

# ANSEARCH

better business online



annual report 2008



The Australian online media company with global reach





# group of companies



**ANSEARCH** LIMITED 

**webfirm**   
better business online

**ANSEARCH**   
media

searchworld 

# Contents

Chairman's Report.....	2
Chief Executive Officer's Report.....	3
Directors' Report .....	5
Auditors Independence Declaration .....	21
Income Statements .....	22
Balance Sheets .....	23
Statements of Changes in Equity .....	24
Cash Flow Statements .....	25
Notes to the Financial Statements .....	26
Directors' Declaration .....	65
Independent Audit Report to the Members .....	66
Corporate Governance Information.....	68
Shareholder Information.....	69

# Chairman's Report

Dear Ansearch Shareholders,

The year just passed has been full of opportunities and challenges for the Company. A significant amount of repair work was required after the period of instability at the end of 2007, however this is now well behind us and we are clearly focused on what lies ahead for Ansearch.

The matters that were addressed at the end of 2007 presented us with an opportunity to appoint an entirely new board of directors, all of who have significant and relevant industry experience, and all of whom play an active role in governing and operating the Company.

We appointed a highly capable CEO early in 2008, Mr David Burden, who brings the requisite leadership and management capability to execute on the Company's plans. In addition we have appointed a new senior management team with business building capability.

The business has been restructured and simplified into three core divisions, each with clear operational boundaries. We have reduced the number of brands in the market allowing us to invest more fully in the three brands that remain, removing some legacy brands that were impacting adversely on our reputation.

Our reputation in the market was certainly buoyed by the news that Ansearch had won 1st place in the Victorian section and 2nd place overall in the Deloitte Technology Fast 50 Australia for rapidly growing companies. Even more pleasing is that we were able to follow this up with being awarded 8th place overall in Deloitte's Fast 500 Asia region.

The year just passed was not without its challenges. The board instability in late 2007, the Opes Prime crisis, changes in the market environment forcing the severing of low quality revenue streams and unprofitable customers (now stabilised), some historical legal matters and dealing with a number of legacy commercial issues all required management's attention. I am pleased to report that each of these matters has been appropriately dealt with and the focus of the entire business has returned to revenue growth and building value into the Company.

Despite these trials, the Company has increased its revenue almost 50% over the previous year, and we continue to make progress towards returning the company to sustainable profitability – a testament to

the commitment of the team at Ansearch and their desire to see the business grow.

The team continues to identify emerging global opportunities in the online and mobile advertising space, and new ways to help small and medium business do 'better business online'

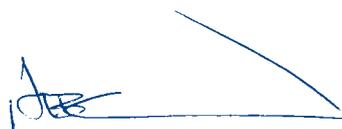
The investment made in growing our revenue means we remained in a loss making position during the year. The board has elected to adopt a conservative stance and conduct a number of non-cash adjustments and impairment of intangibles, which together more than doubled the underlying operating loss.

We have cemented our business partnerships with Google and Yahoo, created a number of impressive new business partnerships, and closed a range of business deals with highly regarded market participants.

In a tightening market we have taken swift action to reduce our costs of doing business, and re-focused our investment into infrastructure needed to transform the business from an entrepreneurial start-up to a solid and robust business capable of scaling rapidly.

I am delighted to be a part of a company with such exciting prospects, and to have the opportunity to participate in building and transforming the organisation into one that all stakeholders can be proud of.

Yours faithfully,



**Andrew Barlow**  
Chairman  
Ansearch Limited

30 September 2008



# CEO's Report



Since stepping into the business in February of this year I have conducted a full review of the operations of the company, and I am delighted with the underlying core assets of the business. Webfirm with its customer base of SME's, the Ansearch and Anzwers search engines, our agreements with Yahoo and Google, our growing portfolio of online publishers we represent and our team of dedicated professionals who work in the business are solid assets to build upon.

During the year under review, and in particular in the past six months since the formation of the new team, we have achieved a great deal. We have bedded down the acquisition of Webfirm made late last financial year and put in place a new strategy for its expansion. We have completed a number of vital technology infrastructure projects to improve reliability and productivity. We have consolidated and centralised the back office support functions of the business and driven a renewed focus on corporate compliance.

Furthermore we have structured the organisation into three core business divisions:

- **Webfirm** – with a focus on assisting SME's grow their business online, through the provision of Web design, production and hosting, as well as search engine optimisation and search engine marketing, mobile sites and advertising;
- **Ansearch Media** – whose role is to represent the advertising inventory of local and international website publishers and to promote this to Australian advertisers; and
- **Searchworld** – which includes our owned and operated sites including the new look Ansearch and Anzwers search engines, our search syndication products, and our new search advertising network.

In terms of new business development, we have expanded the Webfirm business to the eastern states, opening an innovative new retail store in Melbourne, with plans to roll out additional offices in both Perth and on the east coast in the coming year. We have established a number of significant new business partnerships, and have signed attractive deals with both Navteq and blinkx. Further we have signed deals to represent some large international website publishers advertising inventory, such as Intergi.com; the GoFish network; Break.com; Bullz-Eye.com and Savvy.com. Ansearch Media now represents websites with some 100 million page impressions per month.

According to the June 2008 IAB report, online advertising expenditure in Australia for the 12 months ended 30 June 2008 totalled \$1,523.5 million. This is the first time the market has exceeded \$1.5 billion in a 12-month period. This is an increase of \$324 million (or 27.0%) from the 12 months ended 30 June 2007. Of this growth our two key areas of activity in Ansearch Media and Searchworld saw the display advertising sector grow 23% and Search & Directories Advertising sector grew 34% based on expenditure for the 2008 Financial Year<sup>1</sup>.

Online advertising expenditure in Australia is forecast to continue growing by 27% next year, Mobile internet use has doubled in the past 12 months<sup>2</sup>, providing excellent opportunities for Ansearch. Our highly pro-active Board is continuing to support the executive team in the identification of future strategic initiatives that will drive strong domestic and international growth.

Our 2008 group revenues of \$12.3 million are up from \$8.4 million last year – a very pleasing result – and the Company has a further \$1.0 million in sales made and awaiting booking as revenue as services are delivered.

Our reportable result for the year was a loss of \$6.7 million, however this result was impacted by a number of non-cash adjustments and write downs. Our normalised operating result, after adjusting for the non-cash effects of the \$1.0 million unearned revenue adjustment and \$0.2 million share based expense was a loss of \$2.8 million.

The result was affected by:

- the investment in new infrastructure to support the maturation of the business;
- reclassifying some booked revenue to unearned revenue on the balance sheet;
- The impairment of the carrying value of some intangible assets and goodwill;
- atypical expenses such as departing CEO and Chairman in 2007;
- thorough review and clean out of the accounts providing an orderly set to take into FY 2009; and
- fixing a number of legacy issues.

Pleasingly our results for the second half have demonstrated a steady improvement. Our losses have been decreasing steadily during 2008, and we are driving toward becoming profitable during this financial year.

<sup>1</sup> Source: IAB Report June 2008

<sup>2</sup> Source: [www.admob.com/metrics](http://www.admob.com/metrics)

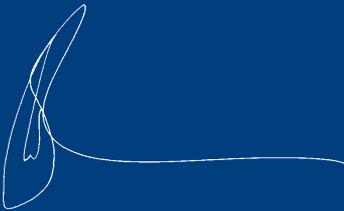
# CEO's Report cont...

Our cost reduction program has resulted in shedding 20% of the non-essential positions across the group, and the termination of projects not seen as core to our strategy or not able to demonstrate sufficient returns. We are continually driving greater operational efficiency and productivity across all areas of the business.

We have a dedicated team of employees who desire success for the business and we have realigned our compensation schemes to ensure every person working in the business is incentivised to build value for the shareholders.

The unique and diverse skills within Ansearch will support our aim of helping our SME customers to build, promote and profit from their online activities – to do 'better business online'. Furthermore, Ansearch is well positioned to play a major role in the growing online media space both regionally and globally. 2009 will be a year where Ansearch builds out from its core strengths: via organic growth in each of its three core operating divisions, and via identifying and capitalizing on new opportunities presenting themselves to the company. With this we expect to restore investor confidence, and drive greater value into the business.

Yours faithfully,



**David Burden**  
**CEO**  
Ansearch Limited

30 September 2008

Our 2008  
group revenues  
of \$12.3 million  
are up from  
\$8.4 million last  
year – a very  
pleasing result

# Directors' Report

Your Directors present their report, together with the financial report of Ansearch Limited ACN 001 287 510 ('the Company') and its controlled entities for the financial year ended 30 June 2008 and the auditor's report thereon.

## Directors

The Directors in office during financial year and until the date of this report were:

	Appointed	Resigned
Mr Andrew Barlow (Chairman from 7 Dec 2007)	22-Oct-07	
Mr David Burden (CEO from 6 Feb 2008)	08-Apr-08	
Mr Adrian Giles	19-Dec-07	
Mr Adrian Vanzyl	28-Apr-08	
Mr Charles Ellison	22-Dec-04	28-Apr-08
Mr Dean Jones	22-Oct-07	11-Apr-08
Mr Peter Jermyn (Chairman 22 Oct 2007 to 7 Dec 2007)	26-Aug-02	07-Dec-07
Mr Glenn Ridge (Chairman 18 May 2007 to 22 Oct 2007)	16-Mar-05	22-Oct-07
Mr Terry Grigg	01-Apr-05	22-Oct-07

## Information on Directors

### Mr Andrew Barlow (Age 35)



#### Chairman

Mr Barlow is an experienced entrepreneur who acts as an investor and mentor to early-stage technology companies with unique IP, highly scalable business models and strong executive teams. Mr Barlow is well-known as a Founder of Hitwise ([www.hitwise.com](http://www.hitwise.com)), a US-based company that provides real-time competitive intelligence on website performance to Fortune 500 companies around the world. Hitwise was ranked one of the Top 10 fastest growing companies by Deloitte's for 5 years running, before being sold to Experian Group (LSX.EXP) in May 2007 for US\$240m. Mr Barlow is also the Founder of Max Super ([www.maxsuper.com](http://www.maxsuper.com)), a low-cost, commission-free, retail superannuation fund distributed directly to Australians via the web. Max Super was sold to Orchard Funds Management in May 2007. Mr Barlow is also a Founder of Adslot, a revenue optimisation platform for online media publishers, and is an investor in a number of other technology ventures, including NitroPDF

(the second biggest distributor of PDF editing software in the world), Qmecom (which personalises video advertising on the fly) and QMCodes (makes print media interactive via mobile devices). Mr Barlow has significant expertise in online media and business building with a strong understanding of the UK and North America markets.

Directorships held in other listed entities: no directorships currently or formerly held in listed companies.

Interests in shares and options: 21,403,981 ordinary share and 20,000,000 unlisted options.

## Mr David Burden (Age 46)



### Managing Director and Chief Executive Officer

Mr David Burden is an entrepreneur and one of the true pioneers of interactive marketing and services within Australia. David founded Australia's largest and best-recognised interactive and mobile services company Legion Interactive in 1994.

As CEO from 1994 to 2006, David spearheaded the evolution and growth of the product, the growth of the sales and marketing and Research & IT Development teams, and guided the business through its MBO from the French Lagardere Group in 2001, the acquisition of BlueSkyFrog (Australia's first mobile ringtone company) and MediaZoo and the subsequent push of the business into the mobile space commencing in 1998. During his time at Legion, David was a worthy Industry Activist with

leading roles on the Premium Rate Advisory Council (PRAC), the Telephone Information Services Standards (TISSC) and the Vice Chairman of Australian Direct Marketing Association (ADMA). David was also founding Chairman of ADMA's Mobile Marketing Council which was primarily responsible for the introduction of regulation and consumer protection for mobile services.

Directorships held in other listed entities: no directorships currently or formerly held in listed companies.

Interests in shares and options: 20,642,825 ordinary shares.

## Mr Adrian Giles (Age 34)



### Director

Adrian Giles is an entrepreneur, venture consultant and investor specialising in the Internet and information technology industry. Adrian founded Australia's first SEO (Search Engine Optimisation) company in 1997, and in the same year founded Hitwise. As Managing Director from 1997 to 2000, Adrian spearheaded the evolution and growth of the product, the growth of the sales and marketing and Research & Development teams, and guided the business through numerous capital raisings to help fund its international growth. Prior to forming Hitwise, Adrian led numerous Internet divisions for corporate groups, including the Beam Group of Companies, Australia's largest software and multimedia developers, where he was responsible for

developing and marketing a range of technical products and solutions around the world. Adrian studied a Bachelor of Computing Degree at Monash University as well as an Associate Diploma of Business. Adrian was also a finalist in the 2003 'Entrepreneur of the Year' awards.

Directorships held in other listed entities: no directorships currently or formerly held in listed companies.

Interests in shares and options: 15,418,981 ordinary shares and 10,000,000 unlisted options.

## Dr Adrian Vanzyl (Age 40)



### Director

Dr. Vanzyl has spent his career in Silicon Valley and Australia, working as a technology executive with software, advertising driven search, ad network and security focused Internet companies. His experience includes working as a Principal at the technology/investment bank Gramercy Ventures (where he focused on cross border technology deals particularly between the US and Asia), as VP of Business Development for Eureka (the leading provider of vertical, community and social network based search). Prior to this he was CTO and Entrepreneur in Residence at Blumberg Capital in San Francisco. Whilst at Blumberg he ran two of their portfolio companies, and as the CEO of Seclarity, a security hardware and software firm, successfully raised funding from Intel Capital, Valley Ventures and Blumberg Capital. Adrian was Group Business Development Manager for Microsoft's bCentral small business portal, where his group managed business both in the US and internationally (where he helped launch in 22 countries in two years). He joined

Microsoft as a result of his role as VP International at LinkExchange (the largest global ad network at the time). Adrian worked for two years as CTO of LookSmart, where he was responsible for managing the core search engine technology as well as building the company's US-based team of engineers. Before moving to the US, he worked as CTO at Sausage Software (creators of the HotDog web publishing tool), Australia's first listed Internet software company. He was a member of the three person board of directors that successfully took the company public on the Australian Stock Exchange. Adrian has an MD degree (MB BS degrees with Honors) from Monash University Australia,

Directorships held in other listed entities: no directorships currently or formerly held in listed companies.

Interests in shares and options: 4,166,666 ordinary shares and 10,000,000 unlisted options.

## Damian Element



### Company Secretary and Chief Financial Officer

Damian Element was appointed Company Secretary and Chief Financial Officer of Ansearch Limited on 1 November 2007. He was formerly Chief Financial Officer and Company Secretary of Myinternet Limited and prior to that held a range of technical and commercial senior management positions in the ICT industry. He has also undertaken a number of consulting and contracting assignments for various commercial and not for profit organisations. Damian is a member of CPA Australia, a member of the Australian Institute of Company Directors and a Chartered Secretaries Australia affiliate.

Interests in shares and options: 2,364,252 ordinary shares and 6,000,000 unlisted options.

## Operating Results

The consolidated operating loss after income tax attributable to the members of Ansearch Limited is \$6,720,666 (2007: Loss \$1,333,349).

## Dividends

The Directors do not recommend the declaration of a dividend. No dividend has been declared or paid during the year.

## Review of Operations

### Ansearch Media (formerly Soush and adsAlliance):

Ansearch Media represents popular websites' advertising inventory. This is facilitated through signing up the advertising rights of high visitation websites and representing this advertising inventory on those sites to the Australian online advertising industry. Operationally over the past 12 months our strategy has expanded to firstly focus on high Australian visitation international websites and secondly on solid Australian Websites. This has succeeded in the acquisition of sites such as blinkx, the Biggest Loser and many other individual sites and performance based ad networks. Mr Steve Jones was appointed to run the Media team in April 2008 and since his appointment Mr Jones has been busy rebuilding the team and re-educating the market as to Ansearch Media's current offering. The ad operations part of the business has also been upgraded with a change to the DoubleClick platform for adserving.

### Webfirm

Webfirm was acquired by Ansearch in June 2007. As Perth's largest builder of SME websites it has a solid reputation in the marketplace. As the business had been in a sale process for some time, it was quickly noted by the new Executive team that several key changes were required to be made to the business. These included the appointment of Mr. Andrew Beecher as the executive officer, the revamping of the sales operation to improve results and lower costs, the upgrading of internal technology to improve efficiency and the replacement of the hosting environment to upgrade our hosting reliability and service levels. In addition we have expanded the business to Melbourne with the opening of a store-front on busy St.Kilda road. A number of projects have been mapped out for FY 2008 to increase sales, productivity and geographical distribution.

### Searchworld (formally Searchtown)

Searchworld retains its relationships with Google and Yahoo and has continued to expand relationships over the course of the year to include Looksmart, blinkx and ASK. Financially the year started well for Searchworld, but the Internet traffic attracted through the syndication of search feeds was of relatively low quality and unfortunately the business was unviable to continue. A review of the operations by the new Executive team cut a number of projects in development and associated resources and set about planning a new business, later launched as the Searchworld Network. In addition the business rejuvenated the Ansearch Search engine ([www.ansearch.com.au](http://www.ansearch.com.au)) incorporating feeds from blinkx and ASK.

## Principal Activities

The principal activities of the consolidated entity during the year comprised:

- Online display advertising sales and publisher representation
- Syndication of paid and organic contextual search
- Website design, development and promotion
- Search engine marketing and optimisation
- Operating owned and operated search engines

There have been no significant changes in the nature of these activities during the year except as detailed below.

## Significant changes in the state of affairs

The following significant changes in the state of affairs of Ansearch Limited occurred during the financial year:

### Share Issue

The Company completed the raising of approximately \$7,600,000 through a one for four entitlements offer in fully paid ordinary shares in Ansearch Limited at an issue price of \$0.06 per share paid in three equal tranches. As at 30 June 2007 all conditions precedent to the entitlements issue had been met, and as of the date of this report the entitlements issue has been completed. These shares were issued to assist in the funding of acquisitions and working capital as detailed in the Prospectus.

### Board Composition

In October 2007 the Company announced a number of changes to the Board of Directors, with Mr Glenn Ridge and Mr Terry Grigg resigning from the Board and Mr Andrew Barlow and Mr Dean Jones

being appointed. Subsequently, Mr David Burden, Mr Adrian Giles and Mr Adrian Vanzyl have been appointed to the Board, with Mr Charles Ellison and Mr Dean Jones stepping down following these appointments.

## Acquisitions

In October 2007 the Company finalised all payments pursuant to the acquisition of Webfirm for \$3.5 million in cash plus 18,722,854 fully paid Ansearch shares. There were no other acquisitions or mergers during the year.

## Organisational Restructure

During the second half of the year the incoming CEO announced a restructure of the business, with three core divisions in addition to head office being formed: Searchworld; Webfirm; and Ansearch Media. A cost reduction program was initiated across all business divisions, with staff numbers reducing from approximately 85 down to 65.

## Business Partnership Agreements

The Ansearch Media division acquired exclusive Australian advertising representational rights to the advanced video search engine blinkx.

Ansearch Media division entered into an exclusive arrangement with Navteq allowing Ansearch to represent the Navteq Direct Access solution for location based advertising in Australia and New Zealand.

The Webfirm division entered into a partnership agreement with INeedHits and commenced sales of its new search engine marketing products in May 2008.

## Matters Subsequent to 30th June 2008

On 29 July 2008 the Company announced a capital raising program consisting of the issue of fully paid ordinary shares in the company at an issue price of \$0.012 in three tranches as follows:

- i) the issue of 72,000,000 fully paid ordinary shares to sophisticated investors and specialist institutions;
- ii) the issue of approximately 34,333,334 fully paid ordinary shares to directors and senior management subject to shareholder approval; and
- iii) an offer to all shareholders under a share purchase plan to be conducted in September 2008.

On 15 August 2008 the company called an extraordinary general meeting in order that shareholders be given an opportunity to approve the issue of shares and options to directors, and to ratify the various elements of the capital raising program (referred to in the paragraph above). The meeting was held 16 September 2008 and all resolutions put to the meeting were passed.

On 27 August 2008, pursuant to the board approved 2009 staff remuneration plan, shares and options were granted to executive and non-executive employees for services performed or to be performed (an employee share option plan was approved by an extraordinary general meeting of the shareholders on 16 June 2006), as follows.

- i) 4,142,824 ordinary shares (in aggregate) were issued to the majority of employees of the Group for nil consideration;
- ii) 30,100,000 options (in aggregate) were allotted to executives and managers of the Group for nil consideration. These options vest in three tranches and have vesting conditions attached.

On 4 September 2008 the Company announced the launch of its new global search advertising solution – the Searchworld AdCentre, and on 11 September the Company announced its intention to expand the business development activities of its Searchworld AdCentre platform into the United States

On 8 September 2008 four 100% owned Ansearch Limited subsidiary companies effected a change of name. Refer to note 19.

Apart from the above, no matter or circumstance has arisen since the end of the financial year that has significantly affected or may significantly affect the operations of Ansearch Limited, the results of those operations or the state of affairs of the business, in future financial years.

## Likely future developments and expected results

In the opinion of the Directors, disclosure of information regarding future developments in the operations of Ansearch Limited in forthcoming financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Company. Accordingly, beyond information contained elsewhere in this report, no further information has been disclosed.

## Environmental Regulations

The economic entity's operations are not subject to any significant environmental regulations under the Commonwealth, State or any other country in which the entity operates.

## Directors' Meetings

The following table sets out the number of meetings of the Company's Directors held during the year ended 30 June 2008 and the number of meetings attended by each Director.

Director	No of Meetings eligible to attend	No of Meetings Attended
Mr Andrew Barlow	11	11
Mr David Burden	4	4
Mr Adrian Giles	9	9
Mr Adrian Vanzyl	3	3
Mr Charles Ellison	10	8
Mr Dean Jones	8	8
Mr Peter Jermyn	7	6
Mr Glenn Ridge	5	5
Mr Terry Grigg	5	5

All matters previously delegated to the Audit Committee have been attended to by the full board in consultation with the Company's auditors.

## REMUNERATION REPORT (Audited)

The remuneration report is set out under the following headings:

- A. Principles used to determine the nature and amount of remuneration
- B. Details of remuneration
- C. Service agreements
- D. Share-based compensation

The information provided under headings A-D includes remuneration disclosures that are required under Accounting Standard AASB 124 Related Party Disclosures. These disclosures have been transferred from the financial report and have been audited.

## A. Principles used to determine the nature and amount of remuneration

### *Directors' and Executives' Remuneration*

The Board of Directors is responsible for determining and reviewing compensation arrangements for the Directors and the Executive Team.

The Board assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and Executive Team. There is no direct link between the directors' and executives' remuneration and the performance of the Company.

The Board determined that the Directors should receive payment of directors fees for the 2008 financial year and thereafter as approved by the members at the 2006 Annual General Meeting. The directors' fees for 2007 were not paid until the 2008 financial year.

### *Benefits*

Directors received no benefits based on performance conditions. Two key management personnel were eligible for and received benefits based on performance conditions.

## B. Details of remuneration

Details of the remuneration of the directors and the key management personnel (as defined by AASB 124 Related Party Disclosures) of Ansearch Limited and its controlled entities are set out in the following tables.

The key management personnel of Ansearch Ltd and its controlled entities include the following directors and executive officers:

<b>Directors</b>		
Mr Andrew Barlow	Non-Executive Director Chairman	Appointed 22 October 2007 From 7 December 2007
Mr David Burden	Chief Executive Officer Managing Director	Appointed 6 February 2008 From 8 April 2008
Mr Adrian Giles	Non-Executive Director	Appointed 19 December 2007
Mr Adrian Vanzyl	Non-Executive Director	Appointed 28 April 2008
Mr Charles Ellison	Non-Executive Director	Resigned 28 April 2008
Mr Dean Jones	Non-Executive Director	Appointed 22 October 2007 Resigned 11 April 2008
Mr Peter Jermyn	Non-Executive Director Chairman	1 July 2007 to 22 October 2007 22 October 2007 to 7 December 2007 Resigned 7 December 2007
Mr Glenn Ridge	Non-Executive Director Chairman	Resigned 22 October 2007 1 July 2007 to 22 October 2007
Mr Terry Grigg	Non-Executive Director	Resigned 22 October 2007
<b>Executive Officers</b>		
Mr Robert Edge	Chief Executive Officer	(Resigned 1 November 2007)
Ms Jan Macpherson	Company Secretary	(Resigned 22 October 2007)
Mr Damian Element	Company Secretary / CFO	(Appointed 1 November 2007)
Mr Andrew Beecher	Executive Officer – Webfirm Pty Ltd	(Appointed 21 September 2007)
Mr Josh Edis	Global Head of “Search” – Searchworld Pty Ltd	
Mr Steve Jones	General Manager – Ansearch Media Pty Ltd	(Appointed 7 April 2008)

## B. Details of remuneration (cont)

Consolidated Entity 2008	Short-term benefits			Long-term benefits	Post- employment benefits	Share-based payment		Total
	Salary & fees	Bonus	Non- monetary benefits	Termination benefits	Super- annuation	Shares	Options & rights	
Name	\$	\$	\$		\$	\$		\$
<i>Executive director</i>								
Mr D Burden (iii)	151,096				5,058		40,500	196,654
<i>Non-executive directors</i>								
Mr A Barlow (from 22/10/07)	34,589						59,000	93,589
Mr P Jermyn (to 7/12/07)	100,000							100,000
Mr G Ridge (to 22/10/07)	53,271							53,271
Mr C Ellison	35,000							35,000
Mr T Grigg	10,859							10,859
Mr D Jones (iv)	105,281	24,473					59,000	188,754
Mr A Giles	26,644							26,644
Mr A Vanzyl	8,750							8,750
<i>Other key management personnel</i>								
Mr R Edge (i)	114,474			100,000	4,046		2,950	221,470
Ms J Macpherson (ii)	43,412						16,667	60,079
Mr D Element (from 1/11/07)	217,500							217,500
Mr A Beecher (from 21/09/07) (v)	195,500	10,000	7,600		9,554			222,654
Mr J Edis (v)	200,000	10,000			12,139	70,000		292,139
Mr S Jones (from 7/4/08)	29,605				2,327			31,932
Totals	1,325,981	44,473			33,124		178,117	1,759,295

(i) Resigned 1 November 2007.

(ii) Paid to Flexpertise who engages Blairgowrie Pty Ltd, Ms Macpherson's employer to provide General Counsel and Company Secretary services. Resigned 22 October 2007.

(iii) Chief Executive Officer from 6 February 2008 and Managing Director from 8 April 2008.

## B. Details of remuneration (cont)

Consolidated Entity 2007	Short-term benefits				Post-employment benefits		Share- based payment	Total
	Salary & fees	Bonus	Non- monetary benefits	Other	Super- annuation	Other long-term employee benefit	Options & rights	
Name	\$	\$	\$		\$	\$		\$
<i>Non-executive director</i>								
Mr P Jermyn	250,000							250,000
Mr G Ridge	30,000							30,000
Mr C Ellison	30,000							30,000
Mr T Grigg	30,000							30,000
<i>Other key management personnel</i>								
Mr D Jones	258,334				12,139		281,833	552,306
Mr J Edis	187,843				11,605		139,484	338,932
Mr E Balafas	139,083				10,163		4,228	153,474
Mr D London	120,000				10,346		22,005	152,351
Ms J Macpherson (i)	114,965						27,506	142,471
Mr T Ward	111,513				8,663		3,383	123,559
Mr A Wolf	101,136				8,195			109,331
Mr R Edge	75,641				3,035			78,676
Mr K Morris	48,814				4,281		11,003	64,098
Totals	1,497,329	44,473			68,427		489,442	2,055,198

(i) Paid to Flexpertise who engages Blairgowrie Pty Ltd, Ms Macpherson's employer to provide General Counsel and Company Secretary services.

## C. Service agreements

The remuneration and other terms of agreement for the directors and other key management personnel appointed since 1 November 2007 are formalised in service agreements. The remuneration and other terms of agreement for the directors and some key management personnel appointed prior to 1 November 2007 were not formalised in service agreements as there was previously no legal expertise on staff. The service agreement summarises the Board policies and terms, including compensation, relevant to the office of director or key management personnel. The major provisions of the agreements entered into subsequent to 1 November 2007 are set out below.

### Andrew Barlow, *Chairman and Non-Executive Director*

- Term of agreement – effective 22 October 2007. Base salary, inclusive of superannuation, of \$75,000 per annum, to be reviewed annually by the Board of Directors.
- No termination benefits payable on termination by the Company.

## C. Service agreements

### **David Burden, *Managing Director and Chief Executive Officer***

- Term of agreement – on-going commencing 6 February 2008.
- Base salary, inclusive of superannuation, of \$380,000 per annum, to be reviewed annually by the Board of Directors.
- No termination benefits payable on termination by the Company.

### **Mr Adrian Giles, *Non-Executive Director***

- Term of agreement – effective 19 December 2007. To hold office until the conclusion of the next AGM at which point he will become eligible for election as a director.
- Base salary, inclusive of superannuation, of \$50,000 per annum, to be reviewed annually by the Board of Directors
- No termination benefits payable on termination by the Company.

### **Mr Adrian Vanzyl, *Non-Executive Director***

- Term of agreement – effective 28 April 2008. To hold office until the conclusion of the next AGM at which point he will become eligible for election as a director.
- Base salary, inclusive of superannuation, of \$50,000 per annum, to be reviewed annually by the Board of Directors.
- No termination benefits payable on termination by the Company.

### **Damian Element, *Company Secretary and Chief Financial Officer***

- Term of agreement – on-going commencing 1 November 2007.
- Professional fees of \$1,250 plus GST per day, calculated daily.
- No termination benefits payable on termination by the Company.

### **Steve Jones, *General Manager, Ansearch Media Pty Ltd***

- Term of agreement – on-going commencing 4 April 2008.
- Base salary, inclusive of superannuation, of \$150,000 per annum, to be reviewed annually by the Board of Directors.
- No termination benefits payable on termination by the Company.

### **Mr Andrew Beecher**

- Term of agreement – ongoing.
- Base salary, inclusive of superannuation, of \$220,000 per annum, to be reviewed annually by the Board of Directors.
- No termination benefits payable on termination by the Company.

### **Mr Josh Edis**

- Term of agreement – ongoing.
- Base salary, inclusive of superannuation, of \$215,000 per annum, to be reviewed annually by the Board of Directors.
- No termination benefits payable on termination by the Company.

## D. Share-based compensation

The following options were granted to executive employees during the year, for services performed:

### Options - 2008

Issue Date	Number of Options	Expiry Date	Exercise Price \$	Value of options at grant date	Fair Value Per Option \$	Date vested and exercisable
17-Oct-2007	833,333	30-Jun-2010	0.15	16,667	0.0200	30-Jun-2008
03-Mar-2008	20,500,000	10-Apr-2011	0.10	147,500	0.0072	Immediately
02-Apr-2008	5,000,000*	30-Jun-2009	0.10	8,500	0.0017	Immediately
02-Apr-2008	5,000,000*	30-Jun-2009	0.15	4,500	0.0009	30-Jun-2008
02-Apr-2008	5,000,000*	31-Dec-2009	0.20	6,500	0.0013	31-Dec-2008
02-Apr-2008	5,000,000*	30-Jun-2010	0.25	9,000	0.0018	30-Jun-2009
02-Apr-2008	5,000,000*	31-Dec-2010	0.30	12,000	0.0024	31-Dec-2009
				<b>204,667</b>		

\* These options were subject to the performance condition that they would vest immediately if the volume weighted average price of Ansearch Limited shares trade at more than the exercise price of the option for 30 consecutive days; or the Company is sold at an implicit valuation of \$150 million or more; or the CEO of the Company is made redundant.

### Options - 2007

Issue Date	Number of Options	Expiry Date	Exercise Price \$	Value of options at grant date	Fair Value Per Option \$	Date vested and exercisable
13-Oct-2006	6,666,666	30-Jun-2008	0.10	178,630	0.027	Immediately
13-Oct-2006	4,166,667	30-Jun-2008	0.15	92,118	0.022	Immediately
13-Oct-2006	4,166,667	30-Jun-2008	0.20	78,071	0.019	Immediately
30-Jun-2007	2,500,000	30-Jun-2009	0.15	72,498	0.029	30-Jun-2007
30-Jun-2007	1,833,332	30-Jun-2009	0.10	60,514	0.033	30-Jun-2007
30-Jun-2007	299,999	30-Jun-2009	0.10	7,611	0.025	30-Jun-2007
				<b>489,442</b>		

The options in both years were granted in accordance with an employee share option plan which was approved by an extraordinary general meeting of the shareholders on 16 June 2006. When exercisable, each option is convertible into one ordinary share of Ansearch Limited.

The exercise price of the options is based on a pre-set exercise price.

Options granted carry no dividend or voting rights.

There is no Board policy in place to limit the executive employees' exposure to risk in relation to securities issued as remuneration.

## D. Share-based compensation (continued)

Name	Number of options granted during the year		Number of options vested during the year	
	2008	2007	2008	2007
<i>Directors of Ansearch Limited</i>				
Mr A Barlow <i>Chairman 7-Dec-07 to 30-Jun-08</i>	10,000,000	-	10,000,000	-
Mr P Jermyn <i>Chairman 22-Oct-07 to 07-Dec-07</i>	-	-	-	-
Mr G Ridge <i>Chairman 18-May-07 to 22-Oct-07</i>	-	-	-	-
Mr David Burden <i>CEO &amp; MD 6-Feb-08 to 30-Jun-08</i>	25,000,000	-	10,000,000	-
Mr Adrian Giles	-	-	-	-
Mr Adrian Vanzyl	-	-	-	-
Mr D Jones	10,000,000	12,500,000	10,000,000	12,500,000
Mr C Ellison	-	-	-	-
Mr T Grigg	-	-	-	-
<i>Other Key Management Personnel</i>				
Mr R Edge	500,000	-	500,000	-
Ms J Macpherson	833,333	833,333	833,333	833,333
Mr D Element	-	-	-	-
Mr J Edis	-	5,000,000	-	5,000,000
Mr A Beecher	-	-	-	-
Mr S Jones	-	-	-	-
Mr D London	-	666,666	-	666,666
Mr K Morris	-	333,333	-	333,333
Mr E Balafas	-	166,666	-	166,666
Mr T Ward	-	133,333	-	133,333

The assessed fair value at issue date of the options granted to the executive is allocated equally over the period from issue date to vesting date, and the amount is included in the remuneration tables above. Fair values at issue date are independently determined using the Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at issue date and the expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The model inputs for options granted during the year ended 30 June 2008 included:

Model Input	Class #1	Class #2	Class #3	Class #4	Class #5	Class #6	Class #7
Grant Date	17/10/07	31/03/08	02/04/08	02/04/08	02/04/08	02/04/08	02/04/08
Exercise Date	30/06/08	03/03/08	02/04/08	30/06/08	31/12/08	30/06/09	31/12/09
Expiry Date	30/06/10	10/04/11	30/06/09	30/06/09	31/12/09	30/06/10	31/12/10
Exercise Price	\$0.15	\$0.10	\$0.10	\$0.15	\$0.20	\$0.25	\$0.30
Exercise Factor	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Price at Grant Date	\$0.064	\$0.019	\$0.015	\$0.015	\$0.015	\$0.015	\$0.015
Expected Volatility	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Expected Dividend Yield	0%	0%	0%	0%	0%	0%	0%
Risk Free Interest Rate	6.56%	6.26%	6.26%	6.26%	6.26%	6.26%	6.26%

The model inputs for options granted during the year ended 30 June 2007 included:

Model Input	Class #1	Class #2	Class #3	Class #4	Class #5	Class #6	Class #7
Grant Date	13/10/06	13/10/06	13/10/06	13/10/06	13/10/06	13/10/06	13/10/06
Exercise Date	13/10/06	13/10/06	30/06/07	30/06/07	30/06/07	30/06/07	30/06/07
Expiry Date	30/06/08	30/06/08	30/06/09	30/06/08	30/06/09	30/06/09	06/09/09
Exercise Price	\$0.20	\$0.15	\$0.15	\$0.10	\$0.10	\$0.10	\$0.10
Exercise Factor	2.5	2.5	2.5	2.5	2.5	1.5	1.5
Price at Grant Date	\$0.064	\$0.064	\$0.064	\$0.064	\$0.064	\$0.064	\$0.064
Expected Volatility	114.5%	114.5%	114.5%	114.5%	114.5%	114.5%	114.5%
Expected Dividend Yield	0%	0%	0%	0%	0%	0%	0%
Risk Free Interest Rate	5.78%	5.78%	5.78%	5.78%	5.78%	5.78%	5.78%

## E. Additional information

Further details relating to options are set out below:

Name	A Remuneration consisting of options	B Value at grant date	C Value at exercise date	D Value at lapse date
Mr A Barlow	63.04%	59,000	-	-
Mr P Jermyn	-	-	-	-
Mr G Ridge	-	-	-	-
Mr D Burden	20.59%	40,500	-	-
Mr A Giles	-	-	-	-
Mr A Vanzyl	-	-	-	-
Mr D Jones	31.26%	59,000	-	-
Mr C Ellison	-	-	-	-
Mr T Grigg	-	-	-	-
Mr R Edge	1.33%	2,950	-	-
Ms J Macpherson	27.74%	16,667	-	-
Mr D Element	-	-	-	-
Mr J Edis	-	-	-	-
Mr A Beecher	-	-	-	-
Mr S Jones	-	-	-	-

A = The percentage of value of remuneration consisting of options based on the value at grant date as set out in column B

B = The value at grant date calculated in accordance with AASB 2 Share Based Payment of options granted during the year as part of remuneration

C = The value at exercise date of options that were granted as part of remuneration and were exercised during the year

D = The value at lapse date of options that were granted as part of remuneration and that lapsed during the year

This marks the end of the audited remuneration report.

## Other Information

### Shares under option

Unissued ordinary shares of Ansearch Limited under option at the date of signing this report:

Issue Type	Expiry Date	Exercise Price \$	Number under option
Ordinary options	10 Apr 2011	0.10	17,500,000
Ordinary options	30 Jun 2009	0.10	5,000,000
Ordinary options	30 Jun 2009	0.15	7,500,000
Ordinary options	31 Dec 2009	0.20	5,000,000
Ordinary options	30 Jun 2010	0.25	5,000,000
Ordinary options	31 Dec 2010	0.30	5,000,000
Ordinary options	10 Apr 2011	0.10	500,000
Ordinary options	30 Jun 2009	0.10	1,066,665
Ordinary options	30 Jun 2010	0.15	1,066,665
Ordinary options	31 Dec 2008	0.04	12,385,400
Ordinary options	30 Jun 2012	0.02	30,100,000
<b>Total</b>			<b>90,118,730</b>

No option holder has any right under the options to participate in any other share issue of the company or any other entity.

### Indemnification and Insurance of Officers

The Company has during the financial year, in respect of each person who is or has been an officer of the company or a related body Corporate, made a relevant agreement for indemnifying against a liability incurred as an officer, including costs and expenses in successfully defending legal proceedings.

Since the end of the financial year, the Company has paid premiums to insure all directors and officers of Ansearch Limited and the Ansearch Group of companies, against costs incurred in defending any legal proceedings arising out of their conduct as a director and officer of the Company, other than for conduct involving:

- (a) a wilful breach of duty; or
- (b) a contravention of Sections 232(5) or (6) of the Corporations Act, as permitted by section 241A(3) of the Corporations Act.

Disclosure of the premium amount is prohibited by the insurance contract.

## Auditor's Independence Declaration

The lead auditor's independence declaration for the year ending 30 June 2008 has been received and can be found on page 21 of the financial report.

## Proceedings on behalf of the Company

### *Default on sale by Wavtech Pty Ltd*

Ansearch Limited successfully pleaded a claim for summary judgement against Wavtech Pty Ltd for its default on settling the sale of 650 shares in Optum ES Pty Ltd for \$800,000, however the judgement required the Company to seek specific performance which it is now doing. Whilst it is unlikely that there are sufficient funds in Wavtech to meet the judgement amount, action against the individual directors may follow a successful action to wind up the defaulting company. Costs of this matter, should it proceed to trial are estimated at \$40,000 – \$90,000.

## Non Audit Services

The board of directors' is satisfied that the provision of non-audit services during the year is compatible with the general standard on independence for auditors imposed by the Corporate Government Act 2001. The Directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- All non-audit services are reviewed and approved by Directors, prior to commencement to ensure they do not adversely effect the integrity and objectivity of the auditor; and
- The nature of the services provided did not compromise the general principals relating to the auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

## Auditor

BDO Kendalls Audit & Assurance (NSW-VIC) Pty Ltd is the Company's appointed auditor.

This report is made in accordance with a resolution of directors.



**Andrew Barlow**  
**Chairman**

30 September 2008

BDO Kendalls Audit & Assurance  
(NSW-VIC) Pty Ltd  
The Rialto, 525 Collins St  
Melbourne VIC 3000  
GPO Box 4736 Melbourne VIC 3001  
Phone 61 3 8320 2222  
Fax 61 3 8320 2200  
aa.melbourne@bdo.com.au  
www.bdo.com.au

ABN 17 114 673 540

The Board of Directors  
Ansearch Limited  
Level 3, 95 Coventry Street  
South Melbourne VIC 3205

### **DECLARATION OF INDEPENDENCE BY MICHAEL CLIMPSON TO THE DIRECTORS OF ANSEARCH LIMITED**

As lead auditor of Ansearch Limited for the year ended 30 June 2008, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.



**Michael Climpson**  
Director



**BDO Kendalls Audit & Assurance (NSW-VIC) Pty Ltd**  
Chartered Accountants

Melbourne, 30<sup>th</sup> of September 2008

# Income Statements

## For the year ended 30 June 2008

	Notes	CONSOLIDATED		COMPANY	
		2008	2007	2008	2007
		\$	\$	\$	\$
Total revenue from continuing operations	3	12,266,960	8,406,407	79,752	98,637
Direct costs of revenue generation		(5,232,046)	(4,229,194)	-	-
Depreciation and amortisation expenses		(180,520)	(31,133)	(96,177)	(16,154)
Finance costs		(6,862)	(131)	(2,111)	(236)
Salaries and employment related costs (including contractors)		(7,915,629)	(2,973,486)	(1,855,780)	(1,271,481)
Telephone and internet		(198,029)	(76,800)	(78,685)	(44,438)
Share based payment expense		(225,167)	(520,074)	(225,167)	(520,074)
Marketing costs		(196,699)	(498,411)	(52,467)	(147,997)
Lease – rental premises		(452,151)	(181,799)	(203,121)	(73,096)
Provision for impairment of intangibles		(310,000)	(30,870)	-	-
Provision for impairment of receivables		(220,016)	(87,943)	(1,585,491)	(440,368)
Impairment of Intangibles		(2,132,469)	-	-	-
ASX fees		(153,326)	(142,773)	(153,326)	(142,773)
Legal fees		(240,066)	(63,383)	(146,102)	(57,772)
Travel expenses		(465,320)	(221,808)	(275,018)	(146,083)
Domain names and licences		(32,144)	(42,272)	-	-
Audit and accountancy fees		(271,703)	(125,489)	(255,536)	(125,035)
Other expenses		(755,479)	(514,190)	(434,091)	(268,367)
<b>Loss before income tax expense</b>	4	<b>(6,720,666)</b>	<b>(1,333,349)</b>	<b>(5,283,320)</b>	<b>(3,155,237)</b>
Income tax expense	5	-	-	-	-
<b>Loss from continuing operations</b>		<b>(6,720,666)</b>	<b>(1,333,349)</b>	<b>(5,283,320)</b>	<b>(3,155,237)</b>
<b>Profit/(loss) from discontinued operations</b>	20	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Loss for the year</b>		<b>(6,720,666)</b>	<b>(1,333,349)</b>	<b>(5,283,320)</b>	<b>(3,155,237)</b>
Loss attributable to minority interest		-	-	-	-
<b>Loss attributable to members of Ansearch Limited</b>	17	<b>(6,720,666)</b>	<b>(1,333,349)</b>	<b>(5,283,320)</b>	<b>(3,155,237)</b>

		2008 Cents	2007 Cents
Earnings per share (EPS) from loss from continuing operations attributable to the ordinary equity holders of the company			
Basic earnings per share	18	(1.22)	(0.30)
Earnings per share (EPS) from loss attributable to the ordinary equity holders of the company			
Basic earnings per share	18	(1.22)	(0.30)
Diluted earnings per share		(1.22)	(0.30)

The above Income Statements should be read in conjunction with the accompanying notes.

# Balance Sheets

## As at 30 June 2008

	Notes	CONSOLIDATED		COMPANY	
		2008	2007	2008	2007
		\$	\$	\$	\$
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	7	1,443,689	3,109,520	327,167	592,538
Trade receivables	8	1,250,855	3,490,562	38,945	204,894
Other	9	183,021	8,749	15,766	4,970
Total current assets		2,877,565	6,608,831	381,878	802,402
<b>NON-CURRENT ASSETS</b>					
Receivables	10	-	-	-	1,517,963
Other financial assets	11	-	-	1,935,028	1,716,829
Property, plant & equipment	12	647,310	347,043	385,016	171,244
Intangible assets	13	3,150,000	4,982,823	-	-
Total non-current assets		3,797,310	5,329,866	2,320,044	3,406,036
Total assets		6,674,875	11,938,697	2,701,922	4,208,438
<b>CURRENT LIABILITIES</b>					
Payables	14	2,215,590	3,261,177	398,100	530,833
Other	15	692,894	2,460,000	-	360,000
Total current liabilities		2,908,484	5,721,177	398,100	890,833
Total liabilities		2,908,484	5,721,177	398,100	890,833
<b>NET ASSETS</b>		3,766,391	6,217,520	2,303,822	3,317,605
<b>EQUITY</b>					
Issued capital	16	35,714,937	31,670,567	35,714,937	31,670,567
Reserves	17	3,630,720	3,405,553	3,630,720	3,405,553
Retained losses	17	(35,579,266)	(28,858,600)	(37,041,835)	(31,758,515)
<b>TOTAL EQUITY</b>		3,766,391	6,217,520	2,303,822	3,317,605

The above Balance Sheets should be read in conjunction with the accompanying notes.

# Statements of Changes in Equity

## For the year ended 30 June 2008

	Notes	CONSOLIDATED		COMPANY	
		2008	2007	2008	2007
		\$	\$	\$	\$
Total equity at the beginning of the financial year		6,217,520	1,057,198	3,317,605	(20,829)
Increase in employee share based payments reserve	17	225,167	520,074	225,167	520,074
Net expense recognised directly in equity		225,167	520,074	225,167	520,074
Loss for the year attributable to members of the company	17	(6,720,666)	(1,333,349)	(5,283,320)	(3,155,237)
Loss attributable to minority interests		-	-	-	-
Total recognised income and expense for the year		(6,720,666)	(1,333,349)	(5,283,320)	(3,155,237)
Transactions with equity holders in their capacity as equity holders:		-	-	-	-
Contributions of equity, net of transaction costs		4,044,370	5,973,597	4,044,370	5,973,597
Changes in minority interests from disposals		-	-	-	-
<b>Total equity at the end of the financial year</b>		<b>3,766,391</b>	<b>6,217,520</b>	<b>2,303,822</b>	<b>3,317,605</b>

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

# Cash Flow Statements

## For the year ended 30 June 2008

	Notes	CONSOLIDATED		COMPANY	
		2008	2007	2008	2007
		\$	\$	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from trade and other debtors (inclusive of GST)		14,462,829	5,975,725	87,625	47,186
Interest received		109,513	49,640	79,752	59,707
Payments to trade creditors, other creditors and employees (inclusive of GST)		(17,118,195)	(7,111,440)	(3,516,857)	(2,534,790)
Interest paid		(6,862)	(131)	(2,112)	(236)
Net cash outflows from operating activities	27	(2,552,714)	(1,086,206)	(3,351,592)	(2,428,133)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Payments for property, plant and equipment		(480,787)	(231,218)	(309,950)	(161,082)
Payments for controlled entities, net of cash acquired		(2,246,700)	(1,574,173)	-	(216,829)
Loans to controlled entities		-	-	(218,199)	(1,517,962)
Net cash outflows from investing activities		(2,727,487)	(1,805,391)	(528,149)	(1,895,873)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Proceeds from issue of shares		3,614,370	4,833,596	3,614,370	4,833,596
Repayment of convertible note		-	(222,242)	-	(222,242)
Net cash inflows from financing activities		3,614,370	4,611,354	3,614,370	4,611,354
Net (decrease)/increase in cash held		(1,665,831)	1,719,757	(265,371)	287,348
Cash at the beginning of the financial year		3,109,520	1,389,763	592,538	305,190
<b>CASH AT THE END OF THE FINANCIAL YEAR</b>	7	<b>1,443,689</b>	<b>3,109,520</b>	<b>327,167</b>	<b>592,538</b>

The above Cash Flow Statements should be read in conjunction with the accompanying notes.

# Notes to the Financial Statements

## For the year ended 30 June 2008

### 1. Summary of Significant Accounting Policies

The financial report covers Ansearch Limited and controlled entities ("Group"), and Ansearch Limited as an individual parent company ("Company"). Ansearch Limited is a listed public company, incorporated and domiciled in Australia. The financial report is for the financial year ended 30 June 2008 and is presented in Australian dollars.

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.

#### (a) Going concern

The financial report for the year ended 30 June 2008 has been prepared on a going concern basis.

As a developing business, the Group has experienced full year operating losses of \$6,270,666 and net cash outflows from operating activities of \$2,552,714 and has a working capital deficiency. The continuing viability of the company and its ability to continue as a going concern is dependent upon the Group being successful in its current efforts in accessing additional sources of capital and/or revenue.

As a result there is a level of uncertainty whether the Group will continue as a going concern and, therefore, whether it will realise its assets and settle its liabilities and commitments in the normal course of business and at the amounts stated in the financial report. However, the directors believe that the Group will be able to access sufficient sources of funds and, accordingly, have prepared the annual financial report on a going concern basis. At this time, the directors are of the opinion that no asset is likely to be realised for an amount less than the amount at which it is recorded in the financial report at 30 June 2008.

Accordingly, no adjustments have been made to the financial report relating to the recoverability and classification of the asset carrying amounts or the amount and classification of liabilities that might be necessary should the Group not continue as a going concern.

Refer to note 1(x) for a description of the significant items considered by management in assessing the going concern of the Group.

#### (b) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards (including Australian Accounting Interpretations), other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*.

##### **Compliance with IFRS**

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial statements and notes of Ansearch Limited comply with International Financial Reporting Standards (IFRS).

##### **Adoption of new and revised accounting standards**

The Group adopted the following Standards as listed below which only impacted on the Group's financial statements with respect to disclosure:

- Revised AASB 101 Presentation of Financial Statements (issued October 2006)
- AASB 7 Financial Instruments: Disclosures

##### **Early adoption of standards**

The Group has elected to apply s.334(5) of the *Corporations Act 2001* to apply AASB 8 Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8 even though the Standards are not required to be applied until reporting periods beginning on or after 1 January 2009. AASB 8 replaces AASB 114 Segment Reporting.

AASB 8 is a disclosure standard which has resulted in a redesignation of the Group's reportable segments (see note 2), but has no impact on the reported results or financial position of the Group.

The operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by senior management in order to allocate resources to the segment and to assess its performance. This has resulted in an increase in the number of reportable segments presented. As goodwill is allocated by management to groups of cash generating units at a segment level, the change in reportable segments has required a reallocation of goodwill of \$5,132,469 from the Ansearch operating segment to the newly identified operating segment 'web development and hosting'. This in itself has not resulted in any impairment of goodwill.

**Historical cost convention**

These financial statements have been prepared under the historical cost convention.

**Critical accounting estimates**

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates. The estimates and associated assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

**(c) Principles of consolidation**

**Subsidiaries**

The consolidated financial statements comprise those of the Company, and the entities it controlled at the end of, or during, the financial year. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefit from its activities. The balances and effects of transactions between entities in the consolidated entity included in the financial statements have been eliminated. Where an entity either began or ceased to be controlled during the year, the results are included only from the date control commenced or up to the date control ceased. The accounting policies adopted in preparing the financial statements have been consistently applied by entities in the consolidated entity.

Investments in subsidiaries are accounted for at cost in the individual financial statements of Ansearch Limited.

**(d) Cash and cash equivalents**

For the purposes of the cash flow statement, cash includes deposits at call which are readily convertible to cash and are not subject to significant risk of changes in value, net of bank overdrafts.

**(e) Property, plant and equipment**

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment in value. The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Depreciation is calculated on a straight line basis for all plant and equipment. Estimates of remaining useful lives are made on a regular basis.

The following depreciation rates are used for each class of depreciable asset:

Computer & Office Equipment	20 – 40% per annum
Furniture & Fittings	20 – 25% per annum
Leasehold Improvements	20% per annum
Software	40% per annum
R & D Equipment	30 – 40% per annum

**(f) Receivables**

Trade receivables are recognised initially at fair value and thereafter are measured at amortised cost, less provision for impairment. They are non-derivative financial assets with fixed or determinable amounts not quoted in an active market. Trade accounts receivable are generally settled between 14 and 60 days and carried at amounts recoverable.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement. Subsequent recoveries of amounts previously written off are credited against the allowance account.

**(g) Trade and other creditors**

Trade accounts payable and other creditors represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 45 days of recognition.

**(h) Borrowings**

Borrowings are initially recognised at fair value (less transaction costs) and subsequently measured at amortised cost. Any difference between the proceeds and the redemption amount is recognised in the income statement over the period of the borrowing using the effective interest rate method.

**(i) Finance costs**

Finance costs are recognised as expenses in the period in which they are incurred except where they are incurred in the construction of a qualifying asset in which case the finance costs are capitalised as part of the asset.

**(j) Income tax**

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

***Tax consolidation legislation***

Ansearch Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. The head entity, Ansearch Limited, and the controlled entities in the tax consolidated group account for their own current and tax deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand-alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Ansearch Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

## **(k) Employee benefits**

### ***Wages and salaries, annual leave and sick 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 other creditors in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

### ***Long service leave***

The liability for long service leave expected to be settled within 12 months of the reporting date is recognised in current payables and is measured at the amount expected to be paid when the liabilities are settled. The liability for long service leave expected to be settled more than 12 months from the reporting date, is recognised in the non-current provision for employee benefits. It is accrued in respect of all employees at the present value of future amounts expected to be paid based on a projected weighted average increase in wage and salary rates over an average period of 12 years. Present values are calculated using a weighted average rate based on government guaranteed securities. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

### ***Share-based compensation benefits***

*Shares options granted before 7 November 2002 and/or vested before 1 January 2005*

No expense is recognised in respect of these options. The shares are recognised when the options are exercised and the proceeds received allocated to share capital.

*Shares options granted after 7 November 2002 and vested after 1 January 2005*

The fair value of options is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is determined using a binomial option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

Upon the exercise of options, the balance of the share-based payments reserve relating to those options is transferred to share capital and the proceeds received, net of any directly attributable transaction costs, are credited to share capital.

## **(l) Intangible Assets**

### ***Goodwill***

Goodwill is calculated as the excess of the fair value of consideration paid over the fair value of the identifiable net assets of the entity or operations acquired. Goodwill acquired in business combinations is not amortised. Instead, goodwill is tested for impairment annually, being allocated to the cash flows of the relevant cash generating unit and is carried at cost less accumulated impairment losses.

### ***Intellectual property***

The intellectual property relates to the names, branding and domains acquired as a result of the acquisition of Webfirm and Searchworld. The carrying value is tested for impairment annually or more frequently if events or changes in circumstances indicate impairment. It is carried at cost less impairment losses.

### **Research & Development expenditure**

Expenditure on research activities, undertaken with the prospect of obtaining new scientific or technical knowledge and understanding, is recognised in the income statement as an expense when it is incurred.

Expenditure on development activities, being the application of research findings or other knowledge to a plan or design for the production of new or substantially improved products or services before the start of commercial production or use, is capitalised if the product or service is technically and commercially feasible and adequate resources are available to complete development. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost over the period of the expected benefit. The carrying value is tested annually for impairment.

### **Domain name**

The Anzwers domain name was acquired in February 2006 and brought to account at cost. The carrying value is tested for impairment annually or more frequently if events or changes in circumstances indicate impairment. It is carried at cost less impairment losses.

### **(m) Leased assets**

Leases of assets under which the consolidated entity assumes substantially all the risks and benefits of ownership are classified as finance leases as distinct from operating leases under which the lessor effectively retains substantially all such risks and benefits. Property, plant and equipment acquired by finance leases is capitalised at the present value of the minimum lease payments as a finance lease asset and as a corresponding lease liability from date of inception of the lease. Lease assets are amortised over the period the entity is expected to benefit from the use of the assets or the term of the lease, whichever is shorter. Finance lease liabilities are reduced by the component of principal repaid. Lease payments are allocated between the principal component of the liability and interest expense.

Other operating lease payments are charged to the income statement on a straight-line basis over the period of lease term.

### **(n) Other financial assets**

The company only has investments in controlled entities which are carried in the financial report at cost less any impairment losses.

### **(o) Goods and services tax**

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- i. Where the amount of GST incurred is not recoverable from taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- ii. For receivables and payables which are recognised inclusive of GST.

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

### **(p) Revenue recognition**

Amounts disclosed as revenue are net of returns, allowances and duties and taxes paid.

Revenue is recognised for the major business activities as follows:

#### **Rendering of services**

Service revenue is recognised when all of the benefits of the service have been passed onto the customer.

Website development revenue is recorded based on a twelve (12) week program of project delivery. Any projects not completed within this period are deemed to be twenty percent (20%) incomplete. Website hosting, search engine renewal and domain name registration revenue is recorded over a one year duration. Prepaid revenue calculated in this regard is excluded from revenue and is being treated as unearned revenue in the Balance Sheet.

### **Interest revenue**

Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset.

### **Sale of non-current assets**

The net gain from the sale of non-current asset sales is recognised in income at the date control of the asset passes to the buyer, usually when the signed contract of sale becomes unconditional.

### **(q) Acquisition of assets**

The purchase method of accounting is used for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus incidental costs attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their market price as at the date of acquisition, unless the notional price at which they could be placed in the market is a better indicator of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Any deferred settlement of cash consideration is discounted to its present value as at the date of acquisition. The discount rate used is the incremental borrowing rate that the Company can obtain from an independent financier under comparable terms and conditions.

### **(r) Leasehold improvements**

The cost of improvements to leasehold properties is amortised over the unexpired period of the lease or the estimated useful life of the improvement to the consolidated entity, whichever is the shorter.

### **(s) Earnings per share**

#### ***Basic earnings per share***

Basic earnings per share for continuing operations and total operations attributable to members of the Company are determined by dividing net profit after income tax from continuing operations and the net profit attributable to members of the Company respectively, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial period. The number of shares used in the calculation at any time during the period is based on the physical number of shares issued.

#### ***Diluted earnings per share***

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

### **(t) Dividends**

Provision is made for the amount of any dividend determined or recommended by the directors on or before the end of the financial year but not distributed at balance date.

### **(u) Discontinued operations**

A discontinued operation is a business unit or investment of the Company that has been disposed of or which the Company has lost control of, or in the case of an investment in a joint venture where the Company has ceased active involvement or the operating activities of the investee. The results of discontinued operations are disclosed separately on the face of the income statement.

### **(v) Impairment of assets**

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The 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 which 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 reviewed for possible reversal of the impairment at each reporting date.

## **(w) Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the Chief Executive Officer.

## **(x) Critical accounting judgements and key sources of estimation uncertainty**

### ***Critical judgements in applying the entity's accounting policies***

The following are the critical judgements (apart from those involving estimations, which are dealt with below), that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

#### *(i) Revenue recognition*

In light of the record of total contract revenue in advance in web development and web hosting business operations, management was required to consider whether it was appropriate to recognise the revenue from these transactions in the current period, in line with Group's general policy of recognising revenue to be comparable with services rendered. In making its judgement, management considered the standard duration of such contracts, stage of progress in contracts and commencement date of such contracts. Accordingly, management has deferred recognising some web development and web hosting revenue comparable with services to be rendered in the future.

### ***Key sources of estimation uncertainty***

The following are the key assumptions concerning the future and other key estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

#### *(i) Impairment of goodwill and intangible assets*

Determining whether goodwill and intangible assets are impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value.

The carrying amount of goodwill and intangible assets at the balance sheet date was \$3,150,000 (2007: \$4,982,823) after an impairment loss of \$2,432,469 (2007: \$30,870) was recognised during the current financial year. Refer to Note 13 for further details.

#### *(ii) Going concern*

As described in note 1(a), the financial statements have been prepared on a going concern basis. Significant matters considered by the Directors in determining that it is appropriate for the financial report to be prepared on a going concern basis include:

- A cash injection for additional issued capital was received subsequent to year end in the amount of \$1,276,000;
- The Directors believe that the Group will be successful in raising additional sources of capital in the future from the share purchase plan currently being offered to all shareholders;
- The Group has recently launched new products in the Searchworld and Webfirm divisions, which the directors expect to gain traction over the coming months;
- Operating profitability has been improving with the appointment of a new CEO; and
- Management will continue to monitor and reduce expenditure if further revenues do not materialise, or should the share purchase plan not receive the anticipated take up rate.

**(y) New standards and interpretations issued but not effective**

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2008 reporting periods, and have not yet been adopted by the Group. The Group's and the parent entity's assessment of the impact of these new standards and interpretations is set out below.

- Revised AASB 101 *Presentation of Financial Statements* introduces as a financial statement (formerly 'primary' statement) the 'Statement of Comprehensive Income'. The revised standard does not change the recognition, measurement or disclosure of transactions and events that are required by other AASBs. The revised AASB 101 will become mandatory for the Group's 30 June 2010 financial statements. The Group has not yet determined the potential effect of the revised standard on the Group's disclosures.
- Revised AASB 123 *Borrowing Costs* removes the option to expense borrowing costs and requires that entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised AASB 123 will become mandatory for the Group's 30 June 2010 financial statements, but will not represent a change of accounting policy for the Group.
- Revised AASB 3 *Business Combinations* makes certain changes affecting future acquisitions only (such as the requirement to expense instead of capitalising acquisition costs, and a different treatment of step acquisitions). As there is no impact on the accounting treatment of previous acquisitions, there should be no financial impact upon initial adoption of this revised standard.
- Revised AASB 127 *Consolidated and Separate Financial Statements* makes certain changes in relation to measurement of subsidiaries held for sale. This amendment will have no impact when first adopted because the Group uses the cost method to account for its investments in subsidiaries.

## 2. Segment Information

2008	Corporate	Search Media	Display Media	Owned & Operated Sites	Web Development & Hosting	Unallocated or Eliminated	Total
<b>Business segments</b>							
<b>Revenue</b>							
External sales	-	5,718,873	1,944,977	759,585	3,586,741	140,300	12,150,476
Total revenue from continuing operations	-	5,718,873	1,944,977	759,585	3,586,741	140,300	12,150,476
<b>Result</b>							
Segment result from continuing operations	(5,117,727)	1,415,221	(831,139)	(741,892)	(484,779)	1,649,294	(4,111,022)
Interest revenue	-	-	-	-	-	-	109,513
Interest expense	-	-	-	-	-	-	(6,862)
Other income	-	-	-	-	-	-	6,971
Share based and other expenses	-	-	-	-	-	-	(276,797)
Impairment of intangibles	-	-	-	-	-	-	(2,442,469)
Loss before tax	-	-	-	-	-	-	(6,720,666)
Income tax expense	-	-	-	-	-	-	-
<b>Loss for the period from continuing operations</b>	-	-	-	-	-	-	<b>(6,720,666)</b>
Other segment items included in the income statement are as follows:							
Depreciation (note 12)	53,815	-	7,653	6,347	53,928	3,392	125,135
Amortisation (note 12)	42,362	-	-	-	13,023	-	55,385
Additions to non-current assets	328,018	-	265	-	177,644	16,490	522,417
<b>Balance Sheet</b>							
Segment assets	11,307,211	2,241,967	965,548	6,422,801	3,471,400	(17,734,052)	6,674,875
Segment liabilities	(8,638,701)	(2,097,700)	(2,805,588)	(9,075,448)	(5,429,671)	25,138,624	(2,908,484)
<b>Net assets</b>	<b>2,668,510</b>	<b>144,267</b>	<b>(1,840,040)</b>	<b>(2,652,647)</b>	<b>(1,958,271)</b>	<b>7,404,572</b>	<b>3,766,391</b>

2007	Corporate	Search Media	Display Media	Owned & Operated Sites	Web Development & Hosting	Unallocated or Eliminated	Total
<b>Business segments</b>							
<b>Revenue</b>							
External sales	-	1,809,566	1,696,800	2,810,645	1,898,585	102,186	8,317,782
Total revenue from continuing operations	-	1,809,566	1,696,800	2,810,645	1,898,585	102,186	8,317,782
<b>Result</b>							
Segment result from continuing operations	(2,319,611)	446,167	(608,560)	775,564	917,331	(112,660)	(901,769)
Interest revenue	-	-	-	-	-	-	49,640
Interest expense	-	-	-	-	-	-	(131)
Other income	-	-	-	-	-	-	38,985
Share based and other expenses	-	-	-	-	-	-	(520,074)
Loss before tax	-	-	-	-	-	-	(1,333,349)
Income tax expense	-	-	-	-	-	-	-
<b>Loss for the period from continuing operations</b>	-	-	-	-	-	-	(1,333,349)
Other segment items included in the income statement are as follows:							
Depreciation (note 12)	10,209	-	3,354	8,969	-	1,824	24,356
Amortisation (note 12)	6,777	-	-	-	-	-	6,777
Additions to non-current assets	161,082	-	21,838	12,657	121,769	8,114	325,460
<b>Balance Sheet</b>							
Segment assets	10,062,578	1,798,566	628,327	4,334,302	1,244,367	(6,129,443)	11,938,697
Segment liabilities	(6,744,974)	(1,352,399)	(1,633,137)	(6,296,732)	(837,068)	11,143,133	(5,721,177)
<b>Net assets</b>	<b>3,317,604</b>	<b>446,167</b>	<b>(1,004,810)</b>	<b>(1,962,430)</b>	<b>407,299</b>	<b>5,013,690</b>	<b>6,217,520</b>

Notes to and forming part of the segment information

## Business segments

The consolidated entity is organised into the following segments by product and service type:

### *Search Media*

Driving on-line users to websites through provision of contextually mapped search advertising.

### *Display Media*

Commercialises the audience by generating revenue from a websites' end users through traditional display advertising.

### *Owned & Operated Sites*

Directed at audience acquisition through provision of high quality search engines.

### *Web Development and Hosting*

Designing and developing websites, maintenance of the sites ongoing, and promoting the websites.

## Geographical information

Revenues from external customers are attributed to individual countries based on the invoiced address for the services. Revenue for the 2007 financial year was generated in Australia.

	Revenue from external customers		Non-current assets	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>Continuing Operations</b>				
Australia	9,432,527	8,406,407	3,797,310	5,329,866
North America	2,834,433	-	-	-
Total revenue from continuing operations	12,266,960	8,406,407	3,797,310	5,329,866

## Accounting policies

Segment revenues, expenses, assets and liabilities are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis. Segment assets include all assets used by a segment and consist primarily of operating cash, receivables, capitalised R&D and other intangible assets, net of related provisions but does not include non-current inter-entity assets and liabilities which are considered quasi-equity in substance. Segment liabilities consist primarily of trade and other creditors, employee benefits and sundry provisions and accruals. Segment assets and liabilities do not include income taxes.

## Inter-segment transfers

Segment revenues, expenses and results include transfers between segments. Such transfers are priced on an arm's-length basis and are eliminated on consolidation.

	CONSOLIDATED		COMPANY	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>3. Revenue</b>				
<b>Continuing Operations</b>				
Sales revenue	12,150,476	8,317,782	-	-
Interest revenue	109,513	49,640	79,752	59,707
Gain on settlement of convertible note	-	37,758	-	37,758
Sundry income	6,971	1,227	-	1,172
Total revenue from continuing operations	12,266,960	8,406,407	79,752	98,637

	CONSOLIDATED		COMPANY	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>4. Expenses</b>				
<b>Loss before income tax includes the following specific expenses:</b>				
<b>Amortisation and depreciation</b>				
Amortisation – Leasehold improvements:	55,385	6,777	42,362	6,777
Depreciation – Plant & Equipment	125,135	24,356	53,815	9,377
<b>Finance costs</b>				
Interest paid/payable to unrelated entities	6,862	131	2,111	236
<b>Other charges against assets</b>				
Impairment of intangibles	2,432,469	30,870	-	-
Impairment of receivables	220,016	87,943	1,585,491	440,368
Rental expense – operating leases	452,151	181,799	203,121	73,096
Defined contribution superannuation expense	432,422	148,262	-	53,214

	CONSOLIDATED		COMPANY	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>5. Income Tax Expense</b>				
<b>(a) Numerical reconciliation of income tax expense to prima facie tax benefit</b>				
Loss for the year	(6,720,666)	(1,333,349)	(5,283,320)	(3,155,237)
Prima facie tax benefit on loss before income tax at 30% (2007: 30%)				
Economic entity	(2,016,200)	(400,004)	-	-
Parent entity	-	-	(1,584,996)	(946,571)
Tax effect of:				
Other non-allowable items	48,870	20,259	19,658	3,810
Write-downs to recoverable amounts	729,741	-	-	9,234
Share options expensed during year	67,550	156,022	67,550	156,022
Sundry items	(956)	(6,339)	(663)	(6,339)
	(1,170,995)	(230,062)	(1,498,451)	(783,844)
Deferred tax assets not recognised	1,170,995	230,062	1,498,451	783,844
Income tax expense attributable to entity	-	-	-	-
<b>(b) Deferred Tax Assets Not Brought to Account*</b>				
Deferred tax assets not brought to account, the benefits of which will only be realised if the conditions for deductibility set out on Note 1(j) occur				
Temporary differences	178,053	808,599	25,317	737,914
Tax Losses:				
Operating losses	1,782,288	1,072,137	1,782,288	1,072,137
Capital losses	34,764	252,335	34,764	252,335
	1,995,105	2,133,071	1,842,369	2,062,386

\* Deferred tax assets not brought to account at 30 June 2008 are less than closing comparative balance plus current year movements. This is due to forfeiture of some carry forward tax losses due to changes in business operations and ownership. These changes have resulted in the group no longer meeting the same business or same ownership tests.

## 6. Dividends

No dividends were declared in the current year or prior year by the Company. There are no franking credits available to shareholders of the Company.

	CONSOLIDATED		COMPANY	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>7. Cash and cash equivalents</b>				
Cash at bank and on hand	1,443,689	3,109,520	327,167	592,538
<b>8. Receivables</b>				
Current:				
Trade debtors	1,500,502	3,249,732	38,945	233,950
Provision for impairment of receivables	(249,647)	(96,737)	-	(29,056)
	1,250,855	3,152,995	38,945	204,894
Other receivables	2,163,343	2,500,910	2,163,343	2,163,343
Provision for impairment of other receivables (ii)	(2,163,343)	(2,163,343)	(2,163,343)	(2,163,343)
	1,250,855	3,490,562	38,945	204,894

'Other receivable' amounts generally arise from transactions outside the usual operating activities of the consolidated entity. No interest is chargeable and collateral is generally not obtained.

a) Impairment of receivables:

- (i) The average credit period on sale of goods and rendering of services in the owned & operated site and search and display media segments is 45 days. No interest is charged on trade receivables exceeding normal credit terms. An allowance has been made for estimated non-recoverable trade receivable amounts arising from the past sale of goods and rendering of services, determined by reference to past default experience.

The website development and hosting segment invoices the customer on the full sales values at sale date with collection terms being related to various contract completion stages of website development and annual hosting services. A particular debt exceeding 90 days does not necessarily mean delinquent debt as the contract may still be at work in progress stage with corresponding debtor balance not due for collection.

Before accepting any new customers, the Group internally reviews the potential customer's credit quality. A substantial deposit on contract in website development and hosting segment of the Group mitigates initial credit risk.

Included in the Group's trade receivable balances are debtors with a carrying amount of \$548,527 (2007: \$818,861) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances. The average age of these receivables is 96 days (2007: 97 days).

- (ii) Included in other receivables is an amount of \$800,000 due under the terms of a Sale and Purchase Agreement pursuant to the disposal of 65% equity in Optum ES Pty Ltd. This amount has become delinquent and the company has commenced legal action in the Supreme Court of Western Australia. A full provision has therefore been made against this amount. Also included is an amount of \$1,363,343 which was the outstanding balance on the intercompany loan from Ansearch Limited to Optum E S Pty Ltd at the date of deconsolidation. As this is no longer an intercompany account, it has been recognised in 'Other receivables' from 2007. The balance has been fully provided for in prior years and the impairment provision has also been reclassified to this note.

Ageing of receivables is as follows:

Ageing of past due but not impaired

	CONSOLIDATED		COMPANY	
	2008	2007	2008	2007
	\$	\$	\$	\$
60 – 90 days	131,897	312,644	-	-
Over 91 days	44,829	3,109,520	-	-
	176,726	818,861	-	-

Movement in the allowance for doubtful debts

	CONSOLIDATED		COMPANY	
	2008	2007	2008	2007
	\$	\$	\$	\$
Balance at beginning of the year	96,737	-	29,056	-
Provision for impairment recognised during the year	277,614	96,737	-	29,056
Amounts written off as uncollectible	(63,385)	-	(29,056)	-
Amounts recovered during the year	(61,319)	-	-	-
Balance at the end of the year	249,647	96,737	-	29,056

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

b) Fair value of receivables:

Fair value of receivables at year end is measured to be the same as receivables net of provision for impairment.

	CONSOLIDATED		COMPANY	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>9. Current Assets – Other</b>				
Income tax refundable	96,470	-	-	-
Sundry	14,792	-	-	-
Prepayments (i)	71,759	8,749	15,766	4,970
	183,021	8,749	15,766	4,970

(i) Prepayments have amortisation periods of less than 12 months.

	CONSOLIDATED		COMPANY	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>10. Receivables</b>				
<b>Non-current:</b>				
Amounts owing by controlled entities	-	-	7,632,873	7,565,345
Impairment of amounts	-	-	(7,632,873)	(6,047,382)
	-	-	-	1,517,963

Due to the deconsolidation of **Optum E S Pty Ltd**, the amounts that had been loaned to that entity whilst a controlled entity have been reclassified as 'Other receivables' as that entity is no longer part of the Ansearch Group. The sum total of those amounts had previously been fully provided for and the provision has also been reclassified into 'Other receivables'.

Following a review of the recoverability of amounts loaned to controlled entities during the 2008 financial year, the Board concluded that the recoverability of these balances was not probable and have made a provision for impairment of these amounts.

	Notes	CONSOLIDATED		COMPANY	
		2008	2007	2008	2007
		\$	\$	\$	\$
<b>11. Other Financial Assets</b>					
<b>Non-current:</b>					
Share in controlled entities	19	-	-	1,935,028	5,216,837
Impairment of investments		-	-	-	(3,500,008)
		-	-	1,935,028	1,716,829

The increase in the share in controlled entities relates to the direct contribution of Ansearch Limited to the acquisition of Webfirm and Searchworld being the issue of share capital and incurring the costs of acquisition. Refer to **Note 21 – Business Combinations**.

Following a review of the carrying of the Group's investment in Webfirm and Searchworld, the Board concluded that the amount and probability of receipt of the cash flows expected to be generated by the Group's investment in these businesses justified the carrying value and no impairment of the investment was made during the year.

Following a review of the carrying of the Group's investment in other controlled entities in the year ended 30 June 2008, the Board concluded that the amount and probability of receipt of the cash flows expected to be generated by the Group's investment in these businesses justified the net carrying value and no further change to the impairment amount was made during the year.

	CONSOLIDATED		COMPANY	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>12. Non-Current Assets – Property, plant and equipment</b>				
Leasehold improvements – at cost	336,848	149,079	242,652	122,823
Less: Accumulated amortisation	(55,149)	(42,318)	(42,125)	(42,318)
	281,699	106,761	200,527	80,505
Plant and equipment – at cost	271,894	131,512	248,724	101,158
Less: Accumulated depreciation	(67,113)	(32,926)	(64,235)	(10,419)
	204,781	98,586	184,489	90,739
Computer equipment – at cost	231,170	161,361	-	-
Less: Accumulated depreciation	(70,340)	(19,665)	-	-
	160,830	141,696	-	-
Total carrying amount of property, plant and equipment	647,310	347,043	385,016	171,244

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current financial year are set out below:

2008	Leasehold Improvements	Plant and Equipment	Computer Equipment	Total
	\$	\$	\$	\$
<b>CONSOLIDATED</b>				
Carrying amount at 1 July 2007	106,761	98,586	141,696	347,043
Additions	248,391	165,488	108,538	522,417
Disposals/write offs	(18,068)	(2,839)	(20,723)	(41,630)
Depreciation/amortisation expense	(55,385)	(56,454)	(68,681)	(180,520)
Carrying amount at 30 June 2008	281,699	204,781	160,830	647,310
<b>COMPANY</b>				
Carrying amount at 1 July 2007	80,505	90,739	-	171,244
Additions	180,452	147,566	-	328,018
Disposals/write offs	(18,068)	-	-	(18,068)
Depreciation/amortisation expense	(42,362)	(53,816)	-	(96,178)
Carrying amount at 30 June 2008	200,527	184,489	-	385,016

2007	Leasehold Improvements	Plant and Equipment	Computer Equipment	Total
	\$	\$	\$	\$
<b>CONSOLIDATED</b>				
Carrying amount at 1 July 2006	25,081	18,694	8,941	52,716
Additions	88,457	84,583	152,420	325,460
Depreciation/amortisation expense	(6,777)	(4,691)	(19,665)	(31,133)
Carrying amount at 30 June 2007	106,761	98,586	141,696	347,043
<b>COMPANY</b>				
Carrying amount at 1 July 2006	25,081	1,235	-	26,316
Additions	62,201	98,881	-	161,082
Depreciation/amortisation expense	(6,777)	(9,377)	-	(16,154)
Carrying amount at 30 June 2007	80,505	90,739	-	171,244

### 13. Non-Current Assets – Intangible Assets

2008	Intellectual Property	Domain Name	Goodwill	Total
	\$	\$	\$	\$
<b>CONSOLIDATED</b>				
<i>Year ended 30 June 2008</i>				
Opening net book amount	200,000	250,000	4,532,823	4,982,823
Acquisitions/restatements	10,000	-	599,646	609,646
Impairment of assets	(160,000)	(150,000)	(2,132,469)	(2,442,469)
Carrying amount at 30 June 2008	50,000	100,000	3,000,000	3,150,000
<i>At 30 June 2008</i>				
Cost	3,897,328	250,000	5,132,469	9,279,797
Accumulated amortisation/impairment	(3,847,328)	(150,000)	(2,132,469)	(6,129,797)
Carrying amount at 30 June 2008	50,000	100,000	3,000,000	3,150,000

2007	Intellectual Property	Domain Name	Goodwill	Total
	\$	\$	\$	\$
<b>CONSOLIDATED</b>				
<i>Year ended 30 June 2007</i>				
Opening net book amount	-	250,000	-	250,000
Acquisitions – business combinations	200,000	-	4,532,823	4,732,823
Carrying amount at 30 June 2007	200,000	250,000	4,532,823	4,982,823
<i>At 30 June 2007</i>				
Cost	3,887,328	250,000	4,532,823	8,670,151
Accumulated amortisation/impairment	(3,687,328)	-	-	(3,687,328)
Carrying amount at 30 June 2007	200,000	250,000	4,532,823	4,982,823

### Goodwill

Goodwill relates to the acquisition of Webfirm and Searchworld as disclosed in **Note 21 – Business Combinations**.

#### (a) Impairment tests for goodwill

Goodwill is allocated to the Group's cash generating units (CGUs) identified according to business segments and country of operation. All goodwill relates to the acquisition of Webfirm and Searchworld as disclosed in **Note 21 – Business Combinations**. It has been allocated to the web development and hosting CGU.

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated growth rate of 7.5%. The growth rate does not exceed the expected long-term average growth rate for the business in which the CGU operates.

The recoverable amount of goodwill is estimated to be approximately \$3 million, thus the carrying value of goodwill has been impaired by \$2,132,469.

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

The following are the key assumptions in the director's estimation of the recoverable amount of goodwill. The director's believe the revenue growth expectations are achievable, and believe the forecast net profit after tax as a percentage of revenue are conservative estimates.

	2009	2010	2011	2012	2013
Revenue (\$million)	5.2	6.4	7.5	8.6	9.9
Revenue growth	44%	22%	18%	15%	15%
Net profit after tax (as a % of revenue)	3.3%	3.6%	5.1%	6.8%	8.8%

- Discount rate of 20%
- Perpetuity growth rate of 7.5% from 2013

(c) Impairment charge

The impairment charge arose from the following key events:

- Consideration of the latest year-to-date results for the CGU being below initial expectations
- Further deterioration of capital markets indices during September, and the impact these market conditions will have on the company's ability to raise capital for investment in this CGU
- Decision to adopt a conservative approach to profitability targets for this CGU

**Intellectual property**

Intellectual property relates to the various business names and domain names held as a result of the Webfirm acquisition (Note 21). During the year the directors decided to change the branding of the Webfirm business and have reassessed the fair value of this intellectual property to be \$50,000. This intellectual property pertains to the Web Development & Hosting segment (refer Note 2).

**Domain Name**

The Anzwers domain name was purchased in February 2006. The directors have determined that the carrying value of the Anzwers domain name should be written down to \$100,000 (impairment of \$150,000) on the basis of current revenue and cash flow forecasts and a decision to delay further investment in this search engine platform.

	CONSOLIDATED		COMPANY	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>14. Current liabilities – Payables</b>				
Trade creditors	995,181	1,688,010	253,926	263,519
Employee benefits	123,833	144,200	-	42,314
Other creditors	778,285	1,084,070	144,174	35,000
GST payable	94,971	-	-	-
PAYG, superannuation and employment creditors	223,320	154,897	-	-
Related entities	-	190,000	-	190,000
	<u>2,215,590</u>	<u>3,261,177</u>	<u>398,100</u>	<u>530,833</u>

All current liabilities of the Group have settlement dates of less than one year. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

	CONSOLIDATED		COMPANY	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>15. Current liabilities – Other</b>				
Webfirm/Searchworld acquisition consideration balance	-	2,460,000	-	360,000
Webfirm/Searchworld unearned revenue	692,894	-	-	-
	<u>692,894</u>	<u>2,460,000</u>	<u>-</u>	<u>360,000</u>

Refer **Note 21 – Business Combinations** for details regarding terms and conditions regarding the Webfirm/Webfirm Search acquisition.

	CONSOLIDATED		COMPANY	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>16. Contributed equity</b>				
Ordinary Shares – Fully Paid	558,314,045	399,558,057	35,714,937	26,846,970
Ordinary Shares – Partly Paid	-	127,782,229	-	4,823,597
	558,314,045	527,340,286	35,714,937	31,670,567

There is no limit on the ordinary shares authorised for issue. Ordinary shares have no par value.

### Movements in Paid-Up Capital

Date	Details	Number of shares	Issue price	Capital raising costs	Value
			\$		\$
01-Jul-06	Opening balance	384,308,057	-	-	25,696,971
03-Jan-07	1 for 4 entitlements issue – Instalment 1 (i)	128,124,047	0.020	329,260	2,444,533
31-Jan-07	Exercise of 2008 options	250,000	0.040	-	10,000
03-May-07	1 for 4 entitlements issue – Instalment 2 (ii)	-	0.020	-	2,708,323
03-May-07	Forfeiture of Entitlement shares	(341,818)	-	-	-
31-May-07	Issue of shares to Webfirm vendors	15,000,000	0.076	-	1,140,000
30-Jun-07	Balance	527,340,286	-	-	31,670,567
04-Jul-07	Issue of shares to Webfirm vendors	3,722,854	0.097	-	360,000
24-Aug-07	1 for 4 entitlements issue – Instalment 3 (iii)	-	0.020	-	2,534,938
29-Aug-07	Forfeiture of Entitlement shares	(1,219,220)	-	-	-
11-Sep-07	1 for 4 entitlements issue – Instalment 3 (iii)	200,000	0.020	-	4,000
13-Sep-07	Issue of share- Key management personnel	1,000,000	0.070	-	70,000
18-Sep-07	1 for 4 entitlements issue – Instalment 3 (iii)	433,750	0.020	-	8,675
11-Oct-07	Exercise of 2008 options	5,000,000	0.040	-	200,000
15-Oct-07	Exercise of 2008 options	10,000,000	0.040	-	400,000
15-Oct-07	1 for 4 entitlements issue – Instalment 3 (iii)	260,000	0.020	-	5,200
17-Oct-07	Exercise of 2008 options	5,000,000	0.040	-	200,000
19-Oct-07	Exercise of 2008 options	5,000,000	0.040	-	200,000
24-Oct-07	Exercise of 2008 options	1,500,000	0.040	-	60,000
24-Oct-07	1 for 4 entitlements issue – Instalment 3 (iii)	76,000	0.020	-	1,520
13-Nov-07	Exercise of 2007 options	375	0.100	-	37
30-Jun-08	Balance	558,314,045	-	329,260	35,714,937

(i) Entitlements issue 6 cent shares – first instalment of 2 cents to pay to 2 cents – net of costs of capital raised.

(ii) Entitlements issue 6 cent shares – second instalment of 2 cents to pay to 4 cents.

(iii) Entitlements issue 6 cent shares – third instalment of 2 cents to pay to 6 cents.

Options issued, exercised and lapsed during the financial year and options outstanding at the end of the year are summarised below:

Issue Type	Notes	Expiry Date	Exercise Price \$	Balance at beginning of the year (Number)	Issued during the year (Number)	Expired during the year (Number)	Exercised during the year (Number)	Balance at end of the year (Number)
Ordinary options		31/12/08	0.04	38,885,400	-	-	(26,500,000)	12,385,400
Ordinary options	(i)	10/04/11	0.10	26,666,666	20,000,000	(29,166,666)	-	17,500,000
Ordinary options	(i)	10/04/11	0.15	4,166,666	-	(4,166,666)	-	-
Ordinary options	(i)	10/04/11	0.20	4,166,666	-	(4,166,666)	-	-
Ordinary options	(ii)	06/09/07	0.10	100,000	-	(100,000)	-	-
Ordinary options	(iii)	31/12/07	0.10	63,891,114	-	(63,890,739)	(375)	-
Ordinary options	(iii)	31/12/07	0.10	63,891,114	-	(63,891,114)	-	-
Ordinary options	(ii)	30/06/08	0.10	6,666,666	-	(6,666,666)	-	-
Ordinary options	(ii)	30/06/08	0.15	4,166,667	-	(4,166,667)	-	-
Ordinary options	(ii)	30/06/08	0.20	4,166,667	-	(4,166,667)	-	-
Ordinary options	(ii)	30/06/09	0.10	3,266,662	5,000,000	(2,199,997)	-	6,066,665
Ordinary options	(ii)	30/06/09	0.15	2,500,000	5,000,000	-	-	7,500,000
Ordinary options	(iv)	10/04/11	0.10	-	500,000	-	-	500,000
Ordinary options	(ii)	30/06/08	0.15	-	2,199,997	(1,133,332)	-	1,066,665
Ordinary options	(ii)	31/12/09	0.20	-	5,000,000	-	-	5,000,000
Ordinary options	(ii)	30/06/10	0.25	-	5,000,000	-	-	5,000,000
Ordinary options	(ii)	31/12/10	0.30	-	5,000,000	-	-	5,000,000
				<b>222,534,288</b>	<b>47,699,997</b>	<b>(183,715,180)</b>	<b>(26,500,375)</b>	<b>60,018,730</b>

- (i) Options issued to directors following shareholder approval at the December AGM. Refer to **Note 25 – Key Management Personnel Disclosures**
- (ii) Options issued to employees for services rendered. Refer to **Note 25 – Key Management Personnel Disclosures**
- (iii) Options issued during 2007 relating to partly paid entitlement shares
- (iv) Options issued to former CEO as part of termination package. Refer to **Note 25 – Key Management Personnel Disclosures**

	CONSOLIDATED		COMPANY	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>17. Reserves and Retained Losses</b>				
<b>Reserves</b>				
Share-based payments reserve	3,630,720	3,405,553	3,630,720	3,405,553
<i>Share-based payments reserve</i>				
Opening balance	3,405,553	2,885,479	3,405,553	2,885,479
Option expense	225,167	520,074	225,167	520,074
Closing balance	3,630,720	3,405,553	3,630,720	3,405,553

The Share-based payments reserve is used to record the value of options accounted for in accordance with AASB2: Share Based Payments.

	CONSOLIDATED		COMPANY	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>Retained Losses</b>				
Retained losses at the beginning of the financial year	(28,858,600)	(27,525,251)	(31,758,515)	(28,603,278)
Net loss attributable to the members of the Company	(6,720,666)	(1,333,349)	(5,283,320)	(3,155,237)
Retained losses at the end of the financial year	(35,579,266)	(28,858,600)	(37,041,835)	(31,758,515)

	2008 Cents	2007 Cents
<b>18. Earnings Per Share</b>		
<b>(a) Basic earnings per share</b>		
Loss from continuing operations attributable to the members of the Company	(1.22)	(0.30)
Profit from discontinued operations	-	-
Loss attributable to the ordinary equity holders of the Company	(1.22)	(0.30)
<b>(b) Diluted earnings per share</b>		
Loss from continuing operations attributable to the members of the Company	(1.22)	(0.30)
Profit from discontinued operations	-	-
Loss attributable to the ordinary equity holders of the Company	(1.22)	(0.30)
<b>(c) Reconciliation of earnings used on calculating earnings per share</b>		
Loss from continuing operations	(6,720,666)	(1,333,349)
Loss from continuing operations attributable to minority interest	-	-
Loss from continuing operations attributable to the members of the Company Used on calculating basic earnings per share	(6,720,666)	(1,333,349)
Profit from discontinued operations	-	-
Loss from continuing operations attributable to the members of the Company Used on calculating basic and diluted earnings per share	(6,720,666)	(1,333,349)
<b>(d) Weighted average number of shares used as the denominator</b>		
Weighted average number of shares on issue used in the calculation of diluted EPS	550,306,527	448,463,638
<b>(e) Weighted average number of shares used as the denominator</b>		
Weighted average number of shares on issue used in the calculation of diluted EPS	550,306,527	448,463,638
Weighted average number of options that could potentially dilute basic earnings per share in the future, but are not included in the calculation of diluted EPS because they are anti-dilutive for the period presented.	216,639,514	153,068,750

## 19. Controlled Entities

Name	Country of Incorporation	Ordinary Share Consolidated Equity Interest	
		2008	2007
		%	%
<b>Parent entity</b>			
Ansearch Limited	Australia		
<b>Controlled entities</b>			
Ads Alliance Pty Ltd	Australia	100	100
Ansearch.com.au Pty Ltd	Australia	100	100
Ansearch Group Services Pty Ltd <sup>1</sup>	Australia	100	100
Ansearch Inc	United States	100	100
Ansearch Media Pty Ltd <sup>2</sup>	Australia	100	100
Austpacific Marketing Pty Ltd*	Australia	0	100
Austpacific Property Group Pty Ltd	Australia	100	100
Austpacific Project Services Pty Ltd	Australia	100	100
Australian Golf Resort Developments Pty Ltd	Australia	50	100
Bestway Hotels Australia Pty Ltd*	Australia	0	100
Bestway Mortgage Corporation Pty Ltd*	Australia	0	100
Bestsitic Australia Pty Ltd*	Australia	0	100
Emedia Pty Ltd	Australia	100	100
Golden Beach Properties Pty Ltd*	Australia	0	100
Searchworld Pty Ltd <sup>3</sup>	Australia	100	100
Webfirm Pty Ltd	Australia	100	100
Webfirm Search Pty Ltd <sup>4</sup>	Australia	100	100
Westmark Equities Pty Ltd*	Australia	0	100
Victoria Bridge Holdings Pty Ltd	Australia	0	100
<b>Investments in other entities</b>			
Optum E S Pty Ltd	Australia	15	15

Equity interests in all controlled entities are by way of ordinary shares

\* Companies were deregistered during the year

1 Formerly Ansearch Resourcing Pty Ltd

2 Formerly Sough Pty Ltd

3 Formerly Searchtown Pty Ltd

4 Formerly Searchworld Pty Ltd

## 20. Discontinued Operations

During the year, the following dormant companies were deregistered:

Austpacific Marketing Pty Ltd; Bestway Hotels Australia Pty Ltd; Bestway Mortgage Corporation Pty Ltd; Bestsitic Australia Pty Ltd; Golden Beach Properties Pty Ltd; and Westmark Equities Pty Ltd. Victoria Bridge Holdings Pty Ltd was a 100% owned subsidiary of Westmark Equities Pty Ltd which was deregistered during the year.

These companies held no assets or liabilities as at the date of deregistration.

## 21. Business Combinations

### Webfirm Pty Ltd and Webfirm Search Pty Ltd (formerly Searchworld Pty Ltd)

On 31 May 2007 Ansearch Limited acquired all of the assets and liabilities of Webfirm Pty Ltd and 100% ownership in Webfirm's subsidiary Webfirm Search Pty Ltd, a premier website design and online media company operating in Perth.

The acquired business contributed revenues of \$580,170 and a net profit of \$308,660 to the Group for the period from 1 June 2007 to 30 June 2007, and contributed revenues of \$3,590,164 and a loss of \$491,357 to the Group for the period 1 July 2007 to 30 June 2008. These amounts have been calculated using the Group's accounting policies.

The amount of revenue and profits for the combined entity as if the acquisition had occurred on 1 July 2006 has not been disclosed because it's not practicable to obtain this information.

The purchase consideration was made up of cash and equity and payable in three tranches as follows:

<b>Tranche 1 – Paid 31 May 2007</b>	
Cash	1,500,000
Equity - 15,000,000 fully paid ordinary shares @ 7.6 cents per share	1,140,000
<b>Tranche 2 - Payable 4 July 2007</b>	
Cash	1,000,000
Equity – 3,722,854 fully paid ordinary shares @ 9.67 cents per share	360,000
<b>Tranche 3 - Payable 31 October 2007</b>	
Cash	1,000,000
<b>Monthly cash earn out payments</b>	
Actual based upon July 2007 to October 2007 EBIT performance	113,462
<b>Transaction Costs</b>	435,028
<b>Total consideration</b>	<b>5,548,490</b>

Details of net assets acquired and goodwill are as follows:

	Acquiree's Carrying Amount	Fair Value	
	\$	\$	\$
Purchase consideration			5,548,490
<b>Fair value of net identifiable assets acquired</b>			
Cash and cash equivalents	142,364	142,364	
Trade debtors less unearned income	61,716	61,716	
Property, plant and equipment	89,412	89,412	
Intellectual property	-	200,000	
Payables	(77,471)	(77,471)	
<b>Net identifiable assets/(deficiency) acquired</b>	216,021	416,021	(416,021)
<b>Goodwill</b>			5,132,469

Intellectual property consisted of domain names and customer contracts.

The directors have assessed the recoverable amount of goodwill in accordance with AASB 136 Impairment of Assets as outlined in Note 13.

## 22. Contingencies

On 31 December 2005, 65% of **Optum E S Pty Ltd** was disposed of for an amount of \$800,000 due under the terms of a Sale and Purchase Agreement however, this amount was not paid and the company commenced legal action in the Supreme Court of Western Australia. A full provision has therefore been made against this amount.

Should there be a successful outcome to the legal action, the Company may recognise additional income of \$800,000.

	CONSOLIDATED		COMPANY	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>23. Commitments</b>				
Total lease expenditure contracted for at balance date but not capitalised in the financial statements payable:				
Within 1 year	320,447	244,146	-	244,146
Between 1 and 5 years	452,074	535,910	-	535,910
	772,521	780,056	-	780,056

The lease commitments detailed above relate entirely to rental premises occupied by the Ansearch Group.

### Capital commitments

The consolidated entity and the Company had not entered any capital expenditure contracts at reporting date that are not recognised as liabilities on the Balance Sheets.

	CONSOLIDATED		COMPANY	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>24. Remuneration of auditors</b>				
During the year the following fees were paid/payable to the auditor of the company:				
<b>Audit services</b>				
Audit and review of financial reports	107,000	114,000	107,000	114,000
Non-audit services*				
Taxation compliance services	8,000	-	8,000	-

\*BDO Kendalls Corporate Tax (WA) Pty Ltd continue to provide the group with non-audit taxation compliance services, however are a related practice of the former auditor of the Company (pre-December 2006). They are thus not included in the above disclosures.

## 25. Key Management Personnel Disclosures

### Directors

The following persons were directors of the Company during the financial year:

Mr. Andrew Barlow	(Appointed 22 October 2007) (Chairman from 7 December 2007)
Mr Peter Jermyn	(Resigned 7 December 2007) (Chairman from 22 October 2007 to 7 December 2007)
Mr Glenn Ridge	(Resigned 22 October 2007) (Chairman from 18 May 2007 to 22 October 2007)
Mr David Burden	(Appointed 6 February 2008)
Mr Adrian Giles	(Appointed 19 December 2007)
Mr Adrian Vanzyl	(Appointed 28 April 2008)
Mr Charles Ellison	(Resigned 28 April 2008)
Mr Dean Jones	(Director from 18 May 2007 to 6 August 2007 and from 22 October 2007 to 11 April 2008)
Mr Terry Grigg	(Resigned 22 October 2007)

### Other key management personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, during the financial year:

Name	Position
Mr Robert Edge *	Chief Executive Officer (Resigned 1 November 2007) Company Secretary (25 May 2007 to 1 November 2007)
Mr Andrew Beecher	Executive Officer – Webfirm Pty Ltd
Mr Josh Edis *	Global Head of “Search” – Searchworld Pty Ltd
Mr Steve Jones	General Manager–Ansearch Media Pty Ltd (Appointed 7 April 2008)
Mr Damian Element	Company Secretary / CFO (Appointed 1 November 2007)
Ms Jan Macpherson *	Company Secretary (Resigned 22 October 2007)

\* Also key management personnel during the year ended 30 June 2007.

## Key management personnel compensation

	CONSOLIDATED		COMPANY	
	2008	2007	2008	2007
	\$	\$	\$	\$
Short-term employee benefits	1,378,054	1,497,329	942,548	1,096,783
Post-employment benefits	33,124	68,427	17,647	37,125
Other long-term employee benefits	-	-	-	-
Termination benefits	100,000	-	100,000	-
Share based payments	248,117	489,442	248,117	470,828
Total compensation	1,759,295	2,055,198	1,038,312	1,604,736

## Other transactions with key management personnel

On 1 July 2006 Ansearch Limited acquired Enedia Pty Ltd from parties related to Key Management Personnel. Refer to **Note 21 – Business Combinations** for further details.

The aggregate amounts payable to key management personnel and related interest charges are set out below:

	CONSOLIDATED		COMPANY	
	2008	2007	2008	2007
	\$	\$	\$	\$
Amounts payable to key management personnel	-	190,000	-	190,000

## Option holdings

The number of options over ordinary shares in the company held during the financial year by each director of Ansearch Limited and other key management personnel of the group, including their personally related parties are set out below:

### 2008

Name	Balance at the start of the year (Number)	Granted during the year as compensation (Number)	Exercised during the year (Number)	Other changes during the year (Number)	Balance at the end of the year (Number)	Vested and exercisable at the year end (Number)
<i>Directors</i>						
Mr A Barlow	-	10,000,000	-	-	10,000,000	10,000,000
Mr D Burden	-	25,000,000	-	-	25,000,000	10,000,000
Mr A Giles	-	-	-	-	-	-
Mr A Vanzyl	-	-	-	-	-	-
Mr C Ellison	7,500,000	-	-	-	7,500,000	7,500,000
Mr D Jones	16,900,001	10,000,000	-	(26,900,001)	-	-
Mr P Jermyn	12,603,112	-	-	(12,603,112)	-	-
Mr G Ridge	7,545,625	-	-	(7,545,625)	-	-
Mr T Grigg	7,540,000	-	-	(7,540,000)	-	-
<i>Other key management personnel of the Group</i>						
Mr R Edge	-	500,000	-	-	500,000	500,000
Ms J Macpherson	875,833	833,333	-	(1,709,166)	-	-
Mr D Element	-	-	-	-	-	-
Mr J Edis	5,500,000	-	-	(2,500,000)	3,000,000	3,000,000
Mr A Beecher	-	-	-	-	-	-
Mr S Jones	-	-	-	-	-	-
Totals	58,464,571	46,333,333	-	(58,797,904)	46,000,000	31,000,000

## 2007

Name	Balance at the start of the year (Number)	Granted during the year as compensation (Number)	Exercised during the year (Number)	Other changes during the year (Number)	Balance at the end of the year (Number)	Vested and exercisable at the year end (Number)
<i>Directors</i>						
Mr P Jermyn	12,500,000	-	-	103,112	12,603,112	12,603,112
Mr C Ellison	7,500,000	-	-	-	7,500,000	7,500,000
Mr G Ridge	7,500,000	-	-	45,625	7,545,625	7,545,625
Mr T Grigg	7,500,000	-	-	40,000	7,540,000	7,540,000
<i>Other key management personnel of the Group</i>						
Mr R Edge	-	-	-	-	-	-
Mr D Jones	-	12,500,000	-	4,400,000	16,900,000	16,900,000
Mr J Edis	500,000	5,000,000	-	-	5,500,000	5,500,000
Ms J Macpherson	-	833,333	-	42,500	875,833	875,833
Mr D London	-	666,666	-	352,500	1,019,166	1,019,166
Mr K Morris	500,000	333,333	-	-	833,333	833,333
Mr E Balafas	-	166,666	-	-	166,666	166,666
Mr T Ward	250,000	133,333	-	-	383,333	383,333
Totals	36,250,000	19,633,331	-	4,983,737	60,867,068	60,867,068

No other options were granted to any other directors or key management personnel of Ansearch Limited.

No options provided as remuneration were exercised during the year.

### Equity holdings and transactions

The numbers of shares in the company held during the financial year by each director of Ansearch Limited and other key management personnel of the Group, including their personally related parties, are set out below.

The Chief Operating Officer (Josh Edis) was granted 1,000,000 fully paid ordinary shares on 13 September 2007 as a contractual obligation in the company exceeding a contractual sales benchmark for the year ended 30 June 2007.

2008

Name	Held at 1 July 2007	Received during the year on exercise of options	Received during the year as compensation	Other changes	Held at 30 June 2008
<b>Ordinary shares</b>					
<i>Directors</i>					
Mr Andrew Barlow	12,235,000	-	-	2,918,981	15,153,981
Mr David Burden	420,000	-	-	1,539,491	1,959,491
Mr Adrian Giles	725,000	-	-	3,743,981	4,468,981
Mr Adrian Vanzyl	-	-	-	-	-
Mr P Jermyn	1,031,128	-	-	-	1,031,128
Mr C Ellison	-	-	-	-	-
Mr G Ridge (i)	416,250	-	-	1,000,000	1,416,250
Mr T Grigg	760,000	-	-	-	760,000
Mr D Jones	35,200,000	-	-	(35,200,000)	-
<i>Other key management personnel of the Group</i>					
Mr J Edis	-	-	1,000,000	-	1,000,000
Mr A Beecher	-	-	-	150,000	150,000
Mr S Jones	-	-	-	-	-
Mr D Element	-	-	-	1,459,491	1,459,491
Ms J Macpherson	385,000	-	-	(385,000)	-
Mr R Edge	-	-	-	-	-
Totals	51,172,378	-	1,000,000	(24,773,056)	27,399,322

(i) Mr Ridge had ceased to be a director when the 1,000,000 were acquired during the year.

## 2007

Name	Held at 1 July 2006	Received during the year on exercise of options	Received during the year as compensation	Other changes	Held at 30 June 2007
<b>Ordinary shares</b>					
<i>Directors</i>					
Mr P Jermyn	816,902	-	-	214,226	1,031,128
Mr C Ellison	-	-	-	-	-
Mr G Ridge	-	-	-	416,250	416,250
Mr T Grigg	600,000	-	-	160,000	760,000
<i>Other key management personnel of the Group</i>					
Mr D Jones	35,200,000	-	-	-	35,200,000
Mr J Edis	-	-	-	-	-
Mr D London	4,000,000	-	-	(495,000)	3,505,000
Mr K Morris	500,000	-	-	-	500,000
Mr T Ward	-	-	-	250,000	250,000
Mr E Balafas	-	-	-	63,750	63,750
Ms J Macpherson	150,000	-	-	235,000	385,000
Mr R Edge	-	-	-	-	-
Mr A Wolf	-	-	-	-	-
Totals	51,172,378	-	-	(24,773,056)	27,399,322

## 26. Share Based Payments

Following approval by shareholders at the Annual General Meeting held on 7 December 2007, options were granted on 31 March 2008 to two directors appointed to the board of directors on 22 October 2007. The options were exercisable immediately upon grant and may be exercised at any time prior to 11 April 2011 on the condition that those directors are still working for Ansearch at that date. When exercisable, each option is convertible into one ordinary share of Ansearch Limited.

Options were granted to executive employees on 17 October 2007 for services performed (an employee share option plan which was approved by an extraordinary general meeting of the shareholders on 16 June 2006). Options granted on 17 October 2007 were exercisable for most executives on June 30 2008 on condition that those executives are still working for Ansearch at that date. When exercisable, each option is convertible into one ordinary share of Ansearch Limited.

Options granted carry no dividend or voting rights.

The options were not issued on a performance basis. All options were issued at the discretion of the Board of Directors to provide an opportunity for key management personnel and other employees to share in the success of the company.

No other options were granted to any other directors or key management personnel of Ansearch Limited.

No options provided as remuneration were exercised during the year.

Set out below are summaries of options granted to key management personnel employees of the Ansearch Group during the year in lieu of services rendered.

## Consolidated and Company 2008

Grant Date	Expiry Date	Exercise Price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Lapsed during the year Number	Balance at end of the year Number	Vested and exercisable at the end of the year Number
30/06/06	10/04/11	0.10	26,666,666	20,000,000	-	(29,166,666)	17,500,000	17,500,000
30/06/06	10/04/11	0.15	4,166,666	-	-	(4,166,666)	-	-
30/06/06	10/04/11	0.20	4,166,666	-	-	(4,166,666)	-	-
13/10/06	30/06/08	0.10	6,666,666	-	-	(6,666,666)	-	-
13/10/06	30/06/08	0.15	4,166,667	-	-	(4,166,667)	-	-
13/10/06	30/06/08	0.20	4,166,667	-	-	(4,166,667)	-	-
30/06/07	30/6/09	0.15	2,500,000	5,000,000	-	-	7,500,000	7,500,000
30/06/07	30/6/09	0.10	1,833,332	5,000,000	-	(1,833,332)	5,000,000	5,000,000
30/06/07	30/6/09	0.10	1,366,664	-	-	(299,999)	1,066,665	1,066,665
01/04/08	10/04/11	0.10	-	500,000	-	-	500,000	500,000
17/10/07	30/06/08	0.15	-	2,199,997	-	(1,133,332)	1,066,665	1,066,665
04/04/08	31/12/09	0.20	-	5,000,000	-	-	5,000,000	-
04/04/08	30/06/10	0.25	-	5,000,000	-	-	5,000,000	-
04/04/08	31/12/10	0.30	-	5,000,000	-	-	5,000,000	-
<b>Total</b>			<b>55,699,994</b>	<b>47,699,997</b>	<b>-</b>	<b>(55,766,661)</b>	<b>47,633,330</b>	<b>32,633,330</b>
Weighted average exercise price			\$0.125	\$0.155	-	\$0.123	\$0.154	\$0.110

## Consolidated and Company 2007

Grant Date	Expiry Date	Exercise Price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Lapsed during the year Number	Balance at end of the year Number	Vested and exercisable at the end of the year Number
30/06/06	10/04/11	0.10	26,666,666	-	-	-	26,666,666	26,666,666
30/06/06	10/04/11	0.15	4,166,666	-	-	-	4,166,666	4,166,666
30/06/06	10/04/11	0.20	4,166,666	-	-	-	4,166,666	4,166,666
13/10/06	30/06/08	0.10	-	6,666,666	-	-	6,666,666	6,666,666
13/10/06	30/06/08	0.15	-	4,166,667	-	-	4,166,667	4,166,667
13/10/06	30/06/08	0.20	-	4,166,667	-	-	4,166,667	4,166,667
13/10/06	30/06/09	0.15	-	2,500,000	-	-	2,500,000	2,500,000
13/10/06	30/06/09	0.10	-	1,833,332	-	-	1,833,332	1,833,332
13/10/06	30/06/09	0.10	-	1,533,330	-	-	1,366,664	1,366,664
<b>Total</b>			<b>34,999,998</b>	<b>20,866,662</b>	<b>-</b>	<b>-</b>	<b>55,699,994</b>	<b>55,699,994</b>
Weighted average exercise price			\$0.118	\$0.138	-	-	\$0.125	\$0.125

No options expired during the periods covered by the above tables.

The model inputs for options granted during the year ended 30 June 2008 included:

Model Input	Class #1	Class #2	Class #3	Class #4	Class #5	Class #6	Class #7	Class #8
Grant Date	17/10/07	17/10/07	31/03/08	02/04/08	02/04/08	02/04/08	02/04/08	02/04/08
Exercise Date	30/06/08	30/06/08	03/03/08	02/04/08	30/06/08	31/12/08	30/06/09	31/12/09
Expiry Date	30/06/10	30/06/10	10/04/11	30/06/09	30/06/09	31/12/09	30/06/10	31/12/10
Exercise Price	\$0.15	\$0.15	\$0.10	\$0.10	\$0.15	\$0.20	\$0.25	\$0.30
Exercise Factor	2.5	1.5	2.5	2.5	2.5	2.5	2.5	2.5
Price at Grant Date	\$0.064	\$0.064	\$0.019	\$0.015	\$0.015	\$0.015	\$0.015	\$0.015
Expected Volatility	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Expected Dividend Yield	0%	0%	0%	0%	0%	0%	0%	0%
Risk Free Interest Rate	6.56%	6.56%	6.26%	6.26%	6.26%	6.26%	6.26%	6.26%

The volatility calculation is based upon historical share price information of the Company from the commencement of listing (17 December 1987) up to the grant date of the options.

The model inputs for options granted during the year ended 30 June 2007 included:

Model Input	Class #1	Class #2	Class #3	Class #4	Class #5	Class #6	Class #7
Grant Date	13/10/06	13/10/06	13/10/06	13/10/06	13/10/06	13/10/06	13/10/06
Exercise Date	13/10/06	13/10/06	30/06/07	30/06/07	30/06/07	30/06/07	30/06/07
Expiry Date	30/06/08	30/06/08	30/06/09	30/06/08	30/06/09	30/06/09	06/09/09
Exercise Price	\$0.20	\$0.15	\$0.15	\$0.10	\$0.10	\$0.10	\$0.10
Exercise Factor	2.5	2.5	2.5	2.5	2.5	1.5	1.5
Price at Grant Date	\$0.064	\$0.064	\$0.064	\$0.064	\$0.064	\$0.064	\$0.064
Expected Volatility	114.5%	114.5%	114.5%	114.5%	114.5%	114.5%	114.5%
Expected Dividend Yield	0%	0%	0%	0%	0%	0%	0%
Risk Free Interest Rate	5.78%	5.78%	5.78%	5.78%	5.78%	5.78%	5.78%

The volatility calculation is based upon historical share price information of the Company from the commencement of listing (17 December 1987) up to the grant date of the options.

	CONSOLIDATED		COMPANY	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>27. Cash Flow reconciliation</b>				
<b>Reconciliation of Net Cash Flows from Operating Activities to Loss for the year</b>				
Loss for the year	(6,720,666)	(1,333,349)	(5,283,320)	(3,155,237)
Depreciation and amortisation	180,520	31,133	96,177	16,154
Impairment of Intangibles	2,442,469	30,870	-	-
Gain on convertible note repayment	-	(37,758)	-	(37,758)
Share based payment	225,167	520,074	225,167	520,074
Issue of share to employee	70,000	-	70,000	-
Provision for impairment of receivables	220,016	87,943	1,585,491	440,368
<i>Changes in assets and liabilities (net of effects of acquisition and disposal of entities)</i>				
(Increase)/decrease in trade and other debtors	2,166,318	(2,246,187)	161,898	(604,627)
Decrease/(increase) in other financial assets	(90,951)	(119,218)	285,728	-
Increase/(decrease) in trade and other creditors, employee benefits and other provisions	(1,045,587)	1,980,286	(492,733)	392,893
Net cash outflow from operating activities	(2,552,714)	(1,086,206)	(3,351,592)	(2,428,133)

## 28. Financial Risk Management

The Group's operations expose it to various financial risks including market, credit, liquidity and cash flow risks. Risk management programmes and policies are employed to mitigate the potential adverse effects of these exposures on the results of the Group.

Financial risk management is carried out by the Chief Financial Officer with oversight provided by the Board.

### (a) Market risks

The Group's activities expose it primarily to the financial risks of changes in foreign currency. In the current reporting period the foreign currency related exposure is not considered to be material to the entity's overall business operation. Foreign currency exposure is monitored by the Board on a quarterly basis. The Board has considered that any specific risk mitigation action is not required at this time.

### (b) Credit risk

The Group has no significant concentrations of credit risk. As disclosed in Note 8 a), 'Impairment of receivables', The Group has policies in place to ensure that sales of services are made to customers with appropriate credit history. Before accepting any new customers, the Group internally reviews the potential customer's credit quality. A substantial deposit on contract in website development and hosting segment of the Group mitigates initial credit risk.

The Group and the Company hold the following financial assets and liabilities with potential credit risk exposure:

	CONSOLIDATED		COMPANY	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>Financial assets</b>				
Cash and cash equivalents	1,443,689	3,109,520	327,167	592,538
Trade and other receivables	1,250,855	3,490,562	38,945	204,894
	2,694,544	6,600,082	366,112	797,432

### (c) Liquidity risk

	CONSOLIDATED		COMPANY	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>Financial liabilities</b>				
Trade and other payables	2,215,590	5,721,177	398,100	890,833

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close-out market positions. Due to the dynamic nature of the underlying business, the Board aims at maintaining flexibility in funding by keeping committed credit lines and sufficient cash available.

All financial liabilities are expected to be settled within 12 months of the reporting date, per the contractual terms of the obligations.

### (d) Cash flow and fair value interest rate risk

As the Group has no significant interest-bearing assets or liabilities (except cash), the Group's income and operating cash flows are not materially exposed to changes in market interest rates.

#### Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on exposure to interest rates on interest bearing bank balances throughout the reporting period. A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates (also comparable to movement in interest rates during the reporting year).

At reporting date, if interest rates had been 100 basis points higher or lower and all other variables were held constant, the Group's net profit would increase by \$12,345 and decrease by \$14,568 (2007: increase by \$4,442 and decrease by \$6,308). This is mainly attributable to the Group's exposure to interest rate on its bank balances bearing variable interest rates.

## Interest rate risk exposures

The Group's exposure to interest rate risk, and the effective weighted average interest rate for each class of financial assets and financial liabilities, is set out below.

2008	Notes	Weighted Average Interest Rate	Floating Interest Rate \$	1 Year Or Less \$	Over 1 To 5 Years \$	More Than 5 Years \$	Non-Interest Bearing \$	Total \$
<b>CONSOLIDATED</b>								
Financial assets								
Cash assets	7	6.4%	805,385	219,308	-	-	418,996	1,443,689
Receivables	8 & 9		-	-	-	-	1,250,855	1,250,855
Total financial assets			805,385	219,308	-	-	1,669,851	2,694,544
Financial liabilities								
Trade and other creditors	14		-	-	-	-	(2,215,590)	(2,215,590)
Webfirm and Searchworld			-	-	-	-	-	-
Unearned revenue	15		-	-	-	-	(692,894)	(692,894)
Total financial liabilities			-	-	-	-	(2,908,484)	(2,908,484)
Net financial assets			805,385	219,308	-	-	(1,238,633)	(213,940)

2007	Notes	Weighted Average Interest Rate	Floating Interest Rate \$	1 Year Or Less \$	Over 1 To 5 Years \$	More Than 5 Years \$	Non-Interest Bearing \$	Total \$
<b>CONSOLIDATED</b>								
Financial assets								
Cash assets	7	6.1%	1,916,634	179,418	-	-	1,013,468	1,443,689
Receivables	8		-	-	-	-	3,490,562	1,250,855
Total financial assets			1,916,634	179,418	-	-	4,504,030	2,694,544
Financial liabilities								
Trade and other creditors	14		-	-	-	-	(3,261,177)	(3,261,177)
Webfirm acquisition balance	15		-	-	-	-	(2,460,000)	(2,460,000)
Total financial liabilities			-	-	-	-	(5,721,177)	(5,721,177)
Net financial assets			1,916,634	179,418	-	-	(1,217,147)	878,905

## Net fair value of financial assets and liabilities

### *On-balance sheet*

The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities of the consolidated entity approximates their carrying value.

The net fair value of other monetary financial assets and financial liabilities is based upon market prices where a market exists or by discounting the expected future cash flows by the current interest rates for assets and liabilities with similar risk profiles.

### **Credit risk exposures**

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

The credit risk on financial assets, other than investments, of the consolidated entity which have been recognised in the Balance Sheet is the carrying amount net of any provision for doubtful debts.

## 29. Events Subsequent to Reporting Date

On 29 July 2008 the Company announced a capital raising program consisting of the issue of fully paid ordinary shares in the company at an issue price of \$0.012 in three tranches as follows:

- i) the issue of 72,000,000 fully paid ordinary shares to sophisticated investors and specialist institutions;
- ii) the issue of approximately 34,333,334 fully paid ordinary shares to directors and senior management subject to shareholder approval; and
- iii) an offer to all shareholders under a share purchase plan to be conducted in September 2008.

On 15 August 2008 the company called an extraordinary general meeting in order that shareholders be given an opportunity to approve the issue of shares and options to directors, and to ratify the various elements of the capital raising program (referred to in the paragraph above). The meeting was held on 16 September 2008 and all resolutions put to the meeting were passed.

On 27 August 2008, pursuant to the board approved 2009 staff remuneration plan, shares and options were granted to executive and non-executive employees for services performed or to be performed (an employee share option plan which was approved by an extraordinary general meeting of the shareholders on 16 June 2006), as follows:

- i) 71,428 ordinary shares were issued to the majority of employees of the Group for nil consideration;
- ii) 30,100,000 options were allotted to executives and managers of the Group for nil consideration. These options vest in three tranches and have vesting conditions attached

On 4 September 2008 the Company announced the launch of its new global search advertising solution – the Searchworld AdCentre, and on 11 September the Company announced its intention to expand the business development activities of its Searchworld AdCentre platform into the United States

On 8 September 2008 four 100% owned Ansearch Limited subsidiary companies effected a change of name. Refer to note 19.

### **30. Variance between the Appendix 4E 'Preliminary Final Report' and the Annual Report**

Losses in the Annual Report are \$2,432,469 greater than the Appendix 4E "Preliminary Final Report" due to impairment of intangible assets (including goodwill). Accordingly, net assets have decreased by the same amount.

The Directors held a meeting on 24 September 2008 and again reviewed the recoverable amounts of intangible assets and goodwill. The directors considered new information available to them, including:

- the results of the August trading month,
- the further deterioration of capital markets indices during September and the impact of market conditions on the ability of Ansearch to raise capital for investment,
- the decision to delay further investment in the Anzwers search engine platform, and
- a decision to move some of the business formerly being transacted by Searchworld into Webfirm.

Having regard to these matters, and electing to take a conservative approach, the directors have determined that it would be prudent to impair the carrying value of goodwill and intangible assets held on the books of the company. Further details are included in Note 13.

# Director's Declaration

The directors declare that the financial statements and notes set out on pages 27 to 65:

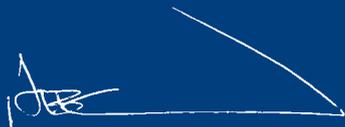
- (a) comply with Australian Accounting Standards the Corporations Regulations 2001 and other mandatory professional reporting requirements in Australia; and
- (b) give a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2008 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date.

In the directors' opinion:

- (a) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
- (b) the audited remuneration disclosures set out on pages 11 to 18 of the Directors' Report comply with section 300A of the *Corporations Act 2001*.

The directors have been given the declaration by the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the directors.



**Andrew Barlow**  
**Chairman**  
Ansearch Limited

30 September 2008



## INDEPENDENT AUDITOR'S REPORT

ABN 17 114 673 540

To the members of Ansearch Limited

### Matters Relating to the Electronic Presentation of the Audited Financial Report

This auditor's report relates to the financial report of Ansearch Limited for the year ended 30 June 2008 included on Ansearch Limited's web site. The company's directors are responsible for the integrity of Ansearch Limited's web site. We have not been engaged to report on the integrity of Ansearch Limited's web site. The auditor's report refers only to the statements named below. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

### Report on the Financial Report

We have audited the accompanying financial report of Ansearch Limited, which comprises the balance sheets as at 30 June 2008, and the income statements, statements of changes in equity and cash flow statements for the year ended on that date, a summary of significant accounting policies, other explanatory notes 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 and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1(b), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies 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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance 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 judgement, 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 control 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 control. 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 opinions.

### *Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

### *Auditor's Opinion*

- (a) the financial report of Ansearch Limited is in accordance with the *Corporations Act 2001*, including:
- (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2008 and of their performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(b)

### **Material Uncertainty Regarding Continuation as a Going Concern**

Without qualifying our opinion, we draw attention to Note 1(a) in the financial report which indicates that the consolidated entity incurred a net loss of \$6,720,666 during the year ended 30 June 2008 and had net cash outflows from operating activities of \$2,552,714. These conditions along with other matters as set forth in Note 1(a), indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of the liabilities that might be necessary if the consolidated entity does not continue as a going concern.

### **Report on the Remuneration Report**

We have audited the Remuneration Report included in pages 11 to 18 of the directors' report for the year ended 30 June 2008. 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.

### *Auditor's Opinion*

In our opinion, the Remuneration Report of Ansearch Limited for the year ended 30 June 2008, complies with section 300A of the *Corporations Act 2001*.



**BDO Kendalls Audit & Assurance (NSW-VIC) Pty Ltd**

*Chartered Accountants*



**Michael Climpson**

Director

Melbourne

30 September 2008

BDO Kendalls is a national association of separate partnerships and entities. Liability limited by a scheme approved under Professional Standards Legislation.

# Corporate Governance Statement

The directors of Ansearch Limited have a commitment to maintain long term shareholder value, and recognise the benefits of good corporate governance in achieving this aim.

Having regard to the size and resources available to the company, the company endeavours at all times to comply with the Australian Stock Exchange Corporate Governance Principles and Recommendations ('ASX Principles'). Unless otherwise stated, the company complies with the ASX recommendations.

## ***Principle 1: Lay solid foundations for management and oversight***

The company has separate functions for board and senior management. The company has yet to disclose this publicly. The board meet regularly to perform their prescribed functions. The company has a process for evaluating the performance of senior executives. The company has yet to disclose this publicly. The performance of the chief executive officer and senior executives of the company has taken place prior to the date of this report, in accordance with the established process.

## ***Principle 2: Structure the board to add value***

The majority of the board are independent directors. Independent directors include Mr Andrew Barlow, Mr Adrian Giles and Mr Adrian Vanzyl. The only non-independent director is Mr David Burden who holds the office of chief executive officer. The chair of the board, Mr Andrew Barlow, is an independent director. The role of chair and chief executive officer are held by different individuals. The company has a board consisting of four directors, and the directors collectively perform the functions of a nomination committee as the directors do not consider that any increase in efficiency or effectiveness would be achieved through the formation of a nomination committee. The directors have access to professional advisors who provide advice and assistance as requested by the directors. The company is yet to implement a process for evaluating the performance of the board, its committees or individual directors.

## ***Principle 3: Promote ethical and responsible decision making***

The company has a code of conduct for directors and a code of conduct for employees. The company actively complies with this policy. The company has a policy concerning trading in company securities by directors and employees. The company actively complies with this policy. The board allows individual directors to seek independent professional advice to enable a director to carry out his duties after discussion with the chairman in the first instance. Any necessary advice is obtained at the company's expense and advice obtained is made available to all directors.

## ***Principle 4: Safeguard integrity in financial reporting***

The directors collectively perform the functions of an audit committee as the directors do not consider that any increase in efficiency or effectiveness would be achieved through the formation of an audit committee. The directors have access to professional advisors who provide advice and assistance as requested by the directors. The board while collectively performing the functions of an audit committee consists of a majority of independent directors and has at least three members. Compliance with accounting and financial reporting standards and procedures are subject to board review and review by the external auditors. The non-executive directors have direct access to the external auditor and are permitted to make such enquiries of the auditor as they feel are necessary. The external auditor is invited to attend the annual general meeting and make himself or herself available to answer any questions pertaining to the conduct of the audit, the content of the audit report or the financial affairs of Ansearch.

## ***Principle 5: Make timely and balanced disclosure***

The company has a policy of complying with ASX disclosure requirements. The directors and senior management have received education and training on the subject of ASX disclosure requirements. The company actively complies with this policy.

**Principle 6: Respect the rights of shareholders**

The company has a policy for promoting effective communication with shareholders. The company actively complies with this policy, by way of ASX announcements, letters posted to shareholders, and shareholder presentations.

**Principle 7: Recognise and manage risk**

Business risks are identified by senior management and brought to the attention of the board if deemed material. The company does not have a formal business risk management plan. In accordance with section 295A of the Corporation Act, the board has received assurance from both the CEO and CFO that a system of risk management and internal control appropriate to the size and nature of the organisation is in place and is operating effectively in all material respects.

**Principle 8: Remunerate fairly and responsibly**

The directors collectively perform the functions of a remuneration committee as the directors do not consider that any increase in efficiency or effectiveness would be achieved through the formation of a remuneration committee. The directors have access to professional advisors who provide advice and assistance as requested by the directors. The non-executive directors and the executive directors and senior management of the company have clearly distinguishable remuneration structures which are set out in documented service agreements. Full remuneration details for directors and key executives are provided in the director's report and the notes to the annual financial statements in this annual report.

## Corporate Directory

**Directors**

Mr Andrew Barlow – Chairman/  
Non-Executive Director  
Mr David Burden – CEO/Managing Director  
Mr Adrian Giles – Non-Executive Director  
Mr Adrian Vanzyl – Non-Executive Director

**Chief Executive Officer**

Mr David Burden

**Company Secretary**

Mr Damian Element

**Head Office**

Ansearch Limited  
Level 3, 95 Coventry Street  
South Melbourne Vic 3205 Australia  
Phone: + 61 3 8695 9199  
Fax: + 61 3 9696 0700  
Toll free 1300 852 722

**Registered Office**

Ansearch Limited  
Level 3, 95 Coventry Street  
South Melbourne Vic 3205 Australia  
Phone: + 61 3 8695 9199  
Fax: + 61 3 9696 0700  
Toll free 1300 852 722

**Auditors**

BDO Kendalls Audit & Assurance (NSW-VIC) Pty Ltd  
The Rialto  
Level 30, 525 Collins Street  
MELBOURNE VIC 3000

**Solicitors**

Minter Ellison  
Level 23, 525 Collins Street  
Melbourne VIC 3000

**Bankers**

National Australia Bank Limited  
424 St Kilda Road  
St Kilda VIC 3004

**Share Register**

Computershare Registry Services Pty Ltd  
Yarra Falls  
452 Johnston Street  
Abbotsford, VIC 3001

**Home Stock Exchange**

Australian Stock Exchange Limited  
Level 45, South Tower  
Rialto, 525 Collins St  
Melbourne, VIC 3000  
ASX Code: ANH

## ASX Additional Information

Additional information required by the Australian Stock Exchange Limited and not shown elsewhere in this report is as follows. The information is current as at 30th September 2008.

Ordinary Shares		
	Number of Holders	Number of Shares
<b>a. Distribution of equity securities</b>		
The number of shareholders by size of shareholding in each class of shares are:		
1 – 1,000	750	198,798
1,001 – 5,000	149	468,166
5,001 – 10,000	250	2,138,336
10,001 – 100,000	1,451	69,387,344
100,001 – 1,000,000	761	606,597,558
<b>TOTAL</b>	<b>3,361</b>	<b>678,790,202</b>
The number of shareholders holding less than a marketable parcel of shares based on a share price of \$0.013 at the date of this report are:	1,808	17,486,696

Listed Ordinary Shares			
		Number of Shares	% of Ordinary Shares
<b>b. Twenty largest shareholders</b>			
The names of the twenty largest holders of quoted shares are:			
1	CHINDI CAPITAL PTY LTD	24,120,502	3.55
2	WEST AUSTRALIAN INVESTMENTS PTY LTD	16,105,354	2.37
3	GILES SHARE INVESTMENTS PTY LTD	15,418,981	2.27
4	CAPITAL ACCRETION PTY LTD	15,000,000	2.21
5	CS FOURTH NOMINEES PTY LTD	13,294,507	1.96
6	MANFREE NOMINEES PTY LTD	12,059,028	1.78
7	VENTURIAN PTY LTD	10,875,000	1.6
8	MR DAVID BURDEN + MRS LESLEY PEMBERTON-BURDEN	10,000,000	1.47
9	FAIRMOUNT INVESTMENTS PTY LTD	10,000,000	1.47
10	SCINTILLA STRATEGIC INVESTMENTS LTD	10,000,000	1.47
11	VENTURIAN PTY LTD	9,168,981	1.35
12	NOOSA PROPERTY DEVELOPMENTS PTY LTD	8,366,698	1.23
13	MARLION SUPERANNUATION FUND PTY LTD	8,333,333	1.23
14	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	7,730,093	1.14
15	WARBONT NOMINEES PTY LTD	7,269,142	1.07
16	CABLE NOMINEES PTY LTD	6,399,965	0.94
17	DAVID BURDEN & LESLEY PEMBERTON-BURDEN	6,250,000	0.92
18	EREBON PTY LTD	6,250,000	0.92
19	MANFREE NOMINEES PTY LTD	5,703,868	0.84
20	CHISSISU PTY LTD	5,000,000	0.74

### c. Substantial Shareholders

There are currently no shareholders who have notified the Company in accordance with section 671B of the Corporations Act 2001.

### d. Voting Rights

All ordinary shares carry one vote per share without restrictions.

