

**Webfirm Group Limited ABN 70 001 287 510
and controlled entities**

**Half-Year Financial Report
31 December 2011**

Lodged with the ASX under Listing Rule 4.2A.3

The half-year financial report does not include full disclosures of the type normally included in an Annual Financial Report. Accordingly, this financial report should be read in conjunction with the Annual Financial Report for the year ended 30 June 2011 and any public announcements made by Webfirm Group Limited during the interim reporting period in accordance with continuous disclosure requirements arising under the *Corporations Act 2001*.

HALF-YEAR REPORT – 31 DECEMBER 2011
APPENDIX 4D (Rule 4.2A.3)
RESULTS FOR ANNOUNCEMENT TO THE MARKET

| | December 2011 | December 2010 | Movement | |
|--|--------------------------|--------------------------|-----------------|----------|
| | \$ | \$ | \$ | % |
| Total revenue from continuing operations | 2,307,137 | 2,834,075 | (526,938) | (19%) |
| Net loss attributable to members of the parent entity after tax | (4,417,478) | (3,482,708) | (934,770) | (27%) |
| Net loss attributable to members of the parent entity | (4,417,478) | (3,482,708) | (934,770) | (27%) |

Dividends

The Company has not proposed or declared to pay dividends.

Earnings Per Share

| | 31-Dec-2011 | 31-Dec-2010 |
|---|--------------------|--------------------|
| Weighted average number of ordinary shares on issue used in the calculation of earnings per share | 681,698,900 | 567,637,279 |
| Basic loss per share (cents) | (0.65) | (0.61) |
| Diluted loss per share (cents) | (0.65) | (0.61) |

Net Tangible Assets per share

| | 31-Dec-2011 | 30-Jun-2011 |
|---|--------------------|--------------------|
| Number of ordinary shares on issue used in the calculation of net tangible assets per share | 681,698,900 | 681,698,900 |
| Net tangible assets per share (cents) | 2.15 | 2.58 |

Audit

The Half-Year Financial Report has been subject to review by BDO Audit (NSW-VIC) Pty Ltd and is not subject to dispute or qualification.

Directors' Report

Your Directors submit the financial report of the Company and its controlled entities ("the Group") for the half-year ended 31 December 2011.

Directors

The names of Directors who held office during or since the end of the half-year:

| | |
|-----------------------------|--|
| Mr Adrian Giles: | Executive Chairman |
| Mr David Burden: | Managing Director and CEO (resigned on 30 August 2011) |
| Mr Anthony Du Preez: | Executive Director |
| Mr Andrew Barlow: | Executive Director and acting CEO (appointed acting CEO on 30 August 2011) |
| Mr Chris Morris: | Non-Executive Director |
| Ms Tiffany Fuller: | Non- Executive Director |

Result of Operations

The net loss of the Group after providing for income tax for the half-year ended 31 December 2011 amounted to \$4,417,478 (31 December 2010: \$3,482,708 loss).

Review of Operations

The half-year to 31 December 2011 saw the continued evolution of the Group with Adslot's first full client implementation of the end-to-end platform and the restructure of the Webfirm Division.

Adslot Division

The Adslot Division provides advertising sales automation services that reduce selling costs and increase advertising revenue for its publisher clients. The Adslot Division was created via the acquisition of three core pieces of technology:

- In February 2010, the Group acquired Adslot Pty Ltd which provides the core automated ad sales and yield optimisation platform;
- In July 2010, the Group acquired Adimise Pty Ltd which provides ad serving capability; and
- In December 2010, the Group acquired QDC IP Technologies Pty Ltd, which owned Do It Yourself ad creation software.

During the financial year ended 30 June 2011 the Group successfully integrated these separate pieces of technology to create a complete end-to-end platform for premium classifieds portals. Since the appointment of the interim CEO, the focus of the business has been on standardising this product offering (rather than creating bespoke solutions), and in October 2011, Adslot launched its first true end-to-end installation of the platform (known as Adslot Premium) into SeLogger, France's largest property portal.

Since the Group's shift towards standardised products (as opposed to bespoke solutions), Adslot has subsequently sold its Adslot Premium solution to Carsales.com.au (October 2011) and Wotif.com (February 2012) in Australia, extending its reach in the automotive industry vertical and adding the accommodation industry vertical to the industries Adslot's software can service.

In addition, during the last six months, Adslot has been developing two new products for the market:

- Adslot Direct - a self-serve ad sales platform based in the cloud, that allows niche content publishers to sell their online advertising inventory directly from their websites; and
- AdChamp - a stand-alone banner ad creation tool for Advertisers allowing them to build display ads quickly and cheaply from a template library.

Adslot expects to launch Adslot Direct in approximately six months, and expect to launch the AdChamp product within the next month.

Webfirm Division

The Webfirm Division offers products and services aimed at helping small and medium enterprise (SME) customers grow their business online through online marketing services including search engine optimisation, paid search marketing, social marketing, website hosting and web-site amendments.

During the six months to December 2011, the web development business was wound down and restructuring costs were booked in July and August 2011. As a result of this restructuring the Webfirm Division now operates with a significantly reduced cost base and as such the Webfirm Division has been profitable every month from September 2011 to date.

Dividends

The Directors do not recommend the declaration of a dividend. No dividend has been declared or paid during the half-year.

Auditor's Independence Declaration

The lead auditor's independence declaration for the half-year ended 31 December 2011 under Section 307C of the *Corporations Act 2001* is set out on page 19.

This report is signed in accordance with a resolution of the Board of Directors.

On behalf of the Directors.

A handwritten signature in black ink, consisting of a stylized, cursive 'A' followed by a long horizontal line extending to the right.

Executive Chairman:

Adrian Giles

Melbourne

Dated this 23rd day of February, 2012

**Consolidated Statement of Comprehensive Income
For the Half-Year Ended 31 December 2011**

| | Note | 31-Dec-2011 | 31-Dec-2010 |
|--|------|--------------------|--------------------|
| | | \$ | \$ |
| Total revenue from continuing operations | 3 | 2,307,137 | 2,834,075 |
| Other income | 3 | - | 53,900 |
| Website publishers & related costs | | (613,631) | (901,284) |
| Salaries and employment related costs | | (3,320,291) | (2,676,661) |
| Telephone and internet | | (63,875) | (87,442) |
| Marketing costs | | (26,109) | (70,939) |
| Lease - rental premises | | (215,704) | (164,311) |
| Impairment of intangibles | | (50,000) | - |
| Impairment of trade receivables | | (58,781) | (169,660) |
| Listing & registrar fees | | (47,032) | (173,455) |
| Legal fees | | (63,348) | (246,022) |
| Travel expenses | | (132,780) | (176,233) |
| Audit and accountancy fees | | (64,310) | (69,566) |
| Finance costs | 4 | - | (34) |
| Depreciation and amortisation expenses | 4 | (1,331,475) | (779,108) |
| Share based payment expense | | (100,340) | (529,239) |
| Deferred vendor consideration | | (402,582) | - |
| Other expenses | 4 | (234,357) | (326,209) |
| Loss before income tax | | (4,417,478) | (3,482,188) |
| Income tax expense | | - | (520) |
| Loss after income tax expense | | (4,417,478) | (3,482,708) |
| Net loss attributable to members of Webfirm Group Limited | | (4,417,478) | (3,482,708) |
| Other comprehensive income | | | |
| Foreign exchange translation | | - | (44) |
| Total other comprehensive income attributable to members of Webfirm Group Limited | | - | (44) |
| Total comprehensive loss for the half-year | | (4,417,478) | (3,482,752) |
| Earnings per share | | | |
| Basic loss per share (cents) | | (0.65) | (0.61) |
| Diluted loss per share (cents) | | (0.65) | (0.61) |

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position
As at 31 December 2011

| | 31-Dec-2011 | 30-Jun-2011 |
|--------------------------------------|-------------------|-------------------|
| | \$ | \$ |
| CURRENT ASSETS | | |
| Cash and cash equivalents | 15,876,903 | 18,352,609 |
| Trade and other receivables | 834,950 | 1,391,435 |
| Total current assets | 16,711,853 | 19,744,044 |
| NON-CURRENT ASSETS | | |
| Trade and other receivables | 200,000 | 200,000 |
| Property, plant and equipment | 184,520 | 197,039 |
| Other financial assets | 212,664 | 212,664 |
| Intangible assets | 9,146,595 | 10,486,968 |
| Total non-current assets | 9,743,779 | 11,096,671 |
| TOTAL ASSETS | 26,455,632 | 30,840,715 |
| CURRENT LIABILITIES | | |
| Trade and other payables | 1,072,657 | 1,470,270 |
| Other liabilities | 1,470,435 | 1,110,587 |
| Provisions | 133,512 | 164,603 |
| Total current liabilities | 2,676,604 | 2,745,460 |
| NON-CURRENT LIABILITIES | | |
| Provisions | 7,795 | 6,884 |
| Total non-current liabilities | 7,795 | 6,884 |
| TOTAL LIABILITIES | 2,684,399 | 2,752,344 |
| NET ASSETS | 23,771,233 | 28,088,371 |
| EQUITY | | |
| Issued capital | 76,547,875 | 76,547,875 |
| Reserves | 5,930,896 | 5,830,556 |
| Accumulated losses | (58,707,538) | (54,290,060) |
| TOTAL EQUITY | 23,771,233 | 28,088,371 |

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity For the Half-Year Ended 31 December 2011

31 December 2011

| Notes | Issued Capital \$ | Reserves \$ | Accumulated Losses \$ | Total Equity \$ |
|---|----------------------|------------------|-----------------------------|--------------------|
| Balance at 1 July 2011 | 76,547,875 | 5,830,556 | (54,290,060) | 28,088,371 |
| Movement in foreign exchange translation reserve | - | - | - | - |
| Other comprehensive income | - | - | - | - |
| Loss attributable to members of the company | - | - | (4,417,478) | (4,417,478) |
| Total comprehensive income | - | - | (4,417,478) | (4,417,478) |
| Transactions with equity holders in their capacity as equity holders | | | | |
| Contributions of equity, net of transaction costs | - | - | - | - |
| Increase in employees share based payments reserve | - | 100,340 | - | 100,340 |
| | - | 100,340 | - | 100,340 |
| Balance 31 December 2011 | 76,547,875 | 5,930,896 | (58,707,538) | 23,771,233 |

31 December 2010

| Notes | Issued Capital \$ | Reserves \$ | Accumulated Losses \$ | Total Equity \$ |
|---|----------------------|------------------|-----------------------------|--------------------|
| Balance at 1 July 2010 | 50,874,027 | 4,901,430 | (43,948,231) | 11,827,226 |
| Movement in foreign exchange translation reserve | - | (44) | - | (44) |
| Other comprehensive income | - | (44) | - | (44) |
| Loss attributable to members of the company | - | - | (3,482,708) | (3,482,708) |
| Total comprehensive income | - | (44) | (3,482,708) | (3,482,752) |
| Transactions with equity holders in their capacity as equity holders | | | | |
| Contributions of equity, net of transactions costs | 25,567,529 | - | - | 25,567,529 |
| Increase in employees share based payments reserve | - | 529,239 | - | 529,239 |
| | 25,567,529 | 529,239 | - | 26,096,768 |
| Balance 31 December 2010 | 76,441,556 | 5,430,625 | (47,430,939) | 34,441,242 |

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows
For the Half-Year Ended 31 December 2011

| | Note | 31-Dec-2011 | 31-Dec-2010 |
|---|------|--------------------|--------------------|
| | | \$ | \$ |
| Cash flows from operating activities | | | |
| Receipts from customers (inclusive of GST) | | 2,321,924 | 2,808,013 |
| Interest received | | 498,965 | 316,438 |
| Government grants and other receipts | | - | 53,900 |
| Payments to suppliers and employees (inclusive of GST) | | (5,273,936) | (5,072,481) |
| Interest paid | | - | (34) |
| Net cash outflows from operating activities | | (2,453,047) | (1,894,164) |
| Cash flows from investing activities | | | |
| Payments for property, plant and equipment | | (33,941) | (60,115) |
| Proceeds from sale of non-current assets | | 22,164 | 72,696 |
| Payment for acquisition of subsidiary, net of cash acquired | 6 | - | (693,474) |
| Issue of convertible note | | - | (100,000) |
| Net cash outflows from investing activities | | (11,777) | (780,893) |
| Cash flows from financing activities | | | |
| Net proceeds from issue of shares | | - | 19,505,943 |
| Net cash inflows from financing activities | | - | 19,505,943 |
| Net increase in cash held | | (2,464,824) | 16,830,886 |
| Cash at the beginning of the half-year | | 18,352,609 | 3,807,779 |
| Effect of exchange rate changes on cash | | (10,882) | (35,883) |
| Cash at the end of the half-year | | 15,876,903 | 20,602,782 |

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements for the Half-Year ended 31 December 2011

Note 1: Basis of preparation of half-year financial report

This general purpose financial report for the half-year ended 31 December 2011 has been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 30 June 2011 and any public announcements made by Webfirm Group Limited during the half-year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001*.

a) Reporting Bases and Conventions

The half-year consolidated financial statements have been prepared on an accruals basis and are based upon historical costs. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the group's annual financial report for the year ended 30 June 2011. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

b) Reclassifications of comparative figures

To present consistent classification in the Statement of Comprehensive Income for 31 December 2010 figures with the classifications used in the 30 June 2011 annual financial statements, the following items have been reclassified:

- Gain on disposal of non-current assets of \$72,696 has been reclassified from "other income" to "other expenses".
- Foreign currency losses of \$35,839 recorded as "other comprehensive income" have been reclassified to "other expenses".

The comparative Statement of Comprehensive Income has been amended to reflect these changes in presentation.

Notes to the Financial Statements for the Half-Year ended 31 December 2011 (Continued)

Note 2: Segment Information**Primary Reporting – Business Segments****Half-year ended 31 December 2011**

| | Adslot | Webfirm | Total |
|---|--------------|-----------|--------------|
| | \$ | \$ | \$ |
| External sales | 470,277 | 1,337,895 | 1,808,172 |
| Segment result from continuing operations | (4,209,023) | (134,847) | (4,343,870) |
| Depreciation | 12,123 | 5,042 | 17,165 |
| Amortisation | 1,266,958 | 23,415 | 1,290,373 |
| Additions to non-current assets | 7,745 | 1,792 | 9,537 |
| Balance Sheet 31 December 2011 | | | |
| Segment assets | 16,237,966 | 1,158,607 | 17,396,573 |
| Segment liabilities | (14,041,347) | (788,312) | (14,829,659) |

Half-year ended 31 December 2010

| | Adslot | Webfirm | Total |
|---|--------------|-------------|--------------|
| | \$ | \$ | \$ |
| External sales | 515,391 | 2,002,246 | 2,517,637 |
| Segment result from continuing operations | (2,227,427) | (1,350,790) | (3,578,217) |
| Depreciation | 4,569 | 22,543 | 27,112 |
| Amortisation | 702,367 | 37,014 | 739,381 |
| Additions to non-current assets | 13,515 | 12,951 | 26,466 |
| Balance Sheet 30 June 2011 | | | |
| Segment assets | 17,205,397 | 2,018,314 | 19,223,711 |
| Segment liabilities | (13,724,604) | (1,262,881) | (14,987,485) |

Sales in the Adslot segment decreased compared to the prior corresponding period as the Group wound back legacy clients acquired through the Adimise and Full Circle businesses (see Note 6), which have historically operated at a loss. The reduction in revenue from these legacy clients compared to the prior period was \$220,375. The main purpose of the acquisition of these businesses was to acquire their Ad-Serving technology, which the Group has incorporated into its end-to-end Adslot Publisher solution. Sales from the core Adslot products increased by \$175,262 as compared to the prior corresponding period.

Sales in the Webfirm segment decreased compared to the prior corresponding period as a result of the exit of the Searchworld business (which accounted for \$251,005 of the reduction) and the decision to cease Website development (which accounted for \$526,987 of the reduction). Sales from the Webfirm segment products that the Group continues to provide to customers (being Search Engine Optimisation, Search Engine Advertising, Hosting and Website amendments) increased by \$111,893 as compared to the prior corresponding period.

Notes to the Financial Statements for the Half-Year ended 31 December 2011 (Continued)**Note 2: Segment Information (continued)**

A reconciliation of adjusted segment result to operating profit before income tax is provided as follows:

| | 31-Dec-2011 | 31-Dec-2010 |
|---|--------------------|--------------------|
| | \$ | \$ |
| Total segment result | (4,343,870) | (3,578,217) |
| Interest revenue | 498,965 | 316,438 |
| Other income | - | 53,900 |
| Depreciation of corporate assets | (20,407) | (11,019) |
| Amortisation of corporate assets | (3,530) | (1,596) |
| Interest expenses | - | (34) |
| Impairment of intangibles | (50,000) | - |
| Deferred vendor consideration | (402,582) | - |
| Share option expenses | (100,340) | (529,239) |
| Other head office income | 4,286 | 267,579 |
| Loss before tax from continuing operations | (4,417,478) | (3,482,188) |

Reportable segment assets are reconciled to total assets as follows:

| | 31-Dec-2011 | 30-Jun-2011 |
|---|---------------------|--------------------|
| | \$ | \$ |
| Total segment assets | 17,396,573 | 19,223,711 |
| Head office assets | 28,843,162 | 31,401,109 |
| Intersegment eliminations | (19,784,103) | (19,784,105) |
| Total assets per the statement of financial position | 26,455,632 | 30,840,715 |

Reportable segment liabilities are reconciled to total liabilities as follows:

| | 31-Dec-2011 | 30-Jun-2011 |
|--|---------------------|--------------------|
| | \$ | \$ |
| Total segment liabilities | (14,829,659) | (14,987,485) |
| Head office liabilities | (718,142) | (628,262) |
| Intersegment eliminations | 12,863,402 | 12,863,403 |
| Total liabilities per the statement of financial position | (2,684,399) | (2,752,344) |

Notes to the Financial Statements for the Half-Year ended 31 December 2011 (Continued)**Note 3: Revenue Information**

| | 31-Dec-2011 | 31-Dec-2010 |
|--|------------------|------------------|
| | \$ | \$ |
| Revenue | | |
| Service income | 1,808,172 | 2,517,637 |
| Interest income | 498,965 | 316,438 |
| Total revenue from continuing operations | <u>2,307,137</u> | <u>2,834,075</u> |
| Other income | | |
| Government grants | - | 53,900 |
| | <u>-</u> | <u>53,900</u> |

Note 4: Expenses

Loss before income tax includes the following specific expenses:

| | 31-Dec-2011 | 31-Dec-2010 |
|---|------------------|----------------|
| | \$ | \$ |
| Depreciation and amortisation | | |
| Amortisation – Leasehold improvements | 3,530 | 6,042 |
| Amortisation – Software development costs | 1,290,373 | 734,935 |
| Depreciation - Plant and equipment | 37,572 | 38,131 |
| Total depreciation and amortisation | <u>1,331,475</u> | <u>779,108</u> |
| Finance costs | | |
| Interest paid/payable to unrelated entities | - | 34 |
| Amounts included in Other Expenses | | |
| Profit on disposal of non-current assets | (22,164) | (72,696) |
| Foreign currency loss | 10,882 | 35,839 |

Note 5: Equity Securities Issued

| | 31-Dec-2011 | 31-Dec-2010 |
|---|-------------|-------------|
| | \$ | \$ |
| Issues of Ordinary Shares during the half-year | | |
| Ordinary Shares issued – value \$ | - | 25,567,529 |
| Ordinary Shares issued – number | - | 188,057,091 |

Notes to the Financial Statements for the Half-Year ended 31 December 2011 (Continued)**Note 6: Business Combinations****Half-Year ended 31 December 2011**

There were no business combinations for the half-year ended 31 December 2011.

Half-Year ended 31 December 2010**Adimise Pty Ltd and Full Circle Online Pty Ltd:**

On 8 July 2010 Webfirm Group Limited acquired 100% of the equity of Adimise Pty Ltd and Full Circle Online Pty Ltd. The deal provides Webfirm with Adimise's online advertising technology, key component of Webfirm's new Adslot Direct Platform. The acquisition costs related to this acquisition were \$8,932 which has been included in legal fees in the Statement of Comprehensive Income.

The acquired businesses contributed \$377,889 in revenue and a net loss of \$84,886 to the Group for the period from 8 July 2010 to 31 December 2010. These amounts have been calculated using the Company's accounting policies, and would have been the same had the acquisition occurred on 1 July 2010.

The purchase consideration consists of the following:

| | |
|--|----------------|
| | \$ |
| Equity – 4,285,714 fully paid ordinary shares @ 11.5 cents per share | 492,857 |
| | <hr/> |
| Total consideration paid | <u>492,857</u> |

Subject to the achievement of certain post completion sales targets, additional deferred consideration of up to \$150,000 can become payable by the Group. No deferred consideration has been provided for as the directors' estimate that it is unlikely these targets will be met within the required time frame.

Details of assets and liabilities acquired are as follows:

| | Acquirees' Carrying Amount | Fair Value | |
|--|----------------------------------|----------------|----------------|
| | \$ | \$ | \$ |
| Purchase consideration | | | 492,857 |
| Fair value of net identifiable assets acquired | | | |
| Cash and cash equivalents | 106,855 | 106,855 | |
| Trade and other receivables | 197,177 | 197,177 | |
| Property, plant & equipment | 8,425 | 8,425 | |
| Payables | (333,197) | (333,197) | |
| Employee benefits | (6,643) | (6,643) | |
| Intangible assets (including formation expenses) | 16,943 | - | |
| Intellectual property – platform technology | - | 271,055 | |
| Goodwill | - | 249,185 | |
| Net identifiable assets acquired | <u>(10,440)</u> | <u>492,857</u> | <u>492,857</u> |

Notes to the Financial Statements for the Half-Year ended 31 December 2011 (Continued)**Note 6: Business Combinations (continued)****QDC IP Technologies IP Pty Ltd**

On 7 December 2010 Adslot Pty Ltd acquired 100% of the equity of QDC IP Technologies Pty Ltd (QDC). QDC's Display Ad Builder and Personalised Video Ad Platform technologies will be combined with Adslot and Adimise technologies to create the new Adslot Direct Platform. The integration of QDC technology with Adslot Direct Platform will allow online publishers to offer an automated end to end advertisement sales system. The acquisition costs related to this acquisition were \$75,063 which has been included in legal fees and employment related costs in the Statement of Comprehensive Income.

The acquired businesses contributed no revenue and a net loss of \$82,883 to the Group for the period from 7 December 2010 to 31 December 2010. These amounts have been calculated using the Group's accounting policies.

The amount of revenue and losses for the combined entity calculated, had the acquisition occurred on 1 July 2010 would have been \$220,534 in revenue and a net profit of \$137,604.

The purchase consideration consists of the following:

| | |
|--|------------------|
| | \$ |
| Cash | 801,818 |
| Equity – 29,309,091 fully paid ordinary shares of Webfirm Group Limited @ 19.0 cents per share | 5,568,727 |
| Deferred vendor consideration | <u>106,800</u> |
| Total consideration paid | <u>6,477,345</u> |

If at the end of an eighteen (18) month period from the date of acquisition, the total value of consideration paid to the Vendors is calculated to be less than \$4.0 million (using a VWAP of the Company's share price over the five (5) trading days prior to that date), then up to a maximum of 13.3 million additional Webfirm Group Limited shares is to be issued as further consideration. The directors assessed the potential fair value of contingent consideration of the date of acquisition to be \$106,800. The contingent consideration has been revalued at the end of the reporting period to its fair value of \$757,358. The movement in contingent consideration has been recorded in the Statement of Comprehensive Income.

Details of assets and liabilities acquired are as follows:

| | Acquirees' Carrying Amount | Fair Value | |
|--|----------------------------------|------------------|------------------|
| | \$ | \$ | \$ |
| Purchase consideration | | | 6,477,345 |
| Fair value of net identifiable assets acquired | | | |
| Cash and cash equivalents | 1,513 | 1,489 | |
| Trade and other receivables | 3,073 | 3,073 | |
| Property, plant & equipment | 6,266 | 6,266 | |
| Intangible assets (including formation expenses) | 236,272 | - | |
| Intellectual property – platform technology | - | 6,466,517 | |
| Net identifiable assets acquired | <u>247,124</u> | <u>6,477,345</u> | <u>6,477,345</u> |

Notes to the Financial Statements for the Half-Year ended 31 December 2011 (Continued)

Note 6: Business Combinations (continued)

Notwithstanding that the Independent Expert's Report (for the QDC transaction) included an assessment that the fair value of the platform technology could be as high as \$7.75 million, having regard to the subjective nature of the valuation for this type of asset, the directors have determined the fair value of intellectual property should not exceed the residual value of \$6,466,517. Accordingly the fair value of the platform technology has been determined to be \$6,466,517.

Note 7: Contingencies

Other than the contingent consideration on business acquisitions in Note 6, there are no contingencies to be disclosed in the financial statements.

Note 8: Events subsequent to reporting date

On 3 February 2012 the Group announced that Mr Anthony Du Preez has resigned as an executive and director of Webfirm Group Limited effective 30 March 2012.

Directors' Declaration

In the Directors' opinion:

- (a) The financial statements and notes set out on pages 5 to 15 are in accordance with the *Corporations Act 2001*, including:
 - i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance, as represented by the results of its operations, changes in equity and its cash flows, for the half-year ended on that date; and
- (b) there are reasonable grounds to believe that Webfirm Group Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors.

On behalf of the Directors.

A handwritten signature in black ink, consisting of a stylized, cursive 'A' followed by a long horizontal line extending to the right.

Adrian Giles
Chairman

Melbourne

Dated this 23rd day of February, 2012

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Webfirm Group Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Webfirm Group Limited, which comprises the statement of financial position as at 31 December 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the disclosing entity and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the disclosing entity are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

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 Auditing Standard on Review Engagements ASRE 2410 *Review of a 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 half-year 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 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Webfirm Group Limited, 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 have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001* was given to the directors as at the time of this auditor's report.



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 Webfirm Group Limited 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 2011 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*.

A handwritten signature in blue ink that reads 'BDO'.

BDO Audit (NSW-VIC) Pty Ltd

A handwritten signature in blue ink that reads 'Michael Climpson'.

Michael Climpson
Director

Melbourne, Victoria

Dated this 23rd day of February 2012

DECLARATION OF INDEPENDENCE BY MICHAEL CLIMPSON TO THE DIRECTORS OF WEBFIRM GROUP LIMITED

As lead auditor for the review of Webfirm Group Limited for the half-year ended 31 December 2011, I declare that to the best of my knowledge and belief, there have been:

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

This declaration is in respect of Webfirm Group Limited and the entities it controlled during the period.



Michael Climpson
Director

BDO Audit (NSW-VIC) Pty Ltd

Melbourne, Victoria

Dated this 23rd day of February 2012