



Interim report 2006

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Financial highlights

for the six months ended 30 June 2006

Highlights

- Operating profit up 138% to £8.3m (2005: £3.5m) before Home Information Pack project costs, flotation costs and share option charges
- Revenue doubled to £15.1m (2005: £7.6m)
- Net cash of £5.2m (2005: £3.0m)
- Number of advertisers up 53% to 14,680
- Average price paid per advertiser per month up 22% to £181
- Visits to Rightmove.co.uk up 75% to 15.4m per month and page impressions up 93% to 227.3m per month
- Proposed interim dividend of 1.5p per ordinary share

revenue

£15.1m

up 99%

operating profit

£8.3m

up 138%

proposed interim dividend

1.5p

per share

Chairman's and Group Managing Director's statement

Overview

We are pleased to report a strong performance from Rightmove for our first interim results as a public company, following flotation on 15 March 2006.

Operating profit grew by 138% to £8.3m, before Home Information Pack project costs, flotation costs and share option charges.

The substantial increase in operating profit was achieved through continued rapid revenue growth. Revenue, at £15.1m was up 99% for the same period last year. Revenue growth was achieved both through increased sales and price rises. The advertising base grew by 53% to 14,680 advertising estate agency, lettings agency and new homes developments. Average price paid per advertiser increased by 22% to £181 per month.

Operating margins improved despite incremental public company expenses as overall costs grew at a significantly lower rate than revenue, up 67% at £6.8m.

Following a government change to the proposed legislative framework for Home Information Packs ("HIPs") announced on 18 July 2006, the Board decided to both stop development of a HIPs platform and to dispose of a related minority interest investment in property search service, TMG Holdings Limited ("TM"). Rightmove had invested approximately £7.0m in developing its HIPs platform and will incur a further £1.2m of exit costs.

The Board intends to pay an interim dividend of 1.5p per ordinary share once certain technical conditions (set out below) have been met.

On-line advertising

The first six months have seen rapid growth in our on-line advertising business with over 5,000 new advertisers subscribing to Rightmove. Growth has been particularly

strong with estate agency, lettings and new homes advertisers across all regions of Great Britain.

We entered 2006 with a market penetration among estate agents of 62% nationally, and have seen this increase to 74% with strong growth in all areas of the country and in all sectors of the market. Among estate agents specialising in the premium end of the market, the gains have been significant and include Savills, Knight Frank, Hamptons, Strutt & Parker, Stags and Douglas & Gordon.

We no longer see an upper limit of 80% on estate agent market penetration. This is evidenced by three out of ten regions having already breached this level, with East Anglia at 87%, closely followed by the South East and East Midlands at 86% each.

Growth among lettings agents, new home developers and overseas agents has been greater than estate agents in percentage terms, though this reflects the lower starting base. Rental only agents total over 1,523, up from 232 a year ago, new homes developments total 2,367, up from 1,369, and overseas total 430 compared to 220 at the end of June 2005.

Significant new advertisers amongst new homes developers include George Wimpey, Redrow and David Wilson Homes, taking us to the position where eighteen of the top twenty developers list some or all their developments on Rightmove.co.uk.

During the first half of 2005 the Rightmove service was being sold to new estate agency advertisers at a monthly cost of £195, with existing advertisers paying £150. During the same period this year we have sold to new agents at £250, with existing advertisers paying £195. Overall across all our customer base the average price per customer is £181 per month as at June 2006, up 22% on a year ago.

In 2006 Rightmove has regularly been in the top ten UK websites in terms of page impressions and has gained market share over our competitors. Amongst the top four property websites Rightmove accounts for four out of every five pages of property information viewed.

Home Information Packs

On 26 July 2006, the Board announced its intention to discontinue its HIPs initiative.

In June, the government laid down the regulations to govern the content of HIPs, the regulation of Home Inspectors and the compliance regime as required of it under the 2004 Housing Act, which set out the requirement for mandatory HIPs. The content of these regulations were broadly favourable to Rightmove. The subsequent government announcement on 18 July 2006 stated that Home Condition Reports would be a voluntary rather than mandatory element of HIPs when introduced in June 2007. It is also very likely that people will be able to start marketing properties without actually having a HIP, thereby removing the urgency for an efficiently and reliably produced and delivered solution.

The Board considered these changes and concluded that there was no realistic prospect of developing a profitable Rightmove HIPs business.

£22m had been allocated to the development of the HIPs proposition, of which approximately £7.0m had been spent to the date of our announcement. Exit costs are not expected to exceed £1.2m and will be accounted for in the full year accounts. £0.3m of HIPs development costs previously capitalised have been written off in these accounts, together with £0.7m of fixed assets.

In January Rightmove invested £3.25m to acquire a 25% stake in TM, a provider of searches from local authorities and other bodies. The TM shareholder agreement

explicitly made provision for circumstances in which Rightmove might be unable to order substantial volumes of searches. The four shareholders in TM have agreed to exercise the exit provisions set out in the agreement. As a result, in the second half of 2006, Rightmove intends to dispose of its 25% stake to the other shareholders for £3.25m, before costs.

Dividend

At the time of the flotation we communicated that our intention was to adopt a progressive dividend policy. Our expectation was that we would make significant investment through to June 2007 in our HIPs business. We now find ourselves with a robust cash position, corporation tax credits, the prospects of receipts for the sale of our shareholding in TM and no major cash outflows relating to the HIPs business. Therefore, the Board intends to stand by its commitment to pay dividends when Rightmove's cash position was firmly established.

As a consequence, Rightmove intends to pay an interim dividend of 1.5p per ordinary share.

However due to technical issues concerning the level of the Company's distributable reserves (which would impact on our ability to pay dividends), the Board proposes, subject to shareholder approval, to apply to the High Court for a capital reduction. If granted, this will have the effect of converting a significant proportion of the share premium account into retained earnings, thereby permitting the payment of an interim dividend. This process is expected to take place before the end of the year with the dividend being paid as soon as is practicable thereafter.

Outlook

The Board of Rightmove believe the outlook remains positive as the shift continues away from traditional

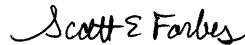
Chairman's and Group Managing Director's statement (continued)

advertising to the internet. The property industry spends more than £500m annually on advertising in newspapers alone. Though the clear market leader among property websites, Rightmove only accounts for around 5% of the property industry spend on newspaper advertising.

We will focus all our sales efforts on increasing advertiser numbers and to focus our technology resources on delivering new advertising products more rapidly than we had originally planned. Many customers have indicated their desire to differentiate their Rightmove advertising from their competitors, as they do in traditional advertising media such as local newspapers.

We believe that the second half of 2006 provides Rightmove with every opportunity to build on the strong

first half of the year and to lay the foundations for further rapid growth in revenue in 2007 and beyond.



Scott Forbes
Chairman



Ed Williams
Group Managing Director

1 September 2006

Consolidated income statement

for the six months ended 30 June 2006

		6 months ended 30 June 2006	6 months ended 30 June 2005	12 months ended 31 Dec 2005
	Note	£000	£000	£000
Revenue		15,099	7,574	18,199
Administrative expenses		(13,670)	(4,226)	(12,825)
Operating profit before HIPs, share based payments and flotation costs		8,256	3,469	8,657
Share based payments (IFRS 2)	4	(794)	-	-
HIPs development costs		(4,650)	(121)	(1,572)
Flotation costs		(1,383)	-	(1,711)
Operating profit		1,429	3,348	5,374
Financial income		78	78	189
Financial expenses		-	-	(27)
Net financial income		78	78	162
Share of associate profit	7	129	-	-
Profit before tax		1,636	3,426	5,536
Income tax expense	9	(1,137)	(1,043)	(2,158)
Profit for the period		499	2,383	3,378
Attributable to:				
Equity holders		499	2,383	3,378
Earnings per ordinary share (pence)				
Basic	5	0.41	2.03	2.86
Diluted		0.40	1.93	2.74

Consolidated statement of recognised income and expense

for the six months ended 30 June 2006

	6 months ended 30 June 2006 £000	6 months ended 30 June 2005 £000	12 months ended 31 Dec 2005 £000
Tax in respect of share options recognised directly in equity	3,305	742	1,666
Net income recognised directly in equity	3,305	742	1,666
Profit for the period	499	2,383	3,378
Total recognised income and expense for the period	3,804	3,125	5,044

Reconciliation of movements in shareholders' funds

for the six months ended 30 June 2006

	6 months ended 30 June 2006 £000	6 months ended 30 June 2005 £000	12 months ended 31 Dec 2005 £000
At 1 January	5,622	5,578	5,578
Profit for the period	499	2,383	3,378
Dividends to shareholders	–	(5,000)	(5,000)
Issue of new shares	20,037	–	–
Own shares held	(17,707)	–	–
Capitalisation of distributable reserves to fully pay up bonus issue shares	(1,275)	–	–
Notional corporation tax charge recognised in reserves	1,359	–	–
Share based payments charge (IFRS 2)	794	–	–
Tax in respect of share options	3,305	742	1,666
Closing shareholders' funds	12,634	3,703	5,622

Consolidated balance sheet

as at 30 June 2006

	Note	30 June 2006 £000	30 June 2005 £000	31 Dec 2005 £000
Non-current assets				
Property, plant and equipment		998	621	1,137
Intangible assets	7	4,737	1,253	2,222
Investments	7	185	–	–
Deferred tax asset	9	3,012	801	1,666
Total non-current assets		8,932	2,675	5,025
Current assets				
Trade and other receivables		2,282	992	2,450
Income tax receivable		1,585	–	–
Cash and cash equivalents		5,206	2,971	5,580
Total current assets		9,073	3,963	8,030
Total assets		18,005	6,638	13,055
Current liabilities				
Trade and other payables	6	(5,371)	(1,035)	(6,674)
Income tax payable		–	(1,900)	(692)
Total current liabilities		(5,371)	(2,935)	(7,366)
Non current liabilities				
Deferred tax liabilities		–	–	(67)
Net assets		12,634	3,703	5,622
Equity				
Share capital		1,327	1	1
Share premium		18,711	–	–
Own shares held		(17,707)	–	–
Retained earnings		10,303	3,702	5,621
Total equity		12,634	3,703	5,622

Consolidated statement of cash flows

for the six months ended 30 June 2006

	6 months ended 30 June 2006 £000	6 months ended 30 June 2005 £000	12 months ended 31 Dec 2005 £000
Note			
Cash flows from operating activities			
Profit for the period	499	2,383	3,378
<i>Adjustments for:</i>			
Depreciation charges	368	169	261
Amortisation charges	–	–	150
Impairment of fixed assets	971	–	–
Loss on sale of fixed assets	–	–	5
Investment income	(129)	–	–
Interest income	(78)	(78)	(189)
Interest expense	–	–	27
Share options charge	794	–	–
Income tax expense	1,137	1,043	2,158
Operating profit before changes in working capital	3,562	3,517	5,790
Decrease/(increase) in trade and other receivables	172	1,304	(153)
(Decrease)/increase in trade and other payables	(1,305)	(131)	4,890
Cash generated from operations	2,429	4,690	10,527
Income taxes paid	(164)	–	(2,196)
Net cash from operating activities	2,265	4,690	8,331
Cash flows from investing activities			
Interest received	78	78	189
Acquisition of property, plant and equipment	(307)	(173)	(864)
Acquisition of intangible assets	(222)	(195)	(656)
Acquisition of investment in associate	7	–	–
Proceeds from sale of property, plant and equipment	–	–	36
Net cash from investing activities	(3,694)	(290)	(1,295)
Cash flows from financing activities			
Interest paid	–	–	(27)
Dividends paid	–	(5,000)	(5,000)
Share issue	1,055	–	–
Net cash from financing activities	1,055	(5,000)	(5,027)
Net (decrease)/increase in cash and cash equivalents	(374)	(600)	2,009
Cash and cash equivalents at 1 January	5,580	3,571	3,571
Cash and cash equivalents at period end	5,206	2,971	5,580

Notes

1 Basis of preparation

This interim financial information has been prepared applying the accounting policies and presentation that were applied in the preparation of the company's financial statements for the year ended 31 December 2005.

The financial statements are prepared on the historical cost basis.

2 The financial statements for the half year ended 30 June 2006 have not been audited, although the auditor, KPMG LLP, has carried out an independent review.

The comparative figures for the financial year ended 31 December 2005 are extracted from the company's statutory accounts for that financial year. Those accounts have been reported on by the company's auditors and delivered to the registrar of companies. The report of the auditors was:

- (i) unqualified,
- (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and
- (iii) did not contain a statement under section 237(2) or (3) of the Companies Act 1985.

3 Segmental reporting

Segmental reporting details are provided below:

For the six months ended 30 June 2006

	Property advertising £000	HIPs £000	Other £000	Total £000
Income statement information				
Segmental revenue	15,099	–	–	15,099
Depreciation and amortisation	261	106	1	368
Segmental operating (loss) / profit	6,427	(4,650)	(219)	1,558
Financial income				78
Financial expenses				–
Income tax expense				(1,137)
Profit for the period				499
Balance sheet information				
Capital expenditure	3,548	207	17	3,772
Property, plant and equipment	981	–	17	998
Intangible assets	4,401	–	336	4,737
Total assets	17,235	414	356	18,055
Total liabilities	(5,136)	(227)	(8)	(5,371)

Notes (continued)

3 Segmental reporting (continued)

For the six months ended 30 June 2005

	Property advertising £000	HIPs £000	Other £000	Total £000
Income statement information				
Segmental revenue	7,574	–	–	7,574
Depreciation and amortisation	169	–	–	169
Segmental operating (loss)/profit	3,516	(121)	(47)	3,348
Financial income				78
Financial expenses				–
Income tax expense				(1,043)
Profit for the period				2,383

Balance sheet information

Capital expenditure	185	–	183	368
Property, plant and equipment	621	–	–	621
Intangible assets	1,070	–	183	1,253
Total assets	6,455	–	183	6,638
Total liabilities	(2,935)	–	–	(2,935)

For the year ended 31 December 2005

	Property advertising £000	HIPs £000	Other £000	Total £000
Income statement information				
Segmental revenue	18,199	–	–	18,199
Depreciation and amortisation	379	32	–	411
Segmental operating (loss)/profit	7,000	(1,572)	(54)	5,374
Financial income				189
Financial expenses				(27)
Income tax expense				(2,158)
Profit for the year				3,378

Balance sheet information

Capital expenditure	898	902	337	2,137
Property, plant and equipment	1,068	69	–	1,137
Intangible assets	1,085	801	336	2,222
Total assets	11,849	870	336	13,055
Total liabilities	(7,433)	–	–	(7,433)

4 Share based payments

In accordance with IFRS 2 a charge of £794,000 (30 June 2005: £Nil) is included in the income statement, being the amortisation of the value of the share options granted since November 2002.

5 Earnings per share

Earnings per ordinary share is based upon profit after taxation and on a weighted average of 120,860,606 shares in issue during the period (30 June 2005: 117,893,351). Underlying earnings per ordinary share which is calculated before the charge for HIPs development costs, flotation costs and share option charges was 4.85p for the six months to 30 June 2006 (6 months to 30 June 2005: 2.09p).

6 Trade and other payables

	30 June 2006 £000	30 June 2005 £000	31 Dec 2005 £000
Trade payables	862	194	1,183
Other taxation and social security	1,032	556	957
Deferred income from government contract	2,528	–	2,428
Other accruals and deferred income	949	285	2,106
	5,371	1,035	6,674

7 Acquisitions

During the period the company acquired 25% of the ordinary share capital of TMG Holdings Limited for a consideration of £3.25m. This gave rise to positive goodwill of £2.1m and a customer list intangible asset of £1.1m. After the balance sheet date, and as a result of the discontinuance of the HIPs business, it is no longer considered appropriate to retain this shareholding. Accordingly, this is expected to be disposed of for £3.25m, before costs.

8 Post balance sheet event

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. Total spend to end July 2006 was £7m and exit costs are not expected to exceed £1.2m.

In the interim accounts, 2005 capitalised development costs (£0.3m) and the net book value of fixed assets relating to HIPs (£0.7m) have been written off. The remaining costs relating to July and August operating expenses (£1.1m) and exit costs (£1.2m) will be accounted for in the full year accounts.

9 Taxation

The group's consolidated effective tax rate for the six months ended 30 June 2006 is 69% (30 June 2005: 30%). 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 option charges.

Notes (continued)

9 Taxation (continued)

A significant corporate tax deduction of approximately £21.1m 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 £1.6m being expected in the second half of the year. The remaining tax deduction will be set against the forecasted 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 £3 million was recorded directly in equity and a notional tax charge applied for the period ended 30 June 2006 in line with the requirements of IFRS 2. No corporation tax liability is due at 30 June 2006.

Independent review report to Rightmove plc

Introduction

We have been instructed by the company to review the financial information for the six months ended 30 June 2006 which comprises the primary financial statements and the related notes 1 to 9. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the Listing Rules of the Financial Services Authority. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the UK. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with International Statements on Auditing (UK and Ireland) and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2006.

KPMG LLP

Chartered Accountants

Milton Keynes

1 September 2006

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