (rental) agents, Rightmove also plays a key role in generating new opportunities to win instructions (the right to offer a property for sale or for rent on behalf of the owner). Many home movers and landlords now expect that their properties should appear on Rightmove's website in order to reach the largest market.

Connecting more people with more property than anyone else

We are able to make the contribution that we do to our members' businesses as a result of having become the destination for home hunters. In a typical month in 2006, three million people visited the website, each averaging more than one visit a week and spending around 18 minutes on the site during each visit.

In 2006, the usage of the Rightmove.co.uk website grew more than 80% compared to 2005. Rightmove.co.uk was consistently among the top 10 most used UK websites by page impressions (according to Hitwise). This generated over 14 million enquiries tracked through our systems from agents and developers.

The UK property business is cyclical. While our members value our enquiries, Rightmove often makes its biggest contributions at times in the cycle when enquiries in general are most scarce. Hence enquiries generated is not an immediate driver of success for our members and not, we believe, an appropriate basis for charging for our service.

Strong top-line growth

Rightmove's growth in profits is driven by top-line revenue growth. This has been achieved through:

- Increases in the number of advertisers
- Increases in the value our advertisers see from their spending with us.

2006 saw substantial success in relation to both sales and value. Overall advertiser membership increased by 42% from 11,483 to 16,321. The retention rate of over 93% was towards the top end of our historical range of 91-94%. The majority of the estate agents and lettings agents who left Rightmove did so because their own business ceased to trade or there was a significant change in their business focus.

Based on our estimate of the market of approximately 24,000 potential advertisers, this represents an increase in our customer base from 48% to 68% of the total addressable UK market.

The value that our advertisers see in being a Rightmove member also increased significantly. For the first time we charged lettings (rental) only agents and now have around half of all lettings agents as members. New members during the year paid more than our existing members, continuing the Rightmove approach of seeking to reward the loyalty of long standing members. This is in contrast to many other companies in our sector who frequently offer their best deals to new customers in order to win their business.

Rightmove's cost to its members continues to represent a small proportion of the total industry spend on advertising, a total of around £30m compared to £500m across traditional media. Overall the average monthly spend on us per advertiser in 2006 rose from £157 to £192 (an increase of 22%). This increase is in the context of Rightmove increasing its own audience of home movers by 83% (visits) and a much higher percentage increase in Rightmove's own marketing spend to bring home hunters onto the site to view our advertisers' properties. We continued to invest in technology over the year, increasing our internet bandwidth ten-fold, doubling our storage capacity, doubling the size of the support team and upgrading our systems software. We have also invested substantially in the new RightmovePlus infrastructure by which our members access the membership services, information services and property data maintenance facilities we provide. Customer service teams have been expanded significantly and the level of customer service support offered to customers extended.

Driving the business forward

With over 16,000 property advertisers, the opportunity still remains to increase our advertising base by up to 50%, with the largest single opportunity being amongst new home developers.

A range of new advertising services has been launched in the few weeks of 2007 which allows our members to boost the value they get from Rightmove. Known as the RightmoveChoice suite of products, they allow advertisers to differentiate themselves from their competitors and offer an enhanced service to their own clients. These services should contribute to moving Rightmove forward from around 6% of the total industry spending on advertising. We are also making our very first footsteps into attracting a wider base of advertisers with the launch of advertising around our new interactive map service, Aboutmyplace.

The particular circumstances of the government U-turn on Home Information Packs was disappointing given the substantial investment of effort we had made. The actual progress that had been achieved on the pre-selling of our proposition and the development of the operational and IT infrastructure had been encouraging. In the circumstances, we were able to act swiftly and decisively, followed by a rapid winding up of our activity at minimal further cost, albeit with a total abortive investment of £8.3 million.

Financial review

Revenue in 2006 totalled £33.6 million, an increase of 85% over 2005. 94% of our revenue came from advertising services relating to our Rightmove.co.uk website, with the remaining 6% from the provision of business and information services. Revenue grew significantly in all segments of our advertising business.

2006 saw two major one-off costs. £6.7 million was incurred in writing off our abortive investment in producing a Home Information Pack platform. We ceased to invest in this area as a result of the government U-turn in July 2006. In addition, £1.6 million (2005: £1.7 million) of expenses relating directly to the flotation of the Company on the London Stock Exchange in March 2006 were incurred, comprising for the main part, fees and expenses paid to legal and financial advisers. These costs are gross of any non-recoverable VAT.

There was also a step increase in our normal operating costs during the latter part of 2006 due to a number of factors which included:

- The additional costs of operating as a public company
- The trebling of the size of our sales force (much of which was originally done to allow us to sell our Home Information Pack service but which we decided to retain in full in order to maintain close relationships with our much increased membership base and to sell our new advertising products)
- A doubling of our technology resources to speed up our ability to create and deliver new products
- A decision to increase our TV advertising expenditure to reinforce and expand our leadership position.

These costs were substantially reflected in our cost base during the second half of 2006 which at £9.4 million was significantly higher than the £6.8 million incurred in the first half.

All of these increases in activity were achieved whilst strengthening overall operating margins from continuing operations and excluding flotation costs and share based payments from 48% to 52%.

Rightmove is also in the fortunate position of being able to grow revenue rapidly without placing a burden on working capital due to the predominantly subscription based revenue model. Sales growth directly drives cash generation which is generally collected in advance and accounts for our low levels of bad debts.

Taxation

The Group's consolidated effective tax rate for the six months ended 31 December 2006 is 40% (31 December 2005: 39%). The difference between this and the standard rate of corporation tax of 30% is mainly due to the high level of expenditure on which no tax deduction is available, notably flotation costs and share based charges.

The income tax expense for the year is notional for the reasons explained below. As a consequence, the year end cash position benefited from nil corporation tax payments in the year and a refund of 2005 tax paid of £1.4 million.

A significant corporate tax deduction of approximately £21.1 million arose on share options exercised in the period. An element of this tax deduction was carried back to offset the corporation tax liability in respect of the year ended 31 December 2005 with a resulting tax refund of £1.4 million received in July. The remaining tax deduction will be set against taxable profits arising for the year ended 31 December 2006 resulting in an overall tax loss for the year. A deferred tax asset was created for the tax loss carried forward, which the directors believe will crystallise in the short term.

The deferred tax asset of £1.2 million was recognised and a notional tax charge applied for the period ended 31 December 2006 in line with the requirements of IFRS 2. No corporation tax is due at 31 December 2006.

Capital reconstruction

At an Extraordinary General Meeting of the shareholders held on 30 October 2006, it was resolved to apply to the Court for permission to cancel the Share Premium Account and credit the balance to distributable reserves. The Court approved the cancellation in November 2006 and thereafter the Company paid an interim dividend of 1.5p on 21 December 2006. The costs of carrying out this exercise amounting to approximately £50,000 were expensed in 2006.

Share based payment IFRS2

In accordance with IFRS2, a non-cash charge of £2.2 million (2005: nil) is included in the income statement representing amortisation of the value of the share options granted since November 2002.

Earnings per share

Earnings per ordinary share is based upon profit after taxation and on a weighted average of 122,468,206 shares in issue during the period (2005: 118,019,573). Underlying earnings per ordinary share based on continuing operations and before flotation expenses and share option charges was 10.45p (2005: 5.24p).

Board Changes

In January 2006, Graham Zacharias was appointed Group Finance Director, bringing 33 years of public company experience to the Board. Jonathan Agnew, Nigel Cooper and Judy Vezmar were appointed as Independent Non-executive Directors with Jonathan Agnew appointed as the Senior Independent Director.

Due to interest in a potential public to private acquisition of Countrywide plc, the largest of our founding shareholders, their director representative, Harry Hill, resigned from the Rightmove Board on 12 December 2006. Reappointment of Countrywide's director representative is ultimately contingent upon Countrywide maintaining a significant interest in Rightmove. We continue to benefit from all aspects of the commercial agreements entered into between Rightmove and Countrywide including the agreement to list all Countrywide estate agency properties on Rightmove until at least March 2009.

Jane Pridgeon will retire from the Board at the close of the Annual General Meeting and I would like to thank Jane for her commitment and contribution to Rightmove and wish her well for her retirement. Colin Kemp of Halifax Estate Agencies will be appointed to the Board as Jane's replacement on 3 July 2007.

Appointment of adviser

The Board is pleased to announce the appointment of Numis as joint broker. UBS remains joint broker to the company.

Dividend

The Board announced a 1.5p per ordinary share interim dividend which was paid on 21 December 2006 following a capital reconstruction approved by shareholders on 30 October 2006. The Board proposes to pay a final dividend of 3p per ordinary share, which combined with the interim dividend of 1.5p gives a total dividend for the year of 4.5p. The final dividend, subject to shareholder approval, will be paid on 9 May 2007 to members on the register on 13 April 2007.

Current positioning against strategic goals and opportunities

Rightmove is in excellent shape in terms of its being the place on the internet that UK home hunters go to find all the property available. From the viewpoint of advertisers Rightmove remains a small proportion of their marketing spend and delivers results that we believe typically out-perform the next best alternative marketing investment dramatically.

Accordingly, our primary focus is on completing the task in hand and increasing our membership while focusing on the value for money we provide to our members. This includes the focus on the introduction of new services which allow our members to achieve even greater marketing effectiveness as they convert from traditional advertising media to on-line.

We believe there are numerous opportunities to add additional services and offerings. Indeed as a business we are in continuous receipt of approaches from other businesses who would wish to partner with us to access home movers, estate agents and developers. We will balance these opportunities and their value to our existing members and home hunters against projected returns on these potential investments.

Outlook

The outlook for continued growth remains strong. There remain many agents and developers who have yet to take the Rightmove service and we are making headway in all areas. The average amount spent on Rightmove by our advertisers typically remains a small percentage of their total marketing spend. Our new Rightmove Choice products allow us to increase the value we bring agents and developers. Opportunities are opening up for Rightmove to widen its base of advertisers and extend the service we provide to the home hunter.

**Consolidated income statement
for the year ended 31 December 2006**

	Note	Year ended 31 December 2006			Year ended 31 December 2005		
		Continuing operations £000	Discontinued operations £000	Total £000	Continuing operations £000	Discontinued operations £000	Total £000
Revenue		33,626	-	33,626	18,199	-	18,199
Administrative expenses		(19,869)	(6,668)	(26,537)	(11,253)	(1,572)	(12,825)
Operating profit before share based payments and flotation costs		17,530	(6,668)	10,862	8,657	(1,572)	7,085
Share based payments	6	(2,168)	-	(2,168)	-	-	-
Flotation costs		(1,605)	-	(1,605)	(1,711)	-	(1,711)
Operating profit		13,757	(6,668)	7,089	6,946	(1,572)	5,374
Financial income		322	-	322	189	-	189
Financial expenses		(66)	-	(66)	(27)	-	(27)
Net financial income		256	-	256	162	-	162
Share of associate profit less loss on disposal		(77)	-	(77)	-	-	-
Profit before tax		13,936	(6,668)	7,268	7,108	(1,572)	5,536
Income tax expense	5	(4,917)	1,993	(2,924)	(2,630)	472	(2,158)
Profit for the year		9,019	(4,675)	4,344	4,478	(1,100)	3,378
Attributable to:							
Equity holders of the parent		9,019	(4,675)	4,344	4,478	(1,100)	3,378
Earnings/(loss) per ordinary share (pence)							
Basic	4	7.37	(3.82)	3.55	3.79	(0.93)	2.86
Diluted	4	7.27	(3.77)	3.50	3.63	(0.89)	2.74

**Consolidated and company statement of recognised income and expense
for the year ended 31 December 2006**

	<i>Note</i>	Group and Company Year ended 31 December 2006 £000	Group and Company Year ended 31 December 2005 £000
Tax in respect of share options recognised directly in equity	5	4,681	1,666
Net income recognised directly in equity		4,681	1,666
Profit for the year		4,344	3,378
Total recognised income and expense for the year		9,025	5,044

**Consolidated and company balance sheets
as at 31 December 2006**

	Group and Company 31 December 2006 £000	Group and Company 31 December 2005 £000
Non-current assets		
Property, plant and equipment	1,375	1,137
Intangible assets	1,471	2,222
Deferred tax asset	1,241	1,666
Total non-current assets	<u>4,087</u>	<u>5,025</u>
Current assets		
Trade and other receivables	2,921	2,450
Income tax receivable	163	-
Cash and cash equivalents	14,881	5,580
Total current assets	<u>17,965</u>	<u>8,030</u>
Total assets	<u>22,052</u>	<u>13,055</u>
Current liabilities		
Trade and other payables	(5,835)	(6,674)
Income tax payable	-	(692)
Provisions	(96)	-
Total current liabilities	<u>(5,931)</u>	<u>(7,366)</u>
Non current liabilities		
Deferred tax liabilities	-	(67)
Provisions	(112)	-
Net assets	<u>16,009</u>	<u>5,622</u>
Equity		
Share capital	1,327	1
Retained earnings	14,682	5,621
Total equity attributable to the equity holders of the parent	<u>16,009</u>	<u>5,622</u>

**Consolidated statement of cash flows
for the year ended 31 December 2006**

	Note	Year ended 31 December 2006 £000	Year ended 31 December 2005 £000
Cash flows from operating activities			
Profit for the year		4,344	3,378
<i>Adjustments for:</i>			
Depreciation charges		385	261
Amortisation charges		304	150
Impairment of tangible and intangible assets		1,011	-
Loss on sale of property, plant and equipment		-	5
Loss on sale of investment in associate	7	206	-
Investment income	7	(129)	-
Interest income		(322)	(189)
Interest expense		1	27
Share options charge	6	2,168	-
Income tax expense	5	2,924	2,158
Operating profit before changes in working capital		10,892	5,790
Increase in trade and other receivables		(471)	(153)
(Decrease)/increase in trade and other payables		(839)	4,890
Increase in provisions		208	-
Cash generated from operations		9,790	10,527
Income taxes received/(paid)		1,259	(2,196)
Net cash from operating activities		11,049	8,331
Cash flows from investing activities			
Interest received		322	189
Acquisition of property, plant and equipment		(938)	(864)
Acquisition of intangible assets		(249)	(656)
Acquisition of investment in associate	7	(3,319)	-
Proceeds from sale of investment in associate	7	3,243	-
Proceeds from sale of property, plant & equipment		-	36
Net cash from investing activities		(941)	(1,295)
Cash flows from financing activities			
Interest paid		(1)	(27)
Dividends paid		(1,861)	(5,000)
Share issue		1,055	-
Net cash from financing activities		(807)	(5,027)
Net increase in cash and cash equivalents		9,301	2,009
Cash and cash equivalents at 1 January		5,580	3,571
Cash and cash equivalents at 31 December		14,881	5,580

NOTES

1. General information

The Group accounts have been prepared in accordance with international accounting standards and international financial reporting standards that were effective at 31st December 2006 and adopted by the EU.

The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 December 2006 or 2005. Statutory accounts for 2005 have been delivered to the registrar of companies, and those for 2006 will be delivered following the Company's Annual General Meeting. The auditors have reported on those accounts; their reports were (i) unqualified, (ii) did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their reports and (iii) did not contain statements under section 237(2) or (3) of the Companies Act 1985.

2. Discontinued operations

On 18 July 2006, the Government announced fundamental changes to the contents of Home Information Packs (HIPs), specifically that the Home Condition Report within the HIP would be voluntary for the foreseeable future. As a consequence, the Board decided to discontinue the HIPs business. The total spend during the year was £6,668,000 including exit costs of £1,900,000 and research costs of £2,060,000.

During the year ended 31 December 2006, the HIPs division had cash outflows from operating activities of £5,226,000 (*2005: £1,540,000*).

The net book value of computer and office equipment (£315,000) and the net book value of computer software relating to HIPs (£696,000) have been written off.

3. Segmental reporting

Segmental information is presented in respect of Group's business segments. The Group does not have geographical segments.

Segmental results, total assets and total liabilities include items directly attributable to the segment as well as those that can be allocated on a reasonable basis.

Segmental capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one period.

Segmental reporting details are provided below:

For the year ended 31 December 2006

	Property advertising £000	HIPs £000	Total £000
<i>Income statement information</i>			
Segmental revenue	33,626	-	33,626
Depreciation and amortisation	550	139	689
	<hr/>	<hr/>	<hr/>
Segmental operating profit/(loss)	13,757	(6,668)	7,089
Financial income	322	-	322
Financial expenses	(66)	-	(66)
Income tax expense	(4,917)	1,993	(2,924)
Share of associate profit less loss on disposal	(77)	-	(77)
	<hr/>	<hr/>	<hr/>
Profit for the year	9,019	(4,675)	4,344
<i>Balance sheet information</i>			
Capital expenditure	901	286	1,187
Property, plant and equipment	1,375	-	1,375
Intangible assets	1,471	-	1,471
Total assets	22,052	-	22,052
Total liabilities	(5,612)	(431)	(6,043)

For the year ended 31 December 2005

	Property advertising £000	HIPs £000	Total £000
Income statement information			
Segmental revenue	18,199	-	18,199
Depreciation and amortisation	379	32	411
	<hr/>	<hr/>	<hr/>
	-		
Segmental operating profit/(loss)	6,946	(1,572)	5,374
Financial income	189	-	189
Financial expenses	(27)	-	(27)
Income tax expense	(2,630)	472	(2,158)
	<hr/>	<hr/>	<hr/>
Profit for the year	4,478	(1,100)	3,378
Balance sheet information			
Capital expenditure	1,235	902	2,137
Property, plant and equipment	1,068	69	1,137
Intangible assets	1,421	801	2,222
Total assets	12,185	870	13,055
Total liabilities	(7,433)	-	(7,433)

All revenue is derived from external operations arising in the UK, and there is no inter-segmental revenue.

There are no other separately identifiable business segment income statement or balance sheet items.

4. Earnings per share

	Weighted average number of shares	Earnings £000	Per share amount pence
Year ended 31 December 2005			
Basic EPS	118,009,573	3,378	2.86
Diluted EPS	123,438,584	3,378	2.74
Underlying EPS	118,009,573	6,189	5.24
Year ended 31 December 2006			
Basic EPS	122,468,206	4,344	3.55
Diluted EPS	123,959,764	4,344	3.50
Underlying EPS	122,468,206	12,792	10.45

Underlying earnings per ordinary share is calculated before the charge for HIPs costs, flotation costs and share option charges. A reconciliation of the basic earnings for the year to the underlying earnings is presented below:

	2006 £000	2005 £000
Basic earnings for the year	4,344	3,378
HIPs costs (net of tax)	4,675	1,100
Flotation costs	1,605	1,711
Share options charge	2,168	-
	<hr/>	<hr/>
Underlying earnings for the year	12,792	6,189
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5. Taxation

Analysis of charge in year:

	Year ended 31 December 2006 £000	Year ended 31 December 2005 £000
<i>UK corporation tax</i>		
Income tax for the year	3,544	2,114
Adjustment for prior period	-	2
Total current tax	<u>3,544</u>	<u>2,116</u>
<i>Deferred tax</i>		
Origination/reversal of timing differences	(620)	42
Total tax in income statement	<u><u>2,924</u></u>	<u><u>2,158</u></u>

Factors affecting the tax charge for the current period

The current tax charge for the year is higher (2005: higher) than the standard rate of corporation tax in the UK 30% (2005: 30%). The differences are explained below:

	Year ended 31 December 2006 £000	Year ended 31 December 2005 £000
<i>Current tax reconciliation</i>		
Profit before tax	7,268	5,536
Current tax at 30% (2005: 30%)	<u>2,180</u>	<u>1,661</u>
<i>Effects of:</i>		
Expenses not deductible for tax purposes	744	499
Adjustment in respect of prior years	-	(2)
Total tax charge (see above)	<u><u>2,924</u></u>	<u><u>2,158</u></u>

A notional tax charge of £3,544,000 was applied for the year ended 31 December 2006 and recognised directly in equity in line with the requirements of IFRS 2. No corporation tax liability is due at 31 December 2006.

The effective tax rate for the year ended 31 December 2006 is 40% (2005:39%). The difference between this and the corporation tax of 30% is mainly due to the high level of expenditure on which no tax deduction is available, notably flotation costs and the share option charge.

During the year a significant tax deduction of £21,101,000 arose on share options exercised on flotation. An element of this tax deduction was carried back to eliminate the corporation tax charge of £2,114,000 in respect of the year ended 31 December 2005. The tax credit was recognised directly in reserves as it arose on share options exercised for which the related IFRS 2 charge was nil.

Movement in current and deferred tax

	1 January 2006 £000	Recognised in income £000	Recognised in equity £000	(Paid)/ received £000	31 December 2006 £000
Deferred tax					
Property, plant and equipment	68	(300)	-	-	(232)
Equity settled share options	(1,666)	(320)	1,666	-	(320)
Tax losses	-	-	(689)	-	(689)
Deferred tax asset	<u>(1,598)</u>	<u>(620)</u>	<u>977</u>	<u>-</u>	<u>(1,241)</u>
Current tax					
Income tax for the year	-	3,544	(3,544)	(163)	(163)
Adjustments for prior period	692	-	(2,114)	1,422	-
Tax creditor/ (debtor)	<u>692</u>	<u>3,544</u>	<u>(5,658)</u>	<u>1,259</u>	<u>(163)</u>
	<u>(906)</u>	<u>2,924</u>	<u>(4,681)</u>	<u>1,259</u>	<u>(1,404)</u>

6. Share based payments

The Company operates a performance related share incentive scheme for key management personnel and senior employees, comprising of the Rightmove Unapproved Executive Share Option Plan ("Unapproved Plan") and the Rightmove Approved Executive Share Option Plan ("Approved Plan"). The Company also operates a Savings Related Share Option Scheme ("SAYE").

In July 2004, the Company granted options under the Rightmove.co.uk Limited Enterprise Management Incentive Scheme ("EMI Plan") to key management personnel and senior employees.

Additionally, one EMI share option plan was granted prior to 7 November 2002. The recognition and measurement principles in IFRS 2 have not been applied to this share option plan in accordance with the transitional provisions in IFRS 1.

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on the Black Scholes model. The contractual life of the options is used as an input into this model.

All share incentive schemes are granted under a service condition. Such conditions are not taken into account in the fair value of the services received. There are no market conditions associated with the above grants.

The employee turnover before vesting has not been included in calculating the fair value of options. The total charge for the year relating to employee share based payment plans was £2,168,000 (2005: £nil), all of which related to share options granted in 2006.

7. Acquisition and disposal of associate

During the year, the Company acquired 25% of the ordinary share capital of TMG Holdings Limited ("TM") for a consideration of £3,243,000 and acquisition costs of £77,000. This gave rise to positive goodwill of £2,140,000 and an intangible asset relating to customer lists of £1,124,000. The Group's share in the fair value of net assets of the associate at the date of acquisition was £56,000.

As a result of the discontinuance of the HIPs business, it was no longer considered appropriate to retain this shareholding. Accordingly, the holding was disposed of for £3,243,000, before costs. The sale gave rise to a loss on disposal of £206,000. Whilst TM was an associate and before the decision to sell was made, the results of the associate were equity accounted for. The Group recognised a profit of £129,000 representing its share of TM's profit for that period. The directors decided to present the loss on disposal of £206,000 and the share of associate's profit of £129,000 on the face of the income statement.