WebSpy Limited

ABN 60 066 153 982

AND CONTROLLED ENTITIES

2009 Annual Report

WEBSPY LIMITED
ABN 60 066 153
AND CONTROLLED ENTITIES

CORPORATE DIRECTORY

DIRECTORS

Mr Jack Andrys –Chief Executive Officer/Managing Director
Mr William Brooks – Non-Executive Director
Mr John Chua – Non-Executive Director
Mr Francis Galbally – Non-Executive Director
Mr Tom McGellin – Non-Executive Director

COMPANY SECRETARY

Mr Anthony Ho

REGISTERED OFFICE IN AUSTRALIA

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AUDITORS

WHK Horwath Perth Audit Partnership
Level 6, 256 St George's Terrace
PERTH WA 6000

SHARE REGISTRAR

Security Transfers Registrars Pty Ltd
Alexandrea House, Suite 1, 770 Canning Highway
APPLECROSS WA 6153
Telephone: 61 8 9315-2333
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STOCK EXCHANGE

Australian Securities Exchange Limited
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PERTH WA 6000

ASX CODE

WSY

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AND CONTROLLED ENTITIES
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Fellow Shareholders,

I will comment only briefly on the difficult trading circumstances during 2008/09 brought about by the Global Financial Crisis. More importantly however would be the Directors' view on the future of the Company.

In summary WebSpy has seen an average reduction in order placement post October 2008 through to June 2009 of around 50% when compared to previous years. The three sales centres have been impacted differently and whilst all appear to be seeing slight recovery at present it is the Australian region which is leading in that recovery. This may temporarily shifted the traditional ratio of export earnings in favour of local sales especially when taking into account the strengthening Australian Dollar. Nonetheless it is the US and UK regions that have the largest impact on WebSpy revenue and the regions have seen a large amount of attention to help rejuvenate their momentum.

As previously announced in the second half of the year, a number of redundancies and other cost cutting measures were taken starting in January 2008 with the majority being concluded by June 2008. As is the norm with cost cutting, the savings do not always come into effect immediately as in the case of redundancies, staff entitlement payments, and in respect to offices, relocation costs briefly add additional expenditure. It is fair to say that almost all of this type of activity is now behind WebSpy, and the Company is realigned in respect to resources for the current economic conditions.

Moving forward WebSpy is now better suited for profit generation in the new financial year with the adjustments made to resources not only saving in expenses, but also rebuilding morale, and refocusing on known strength which in the past have produced result in tough times.

WebSpy has in its smaller nimbler structure been able to make changes in Products, Development, Pricing, and Marketing which will further enhance sales in the new financial year, and which are explained in more detail in the operational overview.

At a Corporate level the Company is continuing its review of potential projects and acquisitions which would fit well with the current operations and return to the shareholder through improved capitalisation.

Jack Andrys
Chief Executive Officer
Managing Director
WebSpy Ltd

29 September 2009

The Directors present their Report together with the financial report of WebSpy Limited (the "Parent Entity") and of the Economic Entity, being the Company and its controlled entities, for the year ended 30 June 2009 and the auditor's report thereon.

Directors

The Directors of the Economic Entity at any time during or since the end of the financial year are:

Managing Director – Mr Jack Andrys (appointed 16 August 1999)

Mr Andrys was appointed to the Board on 16 August 1999 as WebSpy's Chief Executive Officer and Managing Director, prior to which he was Netlink's Managing Director and founder. Mr Andrys has worked in the information technology industry since 1992 and founded Netlink in 1994. Prior to this he spent a decade working in the oil and gas industry, initially as a commercial diver and finally as the Operations Co-ordinator of Australia's largest underwater intervention services provider, Contract Diving Services.

Non-Executive Director – Mr William Brooks (appointed 23 May 2008)

Mr Brooks has been involved in the exploration and mining industry for over 20 years and has substantial interests in the hospitality industry, developing and owning a successful motel business.

Mr Brooks currently holds a non executive position on the board of Reward Minerals Ltd. Mr Brook's board and investor experience in both listed and private firms will be used to review shareholder value in the Company.

Non-Executive Director – Mr Francis Galbally (appointed 21 July 2008)

Mr Galbally is a director of Novus Capital Pty Ltd, a specialist corporate advisory business based in Melbourne. Mr Galbally has significant experience with listed companies in Australia particularly in the IT, finance and property industries. He was the chairman and CEO of Senetas Corporation Ltd, an ASX 300 company and a leading supplier of high speed network encryption technology servicing organisations such as the ATO, Australian Federal Police, US Department of Defence, NAB, Westpac etc. Mr Galbally has also over 20 years of experience as a barrister and solicitor prior to his current principal activity as a corporate advisor.

Non-Executive Director – Mr John Chua (appointed 21 July 2008)

Mr Chua is a director and CEO of Kim Hin Industry Berhad, one of Malaysia's leading ceramic products manufacturers listed on Bursa Malaysia (formerly the Kuala Lumpur Stock Exchange). Mr Chua is a graduate in Arts (Economics) with honours from the University of Warwick in the United Kingdom. He has extensive corporate and management experience in the ceramic industry having worked in Kim Hin Industry for over 25 years.

Non-Executive Director – Mr Tom McGellin (appointed 28 May 2004)

Mr McGellin was a founding partner and director of Netlink WA Pty Ltd from 1994 to 1999 before it was acquired by the Company. Subsequent to this he became active and familiar with the Company's products and management team in his role as a past director of one of WebSpy's wholly owned subsidiaries. Mr McGellin is currently a director of other non listed public companies.

Non-Executive Director – Mr Joseph Chua (appointed 30 November 2001, resigned 21 July 2008)

Company Secretary – Mr Anthony Ho (appointed 10 April 1996)

Mr Ho graduated in 1980 with a Bachelor of Commerce from the University of Western Australia. He qualified as a Chartered Accountant in 1983. Mr Ho is presently the principal of a public practice providing corporate and financial services to companies listed on the ASX.

Directors' Meetings

The number of Directors' meetings and the number of meetings attended by each of the Directors of the Parent Entity during the financial year are:

	Board Meetings	
Director	**Held while Director**	**Attended**
Mr Jack Andrys	10	10
Mr Tom McGellin	10	10
Mr William Brooks	10	9
Mr John Chua	9	8
Mr Francis Galbally	9	9
Mr Joseph Chua	-	-

The size of the Parent Entity is such that an audit committee is not considered warranted. All audit matters are considered by the Board of Directors.

Directorships of Other Listed Companies

Directorships of other listed entities held by directors of the Company during the 3 years immediately before the end of the year are as follows:

		Period of directorship	
Director	**Company**	**From**	**To**
Mr William Brooks	Reward Minerals Ltd	March 2003	Present
Mr Francis Galbally	Senetas Corporation Ltd	May 1999	23 May 2007

Principal Activity

The principal activity of the parent and economic entity during the course of the financial year was software development, sales and the provision of services. There have been no changes in this activity since the previous year.

Results

The result of the economic entity for the year ended 30 June 2009 was a loss after income tax of $1,105,208 (2008 profit: $1,663,257).

The result of the parent entity for the year ended 30 June 2009 was a loss after income tax of $1,041,174 (2008 profit: $1,969,144).

Operating and Financial Review

The Company has concentrated on operational adjustments following the effects on revenue reduction resulting from the global economic downturn. In the new environment the Company is continuing with its development of both the WebSpy products, and associated distribution channel.

Impact of legislation and other external requirements

The economic entity's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation. However, the Board believes that the economic entity has adequate systems in place for the management of its environmental regulations and is not aware of any breach of those environmental requirements as they apply to the economic entity. There were no changes in environmental or other legislative requirements during the year that have significantly affected the results or operations of the economic entity.

Dividends

The directors do not recommend the payment of a dividend and no amount has been paid or declared by way of a dividend to the date of this Report.

Significant Changes in the State of Affairs

Other than the matters set out above, there were no significant changes in the state of affairs of the economic entity during the financial year.

Events Subsequent to Balance Date

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.

Likely Developments

The economic entity will continue with its software development and sales business in Australia, the United States and Europe. Future prospects and business strategies of the operations of the economic entity and the expected results of those operations have not been included in this report as the directors believe, on reasonable grounds, that the inclusion of such information would be likely to result in unreasonable prejudice to the economic entity.

Environmental Regulation

The economic entity's operations are not subject to any significant environmental regulations under United States, Europe, Commonwealth or State legislation. However, the directors believe that the economic entity has adequate systems in place for the management of its environmental regulations and are not aware of any breach of those environmental requirements as they apply to the economic entity.

Directors' Interests

The relevant interest of each director in the shares in the Company at the date of this report, as notified by the directors to the ASX in accordance with S205G (1) of the Corporations Act 2001, is as follows:

Director	***Shares***
Mr Jack Andrys	8,753,878
Mr John Chua	13,695,167
Mr William Brooks	6,879,235
Mr Francis Galbally	-
Mr Tom McGellin	6,075,886

Share Options

Options granted

During or since the end of the financial year, no options were granted.

Unissued shares under option

At the date of this report, there are no unissued ordinary shares of the Parent Entity under option.

Shares issued on exercise of options

During or since the end of the financial year, there were no ordinary shares issued as a result of the exercise of options.

Options granted to directors and officers of the Company

No options have been granted to directors and officers of the Parent Entity during or since the end of the financial year.

Indemnification and insurance of directors

Indemnification

The Parent Entity has agreed to indemnify the directors of the Parent Entity against all liability to another person (other than the Parent Entity or any related body corporate) that may arise from their position as directors of the Parent Entity and its controlled entities, except where the liability arises out of conduct involving a lack of good faith.

The Parent Entity has also agreed to cover liability for costs and expenses incurred in successfully defending civil or criminal proceedings, or in connection with a successful application for relief under the Corporations Act 2001. It also provides indemnity against costs and expenses in connection with an application where a court grants relief to a director under the Corporations Act 2001.

Insurance premiums

Since the end of the previous financial year the Parent Entity has not paid any insurance premiums in respect of directors' and officers liability and legal expenses' insurance contracts, for current and former directors and officers.

Non-audit Services

The entity's auditor, WHK Horwath, did not provide any non-audit services during the reporting period. The board has the following procedures in place before any non-audit services are obtained from the auditors:

(a) all non-audit services were subject to the corporate governance procedures adopted by the Parent Entity and have been reviewed by the Board to ensure they do not impact the integrity and objectivity of the auditor.

(b) the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Parent Entity, acting as an advocate for the Company or jointly sharing risks and rewards.

Details of the amounts paid to the auditor of the Company, WHK Horwath for audit services and to other parties during the year are set out below.

	Economic Entity 2009 $	Economic Entity 2008 $
Statutory audit:		
Auditors of the Company:		
➢ audit and review of financial reports	32,600	34,500
➢ fees in relation to attendance at general meeting	240	213
	32,840	34,713

Auditor's Independence Declaration

The auditors' independence declaration is included on page 18 of the financial report.

Remuneration Report

The remuneration report is set out on pages 8 to 9 and forms part of the Directors' Report.

Dated at Perth, Western Australia this 29th day of September 2009.

Signed in accordance with a resolution of the Directors:

J Andrys
Director

The remuneration report which has been audited is set out under the following main headings:

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

A: PRINCIPLES USED TO DETERMINE THE NATURE AND AMOUNT OF REMUNERATION

The directors have authority and responsibility for planning, directing and controlling the activities on the parent entity and the Economic Entities. The Board has not formally constituted a nomination committee or remuneration committee. The whole Board conducts the functions of a nomination committee and remuneration committee.

Compensation levels for key management personnel of the Parent Entity are competitively set to attract and retain appropriately qualified and experienced directors and executives. The remuneration structures are designed to attract suitably qualified candidates, reward the achievement of strategic objects and achieve the broader outcome of creation of value for shareholders. Compensation packages include a mix of fixed compensation and equity-based compensation as well as employer contributions for superannuation funds.

Shares and options may only be issued to directors subject to approval by shareholders in general meeting.

The economic entity does not have any scheme relating to retirement benefits for non-executive Directors, other than payment of statutory superannuation of 9%.

Fixed Compensation

Fixed compensation consists of base compensation (which is calculated on a total cost basis), as well as employer contributions to superannuation funds.

Compensation levels are reviewed annually through a process that considers individual and overall performance of the economic entity. In addition, external consultants provide advice to ensure the directors' and senior executives' compensation is competitive in the market place. Compensation is also reviewed in the event of promotion.

Equity-based Compensation (long-term incentives)

The Parent Entity has established the WebSpy Limited Staff Option Incentive Scheme (Scheme) to provide a means by which employees of the Parent Entity, including Directors, upon whom the responsibilities for the successful growth of the Parent Entity rest, can share in such growth, thereby strengthening their commitment to the Parent Entity. Pursuant to the Scheme, and subject to any approvals required by the corporations Act and the ASX Listing Rules, the Directors may, from time to time, resolve to grant such numbers of Options, at such exercise price to such employees of the Parent Entity as determined by the Directors.

No grants of options were made under the Scheme during the financial year.

Consequence of performance on shareholders wealth

In considering disclosure required by s.300A of the Corporations Act, with respect to this matter, the Directors note that historic consideration of various measures is considered inappropriate as the Parent Entity has yet to record a sustainable profit or paid a dividend.

Non-executive Directors

Total remuneration for all non-executive directors, last voted upon by shareholders at the 2006 Annual General Meeting, is not to exceed $75,000 per annum. Fees are set with reference to fees paid to other non-executive directors of comparable companies.

B: SERVICE AGREEMENTS

Mr Jack Andrys, Managing Director, has a contract of employment effective from 28 November 2007 with the Company. The contract specifies the duties and obligations to be fulfilled by the Managing Director. The contract is for a term of 2 years, unless terminated earlier in accordance with the contract of employment. Currently, the Company must pay to Mr Andrys $225,000 per annum (inclusive of statutory superannuation) for Mr Andrys' services. The Managing Director has no entitlement to termination payment in the event of removal for misconduct.

C: DETAILS OF REMUNERATION

Details of the nature and amount of each major element of remuneration of each Director of the Parent Entity for the year are:

	PRIMARY		POST EMPLOYMENT		
2009	Salary/ fees $	Other Benefits $	Superannuation benefits $	Total $	Proportion of remuneration performance related $
Executive					
Mr J Andrys	281,981	-	20,250	302,231	-
Mr T McGellin*	71,006	-	33,234	104,240	-
Non-Executive					
Mr J Chua	6,667	-	-	6,667	-
Mr W Brooks	-	-	-	-	-
Mr F Galbally	-	-	-	-	-
Mr I Gibson	1,115	-	-	1,115	-
Total all directors	360,769	-	53,484	414,253	-

*Mr McGellin was an Executive Director between 1 July 2008 and 6 February 2009

	PRIMARY		POST EMPLOYMENT		
2008	Salary/ fees $	Other Benefits $	Superannuation benefits $	Total $	Proportion of remuneration performance related $
Executive					
Mr J Andrys	272,981	-	14,495	287,476	-
Mr T McGellin	111,757	-	27,272	139,029	-
Non-Executive					
Mr J Chua	20,000	-	-	20,000	-
Mr I Gibson	1,667	-	1,050	2,717	-
Total all directors	406,405	-	42,817	449,222	-

D: SHARE-BASED COMPENSATION

No shares or options have been issued to key management personnel during or since the end of the financial year.

No terms of equity-settled share-based payment transactions (including options and rights granted as compensation to a key management person) have been altered or modified by the issuing entity during the period.

There was no movement in the year by value of options over ordinary shares in the Parent Entity held by each key management person.

The Board and management of WebSpy Limited ("WebSpy" or the "Company") recognise their duties and obligations to shareholders and other stakeholders to implement and maintain a robust system of corporate governance. The Company believes that the adoption of good corporate governance adds value to stakeholders and enhances investor confidence.

The Company acknowledges the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations* (2nd Edition) (the "Recommendations") that took effect for the financial year from 1 July 2008 to 30 June 2009. This Corporate Governance Statement provides details of the Company's compliance with those Recommendations, or where appropriate, indicates a departure from the Recommendations with an explanation. A checklist summarising the Company's compliance with the Recommendations is also set out at the end of this statement.

The Company's corporate governance policies were updated during the 2009 financial year to comply with the revised Recommendations and are available on the Company's website: www.webspy.com. This statement reflects WebSpy's corporate governance system in place during the 2009 financial year and as at the date of this report.

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Board Charter

The Board is accountable to shareholders for the performance of the Company. The Board operates under the Board Charter that details its functions, responsibilities and powers and those delegated to management.

On appointment, non-executive directors receive formal letters of appointment setting out the terms and conditions of appointment. The formal letter of appointment covers the matters referred to in the guidance and commentary for Recommendation 1.1. Executive directors are employed pursuant to employment agreements.

Evaluation of the performance of senior executives

The performance of senior executives is evaluated in accordance with the Performance Evaluation Process. A performance evaluation for senior executives has taken place in the reporting period and was carried out in accordance with the process disclosed.

The Board Charter and Performance Evaluation Process are available on the WebSpy website.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

Composition of the Board

The Board consists of the Managing Director, an executive director and three non-executive directors. Details of their skills, experience and expertise and the period of office held by each director have been included in the Directors' Report. The number of board meetings and the attendance of the directors are set out in the Directors' Report.

The Company does not currently have a chairman of the Board. The Board Charter summarises the roles and responsibilities of the chairman, once appointed and the Managing Director, Mr Andrys.

The Company is at variance with Recommendation 2.2 in that the Board does not have an independent Chairman. The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the expense of the appointment of an additional director to perform the function of an independent chairman.

Independence of non-executive directors and the Chairman of the Board

The Board has assessed the independence of the non-executive directors and the Chairman using defined criteria of independence and materiality consistent with the guidance and commentary for Recommendation 2.1.

Messrs Brooks and Chua do not satisfy the tests of independence as detailed in the Recommendations. Mr Galbally does not have any interests or relationships which may affect his independence and as a result is regarded as an independent director.

The Company is at variance with Recommendation 2.1 in that the majority of directors are not independent. The Board has determined that the composition of the current Board represents the best mix of directors that have an appropriate range of qualifications and expertise, can understand and competently deal with current and emerging business issues and can effectively review and challenge the performance of management. Furthermore, each individual member of the Board is satisfied that whilst the Company may not comply with Recommendation 2.1, all directors bring an independent judgement to bear on Board decisions.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee consists of three members and is chaired by an independent non-executive director, Mr Galbally.

The Nomination and Remuneration Committee Charter sets out its role, responsibilities and membership requirements. The Charter reflects the matters set out in the commentary and guidance for Recommendation 2.4.

For information on the skills, experience and expertise of the Nomination and Remuneration Committee members, refer to the Directors' Report.

Details of the members and their attendance at meetings of the Nomination and Remuneration Committee are included in the Directors' Report.

The Company is at variance with Recommendation 2.4 in that the Nomination and Remuneration Committee does not consist of a majority of independent directors. The Board considers that this composition is appropriate given the current size of the Company.

Board renewal and succession planning

The appointment of directors is governed by the Company's Constitution and the Appointment and Selection of New Directors policy. In accordance with the Constitution of the Company, no director except a Managing Director shall hold office for a continuous period in excess of three years or past the third annual general meeting following the director's appointment, whichever is the longer, without submitting for re-election.

The Company has not adopted a policy in relation to the retirement or tenure of directors.

The appointment of the Company Secretary is a matter for the Board. Information on the skills, experience and qualifications of the Company Secretary can be found in the Directors' Report.

Evaluation of the performance of the Board, its committees and individual directors

The performance of the Board, its committees and individual directors are evaluated in accordance with the Performance Evaluation Process. Performance evaluations of the Board, the Nomination and Remuneration Committee, the Audit and Risk Committee and individual directors have taken place in the reporting period and were carried out in accordance with the process disclosed.

Induction and education

When appointed to the Board, a new director will receive an induction appropriate to their experience. Directors may participate in continuing education to update and enhance their skills and knowledge from time to time, as considered appropriate.

Access to information and advice

Directors are entitled to request and receive such additional information as they consider necessary to support informed decision-making. The Board also has a policy under which individual directors and Board committees may obtain independent professional advice at the Company's expense in relation to the execution of their duties, after consultation with the Chairman.

The Company's Constitution, Nomination and Remuneration Committee Charter and the policy for Appointment and Selection of New Directors are available on the WebSpy website.

PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING

Code of Conduct

The Board has adopted a Code of Conduct which applies to all directors and officers of the Company. It sets out WebSpy's commitment to successfully conducting the business in accordance with all applicable laws and regulations while demonstrating and promoting the highest ethical standards. The Code of Conduct reflects the matters set out in the commentary and guidance for Recommendation 3.1.

Securities Trading Policy

The Dealing Rules for Employees and Directors sets out the rules relating to dealings by employees and directors in securities issued by the Company. Directors and employees may only trade in WebSpy securities during prescribed trading windows and only then if they are not in possession of inside information. All directors and employees are required to seek approval before trading in WebSpy securities during the trading windows.

WebSpy has instituted prohibitions on employees and directors from using derivatives or hedging arrangements that operate or are intended to operate to limit the economic risk of security holdings over unvested Company securities.

The Company will publicly disclose all derivatives or hedging arrangements over vested WebSpy securities taken out by a director of the Company.

The Dealing Rules reflects the matters set out in the commentary and guidance for Recommendation 3.2.

The Code of Conduct and a summary of the Dealing Rules for Employees and Directors are available on the WebSpy website.

PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

Audit and Risk Committee

The Audit and Risk Committee consists of three members and is chaired by Mr Chua.

The Audit and Risk Committee Charter sets out its role, responsibilities and membership requirements. The Charter reflects the matters set out in the commentary and guidance for Recommendation 4.3.

For information on the skills, experience and expertise of the Audit and Risk Committee members, refer to the Directors' Report.

Details of the members and their attendance at meetings of the Audit and Risk Committee are included in the Directors' Report.

The Company is at variance with Recommendation 4.2 in that the Audit and Risk Committee does not consist of a majority of independent directors and is not chaired by an independent chairman. The Board considers that this composition is appropriate given the current size of the Company. Furthermore, the Board considers that the Audit and Risk Committee is of a sufficient size and possesses sufficient technical expertise to discharge its mandate effectively.

External auditor

Consistent with its Charter, the Audit and Risk Committee reviews the external auditor's terms of engagement and audit plan, and assesses the independence of the external auditor. The current practice, subject to amendment in the event of legislative change, is for the rotation of the engagement partner to occur every five years.

The Company's independent external auditor is WHK Horwath Perth Audit Partnership ("WHK Horwath"). The appointment of WHK Horwath was ratified by members at the General Meeting held on 16 February 2006.

The Audit and Risk Committee Charter is available on the WebSpy website.

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

The Continuous Disclosure Policy sets out the key obligations of the directors and employees in relation to continuous disclosure as well as the Company's obligations under the Listing Rules and the Corporations Act. The Policy also provides procedures for internal notification and external disclosure, as well as procedures for promoting understanding of compliance with the disclosure requirements for monitoring compliance.

The Policy reflects the matters set out in the commentary and guidance for Recommendation 5.1.

The Continuous Disclosure Policy is available on the WebSpy website.

PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

The Shareholder Communications Policy sets out the Company's aims and practices in respect of communicating with both current and prospective shareholders. The Policy reinforces the Company's commitment to promoting investor confidence by requiring:

- compliance with the continuous disclosure obligations;
- compliance with insider trading laws;
- compliance with financial reporting obligations;
- compliance with shareholder meeting requirements, including the provision of an opportunity for shareholders and other stakeholders to hear from and put questions to the Board, management and auditor of the Company;
- communication with shareholders in a clear, regular, timely and transparent manner; and
- response to shareholder queries in a prompt and courteous manner.

The Policy reflects the matters set out in the commentary and guidance for Recommendation 6.1.

The Shareholder Communications Policy is available on the WebSpy website.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

Risk Management Policy

WebSpy recognises that risk is inherent to any business activity and that managing risk effectively is critical to the immediate and future success of the Company. As a result, the Board has adopted a Risk Management Policy which sets out the Company's system of risk oversight, management of material business risks and internal control. The Policy has regard to the Joint Australian/New Zealand Standard, AS/NZS 4360:2004, *and Risk management*.

Risk oversight

WebSpy's risk management framework is supported by the Board of Directors, management and the Audit and Risk Committee. The Board is responsible for approving and reviewing the Company's risk management strategy and policy. Management are responsible for monitoring that appropriate processes and controls are in place to effectively and efficiently manage risk. The Audit and Risk Committee also has delegated responsibilities in relation to risk management and the financial reporting process as set out in the Audit and Risk Committee Charter. Further detail regarding the Audit and Risk Committee can be found above at Principle 4: Safeguarding integrity in financial reporting.

Reporting and assurance

When considering the Audit and Risk Committee's review of financial reports, the Board receives a written statement declaration in accordance with section 295A of the *Corporations Act*, signed by the Managing Director and Chief Financial Officer (or equivalents), that the Company's financial reports give a true and fair view, in all material respects with, of the Company's financial position and comply in all material respects with relevant accounting standards. This statement also confirms that the Company's financial reports are founded on a sound system of risk management and internal control and that the system is operating effectively in relation to financial reporting risks.

Similarly, in a separate written statement the Managing Director (or equivalent) and the Chairman of the Audit and Risk Committee also confirm to the Board that the Company's risk management and internal control systems are operating effectively in relation to material business risks for the period, and that nothing has occurred since period-end that would materially change the position.

The Risk Management Policy is available on the WebSpy website.

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

Nomination and Remuneration Committee

The Nomination and Remuneration Committee has delegated responsibilities in relation to the Company's remuneration policies as set out in the Nomination and Remuneration Committee Charter. The Charter reflects the matters set out in the commentary and guidance for Recommendation 8.1. Further detail regarding the Nomination and Remuneration Committee can be found above at Principle 2: Structure the board to add value.

Non-executive directors' remuneration policy

The structure of non-executive directors' remuneration is clearly distinguished from that of executives. Remuneration for non-executive directors is fixed. Total remuneration for all non-executive directors, last voted upon by shareholders at the 1996 General Meeting, is not to exceed $75,000 per annum. Non-executive directors do not receive performance related compensation. Neither the non-executive directors nor the executives of the Company receive any retirement benefits, other than superannuation.

Executive directors' remuneration policy

As noted previously, executive directors are employed pursuant to employment agreements. Summaries of these employment agreements are set out in the Remuneration Report.

The checklist below summarises the Company's compliance with the Recommendations.

	Requirement	Comply Yes/ No	Reference/ Explanation
Pr 1	**Lay solid foundations for management and oversight**		
Rec 1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose the functions.	Yes	Website & Page 1
Rec 1.2	Companies should disclose the process for evaluating the performance of senior executives.	Yes	Website & Page 1
Rec 1.3	Companies should provide the information indicated in the Guide to reporting to Principle 1.	Yes	Website & Page 1
Pr 2	**Structure the board to add value**		
Rec 2.1	A majority of the board should be independent directors.	No	Website & Page 2
Rec 2.2	The chairman should be an independent director.	No	Website & Page 2
Rec 2.3	The roles of chairman and chief executive officer should not be exercised by the same individual.	Yes	Website & Page 2
Rec 2.4	The board should establish a nomination committee.	No	Website & Page 2
Rec 2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	Yes	Website & Page 3
Rec 2.6	Companies should provide the information indicated in the Guide to reporting to Principle 2.	Yes	Website & Page 2 & 3
Pr 3	**Promote ethical and responsible decision making**		
Rec 3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to: ▪ the practices necessary to maintain confidence in the company's integrity; ▪ the practices necessary to take account of their legal obligations and reasonable expectations of their stakeholders; and ▪ the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	Yes	Website & Page 3
Rec 3.2	Companies should establish a policy concerning trading in company securities by directors, officers and employees and disclose the policy or a summary of that policy.	Yes	Website & Page 4
Rec 3.3	Companies should provide the information indicated in the Guide to reporting on Principle 3.	Yes	Website & Page 3 & 4

	Requirement	Comply Yes/ No	Reference/ Explanation
Pr 4	**Safeguard integrity in financial reporting**		
Rec 4.1	The board should establish an audit committee.	Yes	Website & Page 4
Rec 4.2	The audit committee should be structured so that it: ▪ consists only of non-executive directors; ▪ consists of a majority of independent directors; ▪ is chaired by an independent chair, who is not the chair of the board; and ▪ have at least three members.	No	Website & Page 4
Rec 4.3	The audit committee should have a formal charter.	Yes	Website & Page 4
Rec 4.4	Companies should provide the information indicated in the Guide to reporting on Principle 4.	Yes	Website & Page 4
Pr 5	**Make timely and balanced disclosure**		
Rec 5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior level for that compliance and disclose those policies or a summary of those policies.	Yes	Website & Page 5
Rec 5.2	Companies should provide the information indicated in the Guide to reporting on Principle 5.	Yes	Website & Page 5
Pr 6	**Respect the rights of shareholders**		
Rec 6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Yes	Website & Page 5
Rec 6.2	Company should provide the information indicated in the Guide to reporting on Principle 6.	Yes	Website & Page 5
Pr 7	**Recognise and manage risk**		
Rec 7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Yes	Website & Page 5
Rec 7.2	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	Yes	Website & Page 5

	Requirement	Comply Yes/ No	Reference/ Explanation
Rec 7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Yes	Website & Page 6
Rec 7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7.	Yes	Website & Page 5 & 6
Pr 8	**Remunerate fairly and responsibly**		
Rec 8.1	The board should establish a remuneration committee.	Yes	Website & Page 6
Rec 8.2	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Yes	Website & Page 6
Rec 8.3	Companies should provide the information indicated in the Guide to reporting on Principle 8.	Yes	Website & Page 6

AUDITOR'S INDEPENDENCE DECLARATION

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of WebSpy Limited for the year ended 30 June 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 audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

WHK HORWATH PERTH AUDIT PARTNERSHIP

CYRUS PATELL
Principal

Perth, WA

Dated this 29th day of September 2009

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WEBSPY LIMITED
ABN 60 066 153 982
AND CONTROLLED ENTITIES
CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2009

		Consolidated Group		Parent Entity	
		2009	**2008**	**2009**	**2008**
	Note	**$**	**$**	**$**	**$**
Revenue from continuing operations	2	1,402,544	1,586,876	-	-
Cost of sales		(90,959)	(94,333)	-	-
Gross profit		1,311,585	1,492,543	-	-
Other income	3	30,654	121,537	(13,500)	620
Corporate and administrative expenses		(741,169)	(635,987)	(728,239)	(748,565)
Technical expenses		(350,036)	(125,513)	-	-
Marketing and selling expenses		(1,239,299)	(1,316,207)	-	-
Research & development expenses		(211,196)	(389,795)	-	(92,351)
Provision for non-recovery of loans to controlled entities	4	-	-	(393,486)	(147,868)
Loss from operating activities		(1,199,461)	(853,422)	(1,135,225)	(988,164)
Finance income	6	101,445	3,677	101,243	3,051
Finance expense	6	(2,007)	-	(2,007)	-
Net financing costs		99,438	3,677	99,236	3,051
Loss before income tax		(1,100,023)	(849,745)	(1,035,989)	(985,113)
Income tax (expense)/credit	9(b)	(5,185)	309,229	(5,185)	309,229
Loss from continuing operations		(1,105,208)	(540,516)	(1,041,174)	(675,884)
Profit from discontinued operations	7	-	2,203,773	-	2,645,028
Profit/(loss) for the year	23	(1,105,208)	1,663,257	(1,041,174)	1,969,144
					-
Earnings per share					
Basic earnings per share	27	(0.93 cents)	1.40 cents		
Diluted earnings per share	27	(0.93 cents)	1.40 cents		
Continuing operations					
Basic loss per share	27	-	(0.45 cents)		
Diluted loss per share	27	-	(0.45 cents)		
Discontinued operation					
Basic earnings per share	27	-	1.85 cents		
Diluted loss per share	27	-	1.85 cents		

The Consolidated Income Statement is to be read in conjunction with the notes to the financial statements.

WEBSPY LIMITED
ABN 60 066 153 982
AND CONTROLLED ENTITIES
CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2009

		Consolidated Group		Parent Entity	
		2009	2008	2009	2008
	Note	$	$	$	$
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	10	1,136,621	1,823,149	1,040,365	1,717,516
Trade and other receivables	11	258,794	699,732	21,012	332,218
Inventories	12	-	10,599	-	-
Prepayments	13	14,816	27,697	-	-
Total Current Assets		1,410,231	2,561,177	1,061,377	2,049,734
NON CURRENT ASSETS					
Trade and other receivables	11	16,860	-	36,398	100,437
Financial assets	14	-	-	-	-
Property, plant & equipment	15	46,028	46,824	8,981	10,643
Intangible assets	16	-	-	-	-
Total Non Current Assets		62,888	46,824	45,379	111,080
TOTAL ASSETS		**1,473,119**	**2,608,001**	**1,106,756**	**2,160,814**
LIABILITIES					
CURRENT LIABILITIES					
Trade and other payables	17	247,378	279,806	53,644	68,189
Short-term provisions	18	64,054	81,763	1,973	4,639
Total Current Liabilities		311,432	361,569	55,617	72,828
NON CURRENT LIABILITIES					
Long-term provisions	18	42,582	28,536	4,327	-
Total Non Current Liabilities		42,582	28,536	4,327	-
TOTAL LIABILITIES		**354,014**	**390,105**	**59,944**	**72,828**
NET ASSETS		**1,119,105**	**2,217,896**	**1,046,812**	**2,087,986**
EQUITY					
Issued Capital	20	17,500,386	17,500,386	17,500,386	17,500,386
Reserves	21	(103,440)	(109,857)	-	-
Accumulated losses	22	(16,277,841)	(15,172,633)	(16,453,574)	(15,412,400)
TOTAL EQUITY		**1,119,105**	**2,217,896**	**1,046,812**	**2,087,986**

The Consolidated Balance Sheet is to be read in conjunction with the notes to the financial statements.

WEBSPY LIMITED
ABN 60 066 153 982
AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2009

Consolidated Group	Issued Capital $	Foreign Currency Translation Reserve $	Accumulated Losses $	Total $
Balance as at 1 July 2007	17,500,386	(62,383)	(16,835,890)	602,113
Adjustments from translation of foreign controlled entities	-	(47,474)	-	(47,474)
Profit/(losses) attributable to members of the parent entity	-	-	1,663,257	1,663,257
Balance at 30 June 2008	17,500,386	(109,857)	(15,172,633)	2,217,896
Adjustments from translation of foreign controlled entities	-	6,417	-	6,417
Profit/(losses) attributable to members of the parent entity	-	-	(1,105,208)	(1,105,208)
Balance at 30 June 2009	**17,500,386**	**(103,440)**	**(16,277,841)**	**1,119,105**

Parent Entity	Issued Capital $	Reserves $	Accumulated Losses $	Total $
Balance as at 1 July 2007	17,500,386	-	(17,381,544)	118,842
Profit attributable to members of the parent entity	-	-	1,969,144	1,969,144
Balance at 30 June 2008	17,500,386	-	(15,412,400)	2,087,986
Profit attributable to members of the parent entity	-	-	(1,041,174)	(1,041,174)
Balance at 30 June 2009	**17,500,386**	**-**	**16,453,574**	**1,046,812**

The Consolidated Statement of Changes in Equity is to be read in conjunction with the notes to the financial statements.

WEBSPY LIMITED
ABN 60 066 153 982
AND CONTROLLED ENTITIES
CONSOLIDATED CASHFLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2009

	Note	Consolidated Group 2009 $	Consolidated Group 2008 $	Parent Entity 2009 $	Parent Entity 2008 $
Cash flows from operating activities					
Receipts from customers		1,521,575	3,482,013	-	-
Payments to suppliers and employees		(2,580,619)	(4,118,314)	(716,454)	(867,071)
Interest received		101,602	9,894	101,244	9,268
Income tax refunds		298,606	352,709	285,125	352,709
Finance costs		(2,165)	-	(2,008)	-
Net cash provided by/(used in) operating activities	28(b)	(661,001)	(273,698)	(332,093)	(505,094)
Cash flows from investing activities					
Purchases of property, plant and equipment		(27,363)	(62,669)	(4,595)	(9,526)
Proceeds from sale of subsidiary (net of cash disposed of)	7	-	1,988,432	-	2,000,000
Loans from/(to) controlled entities		-	-	-	228,322
Net cash provided by/(used in) investing activities		(27,363)	1,925,763	(4,595)	2,218,796
Cash flows from financing activities					
Intercompany loans		-	-	(340,463)	-
Net cash used in financing activities		-	-	(340,463)	-
NET INCREASE/(DECREASE) IN CASH HELD		(688,364)	1,652,065	(677,151)	1,713,702
Cash at the beginning of the financial year		1,823,149	173,803	1,717,516	3,814
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	28(a)	**1,136,621**	**1,823,149**	**1,040,365**	**1,717,516**

The Consolidated Cashflow Statement is to be read in conjunction with the notes to the financial statements.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report includes the consolidated financial statements and notes of WebSpy Limited and controlled entities ("Consolidated Group" or "Group"), and the separate financial statements and notes of WebSpy Limited as an individual parent entity ("Parent Entity").

Basis of Preparation

The financial report is a general purpose financial report which has been prepared in accordance with the Australian Accounting Standards ("AASBs"), including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

The financial statements were approved by the Board of Directors on 29 September 2009.

The financial report is prepared on the accruals basis and the historical cost basis modified, where applicable, by the measurement at fair value of selected non current assets, financial assets and financial liabilities.

Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the Parent Entity's functional currency.

Use of estimates and judgements

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Certain comparative amounts have been reclassified to conform with the current year's presentation. In addition the comparative income statement has been represented as if an operation discontinued during the current period had been discontinued from the start of the comparative period.

Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by all entities in the Consolidated Group.

(a) Principles of Consolidation

Subsidiaries

Subsidiaries are entities controlled by the Parent Entity. Control exists when the Parent Entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. A list of controlled entities is contained in Note 30 to the financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(a) Principles of Consolidation (cont'd)

In the Company's financial statements, investments in subsidiaries are carried at cost.

Transactions eliminated on consolidation

Unrealised gains and losses and inter-entity balances resulting from transactions with or between subsidiaries are eliminated in full on consolidation.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

(b) Foreign Currency Transactions and Balances

Functional and presentation currency

The functional currency of each of the group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the income statement, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the income statement.

(c) Group companies

The financial results and position of foreign operations whose functional currency is different from the group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at the exchange rates prevailing at the date of transaction; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the group's foreign currency translation reserve in the balance sheet. These differences are recognised in the income statement in the period in which the operation is disposed.

(d) Plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Costs include expenditures that are directly attributable to the acquisition of the asset.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(d) Plant and equipment (cont'd)

Depreciation

Depreciation is recognised in the income statement on a straight line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The expected useful lives are as follows:

Plant and equipment	3 - 5 years
Leasehold improvements	3 - 5 years

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement.

(e) Intangible assets

Intangible assets acquired separately are capitalised at cost and from a business combination are capitalised at fair value as at the date of acquisition. Following initial recognition, the costs model is applied to the class of intangible assets.

The useful lives of these intangible assets are assessed to be either finite or indefinite.

Intangible assets are tested for impairment where an indicator of impairment exists and in the case of indefinite lived intangibles annually, either individually or at the cash generating unit level. Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

Research and development

Expenditure on research activities, undertaken with the prospect of gaining new technical knowledge and understanding, is recognised in the income statement when incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Consolidated Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. Other development expenditure is recognised in the income statement when incurred.

Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

(f) Leased assets

Leases in terms of which the Consolidated Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognised on the Consolidated Group's balance sheet.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(g) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in-first-out principle and includes expenditure incurred in acquiring the inventories and brings them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and selling expenses.

(h) Impairment

Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the income statement.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

Non-financial assets

The carrying amounts of the Consolidated Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for sale, recoverable amount is estimated at each reporting date.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss has been recognised.

(i) Financial instruments

Recognition and Initial Measurement

Financial instruments, incorporating financial assets and liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument.

Financial instruments are initially measured at fair value plus transaction costs where the instrument is not classified as at fair value through profit and loss. Transactions cost related to instruments as at fair value through the profit and loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(i) Financial instruments (cont'd)

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations between the carrying values of the financial liability are extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Classification and subsequent measurement

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

(ii) Available for sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

(iii) Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

(j) Discontinued operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative income statement is re-presented as if the operation has been discontinued from the start of the comparative period.

(k) Employee benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and are capable of being measured reliably.

Provisions made in respect of wages and salaries, annual leave and long service leave expected to be settled within 12 months are measured at their nominal values based on expected rates of pay.

Share-based payments

The Group provides benefits to employees (including Directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ("equity-settled transactions"). The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an internal valuation using Black-Scholes or Binomial option pricing models.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(k) Employee benefits (cont'd)

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("vesting date"). 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 number of awards that, in the opinion of the Directors of the Group, will ultimately vest. This opinion is formed based on the best available information at balance date. 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.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition. Where 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.

(l) Revenue

Goods sold

Revenue is measured at the fair value of the consideration received net of the amount of discounts and goods and services tax (GST) payable to the taxation authority.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer.

Services

Revenue from services rendered is recognised in the income statement in proportion to the stage of completion of the contract.

(m) Finance income and expenses

Finance income comprises of interest income on funds invested and gains on the disposal of available-for-sale financial assets. Interest revenue is recognised as it accrues using the effective interest rate method which, for floating rate financial assets, is the rate inherent in the instrument.

Finance expenses comprise interest expense on borrowings. All borrowing costs are recognised in income statement.

(n) Income tax

Income tax revenue comprises current and deferred tax. Current and deferred income tax expense (income) is charged or credited directly to equity instead of profit or loss when the tax relates to items that are credited or charged directly to equity.

Current income tax expense charged to profit or loss is the tax payable on the taxable income for the year, calculated using applicable income tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable (receivable) in respect of previous years.

Deferred income tax expense reflects movements in deferred tax assets and deferred tax liability balances during the year as well as unused tax losses.

Deferred income tax assets and liabilities are recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the temporary differences in the: initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(n) Income tax

Deferred tax assets and liabilities are measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the tax rates that have been enacted or substantively enacted by the reporting date.

A deferred tax asset and unused tax losses are recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

Tax Consolidation

The Parent Entity and its wholly-owned Australian resident entities have formed a tax-consolidated group with effect from 1 July 2003 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is WebSpy Limited.

Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries is assumed by the head entity in the tax-consolidated group and are recognised by the Parent Entity as amounts payable (receivable) to/(from) other entities in the tax-consolidated group in conjunction with any tax funding arrangement amounts (refer below). Any difference between these amounts is recognised by the Parent Entity as an equity contribution or distribution.

The Parent Entity recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the asset can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(o) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

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

(p) Earnings per share

The Consolidated Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Parent Entity by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributed to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

(q) Segment Reporting

A segment is a distinguishable component of the Consolidated Group's that is engaged either in providing related products or services (business segment) or within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Consolidated Group's primary format for segment reporting is based on geographical segment.

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, employee benefits, accrued expenses, provisions and borrowings. Segment assets and liabilities do not include deferred income taxes.

(r) Cash and cash equivalents

Cash and cash equivalents comprise cash balances, short term bills, call deposits and other short-tem highly liquid investments with original maturities of 3 months or less. Bank overdrafts that are repayable on demand and form an integral part of the Consolidated Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(s) Trade and other payables

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the consolidated entity. Trade accounts payable are normally settled within 60 days.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(t) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2009 reporting periods. The Group's and the parent entity's assessment of the impact of new standards and interpretations that may affect the Group is set out below.

(a) 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 Group 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.

(b) 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 Group, as the Group does not have any borrowings.

(c) 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 Group intends to apply the revised standard from 1 July 2009.

(u) Determination of fair values

A number of the Consolidated Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Property, plant and equipment

The fair value of property, plant and equipment recognised as a result of a business combination is based on market values. The market value of items of plant, equipment, fixtures and fittings is based on the quoted market prices for similar items.

Inventory

The fair value of inventory acquired in a business combination is determined based on its estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventory.

Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(u) Determination of fair values (cont'd)

Share based payment transactions

The fair value of options is measured using the Black-Scholes formula. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

		Consolidated Group		Parent Entity	
		2009	2008	2009	2008
2.	**REVENUE**	$	$	$	$
	From continuing operations				
	Sale of goods revenue	1,218,643	1,435,521	-	-
	Rendering of service revenue	183,901	151,355	-	-
		1,402,544	1,586,876	-	-
	From discontinued operations				
	Sale of goods revenue	-	137,959	-	-
	Rendering of service revenue	-	1,520,128	-	-
		-	1,658,087	-	-
3.	**OTHER INCOME**				
	From continuing operations				
	Rental income	38,945	107,736	-	-
	Other income	(8,291)	13,801	(13,500)	620
		30,654	121,537	(13,500)	620
	From discontinued operations				
	Other income	-	25,250	-	-
4.	**OTHER EXPENSES**				
	Depreciation and amortisation	(27,909)	(36,820)	(6,257)	(5,544)
	Provision for impairment of loan to controlled entity	-	-	(393,486)	(147,868)
	Inventories written off	(12,111)	(14,284)	-	-
	Rental expense on operating leases – minimum lease payments	(302,481)	(288,932)	-	-
	Net loss on disposal of plant and equipment	-	(879)	-	-
	Foreign currency translation gains	6,418	40,394	-	-
5.	**PERSONNEL EXPENSES**				
	Salaries and wages	(1,118,846)	(916,126)	(27,183)	(13,408)
	Other associated personnel expenses	(16,775)	(15,036)	-	-
	Superannuation costs	(94,741)	(95,179)	(86)	(2,855)
	Increase/(decrease) in liability for annual leave	3,664	(11,053)	(1,661)	(6,415)
		(1,226,698)	(1,037,394)	(28,930)	(22,678)
6.	**FINANCE INCOME AND EXPENSE**				
	Interest income	101,445	3,677	101,245	3,051
	Interest expense	(2,007)	-	(2,007)	-
		99,438	3,677	99,238	3,051

7. DISCONTINUED OPERATION

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.

7. DISCONTINUED OPERATION (continued)

	Consolidated Group 2009 $	Consolidated Group 2008 $
Revenue (note 2)	-	1,658,087
Other income (note 3)	-	25,250
		1,683,337
Cost of sales	-	(521,503)
Technical expenses	-	(177,696)
Marketing and selling expenses	-	(580,365)
Profit before income tax	-	403,773
Income tax expense	-	-
Profit attributable to member of the parent entity	-	403,773
Profit on sale of the division before income tax	-	1,800,000
Income tax expense	-	-
Profit on sale of the division after income tax	-	1,800,000
Total profit after tax attributable to the discontinued operation	**-**	**2,203,773**
The net cash flows of the discontinued division which have been incorporated in the comparative information in the statement of cash flows are as follows:		
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 discontinued division	**-**	**2,257,026**

	2009 $	29 May 2008 $
Carrying amounts of assets and liabilities		
The carrying amounts of assets and liabilities as at the date of sale were:		
Cash	-	11,568
Trade receivables	-	332,222
Property, plant and equipment	-	45,399
Total assets	-	389,189
Trade payables	-	102,244
Short-term provisions	-	73,445
Total liabilities	-	175,689
Net assets	**-**	**213,500**

	Consolidated Group 2009 $	Consolidated Group 29 May 2008 $	Parent Entity 2009 $	Parent Entity 29 May 2008 $
Details of the sale of the business unit				
Cash consideration received/to be received	-	2,013,500	-	2,013,500
Carrying amount of investment	-	-	-	-
Debt forgiven	-	-	-	631,528
Total disposal consideration	-	2,013,500	-	2,645,028
Carrying amount of net assets sold	-	(213,500)	-	-
Gain on sale before income tax	-	1,800,000	-	2,645,028
Income tax expense	-	-	-	-
Gain on sale after income tax	**-**	**1,800,000**	-	2,645,028

	Consolidated Group 2009 $	Consolidated Group 2008 $	Parent Entity 2009 $	Parent Entity 2008 $
8. AUDITOR'S REMUNERATION				
Remuneration of the auditor of the parent entity for:				
Audit services				
- Audit and review of financial reports	32,600	34,500	32,600	34,500
Other services				
- Fees in relation to AGM	240	213	240	213
	32,840	34,713	32,840	34,713

9. INCOME TAX

	Consolidated Group 2009 $	Consolidated Group 2008 $	Parent Entity 2009 $	Parent Entity 2008 $
(a) Income tax benefit for current period	19,979	309,229	19,979	309,229
Adjustment for prior periods	(25,164)	-	(25,164)	-
	(5,185)	309,229	(5,185)	309,229
(b) Numerical reconciliation of income tax credit to prima facie tax payable				
Loss from continuing operations before income tax expense	(1,100,023)	(849,745)	(1,035,989)	(985,113)
Profit from discontinued operation before income tax expense	-	2,203,773	-	2,645,028
	(1,100,023)	1,354,028	(1,035,989)	1,659,915
Tax at the Australian tax rate of 30% (2008 – 30%)	(330,007)	(406,208)	(310,797)	(497,975)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
• Loss on disposal of plant and equipment	-	(264)	-	-
• Entertainment	(1,803)	(258)	(932)	(119)
• Legal fees	(22,816)	(865)	(22,816)	(866)
Tax losses not recognised	354,626	407,595	334,545	498,960
Research and development tax rebate	(5,185)	309,229	(5,185)	309,229
Income tax (expense)/credit	(5,185)	309,229	(5,185)	309,229
(c) Tax losses				
Unused tax losses for which no deferred tax asset has been recognised (as recovery is currently not probable)				
Potential at 30% (2008: 30%)	2,024,346	1,669,720	1,855,461	1,520,916
(d) Unrecognised temporary differences				
Temporary differences for which deferred tax assets have not been recognised:				
Employee benefits provision	31,991	33,090	1,890	1,392
Provision for impairment	-	-	2,619,923	2,501,877
Unrecognised deferred tax assets relating to the above temporary differences	31,991	33,090	2,621,813	2,503,269

(e) Tax Rates

The potential tax benefit at 30 June 2009 in respect of tax losses not brought to account has been calculated at 30% for Australian entities. This same rate applied for the year ended 30 June 2008.

	Note	Consolidated Group		Parent Entity	
		2009	2008	2009	2008
		$	$	$	$
10. CASH AND CASH EQUIVALENTS					
Cash at bank and on hand		1,136,621	1,823,149	1,040,365	1,717,516
11. TRADE AND OTHER RECEIVABLES					
Current					
Trade receivables		207,492	249,818	19,979	-
Other receivables		133,518	516,245	1,033	332,218
Provision for impairment		(112,506)	(112,506)	-	-
Deposits	(a)	30,290	46,175	-	-
		258,794	699,732	21,012	332,218
Non-current					
Deposits	(a)	16,860	-	-	-
Loans to controlled entities		-	-	7,777,686	7,448,238
Provision for impairment of loans		-	-	(7,741,288)	(7,347,801)
		16,860	-	36,398	100,437

(a) Deposits

The deposit represents $7,501 [2008: $6,323] lodged as security pursuant to a property rental agreement in the United States, $22,789 [2008: $22,992] as security pursuant to a property rental agreement in the United Kingdom and $16,860 [2008: $16,860] as security pursuant to a property rental agreement in Western Australia.

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	$	$	$	$
12. INVENTORIES				
Current – at cost	12,111	24,883	-	-
Provision for impairment	(12,111)	(14,284)	-	-
	-	10,599	-	-
13. PREPAYMENTS				
Prepaid expenses	14,816	27,697	-	-
14. FINANCIAL ASSETS				
Available-for-Sale Financial Assets				
Unlisted investments, at recoverable amount				
Controlled entities				
Unlisted units, at cost	-	-	898,553	898,553
Unlisted shares, at cost	-	-	93,237	93,237
Less: provision for impairment	-	-	(991,790)	(991,790)
Total available for sale financial assets	-	-	-	-

Available-for-sale financial assets comprise investments in the ordinary issued capital and issued units of controlled entities. There are no fixed returns or fixed maturity date attached to these assets.

15. PROPERTY, PLANT & EQUIPMENT

	Consolidated Group			Parent Entity		
	Plant & Equipment	**Leasehold Improvements**	**Total**	**Plant & Equipment**	**Leasehold Improvements**	**Total**
At 1 July 2008	46,824	-	46,824	10,643	-	10,643
Additions	27,362	-	27,362	4,595	-	4,595
Depreciation charged for the year	(27,950)	-	(27,950)	(6,257)	-	(6,257)
Disposals	(558)	-	(558)	-	-	-
Exchange adjustment at 30 June 2009	350	-	350	-	-	-
At 30 June 2009, net of accumulated depreciation	**46,028**	**-**	**46,028**	**8,981**	**-**	**8,981**
At 30 June 2009						
Cost	961,196	175,078	961,196	258,692	-	258,692
Accumulated depreciation	(915,168)	(175,078)	(915,168)	(249,711)	-	(249,711)
Net carrying amount	**46,028**	**-**	**46,028**	**8,981**	**-**	**8,981**

	Plant & Equipment	**Leasehold Improvements**	**Total**	**Plant & Equipment**	**Leasehold Improvements**	**Total**
At 1 July 2007	80,830	78	80,908	6,661	-	6,661
Additions	61,424	-	61,424	9,526	-	9,526
Depreciation charged for the year	(49,624)	(78)	(49,702)	(5,544)	-	(5,544)
Assets disposed of pursuant to disposal of business unit	(45,399)	-	(45,399)	-	-	-
Exchange adjustment at 30 June 2008	(407)	-	(407)	-	-	-
At 30 June 2008, net of accumulated depreciation	46,824	-	46,824	10,643	-	10,643
At 30 June 2008						
Cost	742,485	175,078	917,563	90,393	163,704	254,097
Accumulated depreciation	(695,661)	(175,078)	(870,739)	(79,750)	(163,704)	(243,454)
Net carrying amount	**46,824**	**-**	**46,824**	**10,643**	**-**	**10,643**

	Consolidated Group		Parent Entity	
16. INTANGIBLE ASSETS	**2009 $**	**2008 $**	**2009 $**	**2008 $**
Capitalised development expenditure cost	1,574,718	1,574,718	-	-
Less: Accumulated amortisation	(1,574,718)	(1,574,718)	-	-
	-	-	-	-

Intangible assets have finite useful lives and have been amortised in full.

17. TRADE AND OTHER PAYABLES

	Consolidated Group 2009 $	Consolidated Group 2008 $	Parent Entity 2009 $	Parent Entity 2008 $
Current				
Trade creditors	137,854	61,110	27,398	12,055
Other creditors and accruals	109,524	180,389	26,246	44,192
Unclaimed monies	-	11,942	-	11,942
Security deposit	-	18,000	-	-
Unexpired rental	-	8,365	-	-
	247,378	279,806	53,644	68,189

18. PROVISIONS

	Consolidated Group 2009 $	Consolidated Group 2008 $	Parent Entity 2009 $	Parent Entity 2008 $
Current				
Employee entitlements	64,053	81,763	1,973	4,639
Non-Current				
Employee entitlements	42,582	28,536	4.327	-

Movements in provision

	Consolidated Group 2009 $	Consolidated Group 2008 $
Carrying amount at start of year	110,299	178,722
Charged/(credited) to the income statement		
- additional provisions recognised	125,387	117,088
Amounts used during the period	(129,051)	(112,066)
Amount divested through disposal of NIS	-	(73,445)
Carrying amount at end of year	106,635	110,299

Amounts not expected to be settled within the next 12 months

The current provision for long service leave includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current, since the Consolidated Group does not have an unconditional right to defer settlement. However, based on past experience, the Consolidated Group does not expect all employees to take the full amount of accrued long service leave or require payment within the next 12 months. The amount provided for leave that is not to be expected to be taken or paid within the next 12 months is $42,582.

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	$	$	$	$
19. AMOUNTS PAYABLE/RECEIVABLE IN FOREIGN CURRENCIES				
The Australian dollar equivalents of unhedged amounts payable/receivable in foreign currencies, calculated at year-end exchange rates, are as follows:				
United States dollars				
Amounts payable:				
Current	(37,294)	(38,697)	-	-
Amounts receivable:				
Current	63,624	54,246	-	-
British pounds				
Amounts payable:				
Current	(107,729)	(79,582)	-	-
Amounts receivable:				
Current	91,678	142,596	-	-

20. ISSUED CAPITAL

Share capital				
119,141,275 fully paid ordinary shares	17,500,386	17,500,386	17,500,386	17,500,386

There were no movements in share capital during the year.

Ordinary shares participate in dividends and proceeds on winding up of the parent entity in proportion to the number of shares held.

At shareholder meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

Options

There are no unissued ordinary shares in the Company under option.

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	$	$	$	$
21. RESERVES				
Foreign currency translation reserve (a)	(103,439)	(109,857)	-	-

Nature and purpose of reserve

(a) Foreign currency translation reserve

Exchange differences arising on the translation of monetary items are recognised in the income statement, except where deferred in equity as a qualifying cash flow or net investment hedge.

22. RESERVES (cont'd)

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the income statement.

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	$	$	$	$
Balance 1 July	(109,857)	(62,383)	-	-
Currency translation differences arising during the year	6,417	(47,474)	-	-
Balance 30 June	(103,440)	(109,857)	-	-

22. ACCUMULATED LOSSES

	Consolidated Group 2009 $	Consolidated Group 2008 $	Parent Entity 2009 $	Parent Entity 2008 $
Accumulated losses at beginning of year	(15,172,633)	(16,835,890)	(15,412,400)	(17,381,544)
Profit/(losses) after income tax	(1,105,208)	1,663,257	(1,041,174)	1,969,144
Accumulated losses at end of year	(16,277,841)	(15,172,633)	(16,453,574)	(15,412,400)

23. RELATED PARTY TRANSACTIONS

Details of key management personnel

The following were key management personnel of the Consolidated Group at any time during the reporting period and unless otherwise indicated were key management personnel for the entire period:

Directors

Mr Jack Andrys	Managing Director
Mr Tom McGellin	Executive Director
Mr William Brooks	Non-Executive Director
Mr John Chua	Non-Executive Director (appointed 21 July 2008)
Mr F Galbally	Non-Executive Director (appointed 21 July 2008)
Mr Joseph Chua	Non-Executive Director (appointed 30 November 2001, resigned 21 July 2008)

There are no specified executives of WebSpy Limited.

Key management personnel remuneration

Information regarding remuneration of individual directors and executives and some equity instruments disclosures has been included in the Remuneration Report on pages 9 to 10.

Loans to key management personnel

There were no loans to key management personnel during the year.

Other key management personnel transactions

Apart from the details disclosed in the Remuneration Report, no director has entered into a material contract with the Parent Entity or the Consolidated Group since the end of the previous financial year.

23. RELATED PARTIES (cont'd)

Equity holdings

Shares

The movement during the reporting period in the number of ordinary shares in WebSpy Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

2009	Held at 1 July 2008	Held at date of appointment	Purchases	Held at date of resignation	Held at 30 June 2009
Director					
Mr J Andrys	8,753,878	N/A	-	N/A	8,753,878
Mr W Brooks	6,829,235	N/A	50,000	N/A	6,879,235
Mr John Chua	N/A	13,695,167	-	N/A	13,695,167
Mr F Galbally	N/A	-	-	N/A	-
Mr T McGellin	6,075,886	N/A	-	N/A	6,075,886
Mr Joseph Chua	13,695,167	N/A	-	13,695,167	N/A

2008	Held at 1 July 2007	Held at date of appointment	Purchases	Received on exercise of options	Held at 30 June 2008
Director					
Mr J Andrys	8,753,878	N/A	-	-	8,753,878
Mr W Brooks	N/A	6,348,235	481,000	-	6,829,235
Mr Joseph Chua	13,695,167	N/A	-	-	13,695,167
Mr T McGellin	6,075,886	N/A	-	-	6,075,886

Options

The movement during the reporting period in the number of options over ordinary shares in WebSpy Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

2009	Held at 1 July 2008	Held at date of appointment	Granted as compensation	Held at date of resignation	Held at 30 June 2009	Vested during the year
Director						
Mr J Andrys	-	N/A	-	N/A	-	-
Mr W Brooks	-	N/A	-	N/A	-	-
Mr John Chua	N/A	-	-	N/A	-	-
Mr F Galbally	N/A	-	-	N/A		
Mr T McGellin	-	N/A	-	N/A	-	-
Mr Joseph Chua	-	N/A	-	-		

2008	Held at 1 July 2007	Held at date of appointment	Granted as compensation	Other Changes *	Held at 30 June 2008	Vested during the year
Director						
Mr J Andrys	4,000,000	N/A	-	(4,000,000)	-	-
Mr W Brooks	-	-	-	-	-	-
Mr Joseph Chua	-	N/A	-	-	-	-
Mr T McGellin	4,000,000	N/A	-	(4,000,000)	-	-

* Other changes represent options that expired or were forfeited during the year.

23. RELATED PARTIES (cont'd)

No options held by specified directors were vested but not exercisable.

Non-key management personnel disclosures

Loans are made by the Parent Entity, WebSpy Limited, to its wholly owned subsidiaries for capital purchases and working capital purposes. The loans outstanding between the Parent Entity and its subsidiaries have no fixed date of repayment and are non-interest bearing. Details of the Parent Entity's interest in its subsidiaries are set out in Note 30.

Aggregate amounts receivable from the Consolidated Group are as follows (Note 11):

	Parent Entity	
	2009	2008
	$	$
Current		
Loans to subsidiaries	7,777,686	7,448,238
Provision for loans to subsidiaries	(7,741,288)	(7,347,801)
	36,398	100,437

No dividends were received from the Consolidated Group in the 2009 or 2008 financial year.

24. EMPLOYEE OPTION PLAN

The Parent Entity has in place an incentive scheme known as the WebSpy Limited Staff Option Incentive Scheme ("Scheme"). No options to subscribe for ordinary fully paid shares were issued or exercised under the Scheme during the year, and there are no options on issue at balance date.

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
25. COMMITMENTS	$	$	$	$
Operating lease commitments				
Payables				
Future operating lease rentals not provided for in the financial statements and payable:				
- not later than one year	204,078	119,358	192,300	64,479
- later than one year but not later than five years	427,329	12,123	427,050	-
	631,407	131,481	619,350	64,479

The Consolidated Group leases property under non-cancellable operating leases expiring from one to four years and is payable monthly or quarterly in advance. The lease rentals are subject to review periodically to market rental rates or CPI increases, whichever is higher. Leases generally provide the Consolidated Group with a right of renewal at which time all terms are renegotiated.

	Consolidated Group 2009	Consolidated Group 2008	Parent Entity 2009	Parent Entity 2008
Receivables				
Future operating lease rentals not provided for in the financial statements and receivable:				
- not later than one year	-	36,000	-	36,000
- later than one year but not later than five years	-	-	-	-
	-	36,000	-	36,000

The Parent Entity subleased part of their office premises from March 2008 for a period of 8 months. The option to renew the sublease is 3 years subject to the Parent Entity extending its option over its lease on the offices.

26. SEGMENT INFORMATION

(a) Description of segments

The Consolidated Group'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 prior year, and has previously been included in the Australian geographical segment.

(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				101,445
Consolidated revenue				1,534,643
Result				
Segment result	(1,255,075)	128,487	144,186	(982,402)
Unallocated revenue and income tax benefit				((122,806)
Profit for the year				(1,105,208)
Depreciation and amortisation	25,992	462	1,455	27,909
Assets				
Segment assets	134,074	73,605	128,819	336,498
Unallocated assets				1,136,621
Consolidated total assets				1,473,119
Acquisition of non-current segment assets	23,670	2,378	1,314	27,362
Liabilities				
Segment liabilities	(202,158)	(39,416)	(112,440)	(350,014)

26. 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 Consolidated Group 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.

27 EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share at 30 June 2009 was based on the loss attributable to ordinary shareholders of $1,105,208 (2008 profit: $1,663,257) and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2009 of 119,141,275 (2008: 119,141,275) calculated as follows:

Profit/(loss) attributable to ordinary shareholders

	Consolidated					
	2009			2008		
	Continuing operations $	Discontinued operation $	Total $	Continuing operations $	Discontinued operation $	Total $
Profit/(loss) for the year	(1,105,208)	-	(1,105,208)	(540,516)	2,203,773	1,663,257

Weighted average number of ordinary shares	2009 Number	2008 Number
Weighted average number of ordinary shares used as the denominator in the calculation of basic earnings per share.		
Issued ordinary shares at 1 July	119,141,275	119,141,275
Effect of shares issued during the year	-	-
Used as the denominator in calculating basic profit per share for the year	119,141,275	119,141,275

Diluted earnings per share

The calculation of diluted earnings per share at 30 June 2009 was based on loss attributable to ordinary shareholders of $1,105,208 and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 119,141,275, as calculated below:

Weighted average number of ordinary shares (diluted)	Number 2009	Number 2008
Weighted average number of ordinary shares (basic)	119,141,275	119,141,275
Effect of share options on issue	-	-
Weighted average number of ordinary shares (diluted) at 30 June	119,141,275	119,141,275

	Consolidated Group 2009 $	Consolidated Group 2008 $	Parent Entity 2009 $	Parent Entity 2008 $
28. CASHFLOW INFORMATION				
(a) Reconciliation of cash:				
For the purposes of the statements of cash flows, cash includes cash on hand and at bank and other funds held at call, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the statements of cash flows is reconciled to the related items in the balance sheet as follows:				
Cash and cash equivalents	1,136,621	1,823,149	1,040,365	1,717,516
(b) Reconciliation of after income tax to net cash used in operating activities				
Profit/(loss) after income tax	(1,105,208)	1,663,257	(1,041,175)	1,969,144
Add/(less) non-cash items:				
Gain on disposal of NIS business unit	-	(1,800,000)	-	(2,013,500)
Forgiveness of debt	-	-	-	(631,528)
Loss on disposal of fixed assets	-	878	-	-
Provision for controlled entity receivables	-	-	393,486	147,868
Provision for employee entitlements	(3,664)	5,022	1,661	(6,565)
Depreciation and amortisation	27,908	49,702	6,257	5,544
Impairment of inventories	12,111	11,984	-	-
Foreign exchange loss	(2,548)	(47,047)	11,016	-
Net cash provided by/(used in) operating activities before changes in assets and liabilities	(1,071,401)	(116,204)	(628,755)	(529,037)
Changes in assets and liabilities during the financial year:				
(Increase)/Decrease in receivables	440,990	(123,747)	311,207	39,951
(Increase)/Decrease in prepayments	14,076	(10,987)	-	-
(Increase)/Decrease in inventories	-	5,344	-	-
Increase/(Decrease) in payables	(44,666)	(28,104)	(14,545)	(16,008)
Net cash provided by/(used in) operating activities	(661,001)	(273,698)	(332,093)	(505,094)

29. FINANCIAL INSTRUMENTS DISCLOSURE

(a) Financial Risk Management

The Group's financial instruments consist mainly of deposits with banks, local money market instruments, accounts receivable and payable, loans to and from subsidiaries, bills and leases.

The main purpose of non-derivative financial instruments is to raise finance for Group operations.

The main risks the Group is exposed to through its financial instruments are credit risk, liquidity risk, foreign currency risk, and interest rate risk.

29. FINANCIAL INSTRUMENTS DISCLOSURE (cont'd)

Credit Risk

Credit risk represents the loss that would be recognised if counterparties fail to perform as contracted. The credit risk on financial assets of the Company that have been recognised in the balance sheet is the carrying amount of those financial assets, net of any provision for doubtful debts. The Group has established a credit policy which is reviewed regularly. The Group manages credit risk by dealing with customers with good credit history and establishing sales limits where appropriate for each customer. A new customer is analysed individually for creditworthiness. Customers who fail to meet credit worthiness may transact on a prepayment basis. Customers are monitored by analysing and summarising the trade receivables by age of debt. The Consolidated Group does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the Group.

The carrying amount of the Group's/Company's financial assets represents the maximum credit exposure:

	Consolidated Group Carry Amount		Company Carry Amount	
	2009 $	2008 $	2009 $	2008 $
Cash and cash equivalents	1,136,621	1,823,149	1,040,365	1,717,516
Trade and other receivables - current	258,794	699,732	21,012	332,218
Trade and other receivables – non-current	16,860	-	36,398	100,437
	1,412,275	2,522,881	1,097,775	2,150,171

The Group's maximum exposure to credit risk for trade receivables at reporting date by geographic region was:

	Carrying Amount	
Country	2009 $	2008 $
Australia	52,190	52,976
Europe	91,678	142,596
North America	63,624	54,246
	207,492	249,818

Trade debtors comprise the following:

	2009			2008		
Region	Carrying amount $	No. of debtors	Average debt $	Carrying amount $	No. of debtors	Average debt $
Australia	52,190	27	1,933	52,976	22	2,408
Europe	91,678	32	2,865	142,596	33	4,321
North America	63,624	27	2,356	54,246	22	2,466
	207,492	86	2,413	249,818	77	3,244

The single highest debtor in the Group is $30,653 [2008: $14,950], with an overall average debt of $2,413 [2008: $3,244] and an average age of 38.6 days [2008: 14.5 days].

29. FINANCIAL INSTRUMENTS DISCLOSURE (cont'd)

	Consolidated Group	
	Gross	Impairment
Not past due	26,277	-
Past due 0-30 days	83,868	-
Past due 31-120 days	53,733	-
Past due 121 – one year	43,614	-
	207,492	-

Included in Other Receivables are deposits as follows:

- $7,501 [2008: $6,323] lodged as security pursuant to a property rental agreement in the United States,
- $22,789 [2008: $22,992] as security pursuant to a property rental agreement in the United Kingdom, and
- $16,860 [2008: $16,860] as security pursuant to a property rental agreement in Western Australia.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. To mitigate this risk, the Group endeavours to ensure that it continually has sufficient available cash resources to meet its liabilities. The Group presently does not have borrowings. Its main obligation relates to the payment of creditors, which it endeavours to settle in normal commercial terms. Management of liquidity risk includes monitoring forecast cash flows and ensuring that adequate cash reserves are maintained.

Maturity Analysis

The following are the estimated maturities of financial liabilities:

Consolidated

2009

Financial Liabilities	**Carrying Amount**	**Contractual Cash Flow**	**1 Month or Less**	**2-6 Months**	**6-12 Months**
Non-derivatives					
Trade creditors	137,854	137,854	137,854	-	-
Other creditors and accruals	109,524	109,524	99,224	10,300	-
Unclaimed monies	-	-	-	-	-
	247,378	247,378	237,078	10,300	-

2008

Financial Liabilities	**Carrying Amount**	**Contractual Cash Flow**	**1 Month or Less**	**2-6 Months**	**6-12 Months**
Non-derivatives					
Trade creditors	61,110	61,110	61,110	-	-
Other creditors and accruals	206,754	206,754	194,754	12,000	-
Unclaimed monies	11,942	11,942	11,942	-	-
	279,806	279,806	267,806	12,000	-

29. FINANCIAL INSTRUMENTS DISCLOSURE (cont'd)

Company

2009

Financial Liabilities	Carrying Amount	Contractual Cash Flow	1 Month or Less	2-6 Months	6-12 Months
Non-derivatives					
Trade creditors	27,398	27,398	27,398	-	-
Other creditors and accruals	26,246	26,246	15,946	10,300	-
Unclaimed monies	-	-	-	-	-
	53,644	53,644	43,344	10,300	-

2008

Financial Liabilities	Carrying Amount	Contractual Cash Flow	1 Month or Less	2-6 Months	6-12 Months
Non-derivatives					
Trade creditors	12,055	12,055	12,055	-	-
Other creditors and accruals	44,192	44,192	32,192	12,000	-
Unclaimed monies	11,942	11,942	11,942	-	-
	68,189	68,189	56,189	12,000	-

Currency risk

The currency risk is the risk that the fair value or future cash flows of the financial instruments will fluctuate because of changes in foreign exchange rates. The Consolidated Group is exposed to foreign currency on sales and purchases that are denominated in a currency other than Australian Dollars. The currencies giving rise to this risk are primarily British Pounds and US Dollars. The Group does not have any significant exposure to foreign exchange and manages foreign exchange risk by matching foreign exchange income and expenses and assets and liabilities. At this stage, the Group does not seek to hedge this exposure.

The Group's exposure to foreign currency risk at balance date was as follows:

2009

	Group		Company	
	GBP	**USD**	**GBP**	**USD**
Trade and other receivables	55,768	57,711	-	-
Trade and other payables	(52,485)	(30,261)	-	-
Balance sheet exposure	3,283	27,450	-	-

2008

	Group		Company	
	GBP	**USD**	**GBP**	**USD**
Trade and other receivables	83,556	60,283	-	-
Trade and other payables	(38,430)	(37,250)	-	-
Balance sheet exposure	45,126	23,033	-	-

The parent entity carries inter-company loans with its subsidiaries. The loans are denominated in the functional currencies of the business units, and are translated at reporting date at the prevailing spot rates through equity. Where appropriate, the parent entity has provided for the non-recovery of the loans. The net carrying value (in AUD) of the loans in the accounts of the parent entity (after provision) at 30 June 2009 is nil [2008: nil].

29. FINANCIAL INSTRUMENTS DISCLOSURE (cont'd)

The following significant exchange rates applied during the year:

	Average Rate		Reporting Date Spot Rate	
	2009	**2008**	**2009**	**2008**
GBP	0.4637	0.4508	0.4872	0.4829
USD	0.7442	0.9047	0.8114	0.9626

Sensitivity analysis

Based on the financial instruments held at 30 June, a 10% strengthening/weakening of the Australian Dollar against the US Dollar and British Pound at 30 June would have reduced the profit for the year by $3,688/increased the profit by $4,508 (2008: reduced the profit for the year by $10,671/increased the profit by $13,042), mainly as a result of foreign exchange losses/gains on translation of foreign currency denominated financial instruments. The impact was greater in 2008 owing to the larger balance sheet exposures as noted above.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Group exposure to interest rate is not significant.

At the reporting date the interest rate profile of the Company is as follows:

	Consolidated Carrying amount		Company Carrying amount	
	2009	**2008**	**2009**	**2008**
Interest Bearing Financial assets	1,136,621	1,823,149	1,040,365	1,717,516
Interest Bearing Financial liabilities	-	-	-	-
	1,136,621	1,823,149	1,040,365	1,717,516

Cash and cash equivalents

The Company held its cash reserves on deposit and in cheque accounts during the financial year, which earned interest at rates ranging between 0% and 7% (2008: 0% and 8%), depending on account balances.

Other than cash, all of the Company's financial assets are non-interest bearing.

Interest bearing liabilities

All of the Company's financial liabilities are non-interest bearing. The Company has no set interest rate management policy.

(b) Fair values

The directors consider that the carrying amounts of cash and cash equivalents, trade and other receivables and trade and other payables recorded in the financial statements approximate their fair values.

The carrying amounts and net fair values of financial assets and liabilities as at the reporting date are as follows:

	Consolidated 2009		Consolidated 2008	
	Carrying amount $	Net fair value $	Carrying amount $	Net fair value $
Financial Assets				
Cash and cash equivalents	1,136,621	1,136,621	1,823,149	1,823,149
Trade and other receivables	275,654	275,654	699,732	699,732
Total financial assets	1,412,275	1,412,275	2,522,881	2,522,881
Financial liabilities				
Trade and other payables	247,378	247,378	271,441	271,441
Total financial liabilities	247,378	247,378	271,441	271,441

	Parent 2009		Parent 2008	
	Carrying amount $	Net fair value $	Carrying amount $	Net fair value $
Financial Assets				
Cash and cash equivalents	1,040,365	1,040,365	1,717,516	1,717,516
Trade and other receivables	57,410	57,410	432,655	432,655
Total financial assets	1,097,775	1,097,775	2,150,171	2,150,171
Financial liabilities				
Trade and other payables	53,644	53,644	68,189	68,189
Total financial liabilities	53,644	53,644	68,189	68,189

30. CONTROLLED ENTITIES

The Parent Entity is WebSpy Limited, incorporated in Australia (20 September 1994).

a) Controlled entities consolidated

Name of Entity	Country of Incorporation	Date of Incorporation	Ownership Interest 2009 %	Ownership Interest 2008 %
WebSpy UK Limited	United Kingdom	7 January 1998	100%	100%
Netlink Unit Trust	Australia	24 July 1996	100%	100%
Netlink (WA) Pty Ltd	Australia	1 July 1999	100%	100%
WebSpy US Inc	United States	8 September 2000	100%	100%

31. EVENTS SUBSEQUENT TO REPORTING DATE

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.

DIRECTORS' DECLARATION

In the opinion of the Directors of WebSpyLimited:

(a) the financial statements and notes and the remuneration disclosures that are set out in Sections A to D of the Remuneration Report, set out on pages 19 to 51 and pages 8 to 9, are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Parent Entity and the Economic Entity's financial position as at 30 June 2009 and their performance, for the financial year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

(b) the financial report also complies with International Financial Reporting Standards;

(c) there are reasonable grounds to believe that the Parent Entity will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and chief financial officer for the year ended 30 June 2009.

Dated at Perth, Western Australia this, 29^{th} day September 2009.

J Andrys
Director

INDEPENDENT AUDIT REPORT TO MEMBERS OF WEBSPY LIMITED AND ITS CONTROLLED ENTITIES

We have audited the accompanying financial report of WebSpy Limited (the “company”) and WebSpy Limited and its Controlled Entities (the “consolidated entity”), which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors’ declaration of the consolidated entity comprising the company and the entities it controlled at the year’s end or from time to time during the financial year.

Directors’ Responsibility for the Financial Report
The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with IFRS.

Auditor’s Responsibility
Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

Auditor’s Opinion
In our opinion, the financial report of WebSpy Limited and WebSpy Limited and its Controlled Entities is in accordance with the Corporations Act 2001 including:

(a) (i) giving a true and fair view of the company’s and consolidated entity’s financial position as at 30 June 2009 and of their performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

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A WHK Group firm

REPORT ON THE REMUNERATION REPORT

We have audited the Remuneration Report included in pages 7 to 9 of the directors' report for the year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion
In our opinion the Remuneration Report of WebSpy Limited for the year ended 30 June 2009, complies with section 300A of the Corporations Act 2001.

WHK HORWATH PERTH AUDIT PARTNERSHIP

CYRUS PATELL
Principal

Perth, WA

Dated this 29th day of September 2009

Details of shares and options as at 8 October 2009:

Voting Rights

The voting rights attaching to ordinary shares are:

On a show of hands every member present in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Options do not carry any voting rights.

Restricted Securities

The Company has no restricted securities.

Substantial shareholders

The number of shares held by substantial shareholders and their associates are set out below:

Substantial shareholder	Number of Shares
Kim Hin (Malaysia) Sdn Bhd	16,282,500
Mr JSH Chua	13,685,167
Mr Jack Paul Andrys	8,043,678

On-Market Buy Back

There is no current on-market buy-back.

Distribution schedules

Distribution of each class of security as at 8 October 2009:

Ordinary fully paid shares

Range	Holders	Units	%
1 - 1,000	33	29,958	0.03
1,001 - 5,000	100	323,941	0.27
5,001 - 10,000	90	765,140	0.64
10,001 - 100,000	299	11,050,664	9.28
100,001 - Over	95	106,971,572	89.78
Total	617	119,141,275	100.00

Unmarketable parcels

Holdings less than a marketable parcel of ordinary shares as at 8 October 2009:

Holders	Units
397	4,725,747

Top holders

The 20 largest registered holders of each class of security as at 8 October 2009 were:

Fully paid ordinary shares

	Name	**No. of Shares**	**%**
1.	Kim Hin (Malaysia) Sdn Bhd	16,282,500	13.67
2.	Mr JSH Chua	13,685,167	11.49
3.	Mr Jack Paul Andrys	8,043,678	6.75
4.	Gibson Capital Pty Ltd <Super Fund A/C>	5,849,754	4.91
5.	Mr William Paul Brooks <Brooks Super Fund>	4,224,982	3.55
6.	Mr T P McGellin and T M Karal <SKI Super Fund A/C>	4,075,886	3.42
7.	Winning Cons Pty Ltd < Business Adv Serv U>	3,407,560	2.86
8.	Mr William Paul Brooks <Brooks Family A/C>	2,786,012	2.34
9.	Pacific Link Global Enterprises	2,685,945	2.25
10.	T N Hay	2,405,364	2.02
11.	Baracus Pty Ltd	2,399,013	2.01
12.	Siaw Yian Chong	2,295,002	1.93
13.	Mr Ben Rockefeller	2,160,000	1.81
14.	Prosperity Finance Co. Ltd	2,068,916	1.74
15.	R M & W T Brooks <Brooks Super Funds A/C>	1,987,044	1.67
16.	Chui Tham Chua	1,985,000	1.67
17.	Mr T P McGellin < Tom McGellin Child A/C>	1,948,500	1.64
18.	Royal Sunset Pty Ltd	1,566,182	1.31
19.	Spidermax Pty Ltd <Lockitt Family A/C>	1,500,000	1.26
20.	Annagrove Pty Ltd <ACME Super Fund A/C>	1,500,000	1.26
		82,856,505	69.56