



ASX RELEASE

27 FEBRUARY 2009

HALF-YEAR FINANCIAL RESULTS

In accordance with Listing Rule 4.2A, the Interim Financial Report for the six months ended 31 December 2008 and ASX Appendix 4D – Half Year Report of WebSpy Ltd (ASX: WSY) follow this announcement. This information is to be read in conjunction with the annual report for the year ended 30 June 2008.

Jack Andrys
Chief Executive Officer
WebSpy Ltd
Phone: +618 9321 3322 Email: jack@webspy.com



WEBSPY LIMITED

Appendix 4D

Half Year Report for the period ended 31 December 2008

Results for announcement to the Market

	Current Period \$'000	Percentage Change	Previous Corresponding Period \$'000
Revenue from ordinary activities	828	6.2%	780
Loss from ordinary activities after tax	(567)	902.1%	(57)
Net loss for the period attributable to members	(567)	902.1%	(57)

Dividends

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

	Current Period	Previous Corresponding Period
Net Tangible Assets per Security		
Cents per ordinary share	1.41 cents	0.45 cents

WEBSPY LIMITED

A C N 066 153 982

INTERIM FINANCIAL REPORT 31 DECEMBER 2008



WEBSPY LIMITED

ACN 066 153 982

INTERIM REPORT - 31 DECEMBER 2008

Contents	Page
Directors' Report.....	2
Auditor's Independence Declaration	4
Interim Financial Report	
Consolidated Income Statement	5
Consolidated Balance Sheet	6
Consolidated Statement of Changes in Equity	7
Consolidated Statement of Cash Flows	8
Condensed Notes to the Consolidated Financial Statements	9
Directors' Declaration.....	12
Independent Review Report.....	13



DIRECTORS' REPORT

The directors present their report on the consolidated entity consisting of Webspy Limited and its controlled entities for the half-year ended 31 December 2008 and the auditor's review report thereon:

1. Directors

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

<i>Name</i>	<i>Period of directorship</i>
Mr Jack Paul Andrys <i>Managing Director</i>	Director since August 1999
Mr Tom McGellin	Director since May 2004
Mr William Brooks	Director since May 2008
Mr Francis Galbally	Director since July 2008
Mr John Chua	Director since July 2008
Mr Joseph Chua	Appointed November 2001; resigned July 2008

2. Results

The loss after tax of the consolidated entity for the half-year was \$567,466 (2007: \$56,629).

3. Review of Activities

WebSpy Business Unit

Net sales of WebSpy® products, (which excludes the Netlink Inspection discontinued operation) for the half year period were slightly down compared with the corresponding period last year. Sales were and continue to be impacted by the economic conditions in the US and the rest of the world. Costs during this period were up compared with the corresponding period last year due to an expansion in the sales and marketing work force, together with promotional and tradeshow activities. This is explained further in the highlights below.

Key items during the period: -

- Release of Vantage Ultimate product in late November 2008. Vantage Ultimate ascertains a company's organisational structure and enables secure, web-based, access to reports at any chosen level to ensure that the protection of resources is not just the responsibility of the security team, but potentially the entire organisation. Its on-demand capabilities can enable even individual employees to conduct their own ad-hoc analysis to view their productive and non-productive activity, thus helping to drive responsible behaviour.
- Launch of a new website with enhanced channel partner management and online sales capability.
- Investment in additional sales capability in Europe and increase in marketing activities to ensure continuing visibility and penetration of products into new markets and segments.
- As a benefit of representation on the Independent Software Vendor Advisory panel for Microsoft, they provided us with a free assessment of our website. This was an extensive review and optimisation effort to help us ensure high rankings and visibility in the worldwide web.

It was deemed necessary to make the above investments in order to maintain a competitive advantage but with further economic constraints predicted, much of the focus for the subsequent half will be to optimise costs and maintain a positive position for the unit.



DIRECTORS' REPORT (cont'd)

Corporate Activity

Following the sale of the Netlink Inspection Business Unit, some additional administrative costs have been incurred in accounting and audit due to the complications in such a transition. Additionally the Board has been active in the review of opportunities for the deployment of cash reserves through the acquisition of appropriate businesses.

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

The auditor's declaration is set out on page 4 and forms part of the directors' report for the half-year ended 31 December 2008.

Dated at Perth, Western Australia, this 27th day of February 2009.

Signed in accordance with a resolution of the directors:

A handwritten signature in black ink, appearing to be "Jack Andrys", written over a circular stamp or mark.

Jack Andrys
Managing Director

AUDITOR'S INDEPENDENCE DECLARATION

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of WebSpy Limited and its Controlled Entities for the half-year ended 31 December 2008, I declare that, to the best of my knowledge and belief, there have been:

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

WHK HORWATH PERTH AUDIT PARTNERSHIP



CYRUS PATELL
Principal

Perth, WA

Dated this 27th day of February 2009



**CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2008**

	Note	31 Dec 2008 \$	31 Dec 2007 \$
Revenue		710,546	727,695
Cost of sales		<u>(55,660)</u>	<u>(44,476)</u>
Gross profit		654,886	683,219
Other income		117,660	51,883
Corporate and administrative expenses		(692,003)	(431,816)
Marketing and selling expenses		(537,467)	(462,014)
Research and development expenses		<u>(110,542)</u>	<u>(137,072)</u>
Results from operating activities		<u>(567,466)</u>	<u>(295,800)</u>
Loss before income tax		(567,466)	(295,800)
Income tax		<u>-</u>	<u>-</u>
Loss from continuing operations		(567,466)	(295,800)
Profit from discontinued operations	7	-	239,171
Net loss for the period		<u>(567,466)</u>	<u>(56,629)</u>
Basic earnings (loss) per share (cents)		<u>(0.48)</u>	<u>(0.05)</u>
Diluted earnings (loss) per share (cents)		<u>(0.48)</u>	<u>(0.05)</u>

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



CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2008

	31 Dec 2008 \$	30 Jun 2008 \$
CURRENT ASSETS		
Cash and cash equivalents	1,533,779	1,823,149
Trade and other receivables	484,435	653,557
Inventories	13,819	10,599
Prepayments	27,691	27,697
TOTAL CURRENT ASSETS	2,059,724	2,515,002
NON-CURRENT ASSETS		
Trade and other receivables	48,796	46,175
Property, plant and equipment	47,421	46,824
TOTAL NON-CURRENT ASSETS	96,217	92,999
TOTAL ASSETS	2,155,941	2,608,001
CURRENT LIABILITIES		
Trade and other payables	356,012	279,806
Short-term provisions	87,565	81,763
TOTAL CURRENT LIABILITIES	443,577	361,569
NON-CURRENT LIABILITIES		
Long-term provisions	38,166	28,536
TOTAL NON-CURRENT LIABILITIES	38,166	28,536
TOTAL LIABILITIES	481,743	390,105
NET ASSETS	1,674,198	2,217,896
EQUITY		
Issued capital	17,500,386	17,500,386
Reserves	(86,089)	(109,857)
Accumulated losses	(15,740,099)	(15,172,633)
TOTAL EQUITY	1,674,198	2,217,896

The consolidated balance sheet is to be read in conjunction with the accompanying notes.



**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 DECEMBER 2008**

Consolidated	Issued Capital \$	Reserves \$	Accumulated Losses \$	Total Equity \$
Balance as at 1 July 2008	17,500,386	(109,857)	(15,172,633)	2,217,896
Adjustments from translation of foreign controlled entities	-	23,768	-	23,768
Net loss for the period	-	-	(567,466)	(567,466)
Balance as at 31 December 2008	<u>17,500,386</u>	<u>(86,089)</u>	<u>(15,740,099)</u>	<u>1,674,198</u>

Consolidated	Issued Capital \$	Reserves \$	Accumulated Losses \$	Total Equity \$
Balance as at 1 July 2007	17,500,386	(62,383)	(16,835,890)	602,113
Adjustments from translation of foreign controlled entities	-	(15,158)	-	(15,158)
Net loss for the period	-	-	(56,629)	(56,629)
Balance as at 31 December 2007	<u>17,500,386</u>	<u>(77,541)</u>	<u>(16,892,519)</u>	<u>530,326</u>

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



**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2008**

	31 Dec 2008	31 Dec 2007
	\$	\$
Cash flows from operating activities		
Receipts from customers	1,025,409	1,722,313
Payments to suppliers and employees	(1,391,749)	(2,004,900)
Research and development tax credit	-	352,709
Interest received	74,160	7,444
Interest paid	(5)	-
	<hr/>	<hr/>
Net cash provided by/(used in) operating activities	(292,185)	77,566
Cash flows from investing activities		
Payments for property, plant and equipment	(13,299)	(36,931)
	<hr/>	<hr/>
Net cash (used in) investing activities	(13,299)	(36,931)
Net increase/(decrease) in cash held	(305,484)	40,635
Cash and cash equivalents at the beginning of the period	1,823,149	173,803
Effect of exchange rate fluctuations on cash held	16,114	380
	<hr/>	<hr/>
Cash and cash equivalents at the end of the period	1,533,779	214,818

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



CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT

1. REPORTING ENTITY

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

The annual financial report of the consolidated entity as at and for the year ended 30 June 2008 is available upon request from the Company's registered office or may be viewed on the Company's website, www.webspy.com.

2. STATEMENT OF COMPLIANCE

The consolidated interim financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting*, the Corporations Act 2001, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board. The consolidated interim financial report has been prepared on the accruals basis and on an historical cost basis.

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

It is recommended that the interim financial report be read in conjunction with the annual report for the year ended 30 June 2008 and considered together with any public announcements made by Webspy Limited during the half-year ended 31 December 2008 in accordance with the continuous disclosure obligations of the ASX listing rules and Corporations Act 2001.

The comparative information has been restated to comply with the requirements of AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*, as a result of the disposal of Netlink Inspection Pty Ltd on 29 May 2008. Comparative expenses on the income statement and balances on the balance sheet have also been restated to comply with presentation changes in the current period.

This consolidated interim financial report was approved by the Board of Directors on 27 February 2009.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Group in this consolidated interim financial report are the same as those applied by the Group in its consolidated financial report as at and for the year ended 30 June 2008.

The Group has not elected to early adopt any new standards or amendments.

4. ESTIMATES

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

In preparing this consolidated interim financial report, the significant judgments made by management in applying the consolidated entity's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report as at and for the year ended 30 June 2008.

5. FINANCIAL RISK MANAGEMENT

The Group's financial risk management objectives and policies are consistent with that disclosed in the consolidated financial report as at and for the year ended 30 June 2008.



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

6. SEGMENT REPORTING

Geographical segments

31 December 2008	Australia \$	United States \$	United Kingdom \$	Consolidated \$
Segment revenue	215,780	207,656	330,615	754,051
Other unallocated revenue	-	-	-	74,160
Total revenue				828,211
Segment result	(755,001)	29,030	215,523	(510,448)
Unallocated revenues and expenses	-	-	-	(57,018)
Loss from ordinary activities before related income tax expense				(567,466)

31 December 2007	Australia \$	United States \$	United Kingdom \$	Consolidated \$
Segment revenue	1,235,211	258,575	345,880	1,839,666
Other unallocated revenue				1,227
Total revenue				1,840,893
Segment result	(186,751)	107,561	137,293	58,103
Unallocated revenues and expenses				(114,732)
Profit from ordinary activities before related income tax expense				(56,629)

7. DISCONTINUED OPERATION

(a) Description

On 8 January 2008, WebSpy announced that it had agreed to accept an offer from Wood Group Holdings (International) Limited for the proposed acquisition of its Netlink Inspection business unit. The offer was subject to a number of major conditions, including completion of satisfactory due diligence investigations. On 29 May 2008 the disposal was completed, on which date control of the Netlink Inspection business passed to the acquirer. The proceeds on the sale exceeded the book value of the related net assets and accordingly no impairment losses were recorded on the reclassification of these assets to held for sale. The disposal of the non-core Netlink Inspection business was consistent with the Group's long term policy to focus on its core business of developing and distributing internet monitoring and reporting software.

(b) Financial performance and cash flow information

The financial performance and cash flow information presented are for the half-year ended 31 December 2008 and the comparative half-year ended 31 December 2007. The combined results of the discontinued operations which have been included in the income statement are as set out below. The comparative profit and cash flows from discontinued operations have been re-presented to disclose separately those operations classified as discontinued.



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

7. DISCONTINUED OPERATION (cont'd)

	Consolidated	
	31 Dec 2008 \$	31 Dec 2007 \$
Revenue	-	1,050,605
Other income	-	10,710
	-	1,061,315
Cost of sales	-	(372,218)
Technical expenses	-	(97,788)
Marketing and selling expenses	-	(352,138)
Profit before income tax	-	239,171
Income tax expense	-	-
Total profit after tax attributable to the discontinued operation	-	239,171
The net cash flows of the discontinuing division which have been incorporated into the statement of cash flows are as follows:		
Net cash inflow from operating activities	-	159,143
Net cash outflow from investing activities	-	(18,232)
Net increase in cash generated by the discontinuing division	-	140,911

8. SUBSEQUENT EVENT

There are no events subsequent to balance date that would have a material financial effect on the financial statements for the half-year ended 31 December 2008.



DIRECTORS' DECLARATION

In the opinion of the directors of Webspay Limited:

1. the financial statements and notes, set out on pages 5 to 11, are in accordance with the Corporations Act 2001, including:
 - (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and its performance for the half-year ended on that date; and
 - (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001;
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Perth, Western Australia this 27th day of February 2009.

Signed in accordance with a resolution of the directors.

A handwritten signature in black ink, appearing to be "Jack Andrys", written over a circular stamp or seal.

Jack Andrys
Managing Director

**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF WEBSPY LIMITED AND ITS CONTROLLED ENTITIES****Report on the half-year financial report**

We have reviewed the accompanying half-year financial report of WebSpy Limited and its controlled entities (the consolidated entity), which comprises the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, a description of accounting policies, other selected explanatory notes and the directors' declaration.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410: *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and its performance for the half-year ended on that date; and complying with the Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of WebSpy Limited and its controlled entities, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134: Interim Financial Reporting and Corporations Regulations 2001.

WHK HORWATH PERTH AUDIT PARTNERSHIP



CYRUS PATELL
Principal

Perth, WA
Dated this 27th day of February 2009

Total Financial Solutions

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