



fiNZsoft

Six Monthly Report

FOR THE PERIOD ENDED 30 SEPTEMBER 2007

Finzsoft Solutions Limited

Directors Report - Six months to September 30th 2007

The directors of Finzsoft Solutions Limited are pleased to report satisfactory company progress for the half year to 30 September 2007, although the net profit after tax for this period did not meet expectations.

Highlights include:

Increased sales focus in Australia

Ongoing enhancement of our Sovereign finance and banking software.

Strong balance sheet – good cash reserves – no debt.

Results

Finzsoft half year results to September 2007 have trading revenue at \$4,707,000, up by 15% on the same period last year. Finzsoft continued to be cash flow positive, with the six month period recording a profit after tax of \$145,000. During this period with a change in majority shareholding, Finzsoft has incurred costs associated with transition, resulting in profit falling below initial expectation.

Our balance sheet at period end has cash at bank of \$2.4 million and receivables of \$1.0 million. This is a strong position from which Finzsoft is to invest in the product and market.

Further, the balance sheet does not fully reflect the continued investment and enhancement of our Sovereign finance and banking software product, and value, and this remains the Finzsoft main asset.

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

Shareholding

As previously advised founding director Barrie Shannon sold down the majority of his shareholding to PI Capital Investments group during this period. Coinciding with the sale of his shares, Barrie Shannon stood down as Managing Director.

The incoming shareholders, through their Board representation, have provided the catalyst for change and a review of the business strategy.

The Board has recently appointed Keith McLaughlin who has been charged with the responsibility to review and lead the change process.

Finance Sector

It has been well publicised that the Finance sector, internationally and domestically, is facing unique operating pressures caused initially through the sub prime lending market internationally.

The resultant pressure on fiscal control has impacted most companies in this sector and Finzsoft clients are not immune. Consequently the appetite for many of our clients to invest in growth and product development has been impacted which in turn has had a ripple effect on revenue for Finzsoft and has resulted in a disappointing first half. This is likely to continue for the remainder of the financial year.

Product Enhancement

Client reluctance due to market conditions to invest further in the operating platform is providing an opportunity for Finzsoft to focus its efforts on product enhancement which will enable Finzsoft to develop its product to appeal to a broader client base.

A new version of the Sovereign Finance and Banking software platform is due for release early in the New Year and this will reflect a significant investment by Finzsoft to further enhance the product.

Outlook

Management is closely monitoring the financial markets to determine the ongoing impact of the sub prime fallout of which the full extent on the market is yet to be determined. It is inevitable that this will impact the financial performance of Finzsoft for the remainder of the financial year.

Finzsoft has recently achieved further success in Australia and the company intends to increase its presence and focus on growth opportunities in that market.

Your directors are confident that the prospects for Finzsoft are exciting through the strategic direction brought about by the recent change in majority shareholding.



D F HATTAWAY

Chairman

26th November 2007

FINZSOFT SOLUTIONS LIMITED
CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2007

	<i>Unaudited</i> <i>6 months to</i> <i>30/09/2007</i> <i>\$'000</i>	Unaudited 6 months to 30/09/2006 \$'000	<i>Audited</i> <i>12 months to</i> <i>31/03/2007</i> <i>\$'000</i>
<u>Revenue</u>			
Trading Revenue	4,707	4,101	7,400
Interest Received	38	45	86
Total Operating Revenue	4,745	4,146	7,486
Development, servicing and other direct costs	3,213	2,729	5,330
Occupancy expense	161	145	279
Depreciation	113	136	249
Sales and marketing expense	206	269	423
Finance expense	2	23	26
Corporate expense	427	118	198
Other operational overheads	409	346	741
Total Operating Expense	4,532	3,766	7,246
Profit from continuing activities before income tax expense	213	380	240
Less Income tax expense	(68)	(120)	(57)
Profit for the period	145	260	183
<u>Attributable to</u>			
Equity holders of the Company	145	260	183
Earnings per share for profit attributable to the equity holders of the company during the period			
Basic earnings per share (cents per share)	1.75	3.14	2.20
Diluted earnings per share (cents per share)	1.75	3.14	2.20
Dividend per share (cents per share)	2.00	2.00	3.50

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2007

	<i>Unaudited</i> <i>6 months to</i> <i>30/09/2007</i> <i>\$'000</i>	Unaudited 6 months to 30/09/2006 \$'000	<i>Audited</i> <i>12 months to</i> <i>31/03/2007</i> <i>\$'000</i>
Opening Equity	4,000	4,122	4,122
Profit for the period	145	260	183
Currency Translation gain / (loss)	31	(11)	(15)
Less Dividend paid	(166)	(166)	(291)
Equity at end of period	4,009	4,205	4,000

FINZSOFT SOLUTIONS LIMITED
CONSOLIDATED BALANCE SHEET
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2007

	<i>Unaudited</i> <i>6 months to</i> <i>30/09/2007</i> <i>\$'000</i>	Unaudited 6 months to 30/09/2006 \$'000	<i>Audited</i> <i>12 months to</i> <i>31/03/2007</i> <i>\$'000</i>
Equity			
Ordinary Shares	3,950	3,950	3,950
Other Reserves	20	(10)	(13)
Retained Earnings	40	264	63
Total Equity	4,009	4,205	4,000
Current Liabilities			
Trade and other payable	1,183	1,231	896
Unearned revenue	441	69	72
Provisions	149	93	109
Finance leases	0	34	0
Total Current Liabilities	1,773	1,427	1,077
TOTAL EQUITY AND LIABILITIES	5,782	5,632	5,077
Non Current Assets			
Property and equipment	304	364	284
Intangible assets and goodwill	1,672	1,672	1,672
Deferred income tax asset	36	25	36
Total Non Current Assets	2,011	2,061	1,992
Current Assets			
Cash and cash equivalents	2,382	2,206	1,701
Trade receivables	1,007	1,283	1,160
Other receivables and prepayments	59	70	0
Current income tax asset	324	12	224
Total Current Assets	3,771	3,571	3,085
TOTAL ASSETS	5,782	5,632	5,077

FINZSOFT SOLUTIONS LIMITED
CONSOLIDATED STATEMENT OF CASHFLOWS
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2007

	<i>Unaudited</i> <i>6 months to</i> <i>30/09/2007</i> <i>\$'000</i>	Unaudited 6 months to 30/09/2006 \$'000	<i>Audited</i> <i>12 months to</i> <i>31/03/2007</i> <i>\$'000</i>
Net cashflow generated from operating activities	950	653	334
Net cashflow used in investing activities	(134)	(58)	(81)
Net cashflow used in financing activities	(166)	(217)	(376)
<i>Net increase (decrease) in Cash and cash equivalents</i>	650	378	(123)
Cash and cash equivalents at beginning of period	1,701	1,839	1,839
Exchange gains / (losses) on cash and cash equivalents	31	(11)	(15)
<i>Cash and cash equivalents at end of period</i>	2,382	2,206	1,701
<i>Reconciliation of net operating cash flows to profit for the period</i>	<i>Unaudited</i> <i>6 months to</i> <i>30/09/2007</i> <i>\$'000</i>	Unaudited 6 months to 30/09/2006 \$'000	<i>Audited</i> <i>12 months to</i> <i>31/03/2007</i> <i>\$'000</i>
<i>Profit for the year</i>	145	260	183
<u><i>Non cash items:</i></u>			
Movement in bad debt provision	2	0	0
Depreciation	113	141	249
Movement in deferred income tax asset	0	0	(11)
Gain on sale of Fixed assets	(1)	0	(5)
<u><i>Movements in working capital:</i></u>			
(Increase) decrease in trade receivables and prepayments	93	13	208
Increase (decrease) in trade payables and borrowings	697	413	96
(Increase) / decrease in current income tax assets	(99)	(174)	(386)
<i>Net operating cash flows</i>	950	653	334

FINZSOFT SOLUTIONS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2007

1. SUMMARY OF SIGNIFICANT 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 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 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 2007 Annual Report, which are Finzsoft’s first consolidated financial statements in which NZIFRS 1 First time Adoption of New Zealand Equivalents to International Financial Reporting standards have been applied. For this purpose the company has designated itself as profit-oriented.

The information is presented in New Zealand dollars.

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 a service within a particular economic environment, that are subject to risks and returns that are different from those of segments operating in other economic environments.

FINZSOFT SOLUTIONS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2007

2. SPECIFIC ACCOUNTING POLICIES Continued

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

The Group has implemented the New Zealand equivalent to International Financial Reporting Standards for the first time for the year ended 31st March 2007 with a transition date as at 1st April 2005. This has necessitated a change of accounting policies. The principal change is:

- (i) Intangible assets with indefinite useful lives are no longer amortised. Instead they are tested for impairment each year. Previously they were amortised over 3 to 10 years.
- (ii) Foreign currency translations gains or losses are now taken to the statement in changes to equity with the recognition of Finzsoft Solutions (Australia) Pty Limited trading in the functional currency of Australian dollars (AUD).

Comparative Information

Where applicable, certain comparative numbers have been restated in order to comply with the current period presentation of the financial report

3. TAXATION

	<i>Unaudited</i> <i>6 months to</i> <i>30/09/2007</i> <i>\$'000</i>	Unaudited 6 months to 30/09/2006 \$'000	<i>Audited</i> <i>12 months to</i> <i>31/03/2007</i> <i>\$'000</i>
Profit before tax expense	213	380	240
Prima facie taxation expense @ 33%	68	120	79
Tax effect of permanent differences	0	0	(22)
Tax effect of timing differences	0	0	(11)
	<hr/> 68	<hr/> 120	<hr/> 57
<u>The taxation expense consists of:</u>			
Current income tax	68	120	46
Deferred income tax	0	0	11
Income tax expense	<hr/> 68	<hr/> 120	<hr/> 57

FINZSOFT SOLUTIONS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2007

4. SHARE CAPITAL

The total issued number of ordinary shares is 8,300,000 shares (2006: 8,300,000) with a total value of \$3,950,000 (2006: \$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 2007 and 2006 periods.

5. 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.

	<i>Unaudited</i> 6 months to 30/09/2007	Unaudited 6 months to 30/09/2006	<i>Audited</i> <i>12 months to</i> <i>31/03/2007</i>
Profit attributable to equity holders of the company (\$,000's)	\$145	\$260	\$183
Weighted average number of ordinary shares in issue	8,300,000	8,300,000	8,300,000
Basic earnings per share	0.017	0.031	0.022

The diluted earnings per share is the same as above as Finzsoft Solutions Ltd has no convertible debt or share options.

6. DIVIDENDS PER SHARE

A final dividend was paid in June 2007 of \$166,000 (2.0 cents per share) and an interim dividend in December 2006 \$124,500 (1.5 cents per share) respectively.

No current year interim dividend is proposed.

7. SUBSEQUENT EVENTS

At the date of this report, there have been no significant events subsequent to balance date.

FINZSOFT SOLUTIONS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2007

8. FINANCIAL REPORTING BY SEGMENTS

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

<i>Six months to 30th September 2007 - Primary Segments (\$,000's)</i>	Software Delivery & Support	Transactional Banking	Unallocated	Total
Total operating revenue	4,172	82	491	4,745
Costs	(3,862)	(66)	(604)	(4,532)
Profit before income tax expense	311	16	(114)	213
Assets	5,560	60	162	5,782
Liabilities	(1,772)	(1)	0	(1,773)
Net Assets	3,788	60	162	4,009

<i>Six months to 30th September 2006 - Primary Segments (\$,000's)</i>	Software Delivery & Support	Transactional Banking	Unallocated	Total
Total operating revenue	3,549	89	508	4,146
Costs	(3,147)	(74)	(545)	(3,766)
Profit before income tax expense	402	15	(37)	380
Assets	5,436	61	135	5,632
Liabilities	(1,418)	(9)	0	(1,427)
Net Assets	4,018	52	135	4,205

<i>Twelve months to 31st March 2007 - Primary Segments (\$,000's)</i>	Software Delivery & Support	Transactional Banking	Unallocated	Total
Total operating revenue	6,600	179	707	7,486
Costs	(6,211)	(147)	(888)	(7,246)
Profit before income tax expense	389	32	(181)	240
Assets	4,839	76	161	5,076
Liabilities	(1,067)	0	(9)	(1,076)
Net Assets	3,772	76	152	4,000

Segments are comprised of:

Software delivery & support: The development, sale 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.

FINZSOFT SOLUTIONS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2007

8. 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.

<i>Six months to 30th September 2007 – Geographical</i> (\$,000's)	<u>New Zealand</u>	<u>Australia</u>	<u>Other</u>	<u>Total</u>
Total operating revenue	3,629	1,114	1	4,745
Costs	<u>(3,388)</u>	<u>(1,118)</u>	<u>(26)</u>	<u>(4,532)</u>
Profit before income tax expense	<u>242</u>	<u>(4)</u>	<u>(25)</u>	<u>213</u>
Assets	4,952	830	0	5,782
Liabilities	<u>(1,374)</u>	<u>(399)</u>	<u>0</u>	<u>(1,773)</u>
Net Assets	<u>3,578</u>	<u>431</u>	<u>0</u>	<u>4,009</u>
<i>Six months to 30th September 2006 – Geographical</i> (\$,000's)	<u>New Zealand</u>	<u>Australia</u>	<u>Other</u>	<u>Total</u>
Total operating revenue	2,887	1,259	0	4,146
Costs	<u>(2,536)</u>	<u>(1,198)</u>	<u>(32)</u>	<u>(3,766)</u>
Profit before income tax expense	<u>351</u>	<u>61</u>	<u>(32)</u>	<u>380</u>
Assets	3,582	2,050	0	5,632
Liabilities	<u>(1,264)</u>	<u>(157)</u>	<u>(6)</u>	<u>(1,427)</u>
Net Assets	<u>2,318</u>	<u>1,893</u>	<u>(6)</u>	<u>4,205</u>
<i>Twelve months to 31st March 2007 – Geographical</i> (\$,000's)	<u>New Zealand</u>	<u>Australia</u>	<u>Other</u>	<u>Total</u>
Total operating revenue	5,073	2,397	16	7,486
Costs	<u>(4,903)</u>	<u>(2,276)</u>	<u>(67)</u>	<u>(7,246)</u>
Profit before income tax expense	<u>170</u>	<u>121</u>	<u>(51)</u>	<u>240</u>
Assets	3,783	1,276	17	5,076
Liabilities	<u>(939)</u>	<u>(136)</u>	<u>(1)</u>	<u>(1,076)</u>
Net Assets	<u>2,844</u>	<u>1,140</u>	<u>16</u>	<u>4,000</u>



Finzsoft Solutions Ltd

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