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## INTERIM FINANCIAL RESULTS

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In accordance with Listing Rule 4.2A, the Interim Financial Report for the six months ended 31 December 2009 and Appendix 4D – Half Year Report of WebSpy Ltd (ASX: WSY) follow this announcement. This information is to be read in conjunction with the annual report for the year ended 30 June 2009.

**AUTHORISED BY:**



Jack Andrys  
Chief Executive Officer  
WebSpy Ltd

Telephone: 08 9321 3322  
Facsimile: 08 9321 3377

**About WebSpy Ltd**

WebSpy is a global vendor of software solutions that transform the raw data in log files into manageable information, providing a transparent view over organisations' Internet, email and network usage. WebSpy enables organisations to protect and maximize their Internet investment, reducing costs related to unproductive behaviour, bandwidth usage and legal liability, whilst still allowing enjoyment of the benefits of a web-enabled environment.

For more information visit: <http://www.WebSpy.com>.

Marketboomer is an Internet based procurement and materials management system that provides its clients with the tools, information and control to transition from their current approach to procurement to industry best practice. The solution facilitates a more competitive market enabling businesses to trade with each other more effectively by allowing purchasers to buy from suppliers at the best possible price at a given point in time, and by improving processes.

For more information visit <http://www.marketboomer.com/>

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**WEBSPY LIMITED**

**Appendix 4D**

**Half Year Report  
for the period ended 31 December 2009**

**Results for announcement to the Market**

	<b>Current Period \$'000</b>	<b>Percentage Change</b>	<b>Previous Corresponding Period \$'000</b>
Revenue from ordinary activities	1,301	57.1%	828
Loss from ordinary activities after tax	(504)	(11.1)%	(567)
Net loss for the period attributable to members	(504)	(11.1)%	(567)

**Dividends**

	<b>Amount per security</b>	<b>Percentage Franked</b>
<b>Current period:</b>		
Interim Dividend	Nil	N/A
Date the Dividend is Payable:		N/A
Record Date for determining entitlements to the Dividend:		N/A
<b>Prior corresponding period:</b>		
Interim Dividend	Nil	N/A

<b>Net Tangible Assets per Security</b>	<b>Current Period</b>	<b>Previous Corresponding Period</b>
Cents per ordinary share	(0.13) cents	1.41 cents

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**WEBSPY LIMITED**

A C N 066 153 982

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**INTERIM FINANCIAL REPORT  
31 DECEMBER 2009**



# WEBSPY LIMITED

ACN 066 153 982

## INTERIM FINANCIAL REPORT – 31 DECEMBER 2009

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## DIRECTORS' REPORT

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The directors present their report on the consolidated entity consisting of WebSpy Limited and its controlled entities for the half-year ended 31 December 2009 and the auditor's review report thereon:

### 1. Directors

The directors of the Company at any time during or since the end of the interim period are:

<i>Name</i>	<i>Period of directorship</i>
Mr Jack Paul Andrys <i>Managing Director</i>	Director since August 1999
Mr Tom McGellin	Director since May 2004
Mr Ben Donovan	Appointed 10 November 2009
Mr Declan Monahan	Appointed 20 November 2009
Mr Kim Redstall	Appointed 20 November 2009
Mr William Brooks	Appointed May 2008; resigned 25 November 2009
Mr John Chua	Appointed July 2008; retired 30 November 2009
Mr Francis Galbally	Appointed July 2008; resigned 4 December 2009

### 2. Results

The loss after tax of the consolidated entity for the half-year was \$503,764 (2008: \$567,466).

### 3. Review of Activities

The first half of the year saw activity focussed on consolidating cost reductions and sales activity around the WebSpy product suite, whilst at the same time progressing due diligence, negotiations and transaction documentation in relation to the acquisition of a 100% interest in the Marketboomer group of entities (the **Marketboomer Group**). Having secured the requisite regulatory approvals and shareholder approval at a general meeting held on 16 November 2009, the Company completed the acquisition on 20 November 2009.

The Marketboomer Group owns the Marketboomer business, an Internet based procurement and materials management system that provides its clients with the tools, information and control to transition from their current approach to procurement to industry best practice. The Marketboomer system facilitates a more competitive market enabling businesses to trade with each other more effectively by allowing purchasers to buy from suppliers at the best possible price at a given point in time, and by improving processes.

The acquisition of the Marketboomer Group was therefore in line with the previously announced strategy of seeking an additional business investment for the consolidated entity, which would be both complementary to the existing WebSpy business, but also add to the size and scale of the activities and operations of the consolidated entity. After evaluating numerous potential investment opportunities over the preceding 12 months, the Marketboomer Group opportunity presented as a strategic investment with significant growth potential, and at the same time could deliver potential cost, efficiency and revenue synergies to the consolidated entity.

Following the completion of the Marketboomer Group acquisition WebSpy Limited now has two distinct business units, being WebSpy and Marketboomer.

#### WebSpy Business Unit

During the interim period, the consolidated entity continued its operations in relation to the development, marketing and sales of its WebSpy products.

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### 3. Review of Activities (cont'd)

The six months to December 2009 and to date have seen an ongoing reduction and stabilisation of operating costs which had been instigated in the previous financial year and initiated as a consequence of the GFC impact on revenue. Revenue from the sale of WebSpy products has now started to see an improvement from the Americas region, added to a relatively stable Australian region. EMEA should see a similar improvement over the remainder of the current financial year.

Management are encouraged by the general interest shown in the WebSpy reporting tools by other IT companies who produce internet security devices and are in need of sophisticated reporting tools. WebSpy is currently in dialogue with several of these IT companies with a view to its products being sold under partnership or OEM (Original Equipment Manufacturer) agreements. These opportunities may require some minor modifications to the WebSpy software to accommodate the potential new licensing models.

As part of maintaining and improving value within the WebSpy product range, research and development remains ongoing. In addition to the improvements and revisions to the core product range WebSpy has commenced the development of a small office home office product. The aptly named WebSpy Soho product is slated for release to the market around April 2010, and is expected to be marketed to potential customers who are discouraged by the enterprise nature and pricing of WebSpy's current corporate product range.

Potential key growth areas for the WebSpy business unit include:

- Improved revenue prospects in EMEA,
- Introduction of the WebSpy Soho product,
- New OEM partner opportunity in Australia,
- New OEM partner opportunity in United Kingdom,
- New reseller opportunity at a national level in the United States,
- Introduction to the Marketboomer customer base,
- Integration of reporting tools into Marketboomer database for report generation to its customers.

It is expected that within the current economic environment the WebSpy business unit will produce both revenue and profit growth from sales of its internet and network monitoring and reporting products.

#### Marketboomer Business Unit

Subsequent to the acquisition of the Marketboomer Group there has been considerable administrative consolidation not only at a WebSpy-Marketboomer level, but also an amalgamation of the Marketboomer entities, which was previously structured as 2 individual businesses – one with ownership of the Marketboomer IP and servicing the Australia, New Zealand and South Pacific market, the other dealing with all other overseas markets. The amalgamation has resulted in re-alignment of the leadership structure such that there is now one leadership team operating globally, and an ongoing process of administrative consolidation to optimise financial, management and transaction reporting across the Marketboomer Group.

The Marketboomer Group has offices in Australia, Ireland, Dubai, Singapore, Thailand and China and generates revenue from transactions processed via its trading platform, which is used by hotel groups which include Starwood Hotels & Resorts, InterContinental Hotels Group, Mirvac, Jumeirah, Hyatt, Four Seasons and many others.

As well as delivering additional scale, there were a number of complementary synergy benefits from the Marketboomer Group acquisition such as the ability to share technical resources and customers, the increased global footprint that Marketboomer offers the WebSpy business, as well as the fact that both technologies and business models are Internet based.

On 9 November 2009, the Company announced the signing of three new InterContinental Hotel Group properties in Thailand, which increased the number of IHG hotels utilising the Marketboomer solution to 55. These contracts follow the signing of a contract with Emirates Airline Catering which potentially opens up another major new market in the airline industry for the Marketboomer Group. The pre-implementation phase of the Emirates Airline Catering contract is presently ongoing.

The Marketboomer Group continues to see ongoing growth in its sales pipeline as well as incremental growth occurring in transaction numbers.

In order to ensure that the Marketboomer Group is appropriately positioned to support this planned ongoing growth; that the requisite technical resources and infrastructure are in place; and to launch a new strategy aimed at maximising spend from current clients already utilising the Marketboomer platform, the Directors anticipate a period of additional investment in people and resources to underpin the anticipated growth in clients, transaction numbers and revenue.

**DIRECTORS' REPORT (cont'd)**

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**3. Review of Activities (cont'd)**

**Managing Director change**

On 30 November, 2009 the Board received the resignation of the CEO, Mr Jack Andrys. After discussions with the Board, Mr Andrys agreed to remain in the role of acting CEO until a replacement CEO is appointed.

The Board is currently continuing its selection process, and an announcement will be made to the market in due course at such time as a suitable candidate has been secured.

Mr Andrys has indicated his interest to remain with the Company as an Executive Director in a sales and business development role overseeing the WebSpy business unit, and the Board is continuing to consider this in the light of also appointing a new CEO.

**4. Auditor's independence declaration under Section 307C of the Corporations Act 2001**

The auditor's declaration is set out on page 5 and forms part of the directors' report for the half-year ended 31 December 2009.

Dated at Perth, Western Australia, this 26<sup>th</sup> day of February 2010.

Signed in accordance with a resolution of the directors:



**Jack Andrys**  
**Managing Director**

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#### AUDITOR'S INDEPENDENCE DECLARATION

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of WebSpy Limited and its Controlled Entities for the half-year ended 31 December 2009, I declare that, to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

WHK HORWATH PERTH AUDIT PARTNERSHIP



CYRUS PATELL  
Principal

Perth, WA

Dated this 26<sup>th</sup> day of February 2010

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE SIX MONTHS ENDED 31 DECEMBER 2009**

	Note	31 Dec 2009 \$	31 Dec 2008 \$
Revenue		1,242,274	710,546
Cost of sales		<u>(85,640)</u>	<u>(55,660)</u>
<b>Gross profit</b>		1,156,634	654,886
Other income		58,319	117,660
Corporate and administrative expenses		(764,580)	(388,178)
Technical expenses		(354,023)	(162,758)
Marketing and selling expenses		(433,683)	(671,107)
Research and development expenses		<u>(166,431)</u>	<u>(117,969)</u>
<b>Results from operating activities</b>		<u>(503,764)</u>	<u>(567,466)</u>
<b>Loss before income tax</b>		(503,764)	(567,466)
Income tax		<u>-</u>	<u>-</u>
<b>Net loss for the period</b>		<u><b>(503,764)</b></u>	<u><b>(567,466)</b></u>
<b>Other comprehensive income</b>			
Foreign currency translation differences for foreign operations		55,168	23,768
<b>Total comprehensive loss for the period</b>		<u><b>(448,596)</b></u>	<u><b>(543,598)</b></u>
Basic earnings (loss) per share (cents)		<u>(0.35)</u>	<u>(0.48)</u>
Diluted earnings (loss) per share (cents)		<u><u>(0.35)</u></u>	<u><u>(0.48)</u></u>

The consolidated statement of comprehensive income is to be read in conjunction with the accompanying notes.

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2009

	Note	31 Dec 2009 \$	30 Jun 2009 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		922,979	1,136,621
Trade and other receivables		1,538,354	258,794
Other current assets		2,241	14,816
<b>TOTAL CURRENT ASSETS</b>		<b>2,463,574</b>	<b>1,410,231</b>
<b>NON-CURRENT ASSETS</b>			
Trade and other receivables		-	16,860
Property, plant and equipment		146,891	46,028
Intangible assets	8	3,940,369	-
Deferred tax assets		112,737	-
<b>TOTAL NON-CURRENT ASSETS</b>		<b>4,199,997</b>	<b>62,888</b>
<b>TOTAL ASSETS</b>		<b>6,663,571</b>	<b>1,473,119</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		911,775	247,378
Other current liabilities		372,911	-
Borrowings		99,019	-
Short-term provisions		394,707	64,054
<b>TOTAL CURRENT LIABILITIES</b>		<b>1,778,412</b>	<b>311,432</b>
<b>NON-CURRENT LIABILITIES</b>			
Borrowings		1,007,997	-
Long-term provisions		35,372	42,582
Deferred tax liabilities		213,455	-
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>1,256,824</b>	<b>42,582</b>
<b>TOTAL LIABILITIES</b>		<b>3,035,236</b>	<b>354,014</b>
<b>NET ASSETS</b>		<b>3,628,335</b>	<b>1,119,105</b>
<b>EQUITY</b>			
Issued capital	9	18,650,386	17,500,386
Reserves		1,759,554	(103,440)
Accumulated losses		(16,781,605)	(16,277,841)
<b>TOTAL EQUITY</b>		<b>3,628,335</b>	<b>1,119,105</b>

The consolidated statement of financial position is to be read in conjunction with the accompanying notes.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE SIX MONTHS ENDED 31 DECEMBER 2009**

<b>Consolidated</b>	<b>Issued Capital \$</b>	<b>Deferred Shares Reserve \$</b>	<b>Foreign Currency Translation Reserve \$</b>	<b>Accumulated Losses \$</b>	<b>Total Equity \$</b>
<b>Balance as at 1 July 2009</b>	17,500,386	-	(103,440)	(16,277,841)	1,119,105
Deferred shares reserve	-	1,807,826	-	-	1,807,826
Total comprehensive loss for the period	-	-	55,168	(503,764)	(448,596)
Issue of share capital	1,150,000	-	-	-	1,150,000
<b>Balance as at 31 December 2009</b>	<b>18,650,386</b>	<b>1,807,826</b>	<b>(48,272)</b>	<b>(16,781,605)</b>	<b>3,628,335</b>

  

<b>Consolidated</b>	<b>Issued Capital \$</b>	<b>Deferred Shares Reserve \$</b>	<b>Foreign Currency Translation Reserve \$</b>	<b>Accumulated Losses \$</b>	<b>Total Equity \$</b>
<b>Balance as at 1 July 2008</b>	17,500,386	-	(109,857)	(15,172,633)	2,217,896
Total comprehensive loss for the period	-	-	23,768	(567,466)	(543,698)
<b>Balance as at 31 December 2008</b>	<b>17,500,386</b>	<b>-</b>	<b>(86,089)</b>	<b>(15,740,099)</b>	<b>1,674,198</b>

The consolidated statement of changes in equity is to be read in conjunction with the accompanying notes.

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE SIX MONTHS ENDED 31 DECEMBER 2009**

	31 Dec 2009 \$	31 Dec 2008 \$
<b>Cash flows from operating activities</b>		
Receipts from customers	1,202,881	1,025,409
Payments to suppliers and employees	(1,860,640)	(1,391,749)
Interest received	35,911	74,160
Interest paid	(7,424)	(5)
<b>Net cash (used in) operating activities</b>	<b>(629,272)</b>	<b>(292,185)</b>
<b>Cash flows from investing activities</b>		
Payments for property, plant and equipment	(31,007)	(13,299)
Development expenditure	(51,412)	-
Cash acquired on acquisition of subsidiaries	427,260	-
<b>Net cash provided by/ (used in) investing activities</b>	<b>344,841</b>	<b>(13,299)</b>
<b>Net (decrease) in cash held</b>	<b>(284,431)</b>	<b>(305,484)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>1,136,621</b>	<b>1,823,149</b>
Effect of exchange rate fluctuations on cash held	70,789	16,114
<b>Cash and cash equivalents at the end of the period</b>	<b>922,979</b>	<b>1,533,779</b>

The consolidated statement of cash flows is to be read in conjunction with the accompanying notes.

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## CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT

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### 1. REPORTING ENTITY

WebSpy Limited (the "Company") is a company domiciled in Australia. The consolidated interim financial report as at and for the six months ended 31 December 2009 covers the consolidated group of WebSpy Limited and its subsidiaries (together referred to as the "consolidated entity" or "Group").

The annual financial report of the consolidated entity as at and for the year ended 30 June 2009 is available upon request from the Company's registered office or may be viewed on the Company's website, [www.webspy.com](http://www.webspy.com).

### 2. STATEMENT OF COMPLIANCE

The consolidated interim financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Act 2001. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. The consolidated interim financial report has been prepared on the accruals basis and on an historical cost basis.

The interim financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is recommended that the interim financial report be read in conjunction with the annual report for the year ended 30 June 2009 and considered together with any public announcements made by Webspy Limited during the half-year ended 31 December 2009 in accordance with the continuous disclosure obligations of the ASX Listing Rules and Corporations Act 2001.

This consolidated interim financial report was approved by the Board of Directors on 26 February 2010.

### 3. SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied by the Group in this consolidated interim financial report are the same as those applied by the Group in its consolidated financial report as at and for the year ended 30 June 2009.

#### Accounting Standards not Previously Applied

The Group has adopted all of the new and revised standards and interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to the Group's operations and effective for the current reporting period. Disclosures required by these Standards that are deemed material have been included in this financial report on the basis that they represent a significant change in information from that previously made available.

#### (i) Presentation of Financial Statements

AASB 101 prescribes the contents and structure of the financial statements. Changes reflected in this financial report include:

- the replacement of Income Statement with Statement of Comprehensive Income. Items of income and expense not recognised in profit or loss are now disclosed as components of 'other comprehensive income'. In this regard, such items are no longer reflected as equity movements in the Statement of Changes in Equity;
- the adoption of the single statement approach to the presentation of the Statement of Comprehensive Income; and
- other financial statements are renamed in accordance with the Standard.

#### (ii) Accounting for business combinations

The Group has adopted AASB 3 *Business Combinations (revised 2008)* effective 1 July 2009 for business combinations occurring in the financial year commencing 1 July 2009. AASB 3 (revised 2008) introduces significant changes in the accounting for business combinations occurring from 1 July 2009. Changes affect the valuation of non-controlling interests (previously "minority interests"), the accounting for transaction costs, the initial recognition and subsequent measurement of contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period when an acquisition occurs and future reported results.

All business combinations occurring on or after 1 July 2009 are accounted for by applying the acquisition method. The change in accounting policy has been applied prospectively and has no material impact on earnings per share. The Group has applied the acquisition method for the business combination that occurred during the interim period ended 31 December 2009 as disclosed in note 7.

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT (cont'd)

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**(ii) Accounting for business combinations (cont'd)**

The Group measures goodwill as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.

Consideration transferred includes the fair values of the assets transferred, liabilities incurred by the Group to the previous owners of the acquiree, and equity interests issued by the Group. Consideration transferred also includes the fair value of any contingent consideration. If a business combination results in the termination of pre-existing relationships between the Group and the acquiree, then the lower of the termination amount, as contained in the agreement, and the value of the off-market element is deducted from the consideration transferred and recognised in other expenses.

Transaction costs that the Group incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees, and other professional and consulting fees are expensed as incurred.

A contingent liability of the acquiree is assumed in a business combination only if such a liability represents a present obligation and arises from a past event, and its fair value can be measured reliably.

**(iii) Determination and presentation of operating segments**

The Group has applied AASB 8 *Operating Segments* from 1 July 2009. AASB 8 requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. Previously, operating segments were determined and presented in accordance with AASB 114 *Segment Reporting*. Since the change in accounting policy only impacts presentation and disclosure aspects, there is no impact on earnings per share.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the Board to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Board include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

**4. ESTIMATES**

The preparation of the interim financial report requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this consolidated interim financial report, the significant judgments made by management in applying the consolidated entity's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report as at and for the year ended 30 June 2009.

**5. COMPARATIVE**

Comparative figures have been adjusted to conform to changes in presentation for the current financial year.

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT (cont'd)

6. OPERATING SEGMENTS

The Group has two reportable segments, as described below, which are the Group's strategic business units. The Group has identified its business units based on the internal reports that are reviewed on a monthly basis and used by the executive management team (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

The following summary describes the operations in each of the Group's reportable segments:

- *WebSpy*: Internet, email and network monitoring software.
- *Marketboomer*: Internet based procurement and materials management system.

	WebSpy \$	Marketboomer \$	Consolidated \$
<b>31 December 2009</b>			
<b>Segment revenue</b>	727,210	541,509	1,268,719
Other unallocated revenue	-	-	31,874
Total revenue			<u>1,300,593</u>
<b>Segment result</b>	(308,912)	(100,276)	(409,188)
Unallocated revenues and expenses	-	-	(94,576)
Loss from ordinary activities before related income tax expense			<u>(503,764)</u>
Depreciation and amortisation	(15,324)	(24,323)	<u>(39,647)</u>
<b>Segment assets</b>	4,081,708	2,581,863	<u>6,663,571</u>
Capital expenditure	11,863	19,144	<u>31,007</u>
<b>Segment liabilities</b>	421,296	2,613,940	<u>3,035,236</u>
<b>31 December 2008</b>			
<b>Segment revenue</b>	754,061	-	754,061
Other unallocated revenue	-	-	74,160
Total revenue			<u>828,221</u>
<b>Segment result</b>	(510,446)	-	(510,446)
Unallocated revenues and expenses	-	-	(57,020)
Loss from ordinary activities before related income tax expense			<u>(567,466)</u>
Depreciation and amortisation	(12,937)	-	<u>(12,937)</u>
<b>Segment assets</b>	2,155,941	-	<u>2,155,941</u>
Capital expenditure	13,299	-	<u>13,299</u>
<b>Segment liabilities</b>	481,743	-	<u>481,743</u>

The Group has not presented geographical information as the necessary information is not available and management believes the cost to develop such information would be excessive.

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CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT (cont'd)

7. BUSINESS COMBINATION

On 20 November 2009, WebSpy Limited acquired a 100% of the voting shares of the Marketboomer group of entities (**Marketboomer Group**), which own the Marketboomer business, an Internet based procurement and materials management system, and associated assets.

The entities and interests acquired are set out below:

	Entity interest	Country of incorporation
Marketboomer Pty Ltd	100%	Australia
ACN 127 641 641 Pty Ltd	100%	Australia
Ortas Enterprises Limited	100%	Cyprus
Marketboomer China Limited	100%	China
Marketboomer Middle East FZLLC	100%	United Arab Emirates
Marketboomer South Africa Pty Ltd	100%	South Africa
Marketboomer South East Asia Pte Ltd	100%	Singapore
Marketboomer International Limited	100%	Ireland
Marketboomer Hospitality Limited	100%	Ireland

The consideration transferred was \$2,957,826 and comprised an issue of fully paid ordinary shares and a contingent consideration component. WebSpy issued 115,000,000 fully paid ordinary shares in the Company (**Shares**) and 361,565,100 deferred Shares (**Deferred Shares**) (together, the **Consideration Shares**) to the vendors of the Marketboomer Group at a deemed issue price of 1 cent per Consideration Share, following shareholder approval at the Company's general meeting held 16 November 2009.

The Consideration Shares have been valued at 1 cent per Consideration Share based on the deemed issue price ascribed in the Share Sale Agreements with Marketboomer Pty Ltd and Ortas Enterprises Limited. The published price of the shares at the date of acquisition (2.7 cents) was not used as it was not reflective of the fair value at that date as the increase in price was as a result of the acquisition. Notably, an independent valuation carried out for the purposes of the acquisition determined the fair value of the Consideration Shares to be in the range of \$0.0081 and \$0.0117. In determining the fair value of the shares, the independent valuer considered the weighted average market price prior to the announcement of the acquisition. The independent valuer also factored in the low level of liquidity to discount the traded share price to obtain a more reflective value of those Consideration Shares.

The Deferred Shares will be issued to the vendors of the Marketboomer Group upon the occurrence of one of the following events within three years of the settlement date of the acquisition:

- (a) revenue from the Marketboomer Group for three consecutive months aggregates to more than \$1,875,000;
- (b) processed transactions from the Marketboomer Group for three consecutive months aggregate to more than 250,000 transactions; or
- (c) an entity not associated with any of the vendors of the Marketboomer Group makes a takeover bid for all of the issued shares in WebSpy.

If these events do not occur within a three year period from the settlement date of the Acquisition, the Deferred Shares will not be allotted.

The potential undiscounted amount of contingent consideration is between \$0 and \$3,615,651. The Group has forecast several scenarios, and probability weighted each to determine a fair value for the contingent consideration as at the acquisition date, which has been included in the determination of the \$1,807,826 contingent consideration transferred. Future changes in estimates of this amount will be recorded directly in the statement of comprehensive income in the periods in which they occur.

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CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT (cont'd)

7. BUSINESS COMBINATION (CONT'D)

The Group has provisionally recognised the fair values of the identifiable assets and liabilities of the Marketboomer Group based upon the best information available as of the reporting date. Provisional business combination accounting is as follows:

	Fair value	Carrying Amount
	\$	\$
Property, plant and equipment	96,687	95,495
Deferred tax asset	112,737	-
Intangible assets	719,685	2,224,493
Trade receivables	988,633	988,633
Cash and cash equivalents	427,261	427,166
	<u>2,345,003</u>	<u>3,735,787</u>
Loans and borrowings	(1,114,434)	(1,114,434)
Deferred income	(232,650)	(232,650)
Trade and other payables	(1,011,719)	(1,011,719)
Deferred tax liability	(213,455)	-
	<u>(2,572,258)</u>	<u>(2,358,803)</u>
Goodwill arising on acquisition	3,185,081	
Consideration transferred	<u><u>2,957,826</u></u>	
Acquisition-date fair value of consideration transferred		
Shares issued, at fair value	1,150,000	
Contingent consideration	1,807,826	
Consideration transferred	<u><u>2,957,826</u></u>	

The consolidated statement of comprehensive income includes sales revenue and net loss for the half year ended 31 December 2009 of \$519,164 and \$99,553 respectively, as a result of the acquisition of the Marketboomer Group. Given the acquisition was completed on 20 November 2009, management believes it is not reasonable to disclose the contribution of the Marketboomer Group had the acquisition had been effected on 1 July 2009.

Key factors contributing to the \$3,185,081 of goodwill are the synergies existing within the acquired business, and synergies expected to be achieved as a result of combining the Marketboomer Group with the rest of the Group.

The Group incurred acquisition-related costs of \$149,018 relating to external legal fees and due diligence costs. The legal fees and due diligence costs have been included in corporate and administrative expenses in the Group's consolidated statement of comprehensive income.

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CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT (cont'd)

8. INTANGIBLE ASSETS

	Development costs \$	Patents \$	Goodwill \$	Total \$
<b>Six months ended 31 December 2009</b>				
At beginning of period	-	-	-	-
Acquisition of subsidiary (Note 7)	711,518	8,167	3,185,081	3,904,766
Additions – internal development	51,412	-	-	51,412
Amortisation	(15,809)	-	-	(15,809)
At end of period	747,121	8,167	3,185,081	3,940,369
<b>At 31 December 2009</b>				
Cost (gross carrying amount)	762,930	8,167	3,185,081	3,956,178
Accumulated amortisation	(15,809)	-	-	(15,809)
Net carrying amount	747,121	8,167	3,185,081	3,940,369

There were no intangible assets held at 30 June 2009.

	31 December 2009 \$	30 June 2009 \$
<b>9. ISSUED CAPITAL</b>		
234,141,275 (30 June 2009: 119,141,275) fully paid ordinary shares	<b>18,650,386</b>	<b>17,500,386</b>

The following movements in issued capital occurred during the six months ended 31 December:

	2009		2008	
	Number of Shares	\$	Number of Shares	\$
At beginning of period	119,141,275	17,500,386	119,141,275	17,500,386
Issue of shares to acquire Marketboomer Group (see Note 7)	115,000,000	1,150,000	-	-
At end of period	234,141,275	18,650,386	119,141,275	17,500,386

10. SUBSEQUENT EVENT

Subsequent to balance date, the Company acquired a 49% interest in Marketboomer (Thailand) Limited for an amount of THB 490,000 (approximately \$16,076) satisfied in cash. Marketboomer (Thailand) Limited's principal activity is the development, marketing and sales of Marketboomer, an Internet based procurement and materials management system, in Thailand.

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## DIRECTORS' DECLARATION

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In the opinion of the directors of WebSpy Limited:

1. the financial statements and notes, set out on pages 6 to 15, are in accordance with the Corporations Act 2001, including:
  - (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and its performance for the half-year ended on that date; and
  - (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001;
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Perth, Western Australia this 26<sup>th</sup> day of February 2010.

Signed in accordance with a resolution of the directors.



**Jack Andrys**  
**Managing Director**

**INDEPENDENT AUDITOR'S REVIEW REPORT  
TO THE MEMBERS OF WEBSPY LIMITED AND ITS CONTROLLED ENTITIES**

**Report on the half-year financial report**

We have reviewed the accompanying half-year financial report of WebSpy Limited and its controlled entities (the consolidated entity), which comprises the statement of financial position as at 31 December 2009, and the statement of comprehensive income, statement of changes in equity and statement cash flow for the half-year ended on that date, a description of accounting policies, other selected explanatory notes and the directors' declaration.

**Directors' responsibility for the half-year financial report**

The directors of the consolidated entity are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

**Auditor's responsibility**

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410: *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and its performance for the half-year ended on that date; and complying with the Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of WebSpy Limited and its controlled entities, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Independence**

In conducting our review, we complied with the independence requirements of the Corporations Act 2001.

**Conclusion**

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of WebSpy Limited and its controlled entities is not in accordance with the Corporations Act 2001, including:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134: Interim Financial Reporting and Corporations Regulations 2001.

WHK HORWATH PERTH AUDIT PARTNERSHIP



CYRUS PATELL  
Principal

Perth, WA  
Dated this 26<sup>th</sup> day of February 2010