APPENDIX 4E
PRELIMINARY FINAL REPORT

1. Company details

Name of entity:	**Dark Blue Sea Limited**
ABN:	47 091 509 796
Reporting period:	**Year ended 30 June 2008**
Previous corresponding period:	Year ended 30 June 2007

2. Results for announcement to the market

Revenues from operating activities	down	3.9%	to	$ 31,312,000
Profit from ordinary activities after tax attributable to members	down	23.6%	to	$ 2,717,000
Profit for the period attributable to members	down	23.6%	to	$ 2,717,000

Dividends

	Amount per security	Franked amount per security
Final dividend for the year ended 30 June 2007 paid on 3 October 2007	1.500 cents	1.500 cents
Interim dividend for the year ended 30 June 2008 paid on 2 April 2008	1.500 cents	1.500 cents

On 26 August 2008 the Board declared a final dividend for the financial year ended 30 June 2008 of 0.50 cents per ordinary share, fully franked, with a record date of 12 September 2008 and payable on 29 September 2008.

Comments

Refer to the following page.

COMMENTARY ON RESULTS FOR THE PERIOD

Dark Blue Sea Ltd and its wholly owned subsidiaries ("the Group") financial performance was weaker compared to the previous corresponding period.

Revenue from ordinary activities in the current period was $32.05 million down by 1.90% from the $32.67 million generated in the previous corresponding period. This was partly due to the strengthening of the $AUD against the $USD during the year.

The group recorded a net profit from ordinary activities after income tax of $2.72 million in the current fiscal year, a 23.6% decrease compared to the net profit of $3.56 million recorded during the previous fiscal year.

The decrease in profit in the current period was due to a number of factors, including the continued rise of the Australian dollar against the US dollar, the additional expense in relation to the issuing of the "GoDaddy" options and the weakness in the direct navigation advertising industry.

Operating costs incurred by the Group in the current period were $28.10 million, up from $27.40 million in the previous corresponding period. This increase was primarily due to the cost of "Share-based payments expense".

Earnings before interest, tax, depreciation, amortisation and impairment (EBITDA) for the current year was $4.45 million, compared to $5.37 million recorded for the previous year.

Basic and diluted earnings per share (EPS) decreased from 4.19¢ in the previous period to 3.18¢ in the current period.

Net cash in-flows from operating activities in the current period were $4.76 million, up from $2.62 million generated in the 2007 fiscal year. There was net cash out-flow from financing activities as a result of the payment of dividends of $2.56 million (previous period $2.16 million) and several on market share buy-back schemes undertaken during the current reporting period at a total cost of $2.68 million.

Net cash outflows for the current period was $1.01 million resulting in total cash on hand at the end of the current period of $5.01 million (down from $6.21 million as at 30 June 2007).

Working capital of the Group at the end of the current period was $5.18 million down from $8.13 million at the end of the previous corresponding period.

The group has current debt facilities in place of approximately $5 million. As at 30 June these facilities were undrawn. Throughout the current period, the Group has been able to fund its ongoing business operations and capital acquisitions solely from its operating cash flow. This situation is subject to change should any larger scale acquisition opportunities arise.

Key Performance Indicators

In addition to the above financial results, the Company releases some key financial performance indicators for comparative purposes. These indicators are based on unaudited management accounts.

The Key Performance Indicators for the current reporting period are as follows:

	Qtr end 30.09.07	Qtr end 31.12.07	Qtr end 31.03.08	Qtr end 30.06.08
Revenue (US$'000)				
Internal Traffic – Profitable Domain Names	1,923	1,550	1,258	1,034
Internal Traffic – Unprofitable Domain Names	87	111	112	109
Total Internal Traffic	2,010	1,661	1,370	1,143
Internal Domain Name Sales	857	1,366	1,003	2,779
Total Internal Revenue	2,866	3,026	2,372	3,922
External Traffic	2,759	2,900	2,988	2,981
Total Traffic Revenue	4,768	4,561	4,357	4,124

Revenue Margin (%)

Internal Traffic – Profitable Domain Names	88	85	85	85
Total Internal	68	69	63	76
External	27	26	26	24
Total Traffic	39	33	29	22
Number of Profitable Domains	153,000	152,000	116,000	96,000

Key Performance Indicators Background Information

From an overall financial performance perspective, it is important to understand that the Company generates all its revenue in US dollars and it pays all its traffic sources in US dollars, so the Company earns a gross profit which is denominated in US dollars. However, the Company's overheads which are primarily staffing related are denominated in Australian dollars so the $A/$US exchange rate can have a significant impact on the Company's financial performance.

The Company generates the bulk of its revenue from selling traffic. A segmentation by traffic source provides the best indicators of the overall trends in the financial performance of the Company.

In any Internet business that generates revenue from traffic, it is important to distinguish between revenue generated from **Internal** and **Externa**l traffic sources. **Internal** traffic sources are ones that are owned and operated by the Company. **External** traffic sources are ones that are owned by customer's of the Company**.**

As **Internal** traffic sources are controlled by the Company they form a reliable annuity style revenue stream. **External** traffic sources are much less reliable as they are subject to competition in the traffic market. Almost all traffic arrangements can be cancelled on short notice and contracted deals rarely extend beyond one or two years.

Dark Blue Sea's **Internal** traffic is almost exclusively sourced from the Company's domain name portfolio. Dark Blue Sea's **External** traffic sources are primarily other domain name portfolio owners. The Company uses its unique platform, good relationships with domain name portfolio owners and competitive pricing as the primary methods of acquiring and maintaining **External** traffic sources.

The Company earns different margins on **Internal** and **External** traffic sources. For Internal traffic sources, the main expense is domain name registration fees. These are a fixed cost and so the margins can be high and expand as the industry grows. For **External** traffic sources, the arrangements are typically revenue share based and hence the margins are much lower. Good traffic sources have excellent bargaining power.

A further segmentation of the Company's **Internal** traffic sources provides additional clarity. A breakdown of the Internal Revenue into the revenue that is generated from **profitable domain names** (i.e. those domain names that earn sufficient revenue to cover the annual registration expense) and **unprofitable domain names,** the number of profitable domain names and the margin achieved on the profitable names is provided. It should be noted that the portfolio of profitable domain names generates the bulk of the **Internal** revenue and is a very high margin business.

Domain sales revenues include revenue from all domains the Company sold during the period. These include sales from the Company's main web site (FabulousDomains.com) as well as ad-hoc sales (typically for a large number of domains) that are agreed external to the web site.
It should be noted that the Company has additional revenue sources that are not included in these numbers. These revenue sources do not currently have a material impact on the overall financial performance of the Company.

Domain Name Portfolio

As at 30 June 2008, Domain Active Pty Ltd, a wholly owned subsidiary of Dark Blue Sea Ltd, owned approximately 585,000 unique Internet domain names.

The vast majority of Dark Blue Sea's domain names are what are termed generic keyword domain names. These are domains such as www.booksellers.com that are constructed from generic keywords or phrases ("book sellers" in this case). Users find Dark Blue Sea's domain names by typing simply typing domain names such as www.booksellers.com into the address bar of their browser (e.g. Internet Explorer).

Approximately 190,000 people (or "unique visitors") from around the world type in (or "directly navigate" to) one of Dark Blue Sea's domain names every day.

The "internet traffic" that is generated from Dark Blue Sea's portfolio of domain names can be sold to online advertisers. Advertisers can purchase the "internet traffic" from either Roar / PageSeeker or Dark Blue, the companies online advertising properties. Dark Blue Sea also has commercial relationships with many other leading online advertiser networks that effectively also buy the "internet traffic" from Dark Blue Sea's domain name portfolio.

The company has also continued to deploy resources into the development and marketing of its online domain sales platform. The company currently has agreements with a number of leading retail registrars ors to expand the reach of this network. The financial benefits of this business are now starting to be realised, with approximately US$6.0 million in sales revenue generated in the 2008 financial year up from US$1.6m in 2007.

Accounting Treatment of the Domain Name Portfolio

For both new domain name registrations and renewals, it costs the Company US$6.42 to hold each domain name for a period of one year. The $US6.42 cost is paid in advance and so has an immediate cash flow impact. It is viewed by the Company as a prepayment of traffic for twelve months and is recorded as a short term asset in the balance sheet. Domain name registrations are also recorded as operational cash flow in the reported cash flow statements.

The Company amortises that US$6.42 short term prepaid traffic asset over the subsequent 12 month period, effectively passing that cost through as an expense in the profit and loss statement.

Notwithstanding the accounting treatment of domain name registrations and renewals, the domain name portfolio is viewed by the Company as of a capital nature, ie. an enduring asset having long term revenue generating capabilities.

In regard to the Company's domain name sales, the proceeds of sales are treated as operating income, and the component in excess of the registration expense is recorded as operating profit.

DYNAMICS OF THE BUSINESS

Domain names generate revenue through two means – direct navigation advertising and secondary market sales. The USA online advertising industry in which the company operates generated USD$21.2 billion in revenue in 2007, a 26% increase over the USD$16.9 billion turnover generated in 2006. Industry analysts expect strong growth rates to continue over the next few years. (Source – The Interactive Advertising Bureau and PricewaterhouseCoopers 'Internet Advertising Revenue Report')

It is estimated that the paid placement search engine industry or "keyword search" related advertising as it is otherwise known, accounted for USD$8.8 billion or approximately 41% of the total revenue generated by the online advertising industry in 2007 (2006: USD$6.8 billion). (Source - The Interactive Advertising Bureau and PricewaterhouseCoopers 'Internet Advertising Revenue Report'). It is this segment of the market, which is the Company's primary focus.

The continued growth in the online advertising industry, has in turn, led to increased demand by paid search engine providers and their advertisers, for high quality targeted internet traffic, such as that provided by the company's domain name portfolio or "direct navigation" traffic as it has become known in the industry.

Secondary market sales are primarily driven by demand by end user (or "retail") buyers seeking a domain name for their email or to host their website. The retail domain name sales industry is not as well developed as the direct navigation/advertising side of the industry. Over the last couple of years, the company has worked with major domain name registrars that provide services to these "retail" end user buyers. The company has established a range of agreements designed to facilitate the growth of these "retail" distribution channels.

The Group is the owner of one of the world's largest and most valuable domain name portfolios. This unique asset, together with the Group's proprietary software, systems and its expert staff, means the Group is delivering industry leading domain name monetization services.

AUDIT COMPLIANCE STATEMENT

1. This preliminary report has been prepared in accordance with AASB standards, other AASB authoritative pronouncements and Urgent Issues Group Consensus Views or other standards acceptable to ASX.

2. This preliminary report, and the accounts upon which the report is based (if separate), use the same accounting policies.

3. The preliminary report does give a true and fair view of the matters disclosed.

4. This preliminary final report is based on accounts that are in the process of being audited

5. The group has a formally constituted audit committee.

3. NTA backing

	Reporting period	Previous corresponding period
Net tangible asset backing per ordinary security	6.55 cents	9.73 cents

4. Control gained over entities

Name of entities (or group of entities)	N/A	
Date control gained		
Contribution of such entities to the reporting entity's profit/(loss) from operating activities during the period (where material)		$ -
Profit/(loss) from operating activities after tax of the controlled entity (or group of entities) for the whole of the previous corresponding period (where material)		$ -

5. Loss of control over entities

Name of entities (or group of entities)	Searchabout Pty Limited	
Date control lost	11 December 2007	
Contribution of such entities to the reporting entity's profit/(loss) from operating activities during the period (where material)		$ -
Profit/(loss) from operating activities after tax of the controlled entity (or group of entities) whilst controlled during the whole of the previous corresponding period (where material)		$ -

6. Dividends

	Amount per security	Franked amount per security
Current period		
Final dividend for the year ended 30 June 2007 paid on 3 October 2007	1.500 cents	1.500 cents
Interim dividend for the year ended 30 June 2008 paid on 2 April 2008	1.500 cents	1.500 cents

On 26 August 2008 the Board declared a final dividend for the financial year ended 30 June 2008 of 0.50 cents per ordinary share, fully franked, with a record date of 12 September 2008 and payable on 29 September 2008.

	Amount per security	Franked amount per security
Previous corresponding period		
Final dividend for the year ended 30 June 2006 paid on 27 October 2006	1.000 cents	1.000 cents

7. Dividend reinvestment plans

The following dividend or distribution plans are in operation:

N/A

The last date(s) for receipt of election notices for the dividend or distribution plans: N/A

8. Details of associates and joint venture entities

	Reporting entity's percentage holding		Contribution to net profit/(loss) (where material)	
Name of associate / joint venture	Current period	Previous corresponding period	Current period	Previous corresponding period
N/A				
Group's aggregate share of associates and joint venture entities' profit/(loss) (where material)				
Profit(loss) from operating activities before income tax				
Income tax on operating activities				

9. Foreign entities

Details of origin of accounting standards used in compiling the report:

N/A

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10. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The accounts are in the process of being audited and it is expected that an unqualified opinion will be issued.

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11. Attachments

Details of attachments (if any):

The financial report of Dark Blue Sea Limited for the year ended 30 June 2008 is attached.

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12. Signed

Signed: Richard Moore   Date: 29/08/2008

Richard Edward Moore
Chief Executive Officer
Brisbane

Dark Blue Sea Limited
ABN 47 091 509 796

Financial Report - 30 June 2008

Dark Blue Sea Limited
Financial report
For the year ended 30 June 2008

Contents

General information

This financial report covers both Dark Blue Sea Limited as an individual entity and the consolidated entity consisting of Dark Blue Sea Limited and its subsidiaries. Both the functional and presentation currency of Dark Blue Sea Limited and its subsidiaries is Australian dollars.

Dark Blue Sea Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 10
243 Edward Street
Brisbane QLD 4000

Dark Blue Sea Limited
Income statement
For the year ended 30 June 2008

	Note	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent entity 2008 $'000	Parent entity 2007 $'000
Revenue from continuing operating activities	4	31,312	32,572	5,381	10,372
Other income	5	753	102	-	-
Expenses					
Cost of traffic		(20,124)	(20,404)	-	-
Salaries wages and related costs		(4,186)	(3,841)	(120)	(120)
Share-based payments expense		(847)	(182)	(847)	(182)
Depreciation and amortisation expense		(225)	(290)	-	-
Computer hosting & bandwidth		(435)	(392)	-	-
Rent		(213)	(207)	-	-
Travelling and marketing		(361)	(339)	-	-
Foreign currency exchange		(196)	(432)	(13)	(10)
(Increase)/reduction in provision for impairment of receivables		3	12	-	-
ASX fees		(28)	(27)	(28)	(27)
Other expenses		(1,433)	(1,300)	(197)	(170)
Finance costs	6	(58)	(1)	-	(1)
Profit before income tax expense		3,962	5,271	4,176	9,862
Income tax expense	7	(1,245)	(1,714)	(1,245)	(1,744)
Profit after income tax expense attributable to members of Dark Blue Sea Limited		2,717	3,557	2,931	8,118

	Note	Cents	Cents
Basic earnings per share	34	3.18	4.19
Diluted earnings per share	34	3.18	4.19

The above income statement should be read in conjunction with the accompanying notes

Dark Blue Sea Limited
Balance sheet
As at 30 June 2008

	Note	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent entity 2008 $'000	Parent entity 2007 $'000
Current assets					
Cash and cash equivalents	8	5,011	6,213	230	359
Trade and other receivables	9	1,423	2,231	4,217	16,681
Prepayments	10	2,164	2,554	37	36
Total current assets		8,598	10,998	4,484	17,076
Non-current assets					
Investments in controlled entities	11	-	-	9,960	9,960
Property, plant and equipment	12	232	362	-	-
Intangibles	13	2,331	1,310	-	-
Deferred tax	14	192	201	-	-
Total non-current assets		2,755	1,873	9,960	9,960
Total assets		11,353	12,871	14,444	27,036
Current liabilities					
Trade and other payables	15	2,468	1,668	875	11,202
Income tax	16	341	792	341	792
Provisions	17	307	213	-	-
Other	18	303	192	-	-
Total current liabilities		3,419	2,865	1,216	11,994
Non-current liabilities					
Deferred tax	19	3	6	-	-
Provisions	20	201	242	-	-
Total non-current liabilities		204	248	-	-
Total liabilities		3,623	3,113	1,216	11,994
Net assets		7,730	9,758	13,228	15,042
Equity					
Contributed equity	21	10,346	13,374	10,346	13,374
Reserves	22	2,412	1,565	2,412	1,565
Retained profits/(accumulated losses)	23	(5,028)	(5,181)	470	103
Total equity		7,730	9,758	13,228	15,042

The above balance sheet should be read in conjunction with the accompanying notes

Dark Blue Sea Limited
Statement of changes in equity
For the year ended 30 June 2008

	Contributed equity $'000	Reserves $'000	Retained profits/ (accumulated losses) $'000	Total equity $'000
Consolidated				
Balance 1 July 2006	12,425	1,383	(6,623)	7,185
Profit after income tax expense	-	-	3,557	3,557
Total recognised income/(expense) for the year	-	-	3,557	3,557
Exercise of options	1,106	-	-	1,106
Cost of share-based payments	-	182	-	182
Share buy-back	(157)	-	-	(157)
Dividends paid	-	-	(2,115)	(2,115)
Balance 30 June 2007	13,374	1,565	(5,181)	9,758

	Contributed equity $'000	Reserves $'000	Retained profits/ (accumulated losses) $'000	Total equity $'000
Consolidated				
Balance 1 July 2007	13,374	1,565	(5,181)	9,758
Profit after income tax expense	-	-	2,717	2,717
Total recognised income/(expense) for the year	-	-	2,717	2,717
Cost of share-based payments	-	847	-	847
Share buy-back	(3,028)	-	-	(3,028)
Dividends paid	-	-	(2,564)	(2,564)
Balance 30 June 2008	10,346	2,412	(5,028)	7,730

The above statement of changes in equity should be read in conjunction with the accompanying notes

Dark Blue Sea Limited
Statement of changes in equity
For the year ended 30 June 2008

	Contributed equity $'000	Reserves $'000	Retained profits $'000	Total equity $'000
Parent entity				
Balance 1 July 2006	12,425	1,383	(5,900)	7,908
Profit after income tax expense	-	-	8,118	8,118
Total recognised income/(expense) for the year	-	-	8,118	8,118
Exercise of options	1,106	-	-	1,106
Cost of share-based payments	-	182	-	182
Share buy-back	(157)	-	-	(157)
Dividends paid	-	-	(2,115)	(2,115)
Balance 30 June 2007	13,374	1,565	103	15,042

	Contributed equity $'000	Reserves $'000	Retained profits $'000	Total equity $'000
Parent entity				
Balance 1 July 2007	13,374	1,565	103	15,042
Profit after income tax expense	-	-	2,931	2,931
Total recognised income/(expense) for the year	-	-	2,931	2,931
Cost of share-based payments	-	847	-	847
Share buy-back	(3,028)	-	-	(3,028)
Dividends paid	-	-	(2,564)	(2,564)
Balance 30 June 2008	10,346	2,412	470	13,228

The above statement of changes in equity should be read in conjunction with the accompanying notes

Dark Blue Sea Limited
Cash flow statement
For the year ended 30 June 2008

	Note	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent entity 2008 $'000	Parent entity 2007 $'000
Cash flows from operating activities					
Receipts from customers (inclusive of GST)		32,112	32,047	880	-
Payments to suppliers (inclusive of GST)		(25,910)	(27,466)	(357)	(322)
		6,202	4,581	523	(322)
Interest received		148	194	13	2
Finance costs paid		(58)	(1)	-	(1)
Subsidies and grants received		157	83	-	-
Income taxes paid		(1,690)	(2,240)	(1,690)	(2,240)
Net cash inflow/(outflow) from operating activities	33	4,759	2,617	(1,154)	(2,561)
Cash flows from investing activities					
Payments for property, plant and equipment	12	(88)	(182)	-	-
Payments for traffic/premium domain names		(1,132)	(329)	-	-
Payments for software		(14)	(10)	-	-
Advance to subsidiaries		-	-	(11,380)	(12,821)
Proceeds from sale of traffic/premium domain names		714	31	-	-
Dividends received from subsidiaries		-	-	4,488	10,370
Advance from subsidiaries		-	-	13,175	6,042
Movement in security deposits		-	213	-	-
Net cash inflow/(outflow) from investing activities		(520)	(277)	6,283	3,591
Cash flows from financing activities					
Proceeds from issue of shares	21	-	1,106	-	1,106
Payments for share buy-back		(2,681)	(157)	(2,681)	(157)
Dividends paid	24	(2,564)	(2,115)	(2,564)	(2,115)
Net cash inflow/(outflow) from financing activities		(5,245)	(1,166)	(5,245)	(1,166)
Net increase/(decrease) in cash and cash equivalents		(1,006)	1,174	(116)	(136)
Cash and cash equivalents at the beginning of the financial year		6,213	5,471	359	505
Effects of exchange rate changes on cash		(196)	(432)	(13)	(10)
Cash and cash equivalents at the end of the financial year	8	5,011	6,213	230	359

The above cash flow statement should be read in conjunction with the accompanying notes

Note 1. Significant accounting policies

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

Basis of accounting
This general purpose financial report has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRSs), other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

Compliance with IFRSs
The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards (IFRSs) as issued by International Accounting Standards Board.

Historical cost convention
This financial report has been prepared under the historical cost convention, except for derivative instruments which have been measured at fair value.

Critical accounting estimates
The preparation of this financial report 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 consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial report, are disclosed in note 2.

Principles of consolidation
The consolidated financial report incorporates the assets and liabilities of all subsidiaries of Dark Blue Sea Limited ('company' or 'parent entity') as at 30 June 2008 and the results of all subsidiaries for the year then ended. Dark Blue Sea Limited and its subsidiaries together are referred to in this financial report as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between company's in the consolidated entity are eliminated.

Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.

Segment reporting
A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different to those of segments operating in other economic environments.

Foreign currency translation
Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Revenue recognition
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the consolidated entity and the revenue can be reliably measured.

The following specific recognition criteria must also be met before revenue is recognised:

Rendering of services
In relation to the rendering of services, revenue is recognised when control of the right to be compensated for the services can be reliably measured. Revenue received in advance is brought to account as services are rendered.

The consolidated entity derives revenue from the following services:
Advertising click revenue: Revenue is recorded when an Internet user clicks on a paying advertiser’s link.
Domain registrations and domain sales: Revenue is recorded when new domain names are registered with Fabulous.com or domain names owned by the consolidated entity are sold by FabulousDomains.com or by third party domain name resellers.

Unearned advertising click revenue is received when a customer deposits funds into the Group’s account prior to services being provided (i.e. prepaid advertising on the PageSeeker/Roar advertising portals). Unearned revenue is accounted for as a current liability/payable.

Dividends
Revenue is recognised when the consolidated entity’s right to receive the payment is established.

Interest income
Interest revenue is recognised as interest accrues using the effective interest method.

Government grants
Government grants are recognised as revenue when received. The value of the grant cannot be determined with any certainty to enable the matching of this revenue with the expense items incurred. The grants are paid as a reimbursement of past expenses incurred.

Income tax
The income tax expense or benefit for the period is the tax payable on the current year's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses where applicable.

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.

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.

Effective 1 July 2003, Dark Blue Sea Limited ("the parent") and its 100% owned Australian subsidiaries ("subsidiaries") elected to form a tax consolidated group ("Consolidated Group") for the purpose of the Tax Consolidation legislation. Members of the group have entered into a tax sharing arrangement to limit the liability of the subsidiaries in the event of default by the Parent of the group's income tax liabilities.

Pursuant to the tax sharing agreement:
1. The Consolidated Group agree to allocate the Consolidated Group's income tax liabilities between the subsidiaries on a pro-rata basis, should the parent default in payment of the Consolidated Group's tax liabilities; and
2. The Parent shall recognise in its financial accounts, the income tax expense of the Consolidated Group ("Group Tax Expense") and shall pay the Group Tax Expense for and on behalf of the Consolidated Group.

At the balance date, the possibility of Dark Blue Sea Limited defaulting on its obligations to pay the Group Tax Expense is remote as the Parent will fund its Group Tax Expense from calling in intercompany receivables and from dividend distributions received from the subsidiaries.

Cash and cash equivalents
For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

Trade receivables
Trade receivables, which generally have 7-30 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An allowance for doubtful debts is made when there is objective evidence that the consolidated entity will not be able to collect the debts. Bad debts are written off as identified.

Receivables from related parties are recognised and carried at the nominal amount due.

Investments and other financial assets
Investments and other financial assets are stated at the lower of their carrying amount and fair value less costs to sell. The fair values of quoted investments are based on current bid prices. For unlisted investments, the consolidated entity establishes fair value by using valuation techniques. These include the use of recent arms length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models.

Property, plant and equipment
Plant and equipment is stated at historical cost less depreciation and any impairment in value. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight line and diminishing value basis to write off the net cost of each item of property, plant and equipment (excluding land) over its expected useful life. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items. The following rates are used to calculate depreciation on a straight line

Leasehold improvements	20% (5 years - term of lease)
Plant and equipment	20% to 50%

Intangible assets

Goodwill
Where an entity or operation is acquired, the identifiable net assets acquired are measured at fair value. The excess of the fair value of the cost of acquisition over the fair value of the identifiable net assets acquired is brought to account as goodwill. Goodwill is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses.

Premium domain names
Significant costs associated with premium domain names are capitalised as an assets. These costs are not subsequently amortised, but are tested for impairment annually as they have indefinite useful lives. Premium domain names are those domain names whose value is predominantly determined by their sales value in the secondary/after sales market.

Traffic domain names
Significant costs associated with traffic domain names are capitalised as an assets. These costs are not subsequently amortised, but are tested for impairment annually as they have indefinite useful lives. Traffic domain names are those domains whose value is predominantly determined by their ongoing revenue generating capabilities.

Software
Significant costs associated with software are deferred and amortised on a straight line basis over the period of their expected benefit, being 2 to 5 years.

Impairment of assets
Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. 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.

Trade and other payables
These amounts 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 30 days of recognition.

Borrowings
Loans are carried at their principal amounts which represent the present value of future cash flows associated with servicing the debt. Interest is accrued over the period it becomes due and is recorded as part of current payables.

Provisions
Provisions are recognised when the consolidated entity has a present obligation (legal or constructive) as a result of a past event, it is probable the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation.

Employee benefits

Wages and salaries, annual leave and sick leave
Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised other payables and provisions 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.

Long service leave
The liability for long service leave is recognised in provisions and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

Share-based payments

The consolidated entity provides benefits to employees (including senior executives) of the consolidated entity in the form of share-based payments, whereby employees render services in exchange for rights over shares (equity-settled transactions). A shareholder approved plan is in place to provide these benefits, being the consolidated entity's Employee Share Option Plan (ESOP), which provides benefits to selected employees, including directors and senior executives. In addition to the ESOP, the consolidated entity may issue rights over shares as a share-based payment to a supplier, agent or associate as part of consideration for goods or services received. The cost of these equity-settled transactions is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using the Black-Scholes pricing model, further details of which are given in note 35. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Dark Blue Sea Limited (market conditions) if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant holders become fully entitled to the award (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the consolidated entity's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The income statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period. No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the holder, as measured at the date of modification.

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

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share (see note 34).

Contributed equity
Ordinary shares are classified as equity

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options, or for the acquisition of a business, are included in the cost of the acquisition as part of the purchase consideration.

Earnings per share

Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

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.

Goods and Services Tax (GST)
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the Australian Taxation Office (ATO). In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included in other receivables or other payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the ATO, are presented as operating cash flows.

Rounding of amounts
The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the 'rounding-off' of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

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

AASB 8 Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8
AASB 8 and AASB 2007-3 are effective for annual reporting periods commencing on or after 1 January 2009. AASB 8 will result in a significant change in the approach to segment reporting, as it requires adoption of a 'management approach' to reporting on financial performance. The information being reported will be based on what the key decision makers use internally for evaluating segment performance and deciding how to allocate resources to operating segments. The consolidated entity has not yet decided when to adopt AASB 8. Application of AASB 8 may result in different segments, segment results and different types of information being reported in the segment note of the financial report. However, at this stage, it is not expected to affect any of the amounts recognised in the financial statements.

Revised AASB 123 Borrowing Costs and AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123 (AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12)
The revised AASB 123 is applicable to annual reporting periods commencing on or after 1 January 2009. It has removed the option to expense all borrowing costs and - when adopted - will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. There will be no impact on the financial report of the consolidated entity, as the consolidated entity already capitalises borrowing costs relating to qualifying assets.

Revised AASB 101 Presentation of Financial Statements and AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101
A revised AASB 101 was issued in September 2007 and is applicable for annual reporting periods beginning on or after 1 January 2009. It requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. If an entity has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third balance sheet (statement of financial position), this one being as at the beginning of the comparative period. The consolidated entity intends to apply the revised standard from 1 July 2009.

Revised AASB 3 Business Combinations
A revised AASB 3 was issued in March 2008 and is applicable for annual reporting periods beginning on or after 1 July 2009. There are a number of changes in this standard. For example, it requires the expensing of transaction costs relating to acquisitions. Currently these costs are included in the cost of acquisitions. This standard will impact the consolidated entity's accounting for acquisitions made after 1 July 2009.

Revised AASB 127 Consolidated and Separate Financial Statements
A revised AASB 3 was issued in March 2008 and is applicable for annual reporting periods beginning on or after 1 July 2009. Under the revised standard, a change in the ownership interest of a subsidiary (that does not result in loss of control) will be accounted for as an equity transaction. This standard will only impact the consolidated entity if there is a change in the subsidiaries ownership interest after 1 July 2009 that does not result in loss of control.

Note 2. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the consolidated entity and that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions
The consolidated entity makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

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

The consolidated entity measures share-based payments by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using the Black-Scholes pricing model. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

Critical judgements in applying the consolidated entity's accounting policies
There are no critical judgements that are likely to affect the current or future financial years.

Note 3. Segment information

Primary reporting - business segments
The consolidated entity operates a single integrated business and no segmented financial reporting is undertaken by the Group, primarily due to the integral way in which each of its four core business units, Roar/PageSeeker, Fabulous, Dark Blue and its Domain Name portfolio interact and collectively contribute to the revenue generating activities of the consolidated entity.

Secondary reporting - geographical segments
The consolidated entity conducts its business activities via the Internet in the global market. Sales are derived primarily in the United States with immaterial sales occurring in other jurisdictions. As the Internet is global, the Company does not and cannot specifically identify the geographic location of the end users.

Note 4. Revenue

	Consolidated		Parent entity	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
From continuing operations				
Sales revenue				
Advertising click revenue	19,748	27,122	-	-
Domain name registrations	5,606	3,298	-	-
Domain name sales	5,807	1,958	-	-
	31,161	32,378	-	-
Other revenue				
Administration fees	-	-	880	-
Dividends received from controlled entities	-	-	4,488	10,370
Interest received	148	194	13	2
Other revenue	3	-	-	-
	151	194	5,381	10,372
Revenue from continuing operations	31,312	32,572	5,381	10,372

Note 5. Other income

	Consolidated		Parent entity	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Net gain on sale of traffic and premium domain names	596	19	-	-
Subsidies and grants	157	83	-	-
Other income	753	102	-	-

Dark Blue Sea Limited
Notes to the financial statements
30 June 2008

Note 6. Expenses

	Consolidated		Parent entity	
	2008	**2007**	**2008**	**2007**
	$'000	**$'000**	**$'000**	**$'000**
Profit before income tax includes the following specific expenses:				
Finance costs				
Interest and finance charges paid/payable	58	1	-	1
Finance costs expensed	58	1	-	1
Foreign exchange loss				
Foreign exchange loss	196	432	13	10
Rental expense relating to operating leases				
Minimum lease payments	172	171	-	-
Total rental expense relating to operating leases	172	171	-	-
Defined contribution superannuation expense				
Defined contribution superannuation expense	302	297	-	-
Share-based payment expense				
Employee share option expense	434	182	434	182
Agent share option expense	413	-	413	-
Employee costs				
Total employee costs including share-based option expense	4,620	4,023	554	302

Note 7. Income tax expense

	Consolidated		Parent entity	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Income tax expense				
Current tax	1,341	1,721	1,347	1,721
Deferred tax	6	(7)	-	23
Under/(over) provision in prior years	(102)	-	(102)	-
Aggregate income tax expense	1,245	1,714	1,245	1,744
Deferred income tax expense included in income tax expense comprises:				
Decrease/(increase) in deferred tax assets (note 14)	9	(3)	-	23
(Decrease)/increase in deferred tax liabilities (note 19)	(3)	(4)	-	-
	6	(7)	-	23
Numerical reconciliation of income tax expense to prima facie tax payable				
Profit before income tax expense	3,962	5,271	4,176	9,862
Tax at the Australian tax rate of 30%	1,189	1,581	1,253	2,959
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:				
Non-taxable dividends	-	-	(1,346)	(3,111)
Loss/(profit) from overseas operations	(100)	71	-	-
Expenditure not allowable for income tax purposes	-	2	-	-
Share-based payments expense	254	55	254	55
Liability in respect of subsidiary profit	-	-	1,180	1,841
Sundry items	4	5	6	-
	1,347	1,714	1,347	1,744
Under/(over) provision in prior years	(102)	-	(102)	-
Income tax expense	1,245	1,714	1,245	1,744

Note 8. Current assets - cash and cash equivalents

	Consolidated		Parent entity	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Cash on hand	1	2	-	-
Cash at bank	5,010	6,211	230	359
	5,011	6,213	230	359

Note 9. Current assets - trade and other receivables

	Consolidated		Parent entity	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Trade receivables	181	83	-	-
Less: Provision for impairment of receivables	-	(81)	-	-
	181	2	-	-
Other receivables	1,242	2,229	-	-
Receivable from wholly-owned subsidiaries	-	-	4,217	16,681
	1,423	2,231	4,217	16,681

Bad and doubtful trade receivables
The consolidated entity has recognised a recovery of $3,000 (2007: recovery of $12,000) in respect of bad and doubtful trade receivables during the year ended 30 June 2008. This recovery has been included in "(Increase)/reduction in provision for impairment of receivables" in the income statement.

Impairment of receivables
The aging of the impairment of receivables recognised above is as follows:

	Consolidated		Parent entity	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Over 6 months	-	81	-	-

Movements in the provision for impairment of receivables are as follows:

	Consolidated		Parent entity	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Opening balance	81	93	-	-
Recovery of previously impaired receivables	-	(12)	-	-
Receivables written off during the year as uncollectible	(78)	-	-	-
Unused amounts reversed	(3)	-	-	-
Closing balance	-	81	-	-

Past due but not impaired
Customers with balances past due but without provision for doubtful debts amount to $27,000 at 30 June 2008. Management did not consider a credit risk on the aggregate balances after reviewing agency credit information and recognising a tacit extension to the recorded credit terms of customers based on recent collection practices. The same past due balances have reduced by $24,000 as at 31 July 2008.

The aging of past due but not impaired receivables is as follows:

	Consolidated		Parent entity	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
3 to 6 months	27	-	-	-

Note 10. Current assets - prepayments

	Consolidated		Parent entity	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Prepayments	2,164	2,554	37	36

The consolidated entity has amended the way it treats the amortisation of the domain registrations prepayment to reflect a change in the way it manages the consolidated entity's domain name portfolio. This resulted in a one-off change of approximately $572,000 and had the impact of reducing prepayments and profit for the year ended 30 June 2008.

Note 11. Non-current assets - investments in controlled entities

	Consolidated		Parent entity	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Shares in subsidiaries - at cost (note 31)	-	-	9,960	9,960

Note 12. Non-current assets - property, plant and equipment

	Consolidated		Parent entity	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Leasehold improvements - at cost	60	60	-	-
Less: Accumulated depreciation	(51)	(39)	-	-
	9	21	-	-
Plant and equipment - at cost	1,722	1,883	-	-
Less: Accumulated depreciation	(1,499)	(1,542)	-	-
	223	341	-	-
	232	362	-	-

Reconciliations
Reconciliations of the fair values at the beginning and end of the current and previous financial year are set out below:

	Leasehold improvements $'000	Plant and equipment $'000	Consolidated $'000
Consolidated			
Balance 1 July 2006	33	435	468
Additions	-	182	182
Depreciation expense	(12)	(276)	(288)
Balance 30 June 2007	21	341	362
Additions	-	88	88
Depreciation expense	(12)	(206)	(218)
Balance 30 June 2008	9	223	232

Note 13. Non-current assets - intangibles

	Consolidated		Parent entity	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Goodwill - at cost	1,100	1,100	-	-
Less: Accumulated amortisation	(642)	(642)	-	-
	458	458	-	-
Premium domain names - at cost	1,826	778	-	-
Less: Accumulated amortisation	(260)	(274)	-	-
	1,566	504	-	-
Traffic domain names - at cost	293	343	-	-
Less: Accumulated amortisation	(6)	(8)	-	-
	287	335	-	-
Software - at cost	159	145	-	-
Less: Accumulated amortisation	(139)	(132)	-	-
	20	13	-	-
	2,331	1,310	-	-

Reconciliations
Reconciliations of the fair values at the beginning and end of the current and previous financial year are set out below:

	Goodwill $'000	Premium domain names $'000	Traffic domain names $'000	Software $'000	Consolidated $'000
Consolidated					
Balance 1 July 2006	458	239	283	5	985
Additions	-	265	64	10	339
Disposals	-	-	(12)	-	(12)
Amortisation expense	-	-	-	(2)	(2)
Balance 30 June 2007	458	504	335	13	1,310
Additions	-	1,132	-	14	1,146
Disposals	-	(70)	(48)	-	(118)
Amortisation expense	-	-	-	(7)	(7)
Balance 30 June 2008	458	1,566	287	20	2,331

Note 13. Non-current assets - intangibles (continued)

Impairment testing - goodwill
The carrying amount of the Group's goodwill acquired through a business combination has not been allocated to separate/individual cash generating units, due to the integral way in which each of its business units, collectively contribute to the revenue generating activities of the consolidated entity.

The recoverable amount of the consolidated entity's goodwill has been determined on a value in use calculation using a discounted cash flow model, based on a twenty (20) year projection period and estimated profits to be derived by the consolidated entity over that period as determined from financial budgets approved by senior management.

The following assumptions were used in the discounted cash flow model:
A. 20% discount rate;
B. 5% per annum projected revenue growth rate;
C. 10% per annum increase in operating costs/overheads;

Senior management believes the 20% discount rate applied to the cash flow projections is appropriate, given the expected revenue growth rates, the relatively strong position of the online advertising industry, as well as the inherent risk factors of the industry compared to the current risk free interest rate.

Senior management believes the projected 5% revenue growth rate is justified and relatively conservative, based on the 20% annual revenue growth rates in the last 3-4 years for the online advertising industry generally.

Impairment testing - premium domain names
The recoverable amount of the consolidated entity's premium domain names, has been determined on a value in use calculation using discounted present values, based on the estimated future sales prices for the premium domain names.

The following assumptions were used in the discounted cash flow model for valuing the consolidated entity's premium domain names:
A. 20% discount rate;
B. 2 year discount period

Senior management believes the 20% discount rate applied to the discounted present value calculations is appropriate, given the current high levels of demand and activity in the premium domain name after-sales market, as well as the inherent risk factors of this sector of the market compared to the current risk free interest rate.

The estimated sale prices were based on recent actual sale prices of domain names of comparable quality sold in the open market. The two (2) year discount period is the estimated average holding period before each premium domain name is expected to be sold.

Impairment testing - traffic domain names
The recoverable amount of the consolidated entity's traffic domain names has been determined on a value in use calculation using a discounted cash flow model, based on ten (10) year projection period and estimated advertising revenues to be derived by the Traffic Domain Names over that period.

The following assumptions were used in the discounted cash flow model for valuing the consolidated entity's traffic domain names:
A. 20% discount rate;
B. 5% per annum projected revenue growth rate;

Management is of the considered opinion that as at 30 June 2008, the 20% discount rate accurately reflects the economic position of the domain name / direct navigation sector of the online advertising industry, as well as taking into account the inherent risk factors of the industry compared to the current risk-free interest rate.

Management also believes the projected revenue growth rate assumptions used are in line with current trends and projected industry growth rates of over 20% per annum forecasted by industry experts. These industry experts also expect the domain name traffic/direct navigation sector of the market to grow in line with the global online advertising industry.

Note 14. Non-current assets - deferred tax

	Consolidated		Parent entity	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
The balance comprises temporary differences attributable to:				
Amounts recognised in profit or loss:				
Provisions	153	160	-	-
Accruals	34	33	-	-
Deductible takeover costs to be written off against future taxable income	5	7	-	-
Pooled assets write off	-	1	-	-
Deferred tax asset	192	201	-	-
Deferred tax asset to be recovered within 12 months	99	100	-	-
Deferred tax asset to be recovered after more than 12 months	93	101	-	-
	192	201	-	-
Movements:				
Opening balance	201	198	-	23
Credited/(charged) to the income statement (note 7)	(9)	3	-	(23)
Closing balance	192	201	-	-

Note 15. Current liabilities - trade and other payables

	Consolidated		Parent entity	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Trade payables	362	12	348	8
Payable to wholly-owned subsidiaries	-	-	524	11,193
Other payables	2,106	1,656	3	1
	2,468	1,668	875	11,202

Note 16. Current liabilities - income tax

	Consolidated		Parent entity	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Provision for income tax	341	792	341	792

Note 17. Current liabilities - provisions

	Consolidated		Parent entity	
	2008	**2007**	**2008**	**2007**
	$'000	**$'000**	**$'000**	**$'000**
Provisions - employee benefits	211	213	-	-
Provisions - lease make good	60	-	-	-
Provisions - lease incentive	26	-	-	-
Provisions - credit card charge-backs	10	-	-	-
	307	213	-	-

Lease make good
The provision represents likely expenses to make good the premises leased by the consolidated entity.

Lease incentive
The provision represents future lease incentive benefits, to account for the reduced rent payable during the first 48 months of the 60 month lease. This provision will be drawn upon during the last 12 months of the term of lease in order to be able to continue to recognise the rental expense on a straight-line basis over the lease term, notwithstanding actual rental payments will increase for the last 12 months of the lease term.

Credit card charge backs
The provision represents a general provision for a loss of credit card revenue through charge backs. The consolidated entity collects a large percentage of its revenue through online processing of credit cards. A charge back occurs when a customer disputes the transaction with their bank. The level of the provision is estimated based on experience and the level of recent revenue collected by credit card.

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

	Lease make good $'000	Lease incentive $'000	Credit card charge-backs $'000	Consolidated $'000
Consolidated - 2008				
Carrying amount at the start of the year	-	-	-	-
Transfer from non-current provisions	60	25	10	95
Additional provisions recognised	-	1	-	1
Carrying amount at the end of the year	60	26	10	96

Amounts not expected to be settled within the next 12 months
The current provision for employee benefits includes annual leave. The entire obligation is presented as current, since the consolidated entity does not have an unconditional right to defer settlement. However, based on past experience, the consolidated entity does not expect all employees to take the full amount of accrued leave within the next 12 months.

The following amounts reflect leave that is not expected to be taken within the next 12 months:

	Consolidated		Parent entity	
	2008	**2007**	**2008**	**2007**
	$'000	**$'000**	**$'000**	**$'000**
Annual leave obligation expected to be settled after 12 months	33	36	-	-

Note 18. Current liabilities - other

	Consolidated		Parent entity	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Income received in advance	303	192	-	-

Note 19. Non-current liabilities - deferred tax

	Consolidated		Parent entity	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
The balance comprises temporary differences attributable to:				
Amounts recognised in profit or loss:				
Property, plant and equipment	3	6	-	-
Deferred tax liability	3	6	-	-
Deferred tax liability to be settled within 12 months	3	3	-	-
Deferred tax liability to be settled after more than 12 months	-	3	-	-
	3	6	-	-
Movements:				
Opening balance	6	10	-	-
Charged/(credited) to the income statement (note 7)	(3)	(4)	-	-
Closing balance	3	6	-	-

Note 20. Non-current liabilities - provisions

	Consolidated		Parent entity	
	2008	**2007**	**2008**	**2007**
	$'000	**$'000**	**$'000**	**$'000**
Provisions - employee benefits	201	147	-	-
Provisions - lease make good	-	60	-	-
Provisions - lease incentive	-	25	-	-
Provisions - credit card charge-backs	-	10	-	-
	201	242	-	-

Lease make good
The provision represents likely expenses to make good the premises leased by the consolidated entity.

Lease incentive
The provision represents future lease incentive benefits, to account for the reduced rent payable during the first 48 months of the 60 month lease. This provision will be drawn upon during the last 12 months of the term of lease in order to be able to continue to recognise the rental expense on a straight-line basis over the lease term, notwithstanding actual rental payments will increase for the last 12 months of the lease term.

Credit card charge backs
The provision represents a general provision for a loss of credit card revenue through charge backs. The consolidated entity collects a large percentage of its revenue through online processing of credit cards. A charge back occurs when a customer disputes the transaction with their bank. The level of the provision is estimated based on experience and the level of recent revenue collected by credit card.

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

	Lease make good $'000	Lease incentive $'000	Credit card charge-backs $'000	Consolidated $'000
Consolidated - 2008				
Carrying amount at the start of the year	60	25	10	95
Transfer to current provisions	(60)	(25)	(10)	(95)
Carrying amount at the end of the year	-	-	-	-

Note 21. Equity - contributed

	Parent entity		Parent entity	
	2008 Shares	2007 Shares	2008 $'000	2007 $'000
Ordinary shares - fully paid	82,369,287	86,828,517	10,346	13,374

Movements in ordinary share capital

Details	Date	No of shares	Issue price	$'000
Balance	1 July 2006	84,868,809		12,425
Cancelled shares pursuant to on-market share buy-back	16 August 2006	(253,292)	$0.62	(157)
Issued shares	30 June 2007	2,213,000	$0.50	1,106
Balance	30 June 2007	86,828,517		13,374
Cancelled shares pursuant to on-market share buy-back	22 October 2007	(476,917)	$0.93	(443)
Cancelled shares pursuant to on-market share buy-back	17 January 2008	(1,351,600)	$0.91	(1,231)
Cancelled shares pursuant to on-market share buy-back	5 February 2008	(891,919)	$0.79	(707)
Cancelled shares pursuant to on-market share buy-back	20 March 2008	(558,794)	$0.39	(224)
Cancelled shares pursuant to on-market share buy-back	18 June 2008	(90,000)	$0.40	(37)
Cancelled shares pursuant to on-market share buy-back	27 June 2008	(100,000)	$0.39	(39)
Cancelled shares pursuant to on-market share buy-back	30 June 2008	(990,000)	$0.35	(347)
Balance	30 June 2008	82,369,287		10,346

Ordinary shares
Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value.

Capital risk management
The consolidated entity's and parent entity's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

The consolidated entity seeks to return excess cash/capital to shareholders either as dividends or via share buybacks when value opportunities exist in the parent entity's own shares. Investing in the parent entity's shares is akin to buying into a domain portfolio and so when the value of the parent entity's shares is cheaper than market opportunities to buy existing domain name portfolios a share buyback is seen as value adding.

When deciding on a dividend the consolidated entity takes into account the current trading performance, short to medium term profitability trends and cash reserves, debt facilities and exchange rates. A dividend will not be paid when the result of this analysis appears too risky.

The consolidated entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current parent entity's share price at the time of the investment.

Note 22. Equity - reserves

	Consolidated		Parent entity	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Options reserve	2,412	1,565	2,412	1,565

	Options reserve $'000	Consolidated $'000
Consolidated		
Balance 1 July 2006	1,383	1,383
Cost of share-based payments	182	182
Balance 30 June 2007	1,565	1,565
Cost of share-based payments	847	847
Balance 30 June 2008	2,412	2,412

	Options reserve $'000	Parent $'000
Parent entity		
Balance 1 July 2006	1,383	1,383
Cost of share-based payments	182	182
Balance 30 June 2007	1,565	1,565
Cost of share-based payments	847	847
Balance 30 June 2008	2,412	2,412

Options reserve
The reserve is used to record the value of equity benefits provided to employees and directors as part of their remuneration; and other parties as part of their compensation for services.

Note 23. Equity - retained profits

	Consolidated		Parent entity	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Retained profits/(accumulated losses) at the beginning of the financial year	(5,181)	(6,623)	103	(5,900)
Profit after income tax expense	2,717	3,557	2,931	8,118
Dividends paid (note 24)	(2,564)	(2,115)	(2,564)	(2,115)
Retained profits/(accumulated losses) at the end of the financial year	(5,028)	(5,181)	470	103

Note 24. Equity - dividends

	Consolidated		Parent entity	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Final ordinary dividend for the year ended 30 June 2007 of 1.5 cents (2006: 1.0 cent) per fully paid share paid on 3 October 2007	1,302	813	1,302	813
Interim ordinary dividend for the year ended 30 June 2008 of 1.5 cents (2007: 1.5 cents) per fully paid share paid on 2 April 2008	1,262	1,302	1,262	1,302
	2,564	2,115	2,564	2,115
Franking credits available for subsequent financial years based on a tax rate of 30%	2,643	1,826	2,643	1,826

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:
- franking credits that will arise from the payment of the amount of the provision for income tax
- franking credits that will arise from the payment of dividends recognised as a liability at the reporting date
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date

Note 25. Financial instruments

Financial risk management objectives
The consolidated entity's activities exposes it to a variety of financial risks: market risk (including foreign currency risk), credit risk, and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and foreign exchange risks.

Risk management is carried out by senior finance executives (finance) under policies approved by the board of directors. Finance identifies, evaluates and hedges financial risks within the consolidated entity's operating units.

Note 25. Financial instruments (continued)

Market risk

Foreign currency risk
The consolidated entity and the parent entity undertake certain transactions denominated in foreign currency and are exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

The consolidated entity earns substantially all of its operating revenue in United States dollars (USD$) and yet the majority of its operating costs and other transactions are paid in Australian dollars (AUD$). Accordingly, the consolidated entity has a significant transactional currency exposure, with fluctuations in the USD$/AUD$ exchange rate having a material impact on the consolidated entity's financial performance.

The consolidated entity has a policy of ensuring that excess cash reserves are held in USD$ and sufficient AUD$ are held to meet working capital, income tax and dividend requirements. The consolidated entity also enters into forward foreign exchange contracts to buy specified amounts of US Dollars in the future at a pre-determined exchange rate. The settlement dates, dollar amounts to be paid and the contractual exchange rates of the consolidated entity's outstanding forward exchange contracts at balance date are:

Buy US Dollars	**Sell Australian Dollars**		**Average exchange rates**	
	2008	**2007**	**2008**	**2007**
	$'000	**$'000**		
Maturity:				
0 - 3 months	398	-	0.9321	-

The carrying amount of the consolidated entity's and parent entity's foreign currency denominated financial assets and financial liabilities at the reporting was as follows:

	Assets		**Liabilities**	
	2008	**2007**	**2008**	**2007**
	$'000	**$'000**	**$'000**	**$'000**
Consolidated				
US Dollar	5,427	6,855	2,203	1,658

	Assets		**Liabilities**	
	2008	**2007**	**2008**	**2007**
	$'000	**$'000**	**$'000**	**$'000**
Parent entity				
US Dollar	157	120	-	-

The consolidated entity had net assets dominated in US Dollars of AUD$3,224,000 (assets AUD$5,427,000 less liabilities AUD$2,203,000) as at 30 June 2008. Based on this exposure, had the Australian Dollar weakened/strengthened by 10% against the US Dollar with all other variables held constant, the consolidated entity's profit for the year would have been $320,000 lower/$320,000 higher. The actual foreign exchange loss for the year ended 30 June 2008 was $196,000 (2007: loss of $432,000).

The parent entity had assets dominated in US Dollars of AUD$157,000 as at 30 June 2008 and this is not a significant risk.

Price risk
The consolidated entity and parent entity are not exposed to price risk.

Note 25. Financial instruments (continued)

Interest rate risk
The consolidated entity and parent entity's main interest rate risk arises from cash at bank. For the consolidated entity, based on cash at bank as at 30 June 2008 of $5,010,000, an official decrease in interest rates one percentage point would have an adverse affect on profit of $50,000 per annum. For the parent entity, based on cash at bank as at 30 June 2008 of $230,000, an official decrease in interest rates one percentage point would have an adverse affect on profit of $2,000 per annum.

The consolidated entity and parent entity have no long-term borrowings and are not exposed to interest rate risk on borrowings.

Credit risk
Credit risk is managed on a consolidated entity basis. Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has a strict code of credit and obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheets and notes to the financial statements.

Due to the nature of the industry in which the consolidated entity operates, it does have a recognised concentration of credit risk in relation to trade receivables and other receivables, having entered into transactions with a small number of customers with high monthly account balances.

The consolidated entity’s main trade receivable is from a single customer whose average monthly receivable comprises $1,149,000 (i.e. approximately 81% of the total monthly receivables balance) (Consolidated 2007: $1,532,000 (i.e. approximately 69% of the total monthly receivables balance)) .

Liquidity risk
The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Financing arrangements
Undrawn borrowing facilities at the reporting date to which the consolidated entity and the parent entity had access to are disclosed in note 36.

The bank overdraft facilities may be drawn at any time and may be terminated by the bank without notice. Subject to the continuance of satisfactory credit ratings, the bank loan facilities may be drawn at any time and have an average maturity of 1 year (2007: 1 year).

Liquidity and interest rate risk management
The following tables detail the consolidated entity's and parent entity's remaining contractual maturity for their non-derivative financial instruments as there are no derivative financial instruments. All non-derivative financial instruments are non-interest bearing and thus the remaining contractual maturities are equal to their carrying amount in the balance sheet. All non-derivative financial instruments are due within one year.

Consolidated - 2008	Weighted average interest rate %	1 year or less $'000	Over 1 to 2 years $'000	Over 2 to 3 years $'000	Over 3 to 4 years $'000	Remaining contractual maturities $'000
Non-derivatives						
Non-interest bearing						
Trade payables	-	362	-	-	-	362
Other payables	-	2,106	-	-	-	2,106
Total non-derivatives		2,468	-	-	-	2,468

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Note 25. Financial instruments (continued)

Consolidated - 2007	Weighted average interest rate %	1 year or less $'000	Over 1 to 2 years $'000	Over 2 to 3 years $'000	Over 3 to 4 years $'000	Remaining contractual maturities $'000
Non-derivatives						
Non-interest bearing						
Trade payables	-	12	-	-	-	12
Other payables	-	1,656	-	-	-	1,656
Total non-derivatives		1,668	-	-	-	1,668

Parent entity - 2008	Weighted average interest rate %	1 year or less $'000	Over 1 to 2 years $'000	Over 2 to 3 years $'000	Over 3 to 4 years $'000	Remaining contractual maturities $'000
Non-derivatives						
Non-interest bearing						
Trade payables	-	348	-	-	-	348
Other payables	-	3	-	-	-	3
Other loans	-	524	-	-	-	524
Total non-derivatives		875	-	-	-	875

Parent entity - 2007	Weighted average interest rate %	1 year or less $'000	Over 1 to 2 years $'000	Over 2 to 3 years $'000	Over 3 to 4 years $'000	Remaining contractual maturities $'000
Non-derivatives						
Non-interest bearing						
Trade payables	-	8	-	-	-	8
Other payables	-	1	-	-	-	1
Other loans	-	11,193	-	-	-	11,193
Total non-derivatives		11,202	-	-	-	11,202

Fair value of financial instruments
The carrying amounts of financial instruments reflect their fair value.

Revenue concentration risk
The online pay per click advertising space is dominated by two entities, Yahoo! and Google. Over the past few years the collective market share of these two entities has continued to grow as the industry consolidates. Typically, when dealing with either of these entities the traffic source (Dark Blue Sea is a traffic source) will enter into an exclusive contract. The Dark Blue Sea group has an exclusive deal with one of these entities.

During the year ended 30 June 2008, the group earned approximately 47% (2007: 59%) of its total operating revenue (or approximately 75% of its “Advertising click revenue” (2007: 70%)) from one of the entities. The group expects this revenue concentration risk will continue for the foreseeable future.

Note 26. Key management personnel disclosures

Directors
The following persons were directors of Dark Blue Sea Limited during the financial year:

Vernon Wills	Non-Executive Chairman
Richard Moore	Chief Executive Officer
Joseph Ganim	Non-Executive Director

Other key management personnel
The following persons also had authority and responsibility for planning, directing and controlling the activities of the consolidated entity, directly or indirectly, during the financial year:

Jackson Hopkins	Chief Technology Officer
Greg Platz	Chief Financial Officer
Dan Warner	Chief Operations Officer

Compensation
The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	Consolidated		Parent entity	
	2008	2007	2008	2007
	$	$	$	$
Short-term employee benefits	865,371	686,876	70,000	65,000
Post-employment benefits	115,178	107,379	50,000	55,000
Share-based payments	257,448	92,814	-	92,814
	1,237,997	887,069	120,000	212,814

Note 26. Key management personnel disclosures (continued)

Shareholding
The number of shares in the parent entity held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

2008	Balance at the start of the year	Received as part of remuneration	Additions	Disposals	Balance at the end of the year
Ordinary shares					
Vernon Wills	8,881,891	-	500,000	-	9,381,891
Richard Moore	3,479,122	-	100,000	-	3,579,122
Joseph Ganim	1,942,744	-	275,000	-	2,217,744
Jackson Hopkins	142,021	-	-	(28,000)	114,021
Gregory Platz	1,345,260	-	-	(190,000)	1,155,260
Dan Warner	380,000	-	85,100	(380,000)	85,100

2007	Balance at the start of the year	Received as part of remuneration	Additions	Disposals	Balance at the end of the year
Ordinary shares					
Vernon Wills	8,881,891	-	-	-	8,881,891
Richard Moore	2,979,122	-	500,000	-	3,479,122
Joseph Ganim	1,942,744	-	-	-	1,942,744
Jackson Hopkins	87,041	-	183,000	(128,020)	142,021
Gregory Platz	1,162,260	-	183,000	-	1,345,260
Dan Warner	300,000	-	380,000	(300,000)	380,000

Loans to Key Management Personnel (Consolidated)
There were no outstanding loans to directors or executives as at the beginning of the year and no loans have been made during the current year.

Other transactions and balances with Key Management Personnel (Consolidated)
During the current financial year, Hopgood Ganim Lawyers provided legal services to the consolidated entity. Mr Joseph M. Ganim, a non-executive director of the company is a lawyer and partner of Hopgood Ganim Lawyers. These services were provided at normal commercial rates and totalled $34,900 for the current year (2006: $33,063).

Note 26. Key management personnel disclosures (continued)

Option holding
The number of options over ordinary shares in the parent entity held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

2008	Balance at the start of the year	Granted	Exercised	Expired	Balance at the end of the year
Ordinary shares					
Richard Moore	1,500,000	-	-	-	1,500,000
Jackson Hopkins	150,000	250,000	-	-	400,000
Gregory Platz	-	250,000	-	-	250,000
Dan Warner	375,000	1,000,000	-	-	1,375,000

2007	Balance at the start of the year	Granted	Exercised	Expired	Balance at the end of the year
Ordinary shares					
Richard Moore	500,000	1,500,000	(500,000)	-	1,500,000
Jackson Hopkins	333,000	-	(183,000)	-	150,000
Gregory Platz	183,000	-	(183,000)	-	-
Dan Warner	875,000	-	(380,000)	(120,000)	375,000

Further disclosures
The consolidated entity has applied the relief outlined in AASB 2008-4, by disclosing the full key management personnel disclosures in the directors' report only, thus not duplicating that information in the financial report. These transferred disclosures have been audited.

Note 27. Remuneration of auditors

During the year the following fees were paid or payable for services provided by Ernst & Young, the auditor of the company, and its related practices:

	Consolidated		**Parent entity**	
	2008	**2007**	**2008**	**2007**
	$	**$**	**$**	**$**
Audit services - Ernst & Young				
Audit or review of the financial report	170,720	182,490	-	-
	170,720	182,490	-	-
Other services - Ernst & Young				
Other assurance services	3,500	-	-	-
	3,500	-	-	-
	174,220	182,490	-	-
Other services - related practices				
Tax services	-	1,795	-	-
	-	1,795	-	-
	-	1,795	-	-

Note 28. Contingent liabilities

Potential legal claim
Overture Services Inc ("Overture"), a subsidiary of Yahoo! Inc., the market leader in pay-per-click search engines, lodged several patent applications for pay-per-click search engine technology, including U.S. Patent No. 6,269,361, which was filed in May 1999 and granted in July 2001 ("the Overture Patent").

If Overture do elect to enforce the Overture Patent against other operators, Pageseeker.com Pty Ltd (a wholly owned subsidiary of Dark Blue Sea Ltd), could potentially be found to be in breach of the patent claims and therefore liable for an account of profits or unpaid royalties.

The amount of this potential liability cannot currently be determined, although the terms of the licence agreements entered into between Yahoo!/Overture and Marchex, Yahoo!/Overture and FindWhat/MIVA and Yahoo!/Overture and Google may be indicative of what licence fees and royalties Yahoo! Inc. may seek to recover from other per click search engine operators, including Pageseeker.com Pty Ltd.

No further legal proceedings have been commenced by Yahoo!/Overture against any other pay-per-click search engine operators since 2005.

	Consolidated		Parent entity	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Bank guarantees	140	140	-	-

Note 29. Commitments for expenditure

	Consolidated		Parent entity	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Lease commitments - operating				
Committed at reporting date but not recognised as liabilities, payable:				
Within one year	180	187	-	-
One to five years	14	158	-	-
	194	345	-	-
Remuneration commitments				
Committed at reporting date but not recognised as liabilities, payable:				
Within one year	250	250	-	-
One to five years	-	250	-	-
	250	500	-	-

Note 30. Related party transactions

Parent entity
The parent entity is Dark Blue Sea Limited.

Subsidiaries
Interests in subsidiaries are set out in note 31.

Key management personnel
Disclosures relating to key management personnel are set out in note 26 and the directors' report.

Transactions with related parties
The following transactions occurred with related parties:

	Consolidated		Parent entity	
	2008 $	2007 $	2008 $	2007 $
Other income:				
Dividends received from subsidiaries	-	-	4,488,032	10,370,077
Payment for goods and services:				
Payment for legal services to Hopgood Ganim Lawyers of whom Joseph Ganim is a partner	34,900	33,063	-	-

Receivable from and payable to related parties
There are no trade receivables from or trade payables to related parties at the reporting date.

Loans to/from related parties
The following balances are outstanding at the reporting date in relation to loans with related parties:

	Consolidated		Parent entity	
	2008 $	2007 $	2008 $	2007 $
Current receivables:				
Loan to subsidiaries	-	-	4,216,945	16,681,324
Current borrowings:				
Loan from subsidiaries	-	-	524,035	11,192,654

Terms and conditions
All transactions were made on normal commercial terms and conditions and at market rates.

Note 31. Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1:

		Equity holding		Parent entity	
	Country of	2008	2007	2008	2007
Name of entity	**incorporation**	**%**	**%**	**$'000**	**$'000**
DBS Enterprises Pty Limited	Australia	100.00	100.00	9,960	9,960
Strategic Internet Marketing Pty Limited	Australia	100.00	100.00	-	-
Darkblue.com Pty Limited	Australia	100.00	100.00	-	-
DBS Administration Pty Limited	Australia	100.00	100.00	-	-
Roar.com Pty Limited	Australia	100.00	100.00	-	-
Pageseeker Pty Limited	Australia	100.00	100.00	-	-
Protopixel Pty Limited	Australia	100.00	100.00	-	-
Searchabout Pty Limited	Australia	-	100.00	-	-
Unreal sports.com Pty Limited	Australia	100.00	100.00	-	-
Fabulous.com Pty Limited	Australia	100.00	100.00	-	-
Domain Active Pty Limited	Australia	100.00	100.00	-	-
Domain Active Europe Limited	United Kingdom	100.00	100.00	-	-
				9,960	9,960

BattleTrolls Pty Limited changes its name to Strategic Internet Marketing Pty Limited on 4 January 2008.

Note 32. Events occurring after balance date

In July 2008 the company undertook share buy-backs totalling 3,861,206 shares for total consideration of $1,358,179.

On 26 August 2008 the Board declared a final dividend for the financial year ended 30 June 2008 of 0.50 cents per ordinary share, fully franked, with a record date of 12 September 2008 and payable on 29 September 2008.

Apart from the matters discussed above, no other matter or circumstance has arisen since 30 June 2008 that has significantly affected, or may significantly affect the consolidated entity's operations in future financial years, the results of those operations in future financial years, or the consolidated entity's state of affairs in future financial years.

Note 33. Reconciliation of profit after income tax to net cash flows from operating activities

	Consolidated		Parent entity	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Profit after income tax expense	2,717	3,557	2,931	8,118
Depreciation and amortisation	225	290	-	-
Net loss/(profit) on sale of non-current assets	(596)	(19)	-	-
Foreign exchange differences	196	432	13	10
Dividends received from subsidiaries	-	-	(4,488)	(10,370)
Share-based payments expense	847	182	847	182
Change in operating assets and liabilities:				
(Increase)/decrease in trade and other receivables	808	208	-	2
(Increase)/decrease in deferred tax assets	9	(3)	6	23
(Increase)/decrease in prepayments	390	(8)	(1)	(12)
Increase/(decrease) in trade and other payables	453	(1,557)	(11)	6
Increase/(decrease) in provision for income tax	(451)	(520)	(451)	(520)
Increase/(decrease) in deferred tax liabilities	(3)	(4)	-	-
Increase/(decrease) in employee benefits	52	-	-	-
Increase/(decrease) in other provisions	1	59	-	-
Increase/(decrease) in other operating liabilities	111	-	-	-
Net cash inflow/(outflow) from operating activities	4,759	2,617	(1,154)	(2,561)

Note 34. Earnings per share

	Consolidated	
	2008	2007
	$'000	$'000
Profit after income tax attributable to members of Dark Blue Sea Limited	2,717	3,557
Weighted average number of ordinary shares used in calculating basic earnings per share	85,366,049	84,864,000
Weighted average number of ordinary shares used in calculating diluted earnings per share	85,366,049	84,864,000
	Cents	Cents
Basic earnings per share	3.18	4.19
Diluted earnings per share	3.18	4.19

Note 35. Share-based payments

Employee Share Option Plan
An Employee Share Option Plan (ESOP) has been established by the company and approved by shareholders at general meeting, whereby the company may, at the discretion of the Board, grant options over ordinary shares in the company to certain employees of the consolidated entity. The options are issued for NIL consideration and are granted in accordance with performance guidelines established by the Board.

The options that have been issued to employees pursuant to the company's employee share option plan are not to be quoted on the ASX or any other exchange. Details of the employee options currently on issue are as follows:

1,755,000 options issued on 30 June, 2006, exercisable at $0.90 each on or after 30 June 2008 and expiring on 30 September 2008 and subject to the following conditions:

- The options cannot be transferred from the person to whom they were issued without the prior written consent of the directors (which may be given or refused in their absolute discretion);
- The options cannot be exercised until 30 June 2008;
- The employee must remain in continuous employment with the company from the date of issue until the date of exercise.

2,400,000 options issued on 2 August 2007, exercisable at $1.20 each on or after 2 August 2009 and expiring on 31 December 2009 and subject to the following conditions:

- The options cannot be transferred from the person to whom they were issued without the prior written consent of the directors (which may be given or refused in their absolute discretion);
- The options cannot be exercised until 2 August 2009;
- The employee must remain in continuous employment with the company from the date of issue until the date of exercise.

Set out below are summaries of options granted under the plan:

2008

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited	Balance at the end of the year
30/06/06	30/09/08	$0.90	1,612,000	-	-	(51,000)	1,561,000
02/08/07	31/12/09	$1.20	-	2,400,000	-	(46,000)	2,354,000

2007

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited	Balance at the end of the year
30/06/06	30/09/08	$0.90	1,755,000	-	-	(143,000)	1,612,000

Note 35. Share-based payments (continued)

Options granted as part of remuneration - Richard Moore
1,500,000 options were granted to Richard Moore on 8 May 2007, exercisable at $1.20 each on or after 30 April 2009 and expiring on 31 December 2009 ("the Options") and subject to the following conditions:
- The options cannot be exercised until 30 April 2009;
- The options are subject to satisfying the continuous employment condition;

Options granted to major domain name registrar
6,500,000 options were granted to major domain name registrar, exercisable at $0.65 each on or after 7 March 2008 and expiring on 6 June 2013. The ability to exercise these options is subject to certain performance criteria. Further information cannot be disclosed due a confidentiality clause in the contract.

Share-based payments expense
A share-based payments expense for the year ended 30 June 2008 of $847,000 (employees $434,000 and supplier as agent $413,000) (2007: total $182,000 total; employees $182,000) has been recognised in the income statement.

Note 36. Financing arrangements

The consolidated entity does not have any borrowings. At reporting date, the following facilities had been negotiated and were available:
- Bank overdraft facility of AUD$1,000,000
- Bank overdraft facility of USD$4,000,000

Both of these facilities were unused as at 30 June 2008. These facilities are secured by a "Fixed and Floating Charge" over the assets of the consolidated entity as well as a "Interlocking Guarantee and Indemnity" given by each company in the consolidated entity, in favour of National Australia Bank.