Appendix 4E

Preliminary Final Report
to the Australian Securities Exchange

Part 1

Name of Entity	WebSpy Limited
ABN	60 066 153 982
Financial Year Ended	30 June 2010
Previous Corresponding Reporting Period	Financial year ended 30 June 2009

Part 2 – Results for Announcement to the Market

	$'000	**Percentage increase /(decrease) over previous corresponding period**
Revenue from ordinary activities	4,406	214%
(Loss) from ordinary activities after tax	(1,452)	31%
Net (loss) after tax attributable to members	(1,459)	32%

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

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

Refer Part 10.

Part 3 – Contents of ASX Appendix 4E

Part 4 –Statement of Comprehensive Income

	Consolidated Group 2010 $	Consolidated Group 2009 $
Revenue	4,405,845	1,402,544
Cost of sales	(402,740)	(90,959)
Gross profit	4,003,105	1,311,585
Other income	201,927	72,840
Corporate and administrative expenses	(2,080,579)	(739,161)
Technical expenses	(1,635,801)	(352,584)
Marketing and selling expenses	(1,051,669)	(1,280,945)
Research and development expenses	(866,945)	(211,196)
Other expenses	(30,010)	-
Results from operating activities	(1,459,972)	(1,199,461)
Finance income	40,100	101,445
Finance costs	(30,544)	(2,007)
Net financing costs	9,556	99,438
Loss before income tax	(1,450,416)	(1,100,023)
Income tax	(2,066)	(5,185)
Net loss for the year	**(1,452,482)**	**(1,105,208)**
Other comprehensive income		
Foreign currency translation differences for foreign operations	204,438	6,417
Total comprehensive loss for the period	**(1,248,044)**	**(1,098,791)**
Loss for the period is attributable to:		
Non-controlling interest	6,144	-
Owners of the parent	(1,458,626)	(1,105,208)
	(1,452,482)	**(1,105,208)**
Total comprehensive loss for the period is attributable to:		
Non-controlling interest	6,144	-
Owners of the parent	(1,254,188)	(1,098,791)
	(1,248,044)	**(1,098,791)**
Loss per share for loss attributable to the ordinary equity holders of the parent:		
Basic and diluted loss per share	(0.77 cents)	(0.93 cents)

Part 5 – Accumulated losses

Accumulated losses at beginning of year	(16,277,841)	(15,172,633)
Loss for the year	(1,458,626)	(1,105,208)
Accumulated losses at end of year	(17,736,467)	(16,277,841)

Part 6 – Statement of financial position

	Consolidated Group 2010 $	Consolidated Group 2009 $
CURRENT ASSETS		
Cash and cash equivalents	731,125	1,136,621
Trade and other receivables	1,357,638	258,794
Other current assets	21,116	14,816
Total Current Assets	2,109,879	1,410,231
NON CURRENT ASSETS		
Trade and other receivables	18,458	16,860
Property, plant & equipment	136,874	46,028
Intangible assets	4,032,110	-
Deferred tax assets	112,737	-
Total Non Current Assets	4,300,179	62,888
TOTAL ASSETS	**6,410,058**	**1,473,119**
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	911,717	247,378
Other current liabilities	342,443	-
Borrowings	220,325	-
Short-term provisions	519,669	64,054
Total Current Liabilities	1,994,154	311,432
NON CURRENT LIABILITIES		
Borrowings	757,328	-
Redeemable convertible notes	500,000	-
Long-term provisions	56,707	42,582
Deferred tax liabilities	213,455	-
Total Non Current Liabilities	1,527,490	42,582
TOTAL LIABILITIES	**3,521,644**	**354,014**
NET ASSETS	**2,888,414**	**1,119,105**
EQUITY		
Contributed equity	18,692,886	17,500,386
Reserves	1,908,823	(103,440)
Accumulated losses	(17,736,467)	(16,277,841)
Parent interests	2,865,242	1,119,105
Non-controlling interests	23,172	-
TOTAL EQUITY	**2,888,414**	**1,119,105**

Part 7 –Statement of Cash Flows

	Consolidated Group	
	2010	**2009**
	$	**$**
Cash flows from operating activities		
Receipts from customers	4,773,834	1,521,575
Payments to suppliers and employees	(6,147,946)	(2,580,619)
Interest received	44,137	101,602
Income tax refunds	-	298,606
Finance costs	(32,610)	(2,165)
Net cash used in operating activities	(1,362,585)	(661,001)
Cash flows from investing activities		
Purchases of property, plant and equipment	(79,384)	(27,363)
Development expenditure	(99,584)	-
Cash acquired on acquisition of subsidiaries	427,260	-
Net cash used in investing activities	(248,292)	(27,363)
Cash flows from financing activities		
Proceeds from redeemable convertible note	500,000	-
Net cash provided by financing activities	500,000	-
NET DECREASE IN CASH HELD	(614,293)	(688,364)
Cash and cash equivalents at the beginning of the financial year	1,136,621	1,823,149
Effect of exchange rate fluctuations	208,797	1,836
Cash and cash equivalents at the end of the financial year	**731,125**	**1,136,621**

Part 8 – Basis of Preparation

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

The consolidated financial statements of WebSpy Limited (the **Company** or **Parent Entity**) as at and for the year ended 30 June 2010 comprise the Company and its subsidiaries (**Consolidated Group** or **Group**).

Part 9 – Revenue, Other Income and Expenses

	Consolidated Group	
	2010	2009
REVENUE	$	$
Sale of goods	1,292,297	1,218,643
Rendering of services	3,113,548	183,901
	4,405,845	1,402,544
OTHER INCOME AND EXPENSES		
(a) Other income		
Rental income	-	38,945
Foreign currency translation gains	-	42,186
Other income	201,927	(8,291)
	201,927	72,840
(b) Other expenses		
Foreign currency translation losses	30,010	-
(c) Expenses included in statement of comprehensive income		
Depreciation	84,932	27,909
Amortisation	(23,147)	-
Rental expense on operating leases – minimum lease payments	317,288	302,481
(d) Employee benefits expense		
Salaries and wages	2,475,140	1,118,846
Other associated personnel expenses	475,459	16,775
Superannuation costs	148,025	94,741
Increase/(decrease) in liability for annual leave	177,626	(3,664)
	3,276,250	1,226,698
FINANCE INCOME AND COSTS		
(a) Finance income		
Interest income	40,100	101,445
(b) Finance costs		
Interest expense	19,037	2,007
Borrowing costs	11,507	-
	30,544	2,007

Part 10 – Commentary on Results

Operating review

WebSpy business unit

WebSpy's Internet and reporting products unit maintained its focus on stabilising revenue post the GFC, which was achieved despite a strong Australian Dollar diminishing the value of its export sales. This was achieved by its three offices in the, UK, USA, and Perth, Australia which, whilst continuing with product sales also contributed to a reduction in costs. The cost reduction in both the UK and the USA was achieved by relocating those offices during the year, and the Perth office was subsequently relocated in August 2010.

Whilst overseas sales strategy during the reporting period remained much the same, the Australian office moved towards a channel only sales model in the second half of the year. The channel model will be enhanced and refined, prior to its introduction into both overseas offices by the end of the 2011 financial year. WebSpy has seen a general move away from perpetual sales to a subscription base, with customers purchasing one, three, and on occasions five year licences of the WebSpy products. The changes to the business model are showing encouraging results, with new distribution partners being appointed, and the first customers who were sold products on the recurring revenue model have renewed subscriptions late in the 2010 financial year.

Globally, the WebSpy business unit is seeing an increase in the size of customer it is dealing with and as a result average sales value is on the rise with customers of large enterprise and government organisations having requirements to report on internet activity of user numbers between 40,000 and 120,000. Also on a global scale the WebSpy reporting tools are being adopted by other security product vendors as an enhanced reporting tool; customers of Cisco Ironport, and Microsoft TMG, are increasing in number just to mention a couple.

In the 2011 financial year the WebSpy business unit intends to improve performance as follows:

- Maintaining operational costs at the current low levels.
- Increasing global product pricing by 10-20% (from 1st September 2010).
- Continuing to move licence sales away from perpetual to 100% subscription (by 1st September 2010).
- Protecting the compounding effect of the recurring revenue returning from earlier subscription licence sales.
- Introducing specific versions of the reporting product for third parties to use under licence and in OEM partnerships.
- Enhancing the Australian reseller channel model and introducing similar changes in the UK and USA.

Marketboomer business unit

As had been previously announced to the market, the Company had for some time been seeking an additional business to enhance the size and scale of the Group. This search process culminated in the announcement of a proposed acquisition of the Marketboomer Group, which received shareholder approval on 20 November 2009.

The Marketboomer business is an internet based procurement and materials management solution, specifically focused on the hospitality industry. Its clients include such prestigious global hotel brands as Starwood, Intercontinental, Jumeirah, Mirvac, Hyatt and Sheraton. The Marketboomer solution allows hospitality purchasers to trade with suppliers more effectively with the resultant effect of improving the purchasing process, and helping to optimise costs in the supply chain. The Marketboomer Group derives its revenue from a combination of the licensing of its software and fees generated from the processing of transactions through its software platform.

The Marketboomer acquisition was settled entirely in shares in the Parent Entity, with initial consideration paid up front, and deferred consideration subject to revenue or transaction number performance hurdles (refer to Part 15 and 19 for further details of achievement of the performance hurdle subsequent to balance date).

The Marketboomer business has clients in 11 countries, and the business is continuing to regularly add new hotels with an anticipated progressive increase in transactions and revenues. The global potential of the Marketboomer business has seen an ongoing and deliberate increase in investment by the Company to accelerate the growth potential.

Financial review

The Group incurred a loss of $1,452,482 after income tax for the year.

During the year, the Parent Entity secured a redeemable convertible note facility of $700,000 (**Convertible Note Facility**) from CVC Private Equity Limited to support the Group's plans for ongoing growth and expansion. At 30 June 2010, the Parent Entity had drawn down $500,000 of the Convertible Note Facility.

Part 10 – Commentary on Results (cont'd)

Significant Changes in the State of Affairs

The Group's net assets increased by $1,769,309 to $2,888,414 during the financial year. The net increase in net assets principally comprised:

(a) a decrease in cash and cash equivalents of $405,496 due to increased product development costs and the incurrence of costs relating to the Marketboomer acquisition and general working capital costs;

(b) an increase in intangibles of $4,032,110 and in property, plant and equipment of $90,846 as a result of the acquisition of the Marketboomer Group; and

(c) an increase in loans and borrowings of $977,653, redeemable convertible notes of $500,000 and employee benefits of $469,740 as a result of loans and borrowings and employee entitlements assumed on acquisition of the Marketboomer Group and the draw down on the Company's Convertible Note Facility.

Fully paid ordinary shares issued during the year are as follows:

(a) the issue of 115,000,000 fully paid ordinary shares at a deemed issue price of $0.01 per share to vendors of the Marketboomer Group;

(b) the issue of 2,000,000 fully paid ordinary shares at a deemed issue price of $0.02 per share in satisfaction of a facility fee payable in respect of the Convertible Note Facility.

Total shares on issue at 30 June 2010 are 236,141,275.

Mr Jack Andrys resigned as CEO of the Company on 30 November 2009. Mr Declan Monahan was subsequently appointed as the new CEO on 2 June 2010. My Andrys will remain with the Company as an Executive Director in a sales and business development role overseeing the WebSpy business unit.

Part 11 – Notes to the Consolidated Statement of Cash Flows

	Consolidated Group	
	2010	**2009**
	$	**$**
(a) Reconciliation of net loss after tax to net cash used in operating activities		
Net loss after income tax	(1,452,482)	(1,105,208)
Adjustments for:		
Depreciation	84,933	27,909
Amortisation	(23,147)	-
Impairment loss on inventories	-	12,111
Foreign exchange loss	6,009	(2,548)
Share based payments	42,500	-
Operating loss before changes in working capital and provisions	(1,342,187)	(1,067,736)
Changes in assets and liabilities:		
Change in trade and other receivables	(64,718)	440,989
Change in prepayments	13,650	14,076
Change in trade and other payables	(81,426)	(44,666)
Change in provisions	112,096	(3,664)
Net cash used in operating activities	(1,362,585)	(661,001)

(b) Non-cash investing and financing activities

On 20 November 2009, the Parent Entity issued 115,000,000 fully paid ordinary shares at a deemed issue price of $0.01 per share as part consideration for the acquisition of a 100% interest in the Marketboomer group of entities (see Part 15). The acquisition was approved by shareholders on 16 November 2009.

Part 11 – Notes to the Consolidated Statement of Cash Flows (cont'd)

(b) Non-cash investing and financing activities (cont'd)

On 18 March 2010, the Parent Entity entered into a convertible note facility deed with CVC Private Equity Limited (**CVC**) pursuant to which the Company issued 2,000,000 fully paid ordinary shares at a deemed issue price of $0.02 per share on 18 March 2010 in satisfaction of the facility fee payable to CVC.

These transactions are not reflected in the Statement of Cash Flows.

Part 12 – Details Relating to Dividends

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

Part 13 – Loss per Share

Basic and diluted loss per share

The calculation of basic loss per share at 30 June 2010 was based on the loss attributable to ordinary shareholders of $1,458,626 (2009 loss: $1,105,208) and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2010 of 189,656,343 (2009: 119,141,275) calculated as follows:

	Consolidated Group	
Loss attributable to ordinary shareholders	**2010 $**	**2009 $**
Net loss for the year	(1,458,626)	(1,105,208)
Weighted average number of ordinary shares	**2010 Number**	**2009 Number**
Balance at beginning of the year	119,141,275	119,141,275
Effect of shares issued 20 November 2009	69,945,205	-
Effect of shares issued 18 March 2010	569,863	-
	189,656,343	119,141,275

There are no potential ordinary shares on issue.

Part 14 – Net Tangible Assets per Security

	2010 $	2009 $
Net tangible asset backing per ordinary security	1.01 cents	1.24 cents

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

Acquisition of the Marketboomer Group

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

The entities and interests acquired are set out below:

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

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

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

The Deferred Shares were to be issued to the vendors of the Marketboomer Group upon the occurrence of one of the following events within three years of the settlement date of the acquisition (**Deferred Events**):

(a) revenue from the Marketboomer Group for three consecutive months aggregating to more than $1,875,000;

(b) processed transactions from the Marketboomer Group for three consecutive months aggregating to more than 250,000 transactions; or

(c) an entity not associated with any of the vendors of the Marketboomer Group making a takeover bid for all of the issued shares in WebSpy.

If one of the Deferred Events did not occur within a three year period from the settlement date of the Acquisition, the Deferred Shares would not be allotted.

It was determined that the potential undiscounted amount of contingent consideration was between $0 and $3,615,651. The Group forecast several scenarios, and probability weighted each to determine a fair value for the contingent consideration as at the acquisition date, which was included in the determination of the $1,807,826 contingent consideration transferred.

Following an independent review of transactions processed by the Marketboomer Group (which confirmed that the transactions processed aggregated more than 250,000 in a consecutive 3-month period), it was determined on 23 August 2010 that the Marketboomer Group had achieved one of the Deferred Events. Refer Part 19 for further details of this subsequent event.

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

Acquisition of the Marketboomer Group (cont'd)

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

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

The statement of comprehensive income includes revenue and net loss for the year of $2,862,371 and $553,994 respectively, as a result of the acquisition of the Marketboomer Group. Given the acquisition was completed on 20 November 2009, management believes it is not reasonable to disclose the contribution of the Marketboomer Group had the acquisition been effected on 1 July 2009.

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

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

Acquisition of interest in Marketboomer (Thailand) Limited

On 15 January 2010, the Parent Entity incorporated Marketboomer (Thailand) Limited and acquired 49% of the issued capital for THB 490,000 (A$16,588) satisfied in cash. Marketboomer (Thailand) Limited's principal activity is the development, marketing and sales of Marketboomer, an Internet based procurement and materials management system, in Thailand.

From the date of incorporation, Marketboomer (Thailand) Limited contributed a net profit of $5,903 to the net loss of the Group.

Part 16 – Details of Associates and Joint Venture Entities

	Ownership Interest		Contribution to net profit/(loss)	
	2010 %	2009 %	2010 $A'000	2009 $A'000
Name of entity	**N/A**	**N/A**	**N/A**	**N/A**
Associates				
Joint Venture Entities				
Aggregate Share of Losses				

Part 17 – Issued Securities

	Consolidated Group 2010 $	Consolidated Group 2009 $
236,141,275 (2009: 119,141,275) fully paid ordinary shares	18,692,886	17,500,386

(a) Ordinary shares

The following movements in ordinary share capital occurred during the year:

	2010 Number of Shares	2009 Number of Shares	2010 $	2009 $
Balance at beginning of year	119,141,275	119,141,275	17,500,386	17,500,386
Issue of shares at $0.01 each as part consideration for acquisition of Marketboomer Group (see Note 24)	115,000,000	-	1,150,000	-
Issue of shares at $0.02 each as consideration for Convertible Note Facility fee (see Note 17)	2,000,000	-	42,500	-
Balance at end of year	236,141,275	119,141,275	18,692,886	17,500,386

Ordinary shares entitle the holder to participate in dividends and the proceeds from winding up of the Parent Entity in proportion to the number and amounts paid on the shares held.

On a show of hands every holder of ordinary securities present at a shareholder meeting in person or by proxy is, entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

(b) Options

There are no unissued ordinary shares in the Parent Entity under option.

Part 18 – Segment Information

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

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

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

30 June 2010	**WebSpy $**	**Marketboomer $**	**Consolidated $**
Segment revenue and income	1,447,793	3,159,060	4,606,853
Other unallocated revenue and income			40,100
Total revenue and income			4,646,953
Segment result	(702,632)	(548,279)	(1,250,911)
Unallocated revenues and expenses			(201,571)
Loss from ordinary activities before related income tax expense			(1,452,482)
Depreciation and amortisation	(30,174)	(31,611)	(61,785)
Segment assets	4,181,725	2,228,333	6,410,058
Capital expenditure	(14,018)	(164,950)	(178,968)
Segment liabilities	(978,423)	(2,543,221)	(3,521,644)

30 June 2009	**WebSpy $**	**Marketboomer $**	**Consolidated $**
Segment revenue and income	1,433,198	-	1,433,198
Other unallocated revenue and income	-	-	101,445
Total revenue and income			1,534,643
Segment result	(982,402)	-	(982,402)
Unallocated revenues and expenses		-	(122,806)
Loss from ordinary activities before related income tax expense			(1,105,208)
Depreciation and amortisation	(27,909)	-	(27,909)
Segment assets	1,473,119	-	1,473,119
Capital expenditure	(27,362)	-	(27,362)
Segment liabilities	(350,014)	-	(350,014)

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

Part 19 – Subsequent Events

On 23 August 2010, the Parent Entity issued 361,565,100 fully paid ordinary shares to the vendors of the Marketboomer Group following the achievement of a performance hurdle under the share sale agreements. The issue of shares was approved by shareholders at the Company's general meeting held 16 November 2009.

The financial effect of the above transaction has not been brought to account in the financial statements for the year ended 30 June 2010.

Part 20 – Audit Status

This report is based on accounts to which one of the following applies: (Tick one)			
The accounts have been audited		The accounts have been subject to review	
The accounts are in the process of being audited or subject to review	✓	The accounts have not yet been audited or reviewed	

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