Half Year Financial Statements
31 December 2010

razor
RISK TECHNOLOGIES

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Corporate Information

ABN 84 088 299 512

This report covers both Razor Risk Technologies Limited as an individual entity and the consolidated entity comprising Razor Risk Technologies Limited and its subsidiaries. The Group's functional and presentation currency is AUD ($).

A description of the Group's operations and of its principal activities is included in the review of operations and activities in the Directors' Report on pages 5 to 6. The Directors' Report is not part of the financial statements.

DIRECTORS

Ellis Bugg	Chairman, Non-Executive Director
Andrew Wood	Group Chief Executive Officer
Simon Yencken	Non-Executive Director
Ralph Pickering	Non-Executive Director
Jane Yuile	Non-Executive Director

COMPANY SECRETARY

Oliver Carton

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SOLICITORS

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BANKERS

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Sydney NSW 2000

Australia and New Zealand Banking Group Limited
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Melbourne VIC 3000

Bank of Western Australia Ltd
Level 25, 45 Clarence Street
Sydney NSW 2000

AUDITORS

Grant Thornton Audit Pty Ltd
Level 17, 383 Kent Street
Sydney NSW 2000

Directors' Report

The Board of Directors of Razor Risk Technologies Limited submits its report in respect of the half-year ended 31 December 2010.

DIRECTORS

The names of the Company's directors in office during the half-year and until the date of this report are as below.

Directors were in office for this entire period unless otherwise stated.

Ellis Bugg	Chairman, Non-Executive Director
Andrew Wood	Group Chief Executive Officer
Ralph Pickering	Non-Executive Director
Simon Yencken	Non-Executive Director
Jane Yuile	Non-Executive Director

PRINCIPAL ACTIVITIES

The principal activities of the consolidated entity during the financial period comprised the development and integration of risk management software for the financial sector.

REVIEW AND RESULTS OF OPERATIONS

The Company maintained its focus on strengthening its sales and marketing activities, as well as functional and regulatory enhancements to the Razor product. Revenue decreased by 35% reflective of both the continued strength of the Australian dollar and lower than anticipated business from its client base in the Americas and Europe. This resulted in a break-even pre-tax position compared to a profit of $603,000 in the corresponding prior period.

As a result of the continued tightening of operational controls, the Company is now in a position where enhancements to Razor may be capitalised and amortised over their useful life, once a production version has been fully completed. The Company's management undertook a strategic review of its immediate development focus and consequently developed a substantive technology upgrade which also includes an early version of a web-enabled service for our clients' own clients. These enhancements will be included in Razor 3.0.

Razor 3.0 is initially being targeted at both new potential clients as well as the existing client base.

The company's cash balance is at expected levels, based on the renewal cycle of support agreements and the order intake for the first half of the year. The Company continues to operate without debt other than the reported banking facilities.

The carrying value of goodwill as at 31 December 2010 was reviewed and found to be appropriate and not impaired based on future cash projections. The Directors will consider the carrying value again as at 30th June 2011.

OUTLOOK

The Company continues to actively prospect within both the current client base, and a broader base of central counterparties and financial institutions. As reported during the half-year period, the Company has experienced a discernible increase in inbound enquiries and these have resulted in new consultancy around Razor as well as new sales opportunities which are at various stages of maturity. Our continued experience is that our global client base is experiencing a 'wait and see' attitude and protecting their own liquidity by delaying or deferring expenditure on internal projects. The Directors will provide details to all stakeholders as and when certainty occurs in relation to material new contracts.

SIGNIFICANT EVENTS SINCE BALANCE DATE

No matters or circumstances have arisen since 31 December 2010 which significantly or may significantly affect the operations of the consolidated group, the results of those operations, or the state of affairs of the consolidated group in future financial years.

AUDITOR'S INDEPENDENCE DECLARATION

We have obtained an independence declaration in accordance with s307c of the Corporations Act 2001 from our auditors, Grant Thornton Audit Pty Ltd, which immediately follows the Report on the Half Year Financial Statements and forms part of this report.

Signed in accordance with a resolution of the directors.

Andrew Wood

ANDREW WOOD

Group Chief Executive Officer

Sydney, 18 February 2011

	Note	CONSOLIDATED 31 Dec 2010 $'000	CONSOLIDATED 31 Dec 2009 $'000
Revenue	3(a)	**4,967**	**7,678**
Direct labour		(2,266)	(3,358)
Direct margin		**2,701**	**4,320**
Other income	3(b)	117	83
Operating expenditure			
Direct sales expenses		(531)	(531)
Marketing expenses		(35)	(110)
Occupancy expenses		(335)	(417)
Administrative expenses	3(c)	(1,655)	(2,464)
Other expenses	3(d)	(200)	(254)
Profit before tax and share-based payments		**62**	**627**
Share-based payment expense		(47)	(24)
Profit before income tax		**15**	**603**
Income tax (expense)		(13)	-
Net profit for the period		**2**	**603**
Other comprehensive income			
FX translation (loss) on translation of subsidiary		(91)	(191)
Income tax relating to components of other comprehensive income		-	-
Other comprehensive income for the year, after tax		**(91)**	**(191)**
Total comprehensive income for the year		**(89)**	**412**
Total comprehensive income attributed to:			
Owners of the parent		(89)	412
Basic earnings per share (cents per share)		0.01	0.21
Diluted earnings per share (cents per share)		0.01	0.20

The Interim Financial Statements should be read in conjunction with the accompanying notes

	Note	CONSOLIDATED As at 31 Dec 2010 $'000	CONSOLIDATED As at 30 Jun 2010 $'000
ASSETS			
Current Assets			
Cash and cash equivalents	4	2,014	3,374
Trade and other receivables		1,318	821
Prepayments		167	214
Forward exchange contracts		28	-
Accrued revenue	5	87	22
Total Current Assets		3,614	4,431
Non-current Assets			
Financial assets	6	342	374
Property, plant and equipment		348	399
Deferred tax asset		1,062	1,075
Intangible assets	7	3,352	3,085
Total Non-current Assets		5,104	4,933
TOTAL ASSETS		8,718	9,364
LIABILITIES			
Current Liabilities			
Trade and other payables		600	987
Short-term provisions		344	497
Unearned revenue		1,234	1,331
Total Current Liabilities		2,178	2,815
Non-Current Liabilities			
Long-term provisions		126	111
Deferred lease incentive		400	415
Total Non-Current Liabilities		526	526
TOTAL LIABILITIES		2,704	3,341
NET ASSETS		6,014	6,023
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital		52,552	52,506
Accumulated losses		(49,628)	(49,663)
Reserves		3,090	3,180
TOTAL EQUITY		6,014	6,023

The Interim Financial Statements should be read in conjunction with the accompanying notes

	CONSOLIDATED			
	Issued Capital $'000	Accumulated losses $'000	Other reserves $'000	Total Equity $'000
Changes in equity for period				
Balance at 1 July 2009	52,451	(51,252)	3,222	4,421
Net comprehensive income for the period	-	603	(191)	412
Share-based payment	23	-	1	24
At 31 December 2009	52,474	(50,649)	3,032	4,857

	CONSOLIDATED			
	Issued Capital $'000	Accumulated losses $'000	Other reserves $'000	Total Equity $'000
Changes in equity for period				
Balance at 1 July 2010	52,506	(49,630)	3,180	6,056
Net comprehensive income for the period	-	2	(91)	(89)
Share-based payment	46	-	1	47
At 31 December 2010	52,552	(49,628)	3,090	6,014

The Interim Financial Statements should be read in conjunction with the accompanying notes

RISK TECHNOLOGIES

	Note	CONSOLIDATED As at 31 Dec 2010 $'000	CONSOLIDATED As at 31 Dec 2009 $'000
Cash flows from Operating Activities			
Receipts from customers (inclusive of GST)		4,313	7,540
Payments to suppliers and employees (inclusive of GST)		(5,252)	(8,055)
Interest received		56	82
Government grant received		28	50
Net cash flows (used) / provided in operating activities		(855)	(383)
Cash flows from Investing Activities			
Capitalised development costs		(267)	-
Purchase of property, plant and equipment		(24)	(171)
Net cash flows (used in) investing activities		(291)	(171)
Cash flows from Financing Activities			
Proceeds from issue of shares and options		-	-
Net cash flows provided by financing activities		-	-
Net (decrease) in cash and cash equivalents		(1,146)	(554)
Net foreign exchange differences		(214)	(142)
Cash and cash equivalents at beginning of period		3,374	3,139
Cash and cash equivalents at the end of period	4	2,014	2,443

The Interim Financial Statements should be read in conjunction with the accompanying notes

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The half-year financial statements do not include all notes of the type normally included within the annual financial statements and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

The half-year financial statements should be read in conjunction with the Annual Financial Statements of Razor Risk Technologies Limited as at 30 June 2010, which has been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards.

It is also recommended that the half-year financial statements be considered together with any public announcements made by Razor Risk Technologies Limited and its controlled entities during the half-year ended 31 December 2010 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

(a) Basis of Preparation

The half-year consolidated financial statements are general purpose financial statements, which have been prepared in accordance with the requirements of the Corporations Act 2001 including Australian Accounting Standards, AASB 134 "Interim Financial Reporting" and other mandatory professional reporting requirements.

The half-year financial statements have been prepared on a historical cost basis.

The half-year financial statements are presented in Australian dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated under the option available to the Company under ASIC Class Order 98/100. The company is an entity to which the class order applies.

For the purpose of preparing the half-year financial statements, the half-year has been treated as a discrete reporting period.

Going Concern
The Board and management of Razor Risk Technologies Limited have reviewed and challenged the assumptions used in the cash flow forecast for the next 12 months and continue to be satisfied that there is no material uncertainty as to the going concern of the company and consolidated entity.

(b) Significant Accounting Policies

The half-year consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2010 unless stated otherwise in this report.

Intangible Assets
In prior periods software development costs have been expensed as incurred as the Company had not been able to meet the recognition criteria outlined above. The impact of adopting this accounting policy has been to capitalise software development costs of $267,000 on the balance sheet as an intangible asset and accordingly the profit before tax for the period has been improved by $267,000.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

An intangible asset arising from development expenditure on the company's flagship product, "Razor", is recognised only when the group can demonstrate:

- the technical feasibility of completing the intangible asset so that it will be available for sale;
- its intention to complete and its ability to sell the asset;
- how the asset will generate future economic benefits;
- the availability of resources to complete the development; and
- the ability to measure reliably the expenditure attributable to the intangible asset during the development.

Following the initial recognition of the development expenditure, the cost model is applied requiring the assets to be carried at cost less any accumulated amortisation and accumulated impairment losses. Current capitalised development costs are to be amortised over 5 years.

The carrying value of an intangible asset arising from development costs is tested for impairment annually when the asset is not yet available for use or more frequently, when an indicator of impairment arises during the reporting period.

(c) Basis of Consolidation

The half-year consolidated financial statements comprise the financial statements of Razor Risk Technologies Limited and its subsidiaries as at 31 December 2010 ('the Group').

2. SEGMENT INFORMATION

Management currently identifies the Group as having only one operating segment being the development and integration of risk management software for the financial sector. This operating segment is monitored and strategic decisions are made on this basis. There have been no changes in operating segments during the period.

The operating result presented in the Statement of Comprehensive Income represents the same segment information as reported to the company's Chief Operating Decision Maker.

3. REVENUE, INCOME AND EXPENSES

The current period profit (2009: profit) before tax and share-based payments includes the following material items of income and expense whose disclosure is relevant in explaining the performance of the entity:

	CONSOLIDATED	
	2010 $'000	2009 $'000
(a) Revenue		
Sale of goods	4,278	6,935
Rendering of services	689	743
	4,967	7,678
(b) Other Income		
Government grant (i)	28	50
Proceeds on sale of surplus assets	-	1
Write-back of Indian entity fixed assets	33	-
Bank interest receivable	56	32
	117	83
(c) Administrative Expenses		
Employee benefits expenses (ii)		
Wages and salaries	1,102	1,091
Workers' compensation costs	7	10
Superannuation	78	142
Employer related taxes	73	110
Terminations	33	183
Other employee costs	(1)	114
Share based payments	47	24
	1,339	1,674
(d) Other expenses		
Interest expense	-	4
Depreciation of plant and equipment, owned	91	108
Net foreign exchange differences	109	142
	200	254
(e) Lease payments included in statement of comprehensive income		
Operating lease expense	319	404
	319	404

(i) An Export Market Development Grant was received in relation to promoting and marketing the company's products in overseas markets. There are no unfilled conditions or contingencies attaching to this grant.

(ii) Employee benefits expense is outside of cost services and relates to employee expenses pertaining to administration and support functions.

4. CASH AND CASH EQUIVALENTS

	CONSOLIDATED	
	As at 31 Dec 2010 $'000	As at 30 Jun 2010 $'000
Cash at bank and in hand	832	2,643
Short-term deposits	1,182	731
	2,014	**3,374**

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and four months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

5. ACCRUED REVENUE

Revenue is accrued when a service is performed but not yet invoiced. Service revenue is invoiced in arrears and accrued monthly.

6. FINANCIAL ASSETS

For the purposes of the half-year cash flow statement, financial assets - term deposits are comprised of the following:

	CONSOLIDATED	
	As at 31 Dec 2010 $'000	As at 30 Jun 2010 $'000
Non-Current		
Term Deposits	311	340
Bonds	31	34
	342	**374**

7. INTANGIBLE ASSETS

(a) Goodwill

	CONSOLIDATED			
	NextSet $'000	TMS $'000	Halcyon $'000	Total $'000
At 1 July 2009				
Opening balance	205	1,037	2,048	3,290
Impairment loss	-	-	-	-
At 31 December 2009	205	1,037	2,048	3,290
At 1 January 2010				
Opening balance	205	1,037	2,048	3,290
Impairment loss	(205)	-	-	(205)
At 30 June 2010	-	1,037	2,048	3,085
At 1 July 2010				
Opening balance	-	1,037	2,048	3,085
Impairment loss	-	-	-	-
At 31 December 2010	-	1,037	2,048	3,085

As at 31 December 2010, Management have performed impairment testing and the value in use calculation prepared support the carrying value of goodwill.

7. INTANGIBLE ASSETS continued

(b) Capitalised Development Costs

	CONSOLIDATED $'000
At 1 July 2009	
Opening balance	-
Amortisation	-
Impairment loss	-
At 31 December 2009	-
At 1 January 2010	
Opening balance	-
Amortisation	-
Impairment loss	-
At 30 June 2010	-
At 1 July 2010	
Opening balance	-
Additions	267
Amortisation	-
Impairment loss	-
At 31 December 2010	267

An intangible asset arising from development expenditure on the company's flagship product, "Razor", is recognised only when the group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for sale, its intention to complete and its ability to sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development, and the ability to measure reliably the expenditure attributable to the intangible asset during the development.

8. EVENTS AFTER THE BALANCE SHEET DATE

No matters or circumstances have arisen since the end of the period which significantly affected or may significantly affect the operations of the consolidated group, the results of those operations, or the state of affairs of the consolidated group in future financial years.

9. CONTINGENT LIABILITIES

There has been no change in contingent liabilities since the last annual reporting date.

Directors' Declaration

In accordance with a resolution of the Directors of Razor Risk Technologies Limited, I state that:

In the opinion of the directors:

(a) the financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the company and Consolidated entity's financial position as at 31 December 2010 and of their performance for the half-year ended on that date; and

(ii) complying with Accounting Standards and Corporations Regulations 2001.

(b) as at the date of this declaration, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

Andrew Wood

ANDREW WOOD

Group Chief Executive Officer

Sydney, 18 February 2011

Grant Thornton

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AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF RAZOR RISK TECHNOLOGIES LIMITED

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Razor Risk Technologies Limited for the half-year ended 31 December 2010, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

b no contraventions of any applicable code of professional conduct in relation to the review

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

A J Archer
Director - Audit & Assurance

Sydney, 18 February 2011

Grant Thornton

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INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF RAZOR RISK TECHNOLOGIES LIMITED

We have reviewed the accompanying half-year financial report of Razor Risk Technologies Limited ("Company"), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

The directors of the Company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410: Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Razor Risk Technologies Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we complied with the independence requirements of the Corporations Act 2001.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Razor Risk Technologies Limited is not in accordance with the Corporations Act 2001, including:

a giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and

b complying with Accounting Standard AASB 134: Interim Financial Reporting and Corporations Regulations 2001.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

A J Archer
Director- Audit & Assurance

Sydney, 18 February 2011