

Finzsoft Solutions Limited

# Half Year Report | 2009

For the period ended 30 September 2009

**finzsoft**   
enabling excellence



## Directors' Report

for the six months ended 30th September 2009

The Directors of Finzsoft Solutions Limited are pleased to report on the company's performance for the six months ended 30<sup>th</sup> September 2009.

During this period Finzsoft operated in a transitional arrangement whilst a replacement Chief Executive was sought. Mark Sewell was appointed Chief Executive and commenced that role on 7 September 2009.

### Highlights

Some highlights include:

- A continuation of the development of the next generation Sovereign finance and banking software including SOA tools and framework.
- Identifying strategic partnerships to broaden the range and quality of the wider banking and finance software solution.
- The successful implementation of the new Sovereign release and upgrade to existing major clients.
- A successful sale of a disaster recovery solution to a key South Island client.
- Finzsoft continues to hold no debt, while funding development of Sovereign out of operating cash flow.

### Financial Results

As a result of on going product investment including G3 and SOA projects and the tough market conditions, the company recorded an after tax loss of (\$40,000) for the period to 30<sup>th</sup> September 2009 compared with an after tax profit of \$36,000 the previous half year and a loss of (\$1.4 million) for the 2009 financial year.

Despite the difficulties in the finance sector, Finzsoft achieved half year revenue of \$3.9 million that compares to revenues last year of \$4.8 million.

When considering the performance of the company over this period, the Directors have not recommended an interim dividend to shareholders.

### Market Conditions

Finzsoft's half year results are a barometer of the Australasian finance & banking sector which continues to experience unprecedented pressure as a result of the Global Financial Crisis. A number of Finzsoft's existing and potential clients have either failed or are reluctant to invest in the development of their operating platforms. These events have continued to impact on the company revenues and profitability.

### New CEO

Our new CEO, Mark Sewell, has acted quickly to refocus Finzsoft on its core product, Sovereign, and its unique market position in the Asset Finance and Retail Banking markets. He is presently aligning Finzsoft's cost and organisational structure and will drive Finzsoft's international expansion into Australia and Asia.

### **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 back office functionality, open industry standards compliant architecture and new product features and flexibility, places Finzsoft in a strong position for future new sales.

### **Outlook**

The 2010 financial year continues to be difficult for the finance and banking sector, including Finzsoft. However, recently there have been signs of improving market conditions and opportunities are appearing for Finzsoft. Some of our clients have grown their business during the Global Financial Crisis and are now accelerating their ICT investment, as they increase their competitiveness, by building superior business solutions to better service their customers and partners.

The Directors believe that Finzsoft is well positioned for future growth in its core products and for introducing new products to its suite. Opportunities have been identified in New Zealand and Australia and these will be vigorously explored.

It is important that investment into the core Sovereign product continues so that Finzsoft remains internationally competitive and it may be necessary to raise funds for this continuing Sovereign investment and to secure further business opportunities.

In view of the challenging economic environment the Directors are not providing a 2010 financial year results forecast.

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

*Authorised for issue on 5 November 2009*



**Don F Hattaway**  
*Chairman*



**Andrew A Holliday**  
*Director*

## Consolidated Income Statement

for the six months ended 30th September 2009

	Unaudited 6 months to 30/09/2009 \$'000	Unaudited 6 months to 30/09/2008 \$'000	Audited 12 months to 31/03/2009 \$'000
<b>REVENUE</b>			
Revenue	3,871	4,619	7,706
Other income	29	163	209
<b>Total operating revenue</b>	<b>3,900</b>	<b>4,782</b>	<b>7,915</b>
Development, servicing and other direct costs	2,770	3,501	5,591
Occupancy expense	169	177	353
Depreciation & amortisation	199	155	393
Sales and marketing expense	61	164	865
Finance expense	18	7	34
Corporate expense	287	199	559
Other operational overheads	432	529	1,285
<b>Total operating expense</b>	<b>3,936</b>	<b>4,732</b>	<b>9,080</b>
<b>Profit / (Loss) from continuing activities before income tax expense</b>	<b>(36)</b>	<b>50</b>	<b>(1,165)</b>
<i>(Less) / Plus</i> Income tax expense / tax benefit	(4)	(14)	(214)
Profit for the period	<b>(\$40)</b>	<b>\$36</b>	<b>(\$1,379)</b>
Attributable to Equity holders of the Company	(\$40)	\$36	(\$1,379)
Earnings per share for profit attributable to the equity holders of the company during the period			
Basic earnings per share	(0.48)	0.43	(16.61)
Diluted earnings per share (cents per share)	(0.48)	0.43	(16.03)
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 2009

	Share Capital \$'000	Other Reserves \$'000	Retained Earnings \$'000	Total \$'000
<b>Group (unaudited 30 September 2009)</b>				
Balance at 1st April 2009	3,950	48	(1,812)	2,186
Currency translation difference	0	3	0	3
Profit (Loss) for the period	0	0	(40)	(40)
Total recognised revenue & expenses	3,950	51	(1,852)	2,149
Share options	0	0	0	0
<b>Balance at 30th September 2009</b>	<b>3,950</b>	<b>51</b>	<b>(1,852)</b>	<b>2,149</b>
<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 (audited 31st March 2009)</b>				
Balance at 1st April 2008	3,950	(4)	(433)	3,513
Currency translation difference	0	16	0	16
Profit for the year	0	0	(1,379)	(1,379)
Total recognised revenue & expenses	3,950	12	(1,812)	2,150
Share options	0	36	0	36
<b>Balance at 31st March 2009</b>	<b>3,950</b>	<b>48</b>	<b>(1,812)</b>	<b>2,186</b>

## Consolidated Balance Sheet

as at 30th September 2009

	Unaudited 6 months to 30/09/2009 \$'000	Unaudited 6 months to 30/09/2008 \$'000	Audited 12 months to 31/03/2009 \$'000
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	752	1,091	885
Trade receivables	384	1,628	588
Other receivables and prepayments	43	234	0
Current income tax asset - IRD tax refund	201	239	195
<b>Total Current Assets</b>	<b>1,380</b>	<b>3,192</b>	<b>1,668</b>
<b>Non Current Assets</b>			
Property and equipment	455	462	590
Intangible assets and goodwill	2,235	1,965	2,139
Deferred income tax asset	0	182	0
<b>Total Non Current Assets</b>	<b>2,690</b>	<b>2,609</b>	<b>2,729</b>
<b>TOTAL ASSETS</b>	<b>4,070</b>	<b>5,801</b>	<b>4,397</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payable	352	1,075	940
Unearned revenue	1,012	658	639
Provisions	237	338	249
Finance leases	156	22	146
<b>Total Current Liabilities</b>	<b>1,757</b>	<b>2,093</b>	<b>1,974</b>
<b>Non Current Liabilities</b>			
Finance leases	163	129	237
<b>Total Non Current Liabilities</b>	<b>163</b>	<b>129</b>	<b>237</b>
<b>TOTAL LIABILITIES</b>	<b>1,920</b>	<b>2,222</b>	<b>2,211</b>
<b>NET ASSETS</b>	<b>2,150</b>	<b>3,579</b>	<b>2,186</b>
<b>EQUITY</b>			
Ordinary Shares	3,950	3,950	3,950
Other Reserves	43	26	48
Retained Earnings	(1,843)	(397)	(1,812)
<b>TOTAL EQUITY</b>	<b>2,150</b>	<b>3,579</b>	<b>2,186</b>

## Consolidated Statement of Cashflows

as at 30th September 2009

	Unaudited 6 months to 30/09/2009 \$'000	Unaudited 6 months to 30/09/2008 \$'000	Audited 12 months to 31/03/2009 \$'000
<b><i>Cashflow from operating activities</i></b>			
Receipts from customers	4,014	3,508	7,577
Interest received	5	28	53
Taxation refund	0	0	276
Goods and services tax received	0	0	114
	<hr/> 4,019	<hr/> 3,536	<hr/> 8,020
Payments to suppliers and employees	(3,893)	(3,353)	(7,720)
Interest paid	(18)	(7)	(34)
Taxation paid	(10)	(50)	0
Goods and services tax paid	(7)	0	0
	<hr/> (3,928)	<hr/> (3,410)	<hr/> (7,754)
Net cashflow generated from operating activities	91	126	266
<b><i>Cashflow used in investing activities</i></b>			
Purchase of equipment	(40)	(291)	(630)
Capitalised development costs - Intangible assets	(123)	(295)	(494)
	<hr/> (163)	<hr/> (586)	<hr/> (1,124)
Net cashflow used in investing activities	(163)	(586)	(1,124)
<b><i>Cashflow from / (used) in financing activities</i></b>			
Finance from finance leases	0	150	499
Repayment of borrowings	(64)	0	(116)
	<hr/> (64)	<hr/> 150	<hr/> 383
Net cashflow from / (used) in financing activities	(64)	150	383
<b>Net increase (decrease) in Cash and cash equivalents</b>	<hr/> (136)	<hr/> (310)	<hr/> (475)
Cash and cash equivalents at beginning of period	885	1,344	1,344
Exchange gains / (losses) on cash and cash equivalents	3	57	16
<b>Cash and cash equivalents at end of period</b>	<hr/> <b>752</b>	<hr/> <b>1,091</b>	<hr/> <b>885</b>

## Notes to the Consolidated Financial Statements (Unaudited)

for the six months ended 30th September 2009

### 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. These unaudited financial statements comply with New Zealand Equivalents to International Financial Reporting Standards 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 2009 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 2009 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 30/09/2009 \$'000	Unaudited 6 months to 30/09/2008 \$'000	Audited 12 months to 31/03/2009 \$'000
Profit before tax expense	(36)	50	(1,165)
Prima facie taxation expense @ 30%	11	15	(350)
Tax effect of permanent differences	0	(18)	8
Tax effect of timing differences	(2)	17	556
	9	14	214
<i>The taxation expense consists of:</i>			
Current income tax	4	(3)	15
Deferred income tax	0	17	199
Income tax expense	4	14	214

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

	Unaudited 6 months to 30/09/2009 \$'000	Unaudited 6 months to 30/09/2008 \$'000	Audited 12 months to 31/03/2009 \$'000
Profit/(Loss) for the period	(40)	36	(1,379)
<b>Non cash items:</b>			
Movement in bad debt provision	10	0	0
Depreciation & Amortisation	199	155	393
Movement in deferred income tax asset	0	17	199
Share Options Granted	0	18	36
Gain on Foreign Exchange	0	(45)	0
Gain on sale of Fixed assets	1	0	0
<b>Movements in working capital:</b>			
(Increase) decrease in trade receivables and prepayments	161	(1,248)	24
Increase (decrease) in trade payables and borrowings	(226)	1,246	1,003
(Increase) / decrease in current income tax assets	(5)	(53)	(10)
Net operating cash flows	100	126	266

#### 5. OTHER DISCLOSURES

##### Other income

Interest received	5	28	53
Foreign currency exchange gain	24	45	6
R&D tax credit	0	90	150
Total other income	29	163	209

##### Depreciation and Amortisation

Office furniture and equipment	9	8	16
Computer equipment	69	113	188
Motor vehicle	1	1	3
Finance leases - computer equipment	93	32	159
Amortisation expense - software assets	27	1	27
Total depreciation and amortisation	199	155	393

## 6. SHARE CAPITAL

The total issued number of ordinary shares is 8,300,000 shares (2008: 8,300,000) with a total value of \$3,950,000 (2008: \$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 2009 and 2008 periods.

## 7. SHARE BASED PAYMENTS

During the previous periods reported, the Company had a share - based payment arrangement as follows: These share options have expired due to the departure of Keith McLaughlin

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	\$21,392	\$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.

	<b>Unaudited</b> <b>6 months to</b> <b>30/09/2009</b>	<b>Unaudited</b> <b>6 months to</b> <b>30/09/2008</b>	<b>Audited</b> <b>12 months to</b> <b>31/03/2009</b>
Profit attributable to equity holders of the company (\$,000's)	(\$40)	\$36	(\$1,379)
Weighted average number of ordinary shares in issue	8,300,000	8,300,000	8,300,000
Basic earnings per share	(0.005)	0.004	(0.166)
Diluted earnings per share	(0.005)	0.004	(0.160)

## 9. DIVIDENDS PER SHARE

No dividend was paid in 2009 year.

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.

	<b>Software Delivery &amp; Support</b>	<b>Transactional Banking</b>	<b>Unallocated</b>	<b>Total</b>
<b>30th September 2009 - Primary Segments</b>				
Total operating revenue	3,830	65	5	3,900
Costs	(3,627)	(48)	(261)	(3,936)
Profit before income tax expense	203	17	(256)	(36)
Assets	3,997	62	11	4,070
Liabilities	(1,920)	0	0	(1,920)
Net Assets	2,077	62	11	2,150
<b>30th September 2008 - Primary Segments</b>				
Total operating revenue	4,699	83	0	4,782
Costs	(4,454)	(69)	(209)	(4,732)
Profit before income tax expense	245	14	(209)	50
Assets	5,735	54	12	5,801
Liabilities	(2,222)	0	0	(2,222)
Net Assets	3,513	54	12	3,579
<b>31st March 2009 - Primary Segments</b>				
Total operating revenue	7,715	147	53	7,915
Costs	(8,393)	(126)	(561)	(9,080)
Profit before income tax expense	(678)	21	(508)	(1,165)
Assets	4,271	123	3	4,397
Liabilities	(2,135)	0	(76)	(2,211)
Net Assets	2,136	123	(73)	2,186

### 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.

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

## 12. FINANCIAL REPORTING BY SEGMENTS Continued

	New Zealand	Australia	Other	Total
<b>30th September 2009 - Geographical</b>				
Total operating revenue	1,995	1,894	11	3,900
Costs	(2,109)	(1,827)	0	(3,936)
Profit before income tax expense	(114)	67	11	(36)
Assets	3,369	701	0	4,070
Liabilities	(1,285)	(635)	0	(1,920)
Net Assets	2,084	66	0	2,150
<b>30th September 2008 - Geographical</b>				
Total operating revenue	2,552	2,227	4	4,783
Costs	(2,525)	(2,208)	0	(4,733)
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>31st March 2009 - Geographical</b>				
Total operating revenue	4,420	3,451	44	7,915
Costs	(5,777)	(3,303)	0	(9,080)
Profit before income tax expense	(1,357)	148	44	(1,165)
Assets	3,498	899	0	4,397
Liabilities	(1,537)	(674)	0	(2,211)
Net Assets	1,961	225	0	2,186





**Finzsoft Solutions (Australia) Pty Ltd**

P 61 2 8233 6102 F 61 2 8233 6199 E [info@finzsoft.com](mailto:info@finzsoft.com) W [www.finzsoft.com](http://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) Pty Ltd**

P 64 9 571 6800 F 64 9 571 6899 E [info@finzsoft.com](mailto:info@finzsoft.com) W [www.finzsoft.com](http://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