

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 2008
Previous Corresponding Reporting Period	Financial year ended 30 June 2007

Part 2 – Results for Announcement to the Market

	\$'000	Percentage increase /(decrease) over previous corresponding period
Revenue from continuing operations	1,587	(14.5%)
Profit/(loss) from continuing operations after tax attributable to members	(512)	2007 – profit recorded
Net profit attributable to members	1,692	337%

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:

On 29 May 2008, WebSpy completed the sale of its Netlink Inspection business unit. Consequently, the reported revenue from continuing operations does not include revenue generated by that business unit. Similarly, the loss from continuing operations after tax excludes the contribution of the Netlink Inspection business unit for the period up to 29 May 2008. That result is reported separately. Refer Part 15 for further details. Net profit for the year includes the profit made on the sale of the business unit.

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Part 3 – Contents of ASX Appendix 4E

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Part 4 – Consolidated Income Statement

	2008 (\$)	2007 (\$)
Revenue from continuing operations	1,586,876	1,855,224
Cost of sales	<u>(94,333)</u>	<u>(103,596)</u>
Gross profit	<u>1,492,543</u>	<u>1,751,628</u>
Finance income	3,677	6,055
Other revenue	121,537	43,653
Marketing expenses	(1,316,207)	(1,290,110)
Corporate and administrative expenses	(607,451)	(386,463)
Technical expenses	(125,513)	(73,176)
Research and development expenses	(389,795)	(307,363)
Borrowing costs	-	(4,032)
	<u>(821,209)</u>	<u>(259,808)</u>
Loss before income tax	(821,209)	(259,808)
Income tax credit	309,229	352,709
	<u>(511,980)</u>	<u>92,901</u>
Profit/(loss) from continuing operations	(511,980)	92,901
Profit from discontinued operations	<u>2,203,773</u>	<u>294,230</u>
Profit/(loss) for the year	<u>1,691,793</u>	<u>387,131</u>

Part 5 – Accumulated losses

	2008 (\$)	2007 (\$)
Accumulated losses at the beginning of the year	(16,835,890)	(17,223,021)
Profit/(loss) for the year	<u>1,691,793</u>	<u>387,131</u>
Accumulated losses at the end of the year	<u><u>(15,144,097)</u></u>	<u><u>(16,835,890)</u></u>

Part 6 – Consolidated Balance Sheet

	2008 (\$)	2007 (\$)
CURRENT ASSETS		
Cash and cash equivalents	1,823,149	173,803
Trade and other receivables	682,872	884,047
Inventories	10,599	27,928
Other assets	27,697	16,710
Total Current Assets	2,544,317	1,102,488
NON CURRENT ASSETS		
Trade and other receivables	16,860	16,860
Property, plant & equipment	46,824	80,908
Total Non Current Assets	63,684	97,768
TOTAL ASSETS	2,608,001	1,200,256
CURRENT LIABILITIES		
Trade and other payables	279,806	413,875
Short-term provisions	81,763	178,722
Total Current Liabilities	361,569	592,597
NON CURRENT LIABILITIES		
Trade and other payables	-	5,546
Total Non Current Liabilities	-	5,546
TOTAL LIABILITIES	361,569	598,143
NET ASSETS	2,246,432	602,113
EQUITY		
Issued capital	17,500,386	17,500,386
Reserves	(109,857)	(62,383)
Accumulated losses	(15,144,097)	(16,835,890)
TOTAL EQUITY	2,246,432	602,113

Part 7 – Consolidated Statement of Cash Flows

	2008	2007
	(\$)	(\$)
Cash flows from operating activities		
Cash receipts in the course of operations	3,482,013	3,808,796
Cash payments in the course of operations	(4,118,314)	(3,762,270)
Interest received	9,894	31
Income tax refunds	352,709	-
Borrowing costs paid	-	(4,032)
<i>Net cash provided by/(used in) operating activities</i>	<u>(273,698)</u>	<u>42,525</u>
Cash flows from investing activities		
Payments for plant and equipment	(62,669)	(52,856)
Proceeds from sale of subsidiary (net of cash disposed of)	1,988,432	-
Repayment from other entities	-	50,000
<i>Net cash provided by/(used in) investing activities</i>	<u>1,925,763</u>	<u>(2,856)</u>
Cash flows from financing activities		
Repayment of interest bearing liabilities	-	(22,960)
<i>Net cash used in financing activities</i>	<u>-</u>	<u>(22,960)</u>
Net increase in cash held	1,652,065	16,709
Cash at the beginning of the financial year	173,803	162,733
Effects of exchange rate fluctuations on the balance of cash held in foreign currencies	(2,719)	(5,639)
Cash at the end of the financial year	<u>1,823,149</u>	<u>173,803</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.

Part 9 – Revenue and Expenses

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

	2008	2007
	(\$)	(\$)
Revenue		
From continuing operations		
Sale of goods revenue	1,435,521	1,518,761
Rendering of service revenue	151,355	336,463
	<u>1,586,876</u>	<u>1,855,224</u>
From discontinued operations		
Sale of goods revenue	137,959	280,370
Rendering of service revenue	1,520,128	1,224,358
	<u>1,658,087</u>	<u>1,504,728</u>
Other revenue		
From continuing operations		
Rental income	107,736	42,350
Other income	13,801	1,303
	<u>121,537</u>	<u>43,653</u>
From discontinued operations		
Other income	25,250	42,141
	<u>25,250</u>	<u>42,141</u>
Other expenses		
Depreciation and amortisation	(49,624)	(51,060)
	<u>(49,624)</u>	<u>(51,060)</u>
Personnel expenses		
Salaries and wages	(1,381,327)	(1,472,406)
Other associated personnel expenses	(16,994)	(12,590)
Superannuation costs	(134,660)	(131,608)
Increase in liability for annual leave	17,014	(32,228)
	<u>(1,515,967)</u>	<u>(1,648,832)</u>

Part 10 – Commentary on Results

The result for the year includes the profit on sale of the Netlink Inspection business unit, which was sold on 29 May 2008. The business unit continued to perform strongly in the year, with revenues for the 11-month period exceeding the last full year's result by almost 9%. This performance was critical in determination of the sale price of the unit.

The WebSpy division's revenues were down on last year by 14.5%, mainly as a result of the Australian dollar's strengthening against the USD and GBP, and secondly as a result of stagnating sales in regions such as the United States where the economy has seen a downturn.

As a result of the sale of the Netlink Inspection business unit, the Company has cash reserves of more than \$1.8m at 30 June 2008, and an increase in Net Assets to \$2.2m, up from \$0.6m.

Part 11 – Notes to the Consolidated Statement of Cash Flows

	2008	2007
	(\$)	(\$)
(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>1,823,149</u>	<u>173,803</u>
(b) Reconciliation of profit/(loss) after income tax to net cash flows used in operating activities		
Profit/(loss) after income tax	1,691,793	387,131
Add non-cash items:		
Profit on disposal of business unit	(1,800,000)	-
Provision for employee entitlements	(23,514)	32,227
Depreciation	48,985	50,871
Amortisation	78	189
Foreign exchange loss	<u>(35,244)</u>	<u>(4,560)</u>
Net cash from/(used in) operating activities before changes in assets and liabilities	(117,902)	465,858
Changes in assets and liabilities during the financial year:		
Decrease/(Increase) in receivables	(150,805)	(238,428)
(Increase)/Decrease in prepayments	(29,614)	14,198
(Increase)/Decrease in inventories	14,284	(1,387)
Increase/(Decrease) in payables	<u>10,339</u>	<u>(197,716)</u>
Net cash from/(used in) operating activities	<u>(273,698)</u>	<u>42,525</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 – Earnings per Share

	2008	2007
Basic profit/(loss) per share	1.42 cents	0.32 cents
Diluted profit per share	1.42 cents	0.30 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

	2008	2007
Net tangible asset backing per ordinary security	1.89 cents	0.51 cents

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

(a) **Description**

On 29 May 2008 WebSpy completed the sale of its Netlink Inspection business unit. The business unit was sold for \$2 million in cash, with an additional cash adjustment in relation to the net asset value of the division resulting in a further amount of \$13,500 to be received.

(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) and the year ended 30 June 2007.

	2008	2007
	\$	\$
Revenue	1,683,337	1,546,869
Expenses	(1,279,564)	(1,252,639)
Profit before income tax	403,773	294,230
Income tax expense	-	-
Profit after income tax of discontinued operations	403,773	294,230
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	294,230
Net cash inflow from operating activities	302,230	334,118
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	(22,454)
Net increase in cash generated by the division	2,257,026	311,664

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

	29 May 2008	30 June 2007
	\$	\$
(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 2007 are:		
Cash	11,568	82,975
Trade receivables	332,222	231,586
Property, plant and equipment	45,399	24,465
Total assets	389,189	339,026
Trade payables	102,244	90,480
Short-term provisions	73,445	98,819
Total liabilities	175,689	189,299
Net assets	213,500	149,727
(d) Details of the sale of the business unit		
Cash consideration received/to be received	2,013,500	-
Total disposal consideration	2,013,500	-
Carrying amount of net assets sold	(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)	
	2008 %	2007 %	2008 \$A'000	2007 \$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

	2008 (\$)	2007 (\$)
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		
The following options lapsed during the year:		
•	8,000,000 options exercisable at \$0.07 on or before 31 December 2007.	
No options were exercised during the year.		

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

2008	Australia	North America	Europe	Total continuing operations	Discontinued operation	Economic Entity
Revenue						
External sales	304,781	493,626	788,469	1,586,876	1,658,087	3,244,963
Other revenue	121,537	-	-	121,537	25,250	146,787
Total segment revenue	426,318	493,626	788,469	1,708,413	1,683,337	3,391,750
Unallocated revenue				3,677	-	3,677
Consolidated revenue				1,712,090	1,683,337	3,395,427
Result						
Segment result	(965,581)	132,493	239,081	(594,007)	2,203,773	1,609,766
Unallocated revenue and income tax benefit				82,027	-	82,027
Profit for the year				(511,980)		1,691,793
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	-	2,608,001
Liabilities						
Segment liabilities	(234,842)	(39,959)	(86,768)	(361,569)	-	(361,569)

Part 18 – Segment Information (continued)**(b) Primary reporting format - geographical segments (continued)**

2007	Australia	North America	Europe	Economic Entity
Revenue				
External sales	2,050,296	515,275	794,381	3,359,952
Unallocated revenue				6,055
Consolidated revenue				3,366,007
Result				
Segment result	(289,188)	111,280	206,275	28,367
Unallocated revenue and income tax benefit				358,764
Profit for the year				387,131
Depreciation and amortisation	36,994	1,532	12,534	51,060
Assets				
Segment assets	753,202	79,045	194,205	1,026,452
Unallocated assets				173,803
Consolidated total assets				1,200,255
Liabilities				
Segment liabilities	(407,575)	(31,024)	(148,466)	(587,065)
Acquisition of non current segment assets	51,497	1,324	-	52,821

(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 2008.

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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