Finzsoft Solutions Limited

Half Year Report | 2013

For the period ended 30 September 2013

finzsoft
your vision + our innovation

Directors' Report

The Directors of Finzsoft Solutions Limited are pleased to report on the Group's performance for the six months ended 30 September 2013.

Background: FY13 Full Year Highlights

The Company has previously reported for the twelve months ended 31 March 2013 that there have been a number of significant achievements during the year including;

- 14% growth in revenue and a 172% growth in profitability.
- Delivery of our next generation Sovereign Business Origination solution.
- 40% of staff productive hours invested into internally sponsored Research and Development indicating our continued commitment to future growth
- Recognition of Finzsoft's Sovereign Banking and Finance solution ("Sovereign") as a world-class tier one product through successful participation in several competitive bid processes for Tier One banks in the Asean region.

Background: For the six months ended 30 September 2013.

The FY13 and FY14 periods are turnaround years for Finzsoft. The board and management have and are concentrated on known revenue opportunities in Australia and New Zealand and tightly managed costs. At the same time, we believe that future growth is inextricably linked to sales in Australia and Asia. We are deliberately investing resources into both Australia and Asia, with the anticipation of sales in the next financial year, which in turn will provide the foundation for future growth

The highlights for the for the first half year period include:

- Restructured majority shareholding, management and a refocused strategy;
- Second sale of our next generation Sovereign Business Origination solution;
- First sale of our native Mobile Banking Solution;
- First sale and committed second sale of our new native tablet solution; and
- Positive performance in international RFI's, RFP's and POC's as a foundation for future sales.

Strategic Focus

Finzsoft's new majority shareholder, the Board and Finzsoft's executive remain committed to the Company mission to provide innovative, transformational, scalable products and services. Sovereign is an enabling technology that drives behaviour and empowers our customers. The strengths of the solution are its security, auditability, stability, flexibility and scalability. Its rich functionality dramatically improves effectiveness and efficiency through automated and paperless processes. Finzsoft's vision is to be a leading supplier of scalable banking and finance software solutions in the APAC and Asean regions.

First Half-Year Period Performance

The first half-year period to 30 September 2013 has been challenging with both existing and new customers deferring material expenditure decisions. The sale of new next generation mobility modules to an existing New Zealand customer, and positive indications of increased appetite for new modules and increased services to support material growth opportunities by both New Zealand and Australian customers provide a positive foundation for the second half of this year.

In the six months ended 30 September 2013 the Group has experienced:

- A decrease in revenue of 11% to $4,216m compared to the previous six months ended 30 September 2012, primarily from deferred customer decisions on new module sales and services. This is offset by a decrease in operating expenses by 4% to $4,268; and
- A decrease in Net Profit after Tax (NPAT) from $310k to a loss of $63k compared to the previous six months ended 30 September 2012.

Directors' Report Continued

In order to remain a market leader in banking software, Finzsoft continues to invest heavily in research and development of the Sovereign solution.

Based on committed growth opportunities by existing customers during the second half of this year and into the next annual periods, and the consequential increased appetite for new modules and increased services to support these material growth opportunities, Finzsoft remains positive that these opportunities will provide a positive foundation for the second half of this year and into the following periods.

Principal Activities

Finzsoft is an experienced, mature and proven banking and financial software vendor. Sovereign is an integrated, modular product supporting full lifecycle/end-to-end (origination, core/servicing, arrears management and collections) processes for retail, corporate and trading banks. It can be deployed as a comprehensive core solution, or to support specific vertical businesses such as auto and equipment finance. Sovereign is unique in offering a proven, scalable full lifecycle product offering seamless vertical and horizontal integration.

Our solution is a mission critical component of our client's business. As such, we recognise our role as a strategic business partner and understand the need to consistently deliver exceptional customer service along with robust, secure and innovative solutions.

Target Markets

Finzsoft continues to source its revenue from Australia and New Zealand whilst investing in Asia to further grow and diversify our income streams. Currently the regional split of our revenue is New Zealand 58% and Australia 42%.

Asia

Finzsoft has chosen to enter the Asean market in response to the scale of the market opportunity, the demand from the market for innovative, world-class products such as Sovereign and the ability for the prospective clients to make an investment commensurate with the value to be derived by using the Sovereign product.

We have established our presence in this region over the last 24 plus months and in the sales opportunities that we have pursued we are consistently being chosen to move through the sale process to the final stage.

Finzsoft continues to perform in international RFI's, RFP's and POC's as a foundation for future sales. We have a number of well-advanced sales opportunities that have proceeded to post POC stage, which we are confident will translate into a foundation for material levels of revenue and profitability in the near future.

Australia

Finzsoft has an established strong client list in Australia including Harvey Norman, Westpac Bank and the Royal Automobile Club of Victoria. We have a significant opportunity to develop our offering within these companies and to also grow our client base within Australia. This is one of our key strategies for the coming year.

Key customers in Australia have committed to material growth opportunities during the second half of this year and into the next annual periods, and the consequential increased appetite for new modules and increased services to support these material growth opportunities, Finzsoft remains positive that these opportunities will provide a positive foundation for the second half of this year and into the following periods.

Directors' Report Continued

New Zealand

Finzsoft remains a dominant market provider in the New Zealand IT finance sector market and we have aspirations to further consolidate and grow that position.

Many of Finzsoft's New Zealand's customers have expressed a desire to expand the use for Finzsoft software. An expression of this desire has resulted in:

- Second sale of our next generation Sovereign Business Origination solution;
- First sale of our native Mobile Banking Solution; and
- First sale of our new native tablet solution.

These sales are evidence of the strong appetite for innovative, transformational and enabling solutions from the New Zealand customer base.

Increased Investment in Research and Development

Finzsoft has continued to increase its investment in the Sovereign banking and finance software solution. This will accommodate growth in new markets and respond to existing client demands for new features and functionality.

Our software architecture and development philosophy is focused on ensuring that Finzsoft's Sovereign solution remains "best of breed". We develop and upgrade our software incorporating global best practise and legislative central bank requirements, while ensuring we enable our clients to improve their customers experience and achieve significant cost savings through innovation and automation.

Over the last two years we have developed our next generation Business Origination solution, and have made the first sale and installation of this solution in the current year. This new Business Origination product has been consistently well received by existing and prospective clients and we have a number of well-advanced sales opportunities for this product.

In response to our client needs we have developed a Debit Card system during the year and we continue to invest in online and mobile solutions to keep our clients at the forefront of these developing technologies.

Staff

Finzsoft has a highly skilled team of professionals who are focussed on developing "best of breed" solutions, in the area of banking and finance. Finzsoft's growth will come from leveraging these skills and taking the Sovereign product internationally.

Capital Structure

In order for the Group to meet its' expansion plans, particularly into Australia and Asia, the Board has reinforced that it may require a change in the capital structure. The Full Takeover offer dated 14 October 2013 from Holliday Group Holdings (ICT Investments) Limited ("Holliday Group") formed part of this strategy. The Directors continue to examine additional options including a combination of new equity and debt. The directors are hopeful of securing the first contract in Asia which may impact on the Group's future capital structure.

Directors' Report Continued

Dividend

For the full year period ended 31 March 2013, the Directors recorded that they had resolved not to pay a final dividend to shareholders at this time. The Director's hereby note that it is their current intention that no dividends will be made in the medium term whilst Finzsoft executes its Asean growth strategy.

Outlook

Finzsoft previously recorded that FY14 financial year will see further investment in the following areas:

- Continuing our sales and marketing investment in the Asean and Australasian regions and converting the current opportunities into long term revenue streams;
- Continuing to invest both funds and resources into research and development; and
- Continued review and investment in our delivery and service model.

This strategy for the second half of this period remains unchanged.

The Directors are confident that based on committed growth opportunities by existing customers during the second half of this year and into the next annual periods, and the consequential increased appetite for new modules and increased services to support these material growth opportunities, that these opportunities will provide a positive foundation for the second half of this year and into the following periods.

The Directors are also confident that the significant investment that the Group continues to make into developing the product and entering new markets will provide future returns to shareholders.

For more information on our activities, please refer to our web site http://www.finzsoft.com

Authorised for issue on the 4 November 2013.

Brent Impey	**Andrew Holliday**
Chairman	***Managing Director***

Consolidated Statement of Comprehensive Income

for the six months ended 30th September 2013

	Unaudited 6 months to 30/09/2013 $'000	Unaudited 6 months to 30/09/2012 $'000	Audited 12 months to 31/03/2013 $'000
REVENUE			
Revenue	4,199	4,746	8,807
Other income	17	8	25
Total operating revenue	**4,216**	**4,754**	**8,832**
Development, servicing and other direct costs	(2,929)	(3,156)	(5,640)
Occupancy expense	(142)	(146)	(291)
Depreciation & amortisation	(346)	(192)	(430)
Sales and marketing expense	(196)	(227)	(801)
Finance expense	(19)	(15)	(26)
Corporate expense	(231)	(214)	(404)
Other operational overheads	(405)	(499)	(828)
Total operating expense	**(4,268)**	**(4,449)**	**(8,420)**
Results from operating activities	(52)	305	412
Share of profit of equity-accounted investment, net of tax	-	17	5
Profit/ (Loss) before income tax expense	(52)	322	417
Less Income tax expense	(11)	(12)	(17)
Profit/ (Loss) for the period	**($63)**	**$310**	**$400**
Other comprehensive income:			
Exchange difference on translating foreign operations	(38)	(4)	(6)
Income tax relating to translating foreign operations	-	-	-
Other comprehensive income for the period, net of tax	(38)	(4)	(6)
Total comprehensive income for the period	**($101)**	**$306**	**$394**
Basic earnings per share	(0.76)	3.74	4.83
Diluted earnings per share (cents per share)	(0.74)	3.60	4.65
Dividend per share (cents per share)	0.00	0.00	0.00

Consolidated Statement of Changes in Equity

for the six months ended 30th September 2013

	Share Capital $'000	Currency Translation reserve $'000	Share Option reserve $'000	Retained Earnings $'000	Total $'000
Group (unaudited 30 September 2013)					
Balance at 1st April 2013	3,950	15	18	(1,267)	2,716
Comprehensive income					
Profit or loss	-	-	-	(63)	(63)
Other comprehensive income					
Currency translation difference	-	(38)	-	-	(38)
Total comprehensive income	-	(38)	-	(63)	(101)
Transactions with owners					
Employee share option scheme:					
Options issued to employees under employee share option plan	-	-	3		3
Forfeited share options transferred to retained earnings	-	-	(1)	1	-
Total transaction with owners	-	-	2	1	3
Balance at 30th September 2013	**3,950**	**(23)**	**20**	**(1,329)**	**2,618**
Group (unaudited 30 September 2012)					
Balance at 1st April 2012	3,950	21	5	(1,670)	2,306
Comprehensive income					
Profit or loss	-	-	-	310	310
Other comprehensive income					
Currency translation difference	-	(4)	-	-	(4)
Total comprehensive income	-	(4)	-	310	306
Transactions with owners					
Employee share option scheme:					
Options issued to employees under employee share option plan	-	-	2	-	2
Forfeited share options transferred to retained earnings	-	-	(2)	2	-
Total transaction with owners	-	-	-	2	2
Balance at 30th September 2012	**$3,950**	**$17**	**$5**	**($1,358)**	**$2,614**

Consolidated Statement of Changes in Equity continued

for the six months ended 30th September 2013

	Share Capital	Currency Translation reserve	Share Option reserve	Retained Earnings	Total
	$'000	$'000	$'000	$'000	$'000
Group (audited 31st March 2013)					
Balance at 1st April 2012	3,950	21	5	(1,670)	2,306
Comprehensive income					
Profit or loss	-	-	-	400	400
Other comprehensive income					
Currency translation difference	-	(6)	-	-	(6)
Total comprehensive income	-	(6)	-	400	394
Transactions with owners					
Employee share option scheme:					
Options issued to employees under employee share option plan	-	-	16	-	16
Forfeited share option transferred to retained earnings	-	-	(3)	3	-
Total transaction with owners	-	-	13	3	16
Balance at 31st March 2013	**$3,950**	**$15**	**$18**	**($1,267)**	**$2,716**

Consolidated Statement of Financial Position

as at 30th September 2013

	Unaudited 6 months to 30/09/2013	Unaudited 6 months to 30/09/2012 $'000	Audited 12 months to 31/03/2013 $'000
ASSETS			
Current Assets			
Cash and cash equivalents	265	329	35
Trade and other receivables	751	843	728
Current income tax asset	9	-	-
Total Current Assets	1,025	1,172	763
Non-Current Assets			
Investments in jointly controlled entities	303	316	303
Property and equipment	131	206	149
Intangible assets and goodwill	3,268	3,052	3,308
Total Non-Current Assets	3,702	3,574	3,760
TOTAL ASSETS	**4,727**	**4,746**	**4,523**
LIABILITIES			
Current Liabilities			
Trade and other payable	594	514	1,012
Unearned revenue	1,071	1,090	354
Provision for employee benefits	365	349	291
Finance leases	22	21	22
Bank & Other Loans	34	93	80
Current income tax payable	-	22	16
Total Current Liabilities	2,086	2,089	1,775
Non-Current Liabilities			
Finance leases	23	43	32
Bank & Other Loans	-	-	-
Total Non-Current Liabilities	23	43	32
TOTAL LIABILITIES	**2,109**	**2,132**	**1,807**
NET ASSETS	**2,618**	**$2,614**	**$2,716**
EQUITY			
Ordinary Shares	3,950	3,950	3,950
Other Reserves	(3)	22	33
Retained Earnings	(1,329)	(1,358)	(1,267)
TOTAL EQUITY	**2,618**	**$2,614**	**$2,716**

Consolidated Statement of Cash Flows

as at 30th September 2013

	Unaudited 6 months to 30/09/2013 $'000	Unaudited 6 months to 30/09/2012 $'000	Audited 12 months to 31/03/2013 $'000
Cashflow from operating activities			
Receipts from customers	4,866	5,121	8,755
Interest received	-	3	4
	4,866	5,124	8,759
Payments to suppliers and employees	(3,922)	(4,170)	(7,366)
Interest paid	(19)	(15)	(26)
Taxation paid	(35)	-	(9)
Goods and services tax paid	(316)	(335)	(591)
	(4,292)	(4,520)	(7,992)
Net cashflow generated from operating activities	574	604	767
Cashflow used in investing activities			
Sale of equipment	-	-	1
Purchase of equipment	(38)	(37)	(62)
Investment in intangible assets	(251)	(324)	(761)
Investment in jointly controlled entity	-	-	-
Equity accounted earnings of associate	-	(17)	-
Net cashflow used in investing activities	(289)	(378)	(822)
Cashflow from financing activities			
Bank & Other loans	(46)	(100)	(114)
Repayment of finance lease	(9)	(10)	(20)
Net cash used in financing activities	(55)	(110)	(134)
Net increase/ (decrease) in Cash and cash equivalents	230	116	(189)
Exchange gains on cash and cash equivalents	-	(11)	-
Cash and cash equivalents at beginning of period	35	224	224
Cash and cash equivalents at end of period	**265**	**$329**	**$35**

Notes to the Consolidated Financial Statements (Unaudited)

for the six months ended 30th September 2013

1. PRESENTATION AND ACCOUNTING POLICIES

Reporting Entity

Finzsoft Solutions Limited (“the Company”) and its subsidiaries (together “the Group”) is a limited liability company, incorporated and domiciled in New Zealand, registered under the Companies Act 1993, and listed on the New Zealand Exchange (NZX).

Finzsoft Solutions Limited is a reporting entity for the purposes of the Financial Reporting Act 1993. The financial statements have been prepared in accordance with the Financial Reporting Act 1993.

The Group's principal activity is that of computer software development, sale and support which is undertaken in New Zealand and Australia. There have been no changes to the Group’s principal activities during the year.

Measurement Base

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain assets and liabilities.

Going Concern

The considered view of the directors of Finzsoft Solutions Limited is that, after making due enquiry there is a reasonable expectation that the Company and Group have adequate resources to continue operations at existing levels for the next twelve months from the date of these financial statements. The directors consequently believe that the going concern assumption is a valid basis on which to prepare the financial statements.

The directors reached this conclusion having regard to the circumstances, which they consider likely to affect the Company and Group during the period of one year from the date of these financial statements, and to circumstances, which it believes will occur after that date which could affect the validity of the going concern assumption.

The directors are confident in the Group's ability to continue as a going concern, however, they acknowledge that if they are unsuccessful in operating within their forecast cash flows and/or obtaining additional funding, there may be uncertainty as to whether the Group will be able to continue as a going concern. If the Group was unable to continue in operational existence, and pay debts as and when they become due and payable, adjustments to the asset values would be required as the assets would need to be realised and liabilities extinguished, other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the statement of financial position.

These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, or to the amounts and classification of liabilities that may be necessary should the Company and Group be unable to continue as going concerns.

Notes to the Consolidated Financial Statements (Unaudited)

for the six months ended 30th September 2013

1. PRESENTATION AND ACCOUNTING POLICIES continued

Basis of Preparation

These unaudited condensed interim consolidated financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand. They comply with New Zealand Equivalents to International Financial Reporting Standards as applicable for interim financial statements for profit oriented entities, and in particular NZ IAS 34. The financial statements comply with International Financial Reporting Standards.

The condensed interim financial statements do not include all of the information required for full annual statements and should be read in conjunction with the Finzsoft Solutions Limited 2013 Annual Report. For this purpose the Group is designated as profit-oriented.

The financial and presentation currency of the parent and the presentation currency of the group is New Zealand dollars and the financial statements are rounded to the nearest thousand dollar.

The same significant judgements, estimates and assumptions included in the notes to the financial statements in the Group's Annual Report for the year ended 31st March 2012 have been applied to these interim financial statements.

2. SPECIFIC ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these condensed interim consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Consolidation

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group has no non-controlling interests in subsidiaries.

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

Notes to the Consolidated Financial Statements (Unaudited) continued
for the six months ended 30th September 2013

Investments in jointly controlled entities (Equity-accounted investees)
Jointly controlled entities are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

Jointly controlled entities are accounted for using the equity method and are recognised initially at cost. The cost of the investment includes transaction costs.

The consolidated financial statement includes the Group's share of the profit or loss and other comprehensive income of the equity accounted investees, after adjusting to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of the investment, including any long-term interest that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the principal operating decision-makers. The principal operating decision-makers, who are responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board that makes strategic decisions.

Goods and Services Taxation
The financial statements have been prepared exclusive of goods and services taxation. All revenue and expense items are shown net of goods and services tax (GST); and for assets and liabilities, if the GST is recoverable or payable, all items in the balance sheet are stated net of GST with the exception of trade receivables and payables which are stated with GST included.

Share Option Plan
The Group established an employee share option plan offering options to senior management staff. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) when the options are exercised.

Changes in Accounting Policies
There have been no changes in the accounting policies during the period.

Notes to the Consolidated Financial Statements (Unaudited) continued

for the six months ended 30th September 2013

3. CURRENT INCOME TAX LAIBILITY AND EXPENSE

	Unaudited 6 months to 30/09/2013 $'000	Unaudited 6 months to 30/09/2012 $'000	Audited 12 months to 31/03/2013 $'000
The taxation expense consists of:			
Current income tax	11	12	17
Deferred income tax	-	-	-
Income tax expense	11	12	17

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

Profit before income tax expense	(52)	322	417
Tax calculated at domestic tax rates applicable to profits (loss) in the respective countries	(15)	90	117
Expenses not deductible for income tax purposes	2	1	7
Under/(over) provision of prior period			5
Corporate Tax rate variance with Australia @ 30c	1	1	1
Deferred tax asset from temporary differences not booked	(66)	(74)	18
Tax effect of timing differences		-	-
Taxation Losses utilised	89	(6)	(131)
	11	12	17

4. JOINTLY CONTROLLED ENTITIES

The Group has a 50 per cent equity shareholding with equivalent voting power in NZ Bureau Limited, a jointly controlled entity requiring unanimous consent for strategic financial and operating decisions, established in New Zealand on the 29th March 2012. At the reporting date the jointly controlled entity is not committed under any contracts with third parties.

Investment is associates	Unaudited 6 months to 30/09/2013 $'000	Unaudited 6 months to 30/09/2012 $'000	Audited 12 months to 31/03/2013 $'000
Balance at beginning of period	303	299	-
Investment		-	298
Share of profit/(loss)	-	17	5
Balance at end of period	303	316	303

Notes to the Consolidated Financial Statements (Unaudited) continued

for the six months ended 30th September 2013

4. JOINTLY CONTROLLED ENTITIES continued

The following amounts represent the Group's share of assets and liabilities of the jointly controlled entity:

Name	Country of incorporation	Assets $'000	Liabilities $'000	Revenues $'000	Profit/(Loss) $'000	% interest held
30th September 2013						
NZ Bureau	New Zealand	795	188	803	-	50
30th September 2012						
NZ Bureau	New Zealand	394	78	418	17	50
31st March 2013						
NZ Bureau	New Zealand	811	205	1,622	10	50

Notes to the Consolidated Financial Statements (Unaudited) continued

for the six months ended 30th September 2013

5. RECONCILIATION OF NET CASH FLOWS GENERATED FROM OPERATING ACTIVITIES

	Unaudited 6 months to 30/09/2013 $'000	Unaudited 6 months to 30/09/2012 $'000	Audited 12 months to 31/03/2013 $'000
Profit for the period	(63)	310	400
Adjustments for Non-cash items			
Depreciation & Amortisation	346	192	430
Share Options Granted	3	-	16
(Gain) Loss on sale of Fixed assets	-	(3)	24
Share of profit of equity-accounted investee	-	17	(5)
Foreign currency exchange gain (loss)	(38)	(4)	(6)
Changes in assets and liabilities			
(Increase)/decrease in assets			
Trade receivables	(49)	(150)	25
Prepayments	26	(38)	(97)
Current income tax assets and liabilities	(24)	12	7
(decrease) / increase in liabilities			
Trade payable	(418)	(577)	(79)
Unearned revenue	717	753	17
Provisions for employee benefits	74	92	35
Net operating cash flows	574	604	767

6. OTHER DISCLOSURES

Other income			
Interest received	-	3	4
Management fees	-	-	-
Gain on sale of equipment	-	-	-
Foreign currency exchange gain	16	5	21
Total other income	16	8	25

Depreciation and Amortisation			
Office furniture and equipment	5	4	11
Computer equipment	51	47	97
Amortisation expense - software assets	290	141	322
Total depreciation and amortisation	346	192	430

Notes to the Consolidated Financial Statements (Unaudited) continued
for the six months ended 30th September 2013

7. SHARE CAPITAL

The total issued number of ordinary shares is 8,300,000 shares (2013: 8,300,000) with a total value of $3,950,000 (2013: $3,950,000). There is only one class of share and all issued shares are fully paid. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company, and rank equally with regard to the Company's residual assets.

There has been no movement in Share Capital for the 2014 and 2013 periods.

8. SHARE BASED PAYMENTS

Employee Share option plan
The Directors have established an employee share option plan and the Group had share-based payment arrangements as follow:

	Unaudited 6 months to 30/09/2013 '000	Unaudited 6 months to 30/09/2012 '000	Audited 12 months to 31/03/2013 '000
Outstanding at beginning of period	313	240	240
Granted during the period	-	120	120
Prior period options forfeited	(22)	(47)	(47)
Current period options forfeited	-	-	-
Exercised	-	-	-
Outstanding at end of period	291	313	313
Weighted average exercise price	0.31	0.31	0.31
Exercisable at 30th September 2013	89	96	Nil
Expense arising from share option plan ($,000's)	$3	$2	$16

Contractual life: Options terminate on cessation of employment
Vesting conditions: 1 year 5 months

9. EARNINGS PER SHARE

The basic earnings per share is calculated by dividing the profit attributed to equity holders of the company by the weighted average number of ordinary shares in issue during the year.

	Unaudited 6 months to 30/09/2013 '000	Unaudited 6 months to 30/09/2012 '000	Audited 12 months to 31/03/2013 '000
Profit attributable to equity holders of the company ($,000's)		$310	$400
Weighted average number of ordinary shares in issue	8,300	8,300	8,300
Adjusted for Share Options	291	313	313
Weighted average number of ordinary shares for diluted earnings per share	8,591	8,613	8,613
Basic earnings per share	(0.76)	3.74	4.83
Diluted earnings per share	(0.73)	3.60	4.65

Notes to the Consolidated Financial Statements (Unaudited) continued
for the six months ended 30th September 2013

10. DIVIDENDS PER SHARE

No Dividend was paid in the 2014 or 2013 year.

No current year interim dividend is proposed.

11. EVENTS AFTER THE BALANCE SHEET DATES

At the date of this report, there have been no material events occurring after the balance date.

12. COMMITMENTS AND CONTINGENCIES

The Group has no capital expenditure contracted at reporting date.
The Group is contingently liable in respect of an all obligations guarantee and indemnity provided over all monies due to the ANZ National Bank Limited.

13. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the Board that are used to make strategic decisions.

The Board considers the business from both a geographic and product perspective. Geographically, management considers the performance of sales and services in New Zealand, Australia and the rest of the world.

The reportable operating segments derive their revenue primarily from software delivery and support with the exception of New Zealand which is further segregated into revenue from transactional banking.

The Board assesses the performance of the operating segments based on a measure of adjusted EBITDA. This measurement basis excludes the effects of non-recurring expenditure from operating segments. Interest income and expenditure are not allocated to segments, as this type of activity is considered to be a central treasury function.

There are no sales between segments. The revenue from external parties reported to the Board is measured in a manner consistent with that in the statement of comprehensive income.

The amounts provided to the Board with respect to total assets are measures in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset.

The amounts provided to the Board with respect to total liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment.

Notes to the Consolidated Financial Statements (Unaudited) continued

for the six months ended 30th September 2013

13. SEGMENT INFORMATION continued

	New Zealand		*Australia*	*Rest of the World*	
	Software Delivery & Support $'000	**Transactional Banking $'000**	**Software Delivery & Support $'000**	**Software Delivery & Support $'000**	**Total $'000**
30th September 2013					
Segment revenue from external customers	3,052	7	1,140	-	4,199
Adjusted EBITDA	(100)	(2)	880	(235)	543
Depreciation & Amortisation	346	-	-	-	346
Income tax expenses/(benefit)	-	-	11	-	11
Total Assets	4,435	-	246	38	4,727
Additions to non-current assets (other than Financial instruments and deferred tax assets)	289	-	-	-	289
Total Liabilities	1,439	-	645	16	2,109
30th September 2012					
Segment revenue from external customers	2,711	16	2,019	-	4,746
Adjusted EBITDA	(649)	(16)	1,668	(251)	752
Depreciation & Amortisation	192	-	-	-	192
Income tax expenses/(benefit)	-	-	12	-	12
Total Assets	4,240	-	486	20	4,746
Additions to non-current assets (other than Financial instruments and deferred tax assets)	361	-	-	-	361
Total Liabilities	1,045	-	1,075	12	2,132

Notes to the Consolidated Financial Statements (Unaudited) continued

for the six months ended 30th September 2013

13. SEGMENT INFORMATION continued	*New Zealand* Software Delivery & Support $'000	Transactional Banking $'000	*Australia* Software Delivery & Support $'000	*Rest of the World* Software Delivery & Support $'000	Total $'000
31st March 2013					
Segment revenue from external customers	5,102	32	3,673	-	8,807
Adjusted EBITDA	1,468	(24)	323	(493)	1,274
Depreciation & Amortisation	430	-	-	-	430
Income tax expenses/(benefit)	-	-	17	-	17
Total Assets	4,358	-	146	19	4,523
Additions to non-current assets (other than Financial instruments and deferred tax assets)	822	-	-	-	822
Total Liabilities	(1,385)	-	(414)	(8)	(1,807)

A reconciliation of adjusted EBITDA to profit before tax is provided as follows:

	Unaudited 6 months to 30/09/2013 $'000	Unaudited 6 months to 30/09/2012 $'000	Audited 12 months to 31/03/2013 $'000
Adjusted EBITDA	543	752	1,274
Depreciation and amortisation	(346)	(192)	(430)
Interest received	-	3	4
Dividend received	-	-	-
Interest paid	(19)	(15)	(26)
Legal expenses	(38)	(21)	(22)
Directors fees	(108)	(113)	(225)
Professional and Consultancy costs (not attributed to a segment)	(28)	(11)	(68)
Share of profit in equity-accounted investee	-	-	5
Other	(56)	(81)	(95)
Profit before tax	(52)	$322	$417

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