

Finzsoft Solutions Limited

# Half Year Report | 2008

For the period ended 30th September 2008



## Directors' Report

for the six months ended 30th September 2008

The Directors of Finzsoft Solutions Limited are pleased to report on the company's performance for the six months ended 30th September 2008.

During this difficult period Finzsoft has demonstrated that it has a sustainable business model. Revenue for the period has remained constant and the company generated a profit.

### Highlights

- Successful project implementation of Sovereign funding and lending modules with RACV in Melbourne, going live on the 1st September 2008
- Established a sales and support office in Sydney to cater for an increasing presence in Australia
- Further uptake of full environment service for clients including hosting of production and disaster recovery systems
- Ongoing development of next generation of Sovereign finance and banking software
- Identifying strategic partnerships to broaden the range and quality of the wider banking and finance software solution
- Strong balance sheet – no debt

### Financial Results

Revenue for the six month period to the end of September 2008 was \$4.782 million compared with \$4.745 million for the corresponding period last year.

Net profit after tax of \$36,000 was less than the corresponding period last year which was \$145,000

The balance sheet at period end has cash reserves of \$1.1 million and current receivables of \$1.6 million of which 80% was less than 30 days.

The company has recently taken further steps to ensure its cost structure is aligned to future revenue streams. To achieve this, the business reviewed its organisation structure and has reduced the annualised employment cost by more than \$1.5 million.

The Directors have not recommended an interim dividend for the half year to shareholders.

### **Banking and Finance Sector**

As previously advised to the market, Finzsoft has been adversely impacted by the current difficulties being experienced by the global banking and finance market. Several of Finzsoft's clients in this sector have been directly affected. As a result of this, our anticipated growth has not been achieved. Whilst revenue growth has not been achieved revenue has been maintained at existing levels. Expected new license sales have been deferred as Banks and Finance organisations review their information technology strategies.

### **Product Development**

Finzsoft continues to invest in the ongoing development of the Sovereign banking and finance solution.

A new generation of Sovereign is under development and will be progressively released to clients. The increased operator functionality and flexibility places Finzsoft in a strong position for future new sales.

Finzsoft is also identifying complementary products and services to augment the existing product range. The outcome of this will enable the company to partner with complementary providers, improving the quality and range of products currently available to clients.

### **Outlook**

Despite the current business environment Finzsoft is operating profitably and has opportunities to grow albeit at a slower rate than considered ideal. The key focus is on support and development for existing clients. However despite the state of the global markets there are potential sales and with our ongoing product development, we are well positioned to benefit from these opportunities.

The Directors are strong in their belief that the company is appropriately structured to meet client's needs whilst being well positioned to see out the impact of a market downturn.

Directors reaffirm their advice that Finzsoft is forecasting a small profit for the current year.



**Don F Hattaway**  
*Chairman*



**Keith G McLaughlin**  
*Managing Director*

18th November 2008

## Consolidated Income Statement

for the six months ended 30th September 2008

	Unaudited 6 months to 30/09/2008 \$'000	Unaudited 6 months to 30/09/2007 \$'000	Audited 12 months to 31/03/2008 \$'000
<b>REVENUE</b>			
Revenue	4,619	4,707	8,133
Other income	163	38	141
<b>Total operating revenue</b>	<b>4,782</b>	<b>4,745</b>	<b>8,274</b>
Development, servicing and other direct costs	3,501	3,213	5,946
Occupancy expense	177	161	319
Depreciation & amortisation	155	113	219
Sales and marketing expense	164	206	634
Finance expense	7	2	2
Corporate expense	199	427	549
Other operational overheads	529	410	1,076
<b>Total operating expense</b>	<b>4,732</b>	<b>4,532</b>	<b>8,745</b>
<b>Profit / (Loss) from continuing activities before income tax expense</b>	<b>50</b>	<b>213</b>	<b>(471)</b>
(Less) / Plus Income tax expense / tax benefit	(14)	(68)	141
<b>Profit / (Loss) for the period</b>	<b>\$36</b>	<b>\$145</b>	<b>(\$330)</b>
Attributable to Equity holders of the Company	\$36	\$145	(\$330)
Earnings per share for profit attributable to the equity holders of the company during the period			
Basic earnings per share (cents per share)	0.4	1.7	(4.0)
Diluted earnings per share (cents per share)	0.4	1.7	(4.0)
Dividend per share (cents per share)	0.00	2.00	2.00

## Consolidated Statement of Changes in Equity

for the six months ended 30th September 2008

	Share Capital \$'000	Other Reserves \$'000	Retained Earnings \$'000	Total \$'000
<b>Group (unaudited 30 September 2008)</b>				
Balance at 1st April 2008	3,950	(4)	(433)	3,513
Currency translation difference	0	12	0	12
Profit for the period	0	0	36	36
Total recognised revenue & expenses	3,950	8	(397)	3,561
Share options	0	18	0	18
<b>Balance at 30th September 2008</b>	<b>3,950</b>	<b>26</b>	<b>(397)</b>	<b>3,579</b>
<b>Group (unaudited 30 September 2007)</b>				
Balance at 1st April 2007	3,950	(13)	63	4,000
Currency translation difference	0	30	0	30
Profit for the period	0	0	145	145
Total recognised revenue & expenses	3,950	17	208	4,175
Share options	0	0	0	0
Dividend paid	0	0	(166)	(166)
<b>Balance at 30th September 2007</b>	<b>3,950</b>	<b>17</b>	<b>42</b>	<b>4,009</b>
<b>Group (audited 31st March 2008)</b>				
Balance at 1st April 2007	3,950	(13)	63	4,000
Currency translation difference	0	6	0	6
Profit for the year	0	0	(330)	(330)
Total recognised revenue & expenses	3,950	(7)	(267)	3,676
Share options	0	3	0	3
Dividend paid	0	0	(166)	(166)
<b>Balance at 31st March 2008</b>	<b>3,950</b>	<b>(4)</b>	<b>(433)</b>	<b>3,513</b>

## Consolidated Balance Sheet

as at 30th September 2008

	Unaudited 6 months to 30/09/2008 \$'000	Unaudited 6 months to 30/09/2007 \$'000	Audited 12 months to 31/03/2008 \$'000
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	1,091	2,382	1,344
Trade receivables	1,628	1,007	612
Other receivables and prepayments	234	58	0
Current income tax asset	239	324	185
<b>Total Current Assets</b>	<b>3,192</b>	<b>3,771</b>	<b>2,141</b>
<b>Non Current Assets</b>			
Property and equipment	462	304	326
Intangible assets and goodwill	1,965	1,672	1,672
Deferred income tax asset	182	35	199
<b>Total Non Current Assets</b>	<b>2,609</b>	<b>2,011</b>	<b>2,197</b>
<b>TOTAL ASSETS</b>	<b>5,801</b>	<b>5,782</b>	<b>4,338</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payable	1,075	1,183	513
Unearned revenue	658	441	110
Provisions	338	149	202
Finance leases	22	0	0
<b>Total Current Liabilities</b>	<b>2,093</b>	<b>1,773</b>	<b>825</b>
<b>Non Current Liabilities</b>			
Finance leases	129	0	0
<b>Total Non Current Liabilities</b>	<b>129</b>	<b>0</b>	<b>0</b>
<b>TOTAL LIABILITIES</b>	<b>2,222</b>	<b>1,773</b>	<b>825</b>
<b>NET ASSETS</b>	<b>3,579</b>	<b>4,009</b>	<b>3,513</b>
<b>EQUITY</b>			
Ordinary Shares	3,950	3,950	3,950
Other Reserves	26	17	(4)
Retained Earnings	(397)	42	(433)
<b>TOTAL EQUITY</b>	<b>3,579</b>	<b>4,009</b>	<b>3,513</b>

## Consolidated Statement of Cashflows

as at 30th September 2008

	Unaudited 6 months to 30/09/2008 \$'000	Unaudited 6 months to 30/09/2007 \$'000	Audited 12 months to 31/03/2008 \$'000
<b><i>Cashflow from operating activities</i></b>			
Receipts from customers	3,508	4,790	8,644
Interest received	28	38	117
Taxation refund	0	0	17
Goods and services tax received	0	88	33
	<b>3,536</b>	<b>4,916</b>	<b>8,811</b>
Payments to suppliers and employees	(3,353)	(3,797)	(8,746)
Interest paid	(7)	(2)	(2)
Taxation paid	(50)	(167)	0
	<b>(3,410)</b>	<b>(3,966)</b>	<b>(8,748)</b>
Net cashflow generated from operating activities	126	950	63
<b><i>Cashflow used in investing activities</i></b>			
Sale of equipment	0	1	1
Purchase of equipment	(291)	(135)	(261)
Capitalised development costs - Intangible assets	(295)	0	0
Net cashflow used in investing activities	(586)	(134)	(260)
<b><i>Cashflow from / (used) in financing activities</i></b>			
Finance from finance leases	150	0	0
Dividends paid to Company's shareholders	0	(166)	(166)
Net cashflow from / (used) in financing activities	150	(166)	(166)
<b>Net increase (decrease) in Cash and cash equivalents</b>	<b>(310)</b>	<b>650</b>	<b>(363)</b>
Cash and cash equivalents at beginning of period	1,344	1,701	1,701
Exchange gains / (losses) on cash and cash equivalents	57	31	6
<b>Cash and cash equivalents at end of period</b>	<b>1,091</b>	<b>2,382</b>	<b>1,344</b>

## Notes to the Consolidated Financial Statements (Unaudited)

For the six months ended 30th September 2008

### 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.

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.

#### ***Measurement Base***

The accounting principles recognised as appropriate for the measurement and reporting of financial performance and financial position on a historical cost basis are followed by the Finzsoft Solutions Limited.

These unaudited financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand and therefore also comply with International Financial Reporting Standards. These unaudited consolidated condensed interim financial statements have been prepared in accordance with NZ IAS 34 covering Interim Financial Statements. This report should be read in conjunction with the Finzsoft Solutions Limited 2008 Annual Report. For this purpose the company has designated itself as profit-oriented.

The information is presented in New Zealand dollars.

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 2008 have been applied to these interim financial statements.

## 2. SPECIFIC ACCOUNTING POLICIES

### **Consolidation**

The consolidated financial statements include the parent company and its subsidiaries accounted for using the purchase method. All significant inter-company transactions are eliminated on consolidation. In the Company's financial statements, investments in subsidiaries are recognised at their cost.

In the parent company's separate financial statements investments in subsidiaries are stated at cost less any impairment losses.

### **Segment Reporting**

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment, that are subject to risks and returns that are different from those of segments operating in other economic environments.

### **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.

### **Changes in Accounting Policies**

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

## 3. TAXATION

	Unaudited 6 months to 30/09/2008 \$'000	Unaudited 6 months to 30/09/2007 \$'000	Audited 12 months to 31/03/2008 \$'000
Profit before tax expense	50	213	(471)
Prima facie taxation expense @ 30%	15	68	(155)
Tax effect of permanent differences	(18)	0	(6)
Tax effect of timing differences	17	0	20
	14	68	(141)
<i>The taxation expense consists of:</i>			
Current income tax	(3)	68	22
Deferred income tax	17	0	(163)
Income tax expense / (tax benefit)	14	68	(141)

#### 4. RECONCILIATION OF NET OPERATING CASH FLOWS

	Unaudited 6 months to 30/09/2008 \$'000	Unaudited 6 months to 30/09/2007 \$'000	Audited 12 months to 31/03/2008 \$'000
Profit / (Loss) for the period	36	145	(330)
<b>Non cash items:</b>			
Movement in bad debt provision	0	2	0
Depreciation & Amortisation	155	113	219
Movement in deferred income tax asset	17	0	(163)
Share Options Granted	18	0	3
Gain on Foreign Exchange	(45)	0	0
Gain on sale of Fixed assets	0	(1)	0
<b>Movements in working capital:</b>			
(Increase) decrease in trade receivables and prepayments	(1,248)	93	547
Increase (decrease) in trade payables and borrowings	1,246	697	(252)
(Increase) / decrease in current income tax assets	(53)	(99)	39
Net operating cash flows	126	950	63
<b>5. OTHER DISCLOSURES</b>			
<b>Other income</b>			
Interest received	28	38	117
Foreign currency exchange gain	45	0	24
R&D tax credit	90	0	0
Total other income	163	38	141
<b>Depreciation and Amortisation</b>			
Office furniture and equipment	8	5	11
Computer equipment	113	107	206
Motor vehicle	1	1	2
Finance leases - computer equipment	32	0	0
Amortisation expense - software assets	1	0	0
Total depreciation and amortisation	155	113	219

## 6. SHARE CAPITAL

The total issued number of ordinary shares is 8,300,000 shares (2007: 8,300,000) with a total value of \$3,950,000 (2007: \$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 2008 and 2007 periods.

## 7. SHARE BASED PAYMENTS

During the various periods reported, the Company had a share - based payment arrangement as follows:

	Unaudited 6 months to 30/09/2008	Unaudited 6 months to 30/09/2007	Audited 12 months to 31/03/2008
Managing Director Share option plan dated 11 December 2007			
Grant date	22/05/2008	-	11/12/2007
Number of options granted	222,222	-	77,419
Weighted average exercise price	\$0.90	-	\$1.08
Exercisable at end of year	Nil	-	Nil
Expense arising from share option plan	\$18,306	-	\$3,086

## 8. 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.

Profit attributable to equity holders of the company (\$'000's)	\$36	\$145	(\$330)
Weighted average number of ordinary shares in issue	8,300,000	8,300,000	8,300,000
Basic earnings per share	\$0.004	\$0.017	(\$0.040)
Diluted earnings per share	\$0.004	\$0.017	(\$0.040)

## 9. DIVIDENDS PER SHARE

A final dividend was paid in June 2007 of \$166,000 (2.0 cents per share).

No current year interim dividend is proposed.

## 10. EVENTS AFTER THE BALANCE SHEET DATES

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

## 11. COMMITMENTS AND CONTINGENCIES

The Group has no capital expenditure contracted at balance 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.

## 12. FINANCIAL REPORTING BY SEGMENTS

The group operates predominately in one industry which is that of computer software development, licence and support.

	Software Delivery & Support	Transactional Banking	Unallocated	Total
<b>30th September 2008 - Primary Segments</b>				
Total operating revenue	4,261	83	438	4,782
Costs	(4,247)	(69)	(416)	(4,732)
Profit before income tax expense	14	14	22	50
Assets	5,602	54	145	5,801
Liabilities	(2,222)	0	0	(2,222)
Net Assets	3,380	54	145	3,579
<b>30th September 2007 - Primary Segments</b>				
Total operating revenue	4,172	82	491	4,745
Costs	(3,862)	(66)	(604)	(4,532)
Profit before income tax expense	310	16	(113)	213
Assets	5,560	60	162	5,782
Liabilities	(1,772)	(1)	0	(1,773)
Net Assets	3,788	59	162	4,009
<b>31st March 2008 - Primary Segments</b>				
Total operating revenue	7,165	149	960	8,274
Costs	(7,325)	(117)	(1,303)	(8,745)
Profit before income tax expense	(160)	32	(343)	(471)
Assets	4,045	125	168	4,338
Liabilities	(778)	(1)	(46)	(825)
Net Assets	3,267	124	122	3,513

### Segments are comprised of:

Software delivery & support: *The development, licence and implementation of Sovereign software.*

Transactional banking: *Diamond Card transactional banking revenue and direct costs.*

Unallocated items mainly comprise of other revenue, associated costs and corporate expenses.

## 12. FINANCIAL REPORTING BY SEGMENTS Continued

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

	<b>New Zealand</b>	<b>Australia</b>	<b>Other</b>	<b>Total</b>
<b>30th September 2008 - Geographical</b>				
Total operating revenue	2,551	2,227	4	4,782
Costs	(2,524)	(2,208)	0	(4,732)
Profit before income tax expense	27	19	4	50
Assets	4,575	1,226	0	5,801
Liabilities	(1,924)	(298)	0	(2,222)
Net Assets	2,651	928	0	3,579
<b>30th September 2007 - Geographical</b>				
Total operating revenue	3,630	1,114	1	4,745
Costs	(3,388)	(1,118)	(26)	(4,532)
Profit before income tax expense	242	(4)	(25)	213
Assets	4,952	830	0	5,782
Liabilities	(1,374)	(399)	0	(1,773)
Net Assets	3,578	431	0	4,009
<b>31st March 2008 - Geographical</b>				
Total operating revenue	5,243	3,009	22	8,274
Costs	(5,659)	(3,060)	(26)	(8,745)
Profit before income tax expense	(416)	(51)	(4)	(471)
Assets	3,458	880	0	4,338
Liabilities	(646)	(179)	0	(825)
Net Assets	2,812	701	0	3,513



**Finzsoft Solutions (Australia) Pty Ltd**

**P** 61 2 8233 6102 **F** 61 2 8233 6199 **E** info@finzsoft.com **W** www.finzsoft.com

Level 12, 37 Bligh Street, Sydney, NSW 2000, Australia  
PO Box 2, Shortland Street, Auckland 1140, New Zealand

**Finzsoft Solutions (New Zealand) Ltd**

**P** 64 9 571 6800 **F** 64 9 571 6899 **E** info@finzsoft.com **W** www.finzsoft.com

Level 1, Building C, Millennium Centre, 602 Great South Road, Greenlane 1052, Auckland, New Zealand  
PO Box 2, Shortland Street, Auckland 1140, New Zealand