

Appendix 4E

Preliminary Final Report to the Australian Securities Exchange

Part 1

Name of Entity	WebSpy Limited
ABN	60 066 153 982
Financial Year Ended	30 June 2009
Previous Corresponding Reporting Period	Financial year ended 30 June 2008

Part 2 – Results for Announcement to the Market

	\$'000	Percentage increase /(decrease) over previous corresponding period
Revenue from continuing operations	1,403	(11.6%)
Profit/(loss) from continuing operations after tax attributable to members	(1,100)	103.5%
Net profit/(loss) attributable to members	(1,100)	2008 year – profit recorded

Dividends (distributions)	Amount per security	Franked amount per security
Final Dividend	Nil	Nil
Interim Dividend	Nil	Nil
Record date for determining entitlements to the dividends (if any)	Not Applicable	

Brief explanation of any of the figures reported above necessary to enable the figures to be understood:

N/A

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Part 3 – Contents of ASX Appendix 4E

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Part 4 – Consolidated Income Statement

	2009 (\$)	2008 (\$)
Revenue from continuing operations	1,402,544	1,586,876
Cost of sales	<u>(90,959)</u>	<u>(94,333)</u>
Gross profit	<u>1,311,585</u>	<u>1,492,543</u>
Finance income	99,438	3,677
Other revenue	30,654	121,537
Marketing expenses	(985,560)	(1,316,207)
Corporate and administrative expenses	(1,351,064)	(635,987)
Technical expenses	-	(125,513)
Research and development expenses	<u>(205,076)</u>	<u>(389,795)</u>
Loss before income tax	(1,100,023)	(849,745)
Income tax credit	-	309,229
Profit/(loss) from continuing operations	(1,100,023)	(540,516)
Profit from discontinued operations	<u>-</u>	<u>2,203,773</u>
Profit/(loss) for the year	<u>(1,100,023)</u>	<u>1,663,257</u>

Part 5 – Accumulated losses

	2009 (\$)	2008 (\$)
Accumulated losses at the beginning of the year	(15,172,633)	(16,835,890)
Profit/(loss) for the year	<u>(1,100,023)</u>	<u>1,663,257</u>
Accumulated losses at the end of the year	<u><u>(16,272,656)</u></u>	<u><u>(15,172,633)</u></u>

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Part 6 – Consolidated Balance Sheet

	2009 (\$)	2008 (\$)
CURRENT ASSETS		
Cash and cash equivalents	1,136,621	1,823,149
Trade and other receivables	263,979	699,732
Inventories	-	10,599
Other assets	14,816	27,697
Total Current Assets	<u>1,415,416</u>	<u>2,561,177</u>
NON CURRENT ASSETS		
Trade and other receivables	16,860	-
Property, plant & equipment	46,028	46,824
Total Non Current Assets	<u>62,888</u>	<u>46,824</u>
TOTAL ASSETS	<u>1,478,304</u>	<u>2,608,001</u>
CURRENT LIABILITIES		
Trade and other payables	247,378	279,806
Short-term provisions	64,054	110,299
Total Current Liabilities	<u>311,432</u>	<u>390,105</u>
NON CURRENT LIABILITIES		
Trade and other payables	42,582	-
Total Non Current Liabilities	<u>42,582</u>	<u>-</u>
TOTAL LIABILITIES	<u>354,014</u>	<u>390,105</u>
NET ASSETS	<u>1,124,290</u>	<u>2,217,896</u>
EQUITY		
Issued capital	17,500,386	17,500,386
Reserves	(103,439)	(109,857)
Accumulated losses	(16,272,657)	(15,172,633)
TOTAL EQUITY	<u>1,124,290</u>	<u>2,217,896</u>

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Part 7 – Consolidated Statement of Cash Flows

	2009 (\$)	2008 (\$)
Cash flows from operating activities		
Cash receipts in the course of operations	1,521,575	3,482,013
Cash payments in the course of operations	(2,580,619)	(4,118,314)
Interest received	101,602	9,894
Income tax refunds	298,606	352,709
Borrowing costs paid	(2,165)	-
<i>Net cash provided by/(used in) operating activities</i>	<u>(661,001)</u>	<u>(273,698)</u>
Cash flows from investing activities		
Payments for plant and equipment	(27,363)	(62,669)
Proceeds from sale of subsidiary (net of cash disposed of)	-	1,988,432
Repayment from other entities	-	-
<i>Net cash provided by/(used in) investing activities</i>	<u>(27,363)</u>	<u>1,925,763</u>
Net (decrease)/increase in cash held	(688,364)	1,652,065
Cash at the beginning of the financial year	1,823,149	173,803
Effects of exchange rate fluctuations on the balance of cash held in foreign currencies	1,836	(2,719)
Cash at the end of the financial year	<u>1,136,621</u>	<u>1,823,149</u>

Part 8 – Basis of Preparation

This preliminary final report has been prepared in accordance with ASX Listing Rule 4.3A and the disclosure requirements of ASX Appendix 4E.

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Part 9 – Revenue and Expenses

The loss for the year includes the following items of revenue and expense:

	2009	2008
	(\$)	(\$)
Revenue		
From continuing operations		
Sale of goods revenue	1,218,643	1,435,521
Rendering of service revenue	183,901	151,355
	<u>1,402,544</u>	<u>1,586,876</u>
From discontinued operations		
Sale of goods revenue	-	137,959
Rendering of service revenue	-	1,520,128
	<u>-</u>	<u>1,658,087</u>
Other revenue		
From continuing operations		
Rental income	38,945	107,736
Other income	(8,291)	13,801
	<u>30,654</u>	<u>121,537</u>
From discontinued operations		
Other income	-	25,250
	<u>-</u>	<u>25,250</u>
Other expenses		
Depreciation and amortisation	(27,909)	(36,820)
Personnel expenses		
Salaries and wages	(1,118,846)	(916,126)
Other associated personnel expenses	(16,775)	(15,036)
Superannuation costs	(94,741)	(95,179)
Increase in liability for annual leave	3,664	(11,053)
	<u>(1,226,698)</u>	<u>(1,037,394)</u>

Part 10 – Commentary on Results

The most significant impact on this year's result has been from the Global Financial Crisis affecting WebSpy's traditional revenue model by between 40%-50% per month since October 2008. Other factors adversely affecting this year's results include the cost of redundancies made and the effect of a strengthening Australian dollar on export earnings.

WebSpy has taken the following steps to ensure further impact is mitigated and the Company maintains an operating profit from its sales of the WebSpy products by:

- Having finalised the restructure of overseas offices in the areas of staff levels, and office locations; resulting in a reduction of sales staff overseas to a total of three, and the relocation of the US office in June 2009 and the UK office in November 2009,
- Restructured and reduced administrative and development costs in the Perth Head Office,
- Launched a new pricing structure on all current products providing customers the option to purchase single year licenses to accommodate customers with reduced budgets for perpetual licenses,
- The introduction of an online purchase only product designed to compete with products being offered to small business at around \$300-\$500 USD price points,
- Commenced research and development of a new low priced product which will be launched December 2009 and will be WebSpy's first product for small offices and home offices.

Part 11 – Notes to the Consolidated Statement of Cash Flows

	2009 (\$)	2008 (\$)
(a) Reconciliation of cash		
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:		
Cash and cash equivalents	<u>1,136,621</u>	<u>1,823,149</u>
(b) Reconciliation of profit/(loss) after income tax to net cash flows used in operating activities		
Profit/(loss) after income tax	(1,100,023)	1,663,257
Add non-cash items:		
Profit on disposal of business unit	-	(1,800,000)
Loss on disposal of fixed assets	-	878
Provision for employee entitlements	(3,664)	5,022
Depreciation	27,908	49,702
Amortisation	-	-
Impairment of inventories	12,111	11,984
Foreign exchange loss	<u>(2,548)</u>	<u>(47,047)</u>
Net cash from/(used in) operating activities before changes in assets and liabilities	(1,066,216)	(116,204)
Changes in assets and liabilities during the financial year:		
Decrease/(Increase) in receivables	435,805	(123,747)
(Increase)/Decrease in prepayments	14,076	(10,987)
(Increase)/Decrease in inventories	-	5,344
Increase/(Decrease) in payables	<u>(44,666)</u>	<u>(28,104)</u>
Net cash from/(used in) operating activities	<u>(661,001)</u>	<u>(273,698)</u>

Part 12 – Details Relating to Dividends

Date the dividend is payable	N/A
Record date to determine entitlement to the dividend	
Amount per security	
Total dividend	
Amount per security of foreign sourced dividend or distribution	
Details of any dividend reinvestment plans in operation	
The last date for receipt of an election notice for participation in any dividend reinvestment plans	

Part 13 – Loss per Share

	2009	2008
Basic profit/(loss) per share	(0.92) cents	1.40 cents
	No.	No.
Weighted average number of ordinary shares used as the denominator in the calculation of basic earnings per share	119,141,275	119,141,275

Part 14 – Net Tangible Assets per Security

	2009	2008
Net tangible asset backing per ordinary security	0.94 cents	1.89 cents

Part 15 – Details of Entities Over Which Control has been Gained or Lost**(a) Description**

During the previous year the Company disposed of its Netlink Inspection business unit. The comparative financial performance and cash flow information presented are for the period ended 29 May 2008, the effective date on which the disposal occurred. The combined results of the discontinued operations included in the comparative information in the income statement are as set out below.

(b) Financial performance and cash flow information

The financial performance and cash flow information presented are for the eleven months ended 29 May 2008 (2008 column).

	2009	2008
	\$	\$
Revenue	-	1,683,337
Expenses	-	(1,279,564)
Profit before income tax	-	403,773
Income tax expense	-	-
Profit after income tax of discontinued operations	-	403,773
Gain on sale of the division before income tax	-	1,800,000
Income tax expense	-	-
Gain on sale of the division after income tax	-	1,800,000
Profit from discontinued operations	-	2,203,773
Net cash inflow from operating activities	-	302,230
Net cash inflow from investing activities (2008 includes an inflow of \$2,000,000 from the sale of the business unit, less cash disposed of in the sale of \$11,568)	-	1,954,796
Net increase in cash generated by the division	-	2,257,026

Part 15 – Details of Entities Over Which Control has been Gained or Lost (continued)

	2009	29 May
	\$	2008
	\$	\$
(c) Carrying amounts of assets and liabilities		
The carrying amounts of assets and liabilities as at the date of sale (29 May 2008) and 30 June 2009 are:		
Cash	-	11,568
Trade receivables	(13,500)	332,222
Property, plant and equipment	-	45,399
Total assets	(13,500)	389,189
Trade payables	-	102,244
Short-term provisions	-	73,445
Total liabilities	-	175,689
Net assets	-	213,500
(d) Details of the sale of the business unit		
Cash consideration received/to be received	(13,500)	2,013,500
Total disposal consideration	(13,500)	2,013,500
Carrying amount of net assets sold	13,500	(213,500)
Gain on sale before income tax	-	1,800,000
Income tax expense	-	-
Gain on sale after income tax	-	1,800,000

Part 16 – Details of Associates and Joint Venture Entities

	Ownership Interest		Contribution to net profit/(loss)	
	2009 %	2008 %	2009 \$A'000	2008 \$A'000
Name of entity	N/A	N/A	N/A	N/A
Associates				
Joint Venture Entities				
Aggregate Share of Losses				

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Part 17 – Issued Securities

	2009 (\$)	2008 (\$)
Share capital		
119,141,275 fully paid ordinary shares	17,500,386	17,500,386
There were no movements in share capital during the year.		
Options		
There are no unissued ordinary shares in the Company under option.		

Part 18 – Segment Information

(a) Description of segments

The consolidated entity's business units operate in three main geographical areas: Australia, the United States and Europe.

Australia is the home country of the parent entity which is also the main operating entity. The areas of operation are principally software development, sales and the provision of services. The Netlink Inspection business unit was sold during the year.

(b) Primary reporting format - geographical segments

2009	Australia	North America	Europe	Consolidated Group
Revenue				
External sales	289,391	478,075	635,078	1,402,544
Other revenue	30,654	-	-	30,654
Total segment revenue	320,045	478,075	635,078	1,433,198
Unallocated revenue				99,438
Consolidated revenue				1,532,636
Result				
Segment result	(1,255,077)	128,487	144,186	(982,404)
Unallocated revenue and income tax benefit				(117,619)
Profit for the year				(1,100,023)
Depreciation and amortisation	25,992	462	1,455	27,909
Assets				
Segment assets	139,259	73,605	128,819	341,683
Unallocated assets				1,136,621
Consolidated total assets				1,478,304
Acquisition of non-current segment assets	23,670	2,378	1,315	27,363
Liabilities				
Segment liabilities	(202,158)	(39,416)	(112,440)	(354,014)

Part 18 – Segment Information (continued)

(b) Primary reporting format - geographical segments (continued)

2008	Australia	North America	Europe	Total continuing operations	Discontinued operation	Consolidated Group
Revenue						
External sales	304,781	493,626	788,469	1,586,876	1,658,086	3,244,962
Other revenue	121,537	-	-	121,537	1,825,250	1,946,787
Total segment revenue	426,318	493,626	788,469	1,708,413	3,483,336	5,191,749
Unallocated revenue				3,677	-	3,677
Consolidated revenue				1,712,090	3,483,336	5,195,426
Result						
Segment result	(997,062)	132,493	239,081	(625,488)	2,206,718	1,581,230
Unallocated revenue and income tax benefit				82,027	-	82,027
Profit for the year						1,663,257
Depreciation and amortisation	29,601	1,046	6,352	36,999	12,703	49,702
Assets						
Segment assets	515,544	71,712	197,596	784,852	-	784,852
Unallocated assets				1,823,149	-	1,823,149
Consolidated total assets				2,608,001	-	2608,001
Acquisition of non-current segment assets	25,870	-	1,918	27,788	33,636	61,424
Liabilities						
Segment liabilities	(263,378)	(39,959)	(86,768)	(390,105)	-	(390,105)

(c) Secondary reporting - business segments

The principal activity of the economic entity is software development and sales. More than 90% of segment revenue and segment profits/(losses), and more than 90% of segment assets, relate to these operations.

(d) Accounting Policies

Segment revenues and expenses are those directly attributable to the segments and include any joint revenue and expenses where a reasonable basis of allocation exists. Segment assets include all assets used by a segment and consist principally of cash, receivables, inventories, intangibles and property, plant and equipment, net of allowances and accumulated depreciation and amortisation. While most such assets can be directly attributed to individual segments, the carrying amount of certain assets used jointly by two or more segments is allocated to the segments on a reasonable basis. Segment liabilities consist principally of payables,

Part 19 – Subsequent Events

There are no events subsequent to balance date that would have a material financial effect on the financial statements for the year ended 30 June 2009.

Part 20 – Audit Status

This report is based on accounts to which one of the following applies: (Tick one)			
The accounts have been audited	<input type="checkbox"/>	The accounts have been subject to review	<input type="checkbox"/>
The accounts are in the process of being audited or subject to review	<input checked="" type="checkbox"/>	The accounts have not yet been audited or reviewed	<input type="checkbox"/>

If the accounts have not yet been audited or subject to review and are likely to be subject to dispute or qualification, a description of the likely dispute or qualification:

Not applicable

If the accounts have been audited or subject to review and are subject to dispute or qualification, a description of the dispute or qualification:

Not applicable

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