

# Financial Statements 30 June 2011

**razor**

RISK TECHNOLOGIES

## Contents to Financial Statements

<b>CORPORATE INFORMATION .....</b>	<b>3</b>
<b>DIRECTORS' REPORT .....</b>	<b>5</b>
<b>CORPORATE GOVERNANCE STATEMENT .....</b>	<b>20</b>
<b>STATEMENT OF COMPREHENSIVE INCOME.....</b>	<b>26</b>
<b>STATEMENT OF FINANCIAL POSITION .....</b>	<b>27</b>
<b>STATEMENT OF CHANGES IN EQUITY .....</b>	<b>28</b>
<b>STATEMENT OF CASH FLOW .....</b>	<b>29</b>
<b>NOTES TO THE FINANCIAL STATEMENTS.....</b>	<b>30</b>
1. CORPORATE INFORMATION .....	30
2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES .....	30
3. SEGMENT INFORMATION .....	45
4. REVENUE AND EXPENSES.....	46
5. INCOME TAX.....	47
6. EARNINGS PER SHARE.....	48
7. DISCONTINUED OPERATIONS .....	49
8. CASH AND CASH EQUIVALENTS .....	49
9. TRADE AND OTHER RECEIVABLES (CURRENT) .....	51
10. FINANCIAL ASSETS.....	52
10. FINANCIAL ASSETS (CONTINUED).....	53
11. ACCRUED REVENUE.....	53
12. PROPERTY, PLANT AND EQUIPMENT .....	53
13. INTANGIBLE ASSETS.....	54
14. IMPAIRMENT TESTING OF GOODWILL AND INTANGIBLES WITH INDEFINITE LIVES.....	55
15. SHARE-BASED PAYMENT PLANS .....	57
16. TRADE AND OTHER PAYABLES (CURRENT) .....	60
17. DEFERRED TAX ASSET .....	60
18. EMPLOYEE BENEFITS .....	60
19. NON-CURRENT LIABILITIES.....	61
20. ISSUED CAPITAL AND RESERVES.....	62
21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES.....	65
22. COMMITMENTS AND CONTINGENCIES.....	70
23. RELATED PARTY DISCLOSURE .....	71
24. EVENTS AFTER THE REPORTING DATE .....	73
25. AUDITORS' REMUNERATION .....	74
26. DIRECTOR AND EXECUTIVE DISCLOSURES .....	74
27. PARENT ENTITY DISCLOSURES.....	78
<b>DIRECTORS' DECLARATION .....</b>	<b>79</b>
<b>INDEPENDENT AUDIT REPORT .....</b>	<b>80</b>
<b>AUDITORS' INDEPENDENCE DECLARATION .....</b>	<b>83</b>
<b>ASX ADDITIONAL INFORMATION .....</b>	<b>84</b>

## Corporate Information

### ABN 84 088 299 512

This annual report covers 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 19. The Directors' Report and the Corporate Governance Statement do not form part of the financial statements.

### DIRECTORS

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

### COMPANY SECRETARY

Oliver Carton

### REGISTERED OFFICE

Level 9, 115 Pitt Street,  
Sydney NSW 2000  
Australia  
Telephone +61 2 9236 9400

### PRINCIPAL PLACE OF BUSINESS

#### Australia

Level 9, 115 Pitt Street,  
Sydney NSW 2000  
Australia  
Telephone +61 2 9236 9400

### OVERSEAS OFFICES

#### United Kingdom

Razor Risk Technologies Limited  
8<sup>th</sup> Floor, 145 Leadenhall Street  
London EC3V 4QT  
Telephone +44 (0) 20 7621 8520

#### USA

Razor Risk Technologies Inc.  
276 5th Avenue, Suite 901  
New York NY 10001  
Telephone +1 212 683 9445

**SHARE REGISTER**

Computershare Registry Services Pty Ltd  
Level 12, 565 Bourke Street,  
Melbourne VIC 3000  
Telephone +61 3 9611 5711

**SOLICITORS**

Carton Solicitors  
Suite 211, 11 Milton Parade  
Malvern, VIC 3144

**BANKERS**

St George Bank  
CBD Chifley Square,  
Level 3, 1 Chifley Square,  
Sydney NSW 2000

Australia and New Zealand Banking Group Limited  
287 Collins Street,  
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

Your Directors submit their report for the year ended 30 June 2011.

### DIRECTORS

The names and details of the Company's Directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

#### **Ellis Bugg** (Chairman and Non-executive Director)

Ellis was appointed to the Board on 19 April 2006 and became Chairman of the Board and the Nominations and Remuneration Committee on 14 November 2007.

Ellis has 40 years' experience within the Australian banking industry with extensive knowledge and practical experience within financial markets and the associated infrastructure, especially technology and risk management.

Prior to joining Razor Risk Technologies Limited, Ellis held senior positions in Financial Markets and Risk Management with the Commonwealth Bank and National Australia Bank. He has been actively involved in various Industry bodies including serving a number of years as deputy Chairman of Austraclear and as a member of the Risk Committee of CLS Bank.

Ellis is a Fellow of the Financial Services Institute of Australasia (Finsia) and Fellow of the Australian Institute of Company Directors. Ellis has not held other directorships in a publicly listed company in the last 3 years.

#### **Simon Yencken** (Non-executive Director)

Simon has held a number of senior management & board-level positions with companies in the United States and Europe. He was a Board Member of Tibco Software Inc and CEO of Tibco Finance Technology Inc, and prior to that was Managing Director of Reuters Financial Enterprise Systems. His prior roles within Reuters Group Plc included General Counsel and Company Secretary, a role in acquisitions and membership of the Group Executive Committee.

Simon co-founded NextSet Software Inc, which was acquired by Razor Risk Technologies in 2003. He remains a non-executive Board Member of Razor Risk Technologies, and is a member of the Audit and Risk Management Committee and the Nominations and Remuneration Committee.

Simon is also an investor in, and Board Member of Aconex Limited. Aconex is the world's largest and fastest growing provider of online collaboration for construction and engineering projects. Aconex closed a significant funding round with Francisco Partners of San Francisco in September 2008.

Simon is a co-founder of a social media marketing business in the San Francisco Bay area. He is also an advisor to a number of early stage technology companies.

Simon holds a law degree and Bachelor of Science in Mathematics from Monash University. He has not held other directorships in publicly listed companies in the last 3 years.

#### **Ralph Pickering** (Non-executive Director)

Ralph was appointed to the Board on 3 October 2006 and is a member of the Nominations and Remuneration Committee, the Audit and Risk Management Committee and Finance Committee. Ralph has over 20 years' experience in developing technology businesses, deal making, acquisitions, mergers

## **Directors' Report (continued)**

---

### **DIRECTORS (continued)**

and major engineering projects. He is currently Managing Director Mergers and Acquisitions at UXC Limited.

Ralph holds Bachelor of Engineering (Electrical) and Master of Engineering Science (Computer Science) qualifications. Ralph is a Member of the Australian Institute of Company Directors and a Fellow of the Institute of Railway Signals Engineers. Ralph has not held a directorship in a publicly listed company in the last 3 years.

#### **Jane Yuile (Non-executive Director)**

Jane was appointed to the Board on 29 June 2007 and is the Chairman of the Audit & Risk Management Committee and the Finance Committee.

Jane is a chartered accountant with over 30 years' experience as a finance executive. She currently is ANZ Chairman - South Australia and is a non-executive director on a number boards in a variety of industries including private, government and not-for-profit organisations. Jane was a past chairman of the Institute of Chartered Accountants in Australia (SA & NT).

Jane holds a MBA and Bachelor of Science qualifications and is a Fellow of the Australian Institute of Company Directors and the Institute of Chartered Accountants in Australia. Jane has not held a directorship in a publicly listed company in the last 3 years.

#### **Andrew Wood (Group Chief Executive Officer)**

Andrew was appointed as Chief Executive Officer on 11 September 2008 and as a Director on 1 February 2009. Andrew has a strong finance and operations background, with over 15 years of experience working globally across multiple business environments. His last role prior to joining Razor Risk Technologies Limited was with Corymbia Investments Ltd in the UK, a business consultancy focusing on operational and financial management.

Based for some years in America, Andrew was a Senior Vice President with Management Consulting Group plc, whose consultancies specialise in risk management, Sarbanes Oxley and general operational and sales performance consulting. In Australia, Andrew was Chief Financial and Commercial Officer with Object Consulting, an Australian software development and training organisation.

Andrew holds a Bachelor of Arts - Economics (Honours) from Manchester University, and is a member of the Institute of Chartered Accountants in England and Wales. He has not held other directorships in a publicly listed company in the last 3 years.

### **COMPANY SECRETARY**

#### **Oliver Carton**

Oliver joined Razor Risk Technologies Limited as Company Secretary in June 2000. He is an experienced company secretary and is currently company secretary of a number of listed and unlisted companies, ranging from Razor Risk Technologies Limited to the not-for-profit Melbourne Symphony Orchestra Pty Ltd.

Oliver holds a Bachelor of Jurisprudence and a Bachelor of Law from UWA and has over 18 years' experience in a variety of corporate roles. He currently runs a consulting business, and was previously a director of the chartered accounting firm KPMG where he ran its Corporate Secretarial Group. Prior to that, he was a senior legal officer with ASIC.

**DIRECTORS' INTERESTS**
**Interests in the shares and options of the Company and related bodies**

As at the date of this report, the interests of the Directors in the shares and options of Razor Risk Technologies Limited were:

	Number of Ordinary Shares	Number of Options over Ordinary Shares
Ellis Bugg	1,365,140	500,000
Simon Yencken	35,925,668	-
Ralph Pickering	4,855,145	-
Jane Yuile	14,188,601	-
Andrew Wood	13,767,883	-

**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.

**OPERATING AND FINANCIAL REVIEW**
**Financial Highlights**

Highlights of Razor Risk Technologies' Financial Statements covering the year ended 30 June 2011 are as follows:

	2011 \$	2010 \$
Sales revenue	9,615,636	14,139,770
Net Profit from Continuing Operations	(203,235)	2,243,381
Loss from Discontinued Operations including Goodwill impairment	(25,877)	(654,306)
Consolidated Net profit for the period	(229,111)	1,589,075
Consolidated Net assets as at 30 June	5,739,447	6,023,461
Cash and cash equivalents	1,610,106	3,374,220
Overall Operations Earnings per share	(.08) cents	0.56 cents

Revenue for the full year fell 32% reflective of the subdued immediate investment in enterprise Risk Management applications in the Company's key potential markets of the Americas and Europe. The uncertainty around final governance obligations for both clients and prospective clients resulted in a continuation of long sales cycles in both America and in Europe, as the target client base adopted a wait and see approach for systems upgrades. During the year, opportunities in Asia Pacific proved more consistent and solid progress was made in turning opportunities into new revenue.

Despite the strengthening Australian dollar, gross margins increased from 55% to 57%.

**Profit before Tax and Share based payments**

The underlying operational profit amounted to \$379,102 (2010 \$1,273,907) after a goodwill impairment charge of \$100,000 (2010 \$205,110) in respect of American based assets.

**Razor 3.0**

Significant progress was made throughout the year in the ongoing development and enhancement of Razor 3.0. Substantial improvements were made in the computational speed, functional enhancements and speed of deployment to clients. Internally developed software costs amounting to \$615,756 (2010 \$nil) have been capitalised as an intangible asset. Subsequent to the year end, this resulted in the announcement that the Australian Stock Exchange will upgrade to Razor 3.0 as well as expand the use of Razor into cash market margining.

**Goodwill Impairment**

A review of the carrying value of goodwill assets identified that the TMS business unit which operates out of North America did not have sufficient future cash flows to retain its current valuation. Utilising the current exchange rate between USA and Australia, a non cash impairment charge of \$100,000 has been made in the accounts.

**Deferred tax asset reduced**

In the previous year, following improved profitability, the Group partially recognised a deferred tax asset in relation to unused tax losses based on future anticipated profitability. In accordance with the accounting standard AASB 112- Income Taxes, due to the lower profitability achieved in 2011, the value of the asset recognised has decreased to \$581,380 from \$1,075,000. This has resulted in a charge of \$493,620 in the year. The Group continues to have un-recouped income tax losses arising in Australia that have not been brought to account and are available for offset against future taxable profits of the companies in which tax losses arose.

**Outlook**

The Directors remain cautious that the continuing economic challenges of the North American and European economies are resulting in longer than anticipated sales cycles. In the key target market of central counter parties, there have also been significant market changes which require regulatory approval. This is impacting the speed of decision making. The Company continues to focus on its current client base and providing additional services and licensing opportunities where appropriate.

**SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS**

There have been no significant events during the year which resulted in a significant change in the state of affairs of the Group.

**SIGNIFICANT EVENTS SINCE BALANCE DATE**

No matters or circumstances have arisen since the end of the financial year 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.

**LIKELY DEVELOPMENTS AND EXPECTED RESULTS**

The Directors remain confident that Razor has the framework to suit future needs in Risk Management but are cautious around immediate prospects with the operating environment likely to remain uncertain until there is a consistent view from users and regulators on best practice controls.

Recent corporate activity in companies with a similar product offering to Razor suggests that others support the Director's view that the market will improve.

In the meantime, the Group will also continue to look for ways of making its business more efficient and profitable during the current year.



**ENVIRONMENTAL REGULATION AND PERFORMANCE**

The consolidated group's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory of Australia.

**SHARE OPTIONS****Unissued shares**

As at the date of this report there were 3,616,705 unissued ordinary shares under options. Refer to Note 15 of the financial statements for further details of the options outstanding.

Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company or any other entity.

For details of options issued to Directors and Executives as remuneration, refer to the Remuneration Report.

**Shares issued as a result of the exercise of options**

During or since the end of the financial year no options were exercised by employees or Directors.

**Dividends**

There have been no dividends paid or declared for payment during the period.

**INDEMNIFICATION OF DIRECTORS AND OFFICERS**

The Company paid insurance premiums of \$43,584 (2010: \$44,395) during the year to obtain Directors and Officers Liability Insurance. In addition to covering Directors and Officers, the insurance extends to any employee acting in a managerial capacity and covers any loss arising from any claim for any wrongful act committed by them in their capacity as Director or Officer, or any Company loss as a result of a securities claim made against the Company for any alleged wrongful act committed by the Company.

**REMUNERATION REPORT (AUDITED)**

This remuneration report outlines the Director and Executive remuneration arrangements of the Company and the Group in accordance with the requirements of the Corporations Act 2001 and its Regulations. For the purposes of this report key management personnel (KMP) of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any Director (whether executive or otherwise) of the parent company.

For the purposes of this report, the term 'Executive' encompasses the Chief Executive Officer, Chief Operating Officer, Senior Vice President – Product Management and Chief Financial Officer of the Parent and the Group, and the Company Secretary.

**REMUNERATION REPORT (AUDITED) (continued)****Details of key management personnel****(i) Directors**

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

**(ii) Executives**

Gerry Lawlor	Chief Operating Officer – appointed 1 April 2011
Firoozeh Walker	Chief Operating Officer – resigned 4 April 2011
Thies Arens	Senior Vice President - Product Management
Christopher Brooke	Group Chief Financial Officer
Oliver Carton	Company Secretary

**Remuneration philosophy**

The performance of the Company depends upon the quality of its Directors and Executives. To perform well, the Company must attract, motivate and retain highly skilled Directors and Executives.

To this end, the Company embodies the following principles in its remuneration framework:

- Provide competitive rewards to attract high calibre executives;
- Link executive rewards to shareholder value;
- Have a significant portion of Executive remuneration 'at risk', dependent upon meeting pre-determined performance benchmarks; and
- Establish appropriate, demanding performance hurdles in relation to variable executive remuneration.

**Nominations and Remuneration Committee**

The Nominations and Remuneration Committee of the Board of Directors of the Company is responsible for determining and reviewing compensation arrangements for the Directors, the Group Chief Executive Officer and the senior management team.

The Nominations and Remuneration Committee assesses the appropriateness of the nature and amount of remuneration of Directors and Executive officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team.

**Remuneration structure**

In accordance with best practice corporate governance, the structure of Non-executive Director and Executive officer remuneration is separate and distinct.

**Non-executive Director Remuneration****Objective**

The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain Directors of the highest calibre, while incurring a cost which is acceptable to shareholders.

**Structure**

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of Non-executive Directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the Directors as agreed. The latest determination was at the

**REMUNERATION REPORT (AUDITED) (continued)**

Annual General Meeting held on 28 October 2005 when shareholders approved an aggregate remuneration of \$1,150,000 per year.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned among Directors is reviewed annually. The Board considers advice from external consultants as well as the fees paid to Non-executive Directors of comparable companies when undertaking the annual review process.

Each Director receives a fee for being a Director of the Company. An additional fee is also paid for each Board committee on which a Director sits. The payment of additional fees for serving on a committee recognises the additional time commitment required by Directors who serve on one or more subcommittees. No retirement benefits are payable on retirement of any Non-executive Director.

Non-executive Directors have long been encouraged by the Board to hold shares in the Company (purchased by the Director on market). It is considered good governance for Directors to have a stake in the Company whose board he or she sits.

The Non-executive Directors of the Company can participate in the Employee Share Incentive Plan which provides incentives where specified criteria are met.

The remuneration of Non-executive Directors for the period ending 30 June 2011 is detailed in the table on page 14 of this report.

**Senior Management and Executive Director Remuneration*****Objective***

The Company aims to reward KMP with a level and mix of remuneration commensurate with their position and responsibilities within the Company and so as to:

- Reward KMP for Company and individual performance against targets set by reference to appropriate benchmarks;
- Align the interests of KMP with those of shareholders;
- Link reward with the strategic goals and performance of the Company in the financial year; and
- Ensure total remuneration is competitive by market standards.

***Structure***

In determining the level and make-up of KMP remuneration, the Nominations and Remuneration Committee last engaged an external consultant in 2007 to provide independent advice both in the form of a written report detailing market levels of remuneration for comparable executive roles, as well as the participation of the independent consultant in the meeting from which the committee makes its recommendations to the Board. There has been no remuneration consultants engaged during the year.

Remuneration consists of the following key elements:

- Fixed remuneration; and
- Variable remuneration.

The proportion of fixed remuneration and variable remuneration (potential short-term and long-term incentives) is established for each KMP by the Nominations and Remuneration Committee. The table on page 14 details the variable component (%) of the KMP of the Group and the Company.

**Fixed Remuneration*****Objective***

Fixed remuneration is reviewed annually by the Nominations and Remuneration Committee. The process consists of a review of companywide and individual performance, relevant comparative remuneration internally and in the market and, where appropriate, external advice on policies and practices. As noted above, the committee has access to external advice independent of management.

**REMUNERATION REPORT (AUDITED) (continued)****Structure**

The level of fixed remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and is competitive in the market. The fixed remuneration component of the KMP of the Group and the Company is detailed in the table on page 14.

**Variable Remuneration****Objective**

The objective of the variable program is to link the achievement of the Company's operational targets with the remuneration received by the Executives charged with meeting those targets and to also reward KMP in a manner which is consistent with the interests of shareholders. The total potential variable component is set at a level so as to provide sufficient incentive to the KMP to achieve the operational targets and such that the cost to the Company is reasonable in the circumstances.

**Structure**

Actual variable payments granted to KMP depend on the extent to which specific operating targets set at the beginning of the financial year are met. The operational targets consist of a number of Key Performance Indicators (KPIs) covering both financial and non-financial measures of performance. Typically included are measures such as contribution to operational profit, customer service, risk management, product management and leadership/team contribution. The Company has predetermined benchmarks which must be met in order to trigger payments.

On an annual basis, the overall performance of the Company against KPIs, and the individual performance of each KMP are taken into account when determining the amount, if any, of the variable incentive pool that is to be allocated to each executive.

The aggregate of variable payments available for Executives across the Company is subject to the approval of the Nominations and Remuneration Committee. Payments made are usually delivered in the form of options and in some cases, payment of cash bonuses. The variable remuneration component of the KMP of the Group and the Company is detailed in the table on page 14.

**Employment Contracts****Chief Executive Officer**

The Group Chief Executive Officer, Andrew Wood, is employed on a rolling 6 month contract. Either party may terminate the contract of employment by giving 6 months' notice, or in the case of the company payment in lieu of the notice period. In the case of change in control of the entity, Mr Wood may treat this as grounds for terminating the contract of employment. As is standard practice in the event of serious misconduct by either party this notice period is waived.

**Other Executives (standard contracts)**

All Executives have rolling contracts. The Company may terminate the Executive's employment agreement by providing written notice or providing payment in lieu of the notice period (based on the fixed component of the Executive's remuneration). On notice of termination by the Company, any options that have vested or that will vest during the notice period will be released. The Company may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs the Executive is only entitled to that portion of remuneration that is fixed, and only up to the date of termination. On termination with cause any unvested options will immediately be forfeited.

**Relationship of rewards to performance****Relationship between Remuneration Policy and Company Performance**

The remuneration policy has been tailored to increase goal congruence between shareholders, Directors and Executives. Two methods have been applied to achieve this aim, the first being a performance-based bonus based on key performance indicators, and the second being the issue of options/shares to encourage the alignment of personal and shareholder interests.

**REMUNERATION REPORT (AUDITED) (continued)**

The key performance indicators (KPIs) are set annually, with certain level of consultation with key management personnel to ensure buy-in. The measures are specifically tailored to the area each individual is involved in and has a level of control over. The KPIs target areas the Board believes hold greater potential for Group expansion and profit, covering financial and non-financial as well as short and long-term goals. The level set for each KPI is based on budgeted figures for the Group.

Performance in relation to the KPIs is assessed annually, with bonuses being awarded depending on the number and deemed difficulty of the KPIs achieved. Following the assessment, the KPIs are reviewed by the Nominations and Remuneration Committee in light of the desired and actual outcomes, and their efficiency is assessed in relation to the Group's goals and shareholder wealth, before the KPIs are set for the following year.

**Current Year Bonus Pool**

The Company's consolidated financial profits are the significant metric contributor to Executive Director and KMP bonuses. The operating budget for 2011/2012 was set above the actual result for the prior year. As the actual operating profit did not exceed the prior year, no current bonus arises in respect of the financial performance. In respect of the personal performance objectives, whilst these were largely achieved, no bonuses will be paid in this respect in view of the performance of the overall business in the year.

**Performance Conditions Linked to Remuneration**

The Group seeks to emphasise reward incentives for results and continued commitment to the Group through the provision of various bonus reward schemes, specifically the incorporation of incentive payments based on the achievement of revenue targets, return on equity ratios, and continued employment with the Group.

For the current year ended, subject to Directors' discretion, the financial criteria associated with any variable remuneration (such as cash bonuses) has not been met. Accordingly, no current cash bonus has been provided for, for the year ended 30 June 2011.

The relative financial performance for the past 5 years is summarised below:

Year	Revenue \$	Net Profit / (Loss) \$	Share Prices @ 30 June \$	Dividend
30 June 2007	11,791,147	(5,699,891)	0.14	-
30 June 2008	13,269,157	(5,936,927)	0.04	-
30 June 2009	18,459,012	1,462,972	0.04	-
30 June 2010	14,347,209	1,589,075	0.02	-
30 June 2011	9,832,605	(229,111)	0.01	-

**Long Term Remuneration Incentive**

In addition to short-term incentive payments based on the achievement of revenue targets, return on equity ratios, and continued employment with the Group, long term incentive (LTI) share payments, where deemed appropriate, are awarded which are subject to a vesting period and held within the Group's ESAP.

**Directors' Report (continued)**
**REMUNERATION REPORT (AUDITED) (continued)**
*(i) Remuneration of Key Management Personnel for the year ended 30 June 2011*

30 June 2011	Short-Term		Post Employment	Share-based Payment		Total \$	% Performance Related
	Salary & Fees \$	Bonus \$	Superannuation \$	Options \$	Shares \$		
<b>Directors</b>							
E Bugg	92,200	-	-	-	-	92,200	0.0%
S Yencken	51,100	-	-	-	-	51,100	0.0%
R Pickering	53,600	-	-	-	-	53,600	0.0%
J Yuile	56,100	-	-	-	-	56,100	0.0%
A Wood	290,000	-	15,199	-	30,443	335,642	9.1%
<b>Executives<sup>^^</sup></b>							
G Lawlor <sup>^</sup>	75,000	-	-	-	-	75,000	0.0%
T Arens	214,491	-	15,199	-	14,031	243,721	5.8%
C Brooke	175,000	-	14,950	-	4,284	194,234	2.2%
F Walker <sup>**</sup>	164,899	-	15,721	-	8,350	188,970	4.4%
O Carton <sup>#</sup>	42,000	-	-	-	-	42,000	0.0%
	1,214,390	-	61,069	-	57,108	1,332,567	

<sup>^^</sup> For the purposes of this report, the term 'Executive' encompasses the Chief Executive Officer, Chief Operating Officer, Senior Vice President – Product Management, and Chief Financial Officer of the Group, and the Company Secretary.

<sup>^</sup> Appointed 1 April 2011.

<sup>\*\*</sup> Resigned 4 April 2011.

<sup>#</sup> Razor Risk has outsourced the company secretary role to Carton Solicitors, which provides the services of Oliver Carton for a fixed monthly fee. Oliver Carton performs all the duties associated with the role of Company Secretary in return for this fee. Oliver Carton is also a solicitor and other payments to him shown in the above table were made to his law firm in return for legal services.

**Directors' Report (continued)**
**REMUNERATION REPORT (AUDITED) (continued)**
*(ii) Remuneration of Key Management Personnel for the year ended 30 June 2010*

30 June 2010	Short-Term		Post Employment	Share-based Payment		Total \$	% Performance Related
	Salary & Fees \$	Bonus \$	Superannuation \$	Options \$	Shares \$		
<b>Directors</b>							
E Bugg	92,200	-	-	1,316	-	93,516	1.4%
S Yencken	51,100	-	-	-	-	51,100	0.0%
R Pickering	53,600	-	-	-	-	53,600	0.0%
J Yuile	56,100	-	-	-	-	56,100	0.0%
A Wood	290,000	-	14,461	-	69,213	373,674	18.5%
<b>Executives<sup>^^</sup></b>							
F Walker	215,000	25,000	49,782	-	5,566	295,348	22.3%
T Arens	213,750	50,000	14,461	-	5,566	283,777	19.6%
C Brooke	175,000	10,000	14,461	-	-	199,461	5.0%
N Slack-Smith*	165,850	-	3,615	-	-	169,465	0.0%
O Carton #	55,000	-	-	-	-	55,000	0.0%
	1,367,600	85,000	96,780	1,316	80,345	1,631,041	

<sup>^^</sup> For the purposes of this report, the term 'Executive' encompasses the Chief Executive Officer, Chief Operating Officer, Senior Vice President – Product Management, and Chief Financial Officer of the Group, and the Company Secretary.

\* Resigned 25 September 2009.

# Razor Risk has outsourced the company secretary role to Carton Solicitors, which provides the services of Oliver Carton for a fixed monthly fee. Oliver Carton performs all the duties associated with the role of Company Secretary in return for this fee. Oliver Carton is also a solicitor and other payments to him shown in the above table were made to his law firm in return for legal services.

The Finance Committee is now a formally recognised committee of the Board and remuneration is consistent with the Board's other committees.

**REMUNERATION REPORT (AUDITED) (continued)**

*(iii) Options granted as part of remuneration: Granted and vested during the year*

	Vested	
	No.	%
<b>30 June 2011</b>		
<b>Directors</b>		
E Bugg	-	0.0%
<b>Total</b>	-	
<b>30 June 2010</b>		
<b>Directors</b>		
E Bugg	500,000	100%
<b>Total</b>	500,000	

Directors and Executives have not had any options granted during the year (2010: \$0)

For details on the terms of the options, please refer to Note 15.



**REMUNERATION REPORT (AUDITED) (continued)**
*(iv) Shares issued as part of remuneration: Issued and vested during the year*

	No.	Issue Date	Fair value per share at issue date	Date Exercisable
<b>30 June 2011</b>				
<b>Directors</b>				
A Wood	833,333	1 Sep 2010	0.03	1 Sept 2011
A Wood	833,333	1 Sep 2010	0.03	1 Sept 2012
A Wood	833,334	1 Sep 2010	0.03	1 Sept 2013
<b>Executives</b>				
T Arens	500,000	29 Oct 2010	0.025	30 Jun 2012
C Brooke	300,000	29 Oct 2010	0.025	30 Jun 2012
C Brooke	500,000	4 Apr 2011	0.014	30 Mar 2013
<b>Total</b>	<b>3,800,000</b>			
<b>30 June 2010</b>				
<b>Executives</b>				
F Walker	625,000	14 Oct 2009	0.024	30 Jun 2011
T Arens	625,000	14 Oct 2009	0.024	30 Jun 2011
<b>Total</b>	<b>1,250,000</b>			

No other Directors and Executives had any shares granted during the year.

***(v) Options granted as part of remuneration***

Directors and Executives have not had any options granted during the year (2010: \$0).

For details on the valuation of the options, including models and assumptions used, please refer to Note 15.

There were no alterations to the terms and conditions of options granted as remuneration since their grant date. The maximum grant, which will be payable assuming that all service criteria are met, is equal to the number of options granted multiplied by the fair value at the grant date. The minimum grant payable assuming that service criteria are not met is zero. The option holder must be an employee or Director when the options are exercised.

**DIRECTORS' MEETINGS**

**Committee membership**

As at the date of this report, the Company had an Audit and Risk Management Committee, a Nominations and Remuneration Committee and a Finance Committee of the Board of Directors.

Membership is designated as follows in the above table:

a = Audit and Risk Management, r = Nominations and Remuneration, f = Finance

Capital denotes chairman of that committee.

The number of meetings of Directors (including meetings of committees of Directors) held during the year and the number of meetings attended by each Director was as follows:

	Directors' Meetings	Audit and Risk Management Committee	Finance Committee	Nominations & Remuneration Committee
<b>Number of meetings held:</b>	<b>13</b>	<b>6</b>	<b>14</b>	<b>1</b>
<b>Number of meetings attended:</b>				
E Bugg (R)	13	n/a	n/a	1
S Yencken (a, r)	11	6	n/a	1
R Pickering (a, r, f)	13	6	14	1
J Yuile (A, F)	10	6	14	n/a
A Wood	13	n/a	n/a	n/a

**Proceedings on Behalf of Company**

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

**Directors' Report (continued)**

---

**AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES**

**Auditors' 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 is attached immediately following the audit report and forms part of this report.

**Non-Audit Services**

The Directors are satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The Directors are satisfied that the services disclosed below did not compromise the external auditors' independence as the nature of the services provided does not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

The following fees were paid or payable to Grant Thornton (GT) Australia for non-audit services provided during the year ended 30 June 2011:

Taxation Services	\$10,500
-------------------	----------

Signed in accordance with a resolution of the Directors.



ELLIS BUGG  
Chairman

30 September 2011

## Corporate Governance Statement

The Board of Directors of Razor Risk Technologies Limited is responsible for the corporate governance of the consolidated entity. The Board guides and monitors the business and affairs of Razor Risk Technologies Limited on behalf of the shareholders.

Razor Risk Technologies Limited’s Corporate Governance Statement is structured with reference to the Corporate Governance Council’s principles and recommendations (“the Recommendations”), which are as follows:

- Principle 1.** Lay solid foundations for management and oversight
- Principle 2.** Structure the Board to add value
- Principle 3.** Promote ethical and responsible decision making
- Principle 4.** Safeguard integrity in financial reporting
- Principle 5.** Make timely and balanced disclosure
- Principle 6.** Respect the rights of shareholders
- Principle 7.** Recognise and manage risk
- Principle 8.** Remunerate fairly and responsibly

Razor Risk Technologies Limited’s Corporate Governance practices were in place throughout the year ended 30 June 2011 unless otherwise stated, and were fully compliant with the Recommendations.

### Board of Directors and its Committees

The Board’s primary role is the protection and enhancement of long-term shareholder value. To fulfil this role, the Board is responsible for the overall corporate governance of the Company including its strategic direction, establishing goals for management and monitoring the achievement of these goals. The Board operates under a Charter which can be found at <http://www.razor-risk.com/investors/corporate-governance.html>. The Charter sets out the function of the Board and those delegated to Senior Management.

### Structure of the Board

The skills, experience and expertise relevant to the position of director held by each Director in office at the date of the Annual Report is included in the Directors’ Report. Directors of Razor Risk Technologies Limited are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with – or could reasonably be perceived to materially interfere with – the exercise of their unfettered and independent judgment, in accordance with Razor Risk Technologies’ policy for determining independence.

In accordance with the definition of independence above, and the materiality thresholds set, the following Directors of Razor Risk Technologies Limited, who comprise a majority of Directors, are considered to be independent:

<b>Name</b>	<b>Position</b>
E Bugg	Chairman, Non-executive Director
R Pickering	Non-executive Director
J Yuile	Non-executive Director

There are procedures in place, agreed by the Board, to enable Directors in furtherance of their duties to seek independent professional advice at the Company’s expense. The Company has a formal process to provide an induction process for new directors to educate them about the nature of the business, current issues, the corporate strategy, the culture and values of the Company, and the expectations of the Company concerning performance of directors. Directors are given access to education opportunities to update and enhance their skills and knowledge as directors.

The Chairman, Mr Bugg, is an independent Director and is not the Chief Executive Officer.

## Corporate Governance Statement (continued)

Mr Wood is not considered to be independent as the Chief Executive Officer, and Mr Yencken is not considered to be independent as a substantial shareholder of the Company.

The term in office held by each Director in office at the date of this report is as follows:

Name	Term in Office
E Bugg	5 years
S Yencken	8 years
R Pickering	5 years
J Yuile	4 years
A Wood	3 years

### Nominations and Remuneration Committee

The Company's Nominations and Remuneration Committee operated under a Charter during the period. The Charter can be found at <http://www.razor-risk.com/investors/corporate-governance.html>.

The role of the Committee concerning nominations of new directors is to support and advise the Board in fulfilling its responsibilities to shareholders in ensuring that the Board is comprised of individuals who are best able to discharge the responsibilities of directors having regard to the law and the highest standards of governance. The Charter sets out the methodology for doing so.

Membership of the Committee is limited to Non-executive Directors, and as at the date of this report, all committee members are independent Directors other than Mr Yencken. The members of the Nominations and Remuneration Committee at the date of this report are:

Nominations and Remuneration Committee	
<b>Number of meetings held:</b>	<b>1</b>
<b>Number of meetings attended:</b>	
E Bugg (Chairman)	1
R Pickering	1
S Yencken	1

The role of shareholders in Directors' appointments is recognised in that:

- At each AGM, one third of the Directors longest in office (rounded up to the nearest whole number) must retire, and may offer themselves for re-election by shareholders; and
- There are no agreements between Directors and the Company that fetter or remove the ultimate rights of shareholders, and shareholders alone, to remove Directors from office.

The Committee also oversees performance and remuneration of senior officers and Directors. The remuneration philosophy of the Company and the structure of Non-executive Director and Executive Director remuneration are set out in the Remuneration Report section of the Directors' Report.

The performance and remuneration of the Chief Executive Officer was reviewed during the period using the guidelines set out in the Remuneration Report. In previous periods the Committee has overseen a review of the performance of Non-executive Directors by self assessment, and an assessment by individual Directors of the Board as a whole. No performance review was undertaken during the Period given the Board's focus on management and business performance.

**Audit and Risk Management Committee**

The Board maintained an Audit and Risk Management Committee during the period. This Committee operated under a Charter which can be found at <http://www.razor-risk.com/investors/corporate-governance.html>. The primary purpose of the Committee is to assist the Board to fulfil its corporate governance and oversight responsibilities in relation to:

- Financial Reporting
- Internal Control Structures
- Risk Management Systems
- External Audit Functions

The Committee must comprise at least three Non-executive Directors and as at the date of this report, all committee members are independent Directors other than Mr Yencken. The members of the Audit and Risk Management Committee at the date of this report are:

Audit and Risk Management Committee	
<b>Number of meetings held:</b>	<b>6</b>
<b>Number of meetings attended:</b>	
J Yuile (Chairman)	6
R Pickering	6
S Yencken	6

In accordance with the Charter the Chairperson is not Chairman of the Board.

The experience and qualifications of the members of the Audit and Risk Management Committee are set out in the Directors’ Report. The Board considers that the members of the Committee have appropriate experience to operate effectively.

The Committee reviews the independence of the auditor and audit partner. It does so by reviewing the Independence Declaration given by the auditor as part of the Financial Report, and the auditor’s internal procedures and policies concerning independence and rotation of audit partners.

**Finance Committee**

During the year the Board maintained a Finance Committee the function of which is to closely monitor the financial performance, budgets and forecasts of the Company and report to the Board on those issues. The members of the Finance Committee at the date of this report are:

Finance Committee	
<b>Number of meetings held:</b>	<b>14</b>
<b>Number of meetings attended:</b>	
J Yuile (Chairman)	14
R Pickering	14

### Risk Management and Internal Control Framework

During the period, the Company operated a risk management and internal control framework that can be described as follows:

#### Risk Management Policy

The Board has adopted a Risk Management Policy during the period, formalising the Board's approach to risk management, the internal control system and reporting on risk. The Risk Management Policy can be found at <http://www.razor-risk.com/investors/corporate-governance.html>. The policy requires management to regularly report on risk and control of risk to the Audit and Risk Management Committee.

#### Financial Reporting

- Monthly management financial reports and annual budgets are given to and analysed by the Board, Finance Committee and Audit and Risk Committee as appropriate;
- Monthly actual results reported against budget and revised forecasts for the year are prepared monthly;
- In addition, the Finance Committee closely monitors the financial operations;
- The Company reports reviewed financial results to shareholders half-yearly; and
- Procedures are also in place to ensure that price sensitive information is reported to the ASX in accordance with the Continuous Disclosure requirements of the ASX Listing Rules and the Corporations Act 2001.

#### Code of Conduct

The Company has established a Code of Conduct that outlines the principles, policies and laws that govern the activities of the Company, and to which its Directors, employees, temporary workers, independent contractors and consultants must adhere. A summary of the Code of Conduct can be found at <http://www.razor-risk.com/investors/corporate-governance.html>. The purpose of the Code of Conduct is to:

- Promote honest and ethical conduct, including fair dealing and the proactive evaluation and handling of actual and apparent conflicts of interest;
- Promote full, fair, accurate, timely and understandable disclosure in reports and documents that are filed with, or submitted to the ASX, ASIC, any other statutory authority, or any other stock market or exchange, and in other public communications;
- Ensure compliance with applicable laws and governmental rules and regulations;
- Ensure the protection of the Company's business interests, including corporate opportunities, assets and confidential information; and
- Encourage reporting of illegal and unethical behaviour, and deter wrongdoing.

#### Quality and Integrity of Personnel

- Formal appraisals are conducted at least annually for management and staff;
- The Company has written policies and procedures concerning issues such as health and safety in the workplace, harassment and equal opportunity which can be found in the Code of Conduct document.

#### Investment Appraisal

The Company has clearly defined guidelines for capital expenditure. These include annual budgets, detailed appraisal and review procedures, and levels of authority and due diligence requirements where businesses are being acquired or divested.

#### Delegation

The Board has developed a Delegations Manual covering delegated authorities. The manual outlines approval limits for various categories of authority including the commitment of expenditure. Approval for commitments outside of the authorities stated is required, and the manual sets out what type of approval is required for the different types of commitment.

#### Fraud and Corruption Prevention Policy

The Board has adopted a Fraud and Corruption Prevention Policy. The Fraud and Corruption Prevention Policy can be found at <http://www.razor-risk.com/investors/corporate-governance.html>.

### Risk Management and Internal Control Framework (continued)

The objectives of the policy are:

- To provide a clear statement to staff forbidding any fraudulent or illegal activity;
- To ensure that management is aware of its responsibilities for identifying possible areas of exposure to fraudulent activity and for establishing controls and procedures to prevent such fraudulent activity;
- To provide guidance to employees as to action that should be taken where they suspect any fraudulent or corrupt activity; and
- To provide guidelines for conducting investigations into fraudulent and corrupt activities.

### Share Trading by Directors and Senior Employees

The Company has adopted a Share Trading Policy which can be found at <http://www.razor-risk.com/investors/corporate-governance.html>. The policy:

- Prohibits trading within specific time periods when it will be assumed Directors and senior employees are likely to be in possession of price sensitive information not known to the market, and trading at any time when Directors and senior employees are actually in possession of such information;
- Prevents short term or speculative trading by those persons; and
- Requires the Chairman and Group Chief Executive Officer to be informed before trading of any sort occurs.

Directors must advise the ASX of any transactions conducted by them in shares in the Company. Each Director has entered into a written agreement with the Company whereby the Director agrees to advise the Company of any trading to enable the Company to fulfil its obligations to advise ASX.

### New recommendations on diversity

The Board notes the recent changes to the ASX Corporate Governance Principles and Recommendations, which seek to incorporate three new recommendations for diversity, and in particular gender diversity.

Whilst the Company notes that disclosure in relation to the recently introduced changes will only be required to be made in and from its 2012 Annual Report, the Board has taken the opportunity to consider the changes at an early stage in its commitment to maintaining good corporate governance standards.

The Board considers the skills and diversity of existing and potential members to ensure they have appropriate industry expertise in the group's operating segments. The Board considers that individually and collectively, the Directors bring an appropriate mix and level of skills, experience, expertise and diversity that enables the Board to discharge its responsibilities effectively.

Razor is committed to providing an environment in which employees have equal access to opportunities available at work, are treated with fairness and respect, and are not judged by unlawful or irrelevant reference to their attributes. This commitment to diversity and inclusiveness enables Razor to attract and retain people with the best skills and abilities. It also allows Razor to develop a workforce whose diversity reflects the diversity of our customers and other stakeholders.

### Disclosure and Shareholder Communication

The Company has established a Disclosure Policy which can be found at <http://www.razor-risk.com/investors/corporate-governance.html>. The policy is to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance. The Disclosure Policy also deals with communication to shareholders to ensure effective, clear and equal communications with shareholders.



**Corporate Governance Statement (continued)**

---

**Risk Management and Internal Control Framework (continued)**

The Board aims to ensure that shareholders are informed of all major developments affecting the consolidated entity's state of affairs. Information is communicated to shareholders as follows:

- The annual report contains a review of the operations of the consolidated entity during the period. The audited financial report is prepared in accordance with the requirements of Australian Accounting Standards and the Corporations Act 2001 and is lodged with the Australian Securities and Investments Commission and the Australian Stock Exchange. The full financial report is available to all shareholders on request;
- Proposed major changes in the consolidated entity which may impact on share ownership rights are submitted to a vote of shareholders;
- Notice of all meetings of shareholders is given to all shareholders, with appropriate explanatory material;
- The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the consolidated entity's strategy and goals. Important issues are presented to the shareholders as single resolutions. The Company's auditor attends the Annual General Meeting to answer questions that shareholders may have, and appropriate time is allowed at the meeting for such questions.

**Chief Executive Officer and Chief Financial Officer Sign Off**

The Chief Executive Officer and Chief Financial Officer have provided the Board with a statement regarding the integrity of the 2011 full year financial statements. This sign off is based on the existence of a robust and effective financial statement close process which ensures that the resultant financial statements comply with accounting standards and provide a true and fair view of the Company's financial performance and position.

The Chief Executive Officer and Chief Financial Officer have provided sign-off on the risk management and internal compliance and controls in place throughout the period and the effectiveness of such controls.

**Statement of Comprehensive Income  
for the year ended 30 June 2011**

	Note	CONSOLIDATED	
		2011 \$	2010 \$
Revenue from continuing operations	4(a)	9,615,636	14,139,770
Direct labour		(4,133,322)	(6,353,427)
<b>Direct margin</b>		<b>5,482,314</b>	<b>7,786,343</b>
Other income	4(b)	216,969	207,439
<i>Operating expenditure</i>			
Direct sales expenses		(737,690)	(1,206,926)
Marketing expenses		(87,719)	(262,421)
Occupancy expenses		(666,163)	(710,675)
Administration expenses	4(c)	(3,474,562)	(3,880,750)
Other expenses	4(d)	(354,047)	(659,103)
<b>Profit before tax and share-based payments</b>		<b>379,102</b>	<b>1,273,907</b>
Share-based payment expense	15,20	(88,716)	(105,526)
<b>Profit before income tax</b>		<b>290,386</b>	<b>1,168,381</b>
Income tax (expense) / credit	5	(493,620)	1,075,000
<b>Net (loss) / profit for the period from continuing operations</b>		<b>(203,234)</b>	<b>2,243,381</b>
Loss for the period from discontinued operations	7	(25,877)	(654,306)
<b>Net (loss) / profit for the period</b>		<b>(229,111)</b>	<b>1,589,075</b>
<b>Other comprehensive income for the year, after tax</b>			
Currency (loss) on translation of subsidiary		(143,620)	(93,423)
Income tax relating to components of other comprehensive income		-	-
<b>Other comprehensive income for the year, after tax</b>		<b>(143,620)</b>	<b>(93,423)</b>
<b>Total comprehensive income for the year</b>		<b>(372,731)</b>	<b>1,495,652</b>
Total comprehensive income attributed to owners of the parent		(372,731)	1,495,652
<b>Overall operations</b>			
Basic earnings per share (cents per share)	6	(0.08)	0.56
Diluted earnings per share (cents per share)	6	(0.08)	0.54
<b>Continuing operations</b>			
Basic earnings per share (cents per share)		(0.07)	0.79
Diluted earnings per share (cents per share)		(0.07)	0.77
<b>Discontinued operations</b>			
Basic earnings per share (cents per share)		(0.01)	(0.23)
Diluted earnings per share (cents per share)		(0.01)	(0.23)

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

**Statement of Financial Position**  
**As at 30 June 2011**

	Note	CONSOLIDATED	
		2011 \$	2010 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	8	1,610,106	3,374,220
Trade and other receivables	9	1,861,353	821,252
Prepayments		196,829	214,427
Financial assets	10	8,009	-
Accrued revenue	11	57,332	21,614
<b>Total Current Assets</b>		<b>3,733,629</b>	<b>4,431,513</b>
<b>Non-current Assets</b>			
Financial assets	10	332,158	373,708
Property, plant and equipment	12	240,458	398,790
Deferred tax asset	17	581,380	1,075,000
Intangibles	13	3,600,626	3,084,870
<b>Total Non-current Assets</b>		<b>4,754,622</b>	<b>4,932,368</b>
<b>TOTAL ASSETS</b>		<b>8,488,251</b>	<b>9,363,881</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	16	790,254	986,573
Short-term provisions	18	211,395	497,467
Unearned revenue		1,287,147	1,330,758
<b>Total Current Liabilities</b>		<b>2,288,796</b>	<b>2,814,798</b>
<b>Non-current Liabilities</b>			
Long-term provisions	18	74,800	110,528
Deferred lease incentive	19	385,208	415,093
<b>Total Non-current Liabilities</b>		<b>460,008</b>	<b>525,621</b>
<b>TOTAL LIABILITIES</b>		<b>2,748,804</b>	<b>3,340,419</b>
<b>NET ASSETS</b>		<b>5,739,447</b>	<b>6,023,462</b>
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the parent</b>			
Issued capital	20	52,593,246	52,505,687
Accumulated losses		(49,891,885)	(49,662,774)
Reserves	20	3,038,086	3,180,549
<b>TOTAL EQUITY</b>		<b>5,739,447</b>	<b>6,023,462</b>

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

**Statement of Changes in Equity**  
**For the Year Ended 30 June 2011**

	CONSOLIDATED			
	Issued capital \$	Accumulated losses \$	Other reserves \$	Total \$
<b><i>Changes in equity for period</i></b>				
<b>Balance at 1 July 2009</b>	52,450,970	(51,251,849)	3,223,163	4,422,284
<b>Net comprehensive income for the period</b>	-	1,589,075	(93,423)	1,495,652
Share-based payment (Note 20)	54,717	-	50,809	105,526
<b>At 30 June 2010</b>	52,505,687	(49,662,774)	3,180,549	6,023,462
<b><i>Changes in equity for period</i></b>				
<b>Balance at 1 July 2010</b>	52,505,687	(49,662,774)	3,180,549	6,023,462
<b>Net comprehensive income for the period</b>	-	(229,111)	(143,620)	(372,731)
Share-based payment (Note 20)	87,559	-	1,157	88,716
<b>At 30 June 2011</b>	52,593,246	(49,891,885)	3,038,086	5,739,447

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

**Statement of Cash Flow**  
**Financial Report 30 June 2011**

	Note	CONSOLIDATED	
		2011 \$	2010 \$
<b>Cash flows from Operating Activities</b>			
Receipts from customers (inclusive of GST)		8,282,142	13,925,190
Payments to suppliers and employees (inclusive of GST)		(9,436,706)	(13,558,148)
Interest received	4(b)	91,658	45,142
Government grant received	4(b)	125,311	160,907
Income taxes paid	5	-	-
<b>Net cash flows (used in) / provided by operating activities</b>	<b>8(a)</b>	<b>(937,595)</b>	<b>573,091</b>
<b>Cash flows from Investing Activities</b>			
Capitalised development costs	13	(615,756)	-
Purchase of property, plant and equipment	12	(39,032)	(221,357)
<b>Net cash flows (used in) investing activities</b>		<b>(654,788)</b>	<b>(221,357)</b>
<b>Cash flows from Financing Activities</b>			
Proceeds from issue of shares and options		-	-
<b>Net cash flows provided by financing activities</b>		<b>-</b>	<b>-</b>
Net (decrease) / increase in cash and cash equivalents		(1,592,383)	351,734
Net foreign exchange differences		(171,731)	(116,998)
Cash and cash equivalents at beginning of the year		3,374,220	3,139,484
<b>Cash and cash equivalents at end of the year</b>	<b>8</b>	<b>1,610,106</b>	<b>3,374,220</b>

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

## **1. Corporate Information**

This annual report covers both Razor Risk Technologies Limited and its controlled entities as a consolidated entity. The Group's functional and presentation currency is AUD (\$).

The financial statements of Razor Risk Technologies Limited (the Company) for the year ended 30 June 2011 was authorised for issue in accordance with a resolution of the Directors on 30 September 2011.

Razor Risk Technologies Limited is a Company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange.

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

## **2. Summary of significant accounting policies**

### **Basis of preparation**

The 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, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board. The financial statements have also been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

The financial statements have been prepared on a going concern basis and reflect the Company's move to full profitability and positive cash flow. Improved gross margins and client profitability, and the further reduction of annualised operating costs have satisfied the Board and Management of the Company's improving success and continued achievement of positive operational cash flows.

The 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 98/0100. The Company is an entity to which the class order applies.

### **(a) Statement of compliance**

The financial statements comply with Australian Accounting Standards, which ensures compliance with International Financial Reporting Standards (IFRS).

## 2. Summary of significant accounting policies (continued)

### (b) New accounting standards and interpretations

The AASB has issued new, revised and amended standards and interpretations that have mandatory application dates for future reporting periods. The Group has decided against early adoption of these standards with the exception for the early adoption of AASB 8 and AASB 2007-3. A discussion of those future requirements and their impact on the Group follows. Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ended 30 June 2011. These are outlined in the table below.

AASB Amendment	Affected Standard(s)	Nature of change to accounting policy	Applicable for Annual Reporting Periods	Summary
AASB 1	First time adoption of Australian Accounting Standards (May 2009) – “AASB 1R”	Structure of the standard has been amended for ease of use.	Commencing from 1 July 2010	The Interpretation is not expected to impact the Group.
AASB 9 and AASB 2009-11	Financial Instruments. AASB 2009-11 amendments arising from AASB 9	Introduces new requirements for the classification and measurement of financial assets. Uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in AASB 139 and removes the impairment requirement for financial assets held at fair value.	Ending on or after 31 Dec 2015	Depending on assets held, there may be significant movement of assets between fair value and cost categories and ceasing of impairment testing on available for sale assets.
AASB 124 and AASB 2009-12	Related Party Disclosures. AASB 2009-12 amendments arising from AASB 124	This revision amends the disclosure requirements for government related entities and the definition of a related party.	Ending on or after 31 Dec 2011	Unlikely to have any significant impact on the Group.
AASB 1039	Concise Financial Reports (August 2008)	Incorporates amendments to terminology and descriptions of the financial statements to achieve consistency with AASB 101 and the rewording of the disclosure requirements relating to segments to achieve consistency with AASB 8.	Commencing from 1 January 2010	The Interpretation is not expected to have any impact on the Group.
AASB 2007-10	Further Amendments to Australian Accounting Standards arising from AASB 101	This makes a number of consequential amendments to a number of accounting standards arising from the revision of AASB 101 in September 2007. The changes are largely to terminology for example changing the term ‘general purpose financial statements’ and the term ‘financial report’ to ‘financial statements’, where relevant, in Australian Accounting Standards (including Interpretations) to better align with IFRS terminology.	Commencing from 1 January 2010	The Interpretation is not expected to have any impact on the Group.

2. Summary of significant accounting policies (continued)

(b) New accounting standards and interpretations (continued)

AASB Amendment	Affected Standard(s)	Nature of change to accounting policy	Applicable for Annual Reporting Periods	Summary
AASB 2008-9	Amendments to AASB 1049 for Consistency with AASB 101	This makes amendments to AASB 1049 to ensure consistency with AASB 101 Presentation of Financial Statements (September 2007). This alignment is consistent with the broad approach taken in the AASB's Generally Accepted Accounting Principles/Government Finance Statistics (GAAP/GFS) Harmonisation project.	Commencing from 1 January 2010	This standard will not have any impact on the Group.
AASB 2008-11	Amendments to Australian Accounting Standard – Business Combinations Among Not-for-Profit Entities (AASB 3)	This amendment mandates that the requirements in AASB 3 (March 2008) are applicable to business combinations among not-for-profit entities (other than restructures of local governments) that are not commonly controlled. It also allows those requirements to be early adopted by not-for-profit entities. Also included are specific recognition, measurement and disclosure requirements relating to local government restructures.	Commencing from 1 July 2010	This standard will not have any impact on the Group.
AASB 2009-4	Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 2, AASB 138 and AASB Interpretations 9 & 16]	Makes various amendments to a number of standards and interpretations in line with the IASB annual improvements project.	Commencing from 1 July 2010	This amendment is not expected to materially affect the Group.
AASB 2009-5	Further amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 118, 136, 139]	Makes various amendments to a number of standards and interpretations in line with the IASB annual improvements project.	Commencing from 1 January 2011	This amendment is not expected to materially affect the Group.
AASB 2009-9	Amendments to Australian Accounting Standards – Additional Exemptions for First-time Adopters	Makes amendments to ensure that entities applying Australian Accounting Standards for the first time will not face undue cost or effort in the transition process in particular situations.	Commencing from 1 January 2011	This amendment is not expected to materially affect the Group.
AASB 2009-10	Amendments to Australian Accounting Standards – Classification of Rights Issues	Makes amendments which clarify that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro rata to all existing owners of the same class of its non-derivative equity instruments.	Ending on or after 31 January 2011	Potentially significant if rights issues have been offered and denominated in foreign currency.



2. Summary of significant accounting policies (continued)

(b) New accounting standards and interpretations (continued)

AASB Amendment	Affected Standard(s)	Nature of change to accounting policy	Applicable for Annual Reporting Periods	Summary
AASB 2009-13	Amendments to AASB 1 arising from Interpretation 19	This standard amends AASB 1 to allow a first-time adopter to use the transitional provisions in Interpretation 19.	Ending on or after 30 June 2011	This amendment is not expected to materially affect the Group.
AASB 2010-01	Limited exemption from comparative AASB 7 disclosures for first time adopters (Amendments to AASB 1 and AASB 7)	These amendments principally give effect to extending the transition provisions of AASB 2009-2 Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments to first-time adopters of Australian Accounting Standards.	Ending on or after 30 June 2011	Reduced disclosures for first-time adopters.
IFRS Annual Improvements 2010 (May 2010)	Various	Makes various amendments to a number of standards and interpretations.	Application dates either 30 June 2011 or 31 Dec 2011	Likely impact will vary depending on relevance, however it is not expected to materially affect the Group.
Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments	Addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor to extinguish all or part of the financial liability. These transactions are sometimes referred to as 'debt for equity swaps'.	Ending on or after 30 June 2011	Significant if the entity has renegotiated any financial liabilities to equity instruments.
AASB 2009-14	Prepayments of a Minimum Funding Requirement. (Amendments to Interpretation 14).	Addresses the unintended consequences that can arise from the previous requirement when an entity prepays future contributions into a defined benefit pension plan.	Ending on or after 31 Dec 2011	Possibly significant if the entity has a defined benefit pension plan.

The full 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 2011.

## 2. Summary of significant accounting policies (continued)

### (c) Basis of consolidation

The consolidated financial statements comprise the financial statements of Razor Risk Technologies Limited and its subsidiaries as at 30 June each year (the Group).

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

In preparing the consolidated financial statements, all inter-company balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Investments in subsidiaries held by Razor Risk Technologies Limited are accounted for at cost in the separate financial statements of the parent entity.

The acquisition of subsidiaries is accounted for using the purchase method of accounting, which involves allocating the cost of the business combination to the fair value of the assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition.

### (d) Significant accounting judgements, estimates and assumptions

#### (i) Significant accounting judgements

In the process of applying the Group's accounting policies, management has not made any accounting judgements, apart from those involving estimations, which have a significant effect on the amounts recognised in the financial statements, including recognised deferred income tax assets.

#### (ii) Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

##### ***Impairment of goodwill***

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash generating units to which the goodwill is allocated. The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill are discussed in Note 14.

##### ***Share-based payment transactions***

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Black-Scholes model, except for options with a market condition attached, which are valued using a Monte-Carlo model using the assumptions detailed in Note 15.

##### ***Provision for impairment of receivables***

Included in trade receivables at reporting date is an amount receivable from sales made to Timbercorp Limited in March/April 2009 amounting to \$171,000. Timbercorp Limited went into voluntary receivership in April 2009. While there is inherent uncertainty in relation to the outcome of the liquidation, the Directors understand that the full amount of the debt is unlikely to be recoverable from the receivers, and therefore 100% provision for impairment has been made.

## 2. Summary of significant accounting policies (continued)

### ***Recovery of deferred tax assets***

Deferred tax assets are recognised for tax losses and deductible temporary differences only if the Group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

### **Carbon Tax**

On 10 July 2011, the Commonwealth Government announced the “Securing a Clean Energy Future – the Australian Government’s Climate Change Plan”. Whilst the announcement provides further details of the framework for a carbon pricing mechanism, certainties continue to exist on the impact of any carbon pricing mechanism on the Group as legislation must be voted on and passed by both houses of Parliament. In addition, as the Group will not fall within the “Top 500 Australian Polluters”, the impact of the Carbon Scheme will be through indirect effects of increased prices on many production inputs and general business expenses as suppliers subject to the carbon pricing mechanism are likely to pass on their carbon price burden to their customers in the form of increased prices. The Directors expect that this will not have a significant impact upon the operation costs within the business, and therefore will not have an impact upon the valuation of assets and/or going concern of the business.

### ***Long service leave provision***

The liability for long service leave is recognised and measured as the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

### **(e) Software development costs**

In prior periods software development costs have been expensed as incurred as the Company had not been able to meet the recognition criteria outlined below. The impact of adopting this accounting policy has been to capitalise software development costs of \$615,756 on the balance sheet as an intangible asset and accordingly the profit before tax for the period has been improved by \$615,756.

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. As at the reporting date the capitalised development costs were not complete and accordingly the Company has not yet commenced amortising these costs.

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.

### **(f) Revenue recognition**

Revenue from the provision of services is recognised upon the performance of services to the Group’s clients. Revenue from the provision of services in a fixed price contract is determined by measurement of stage of completion having regard to the work effort outstanding and its associated direct costs.

## **2. Summary of significant accounting policies (continued)**

### **(f) Revenue recognition (continued)**

Revenue from the provision of products including licenses is recognised upon the delivery of the product to the client. Revenue recognition is dependent on the specific contractual obligations of both parties.

Maintenance fee revenue and other forms of software support are recognised over the period of the agreement which is normally 12 months.

Interest revenue is recognised as interest accrues using the interest effective method.

### **(g) Unearned revenue**

Revenue is classified as unearned when it is billed in advance of software support and maintenance service delivery. Software support and maintenance contracts are invoiced annually and revenue is recognised evenly over the period of the contract.

### **(h) Government grants**

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

### **(i) Finance costs**

Where applicable, finance costs are expensed as incurred unless they relate to qualifying assets where borrowing costs are capitalised.

### **(j) Leases**

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in the income statement.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the assets are classified as operating leases and payments are recognised as an expense in the income statement on a straight-line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

#### **Lease Liability Incentive**

On 1 March 2008 the Parent Entity moved to new premises at 115 Pitt Street Sydney. As part of the move, the landlord provided a rent reduction incentive being equal to a 50% reduction in monthly rent payable for the first 18 months of occupation. The rental incentive income and corresponding expense will be amortised on a straight line basis over the term of the lease.

## 2. Summary of significant accounting policies (continued)

### (k) Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of four months or less, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above.

### (l) Trade and other receivables

Trade receivables, which generally have 30 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An allowance for provision for impairment is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified.

### (m) Impairment of financial assets

The Group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

#### Financial assets carried at fair value

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced either directly or through use of an allowance account. The amount of the loss is recognised in the income statement.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

### (n) Foreign currency translation

Both the functional and presentation currency of Razor Risk Technologies Limited and its Australian subsidiaries are Australian dollars (AUS\$). Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

## 2. Summary of significant accounting policies (continued)

### (n) Foreign currency translation (continued)

All exchange differences in the consolidated financial report are taken to the income statement except for those arising on translation of foreign operations as noted below.

The functional currency of the foreign operations are as follows: Razor Risk Technologies Limited (UK) is Great Britain Pounds (GBP); Razor Risk Technologies Inc. is United States Dollars (US\$) and IT&e Software India Private Limited is India Rupee (INR).

As at the reporting date the assets and liabilities of these overseas subsidiaries are translated into the presentation currency of Razor Risk Technologies Limited at the rate of exchange ruling at the balance sheet date and the income statements are translated at the weighted average exchange rate for the year.

The exchange differences arising on the retranslation are taken directly to a separate component of equity.

On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

### (o) Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates; or
- interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

## 2. Summary of significant accounting policies (continued)

### (o) Income tax (continued)

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

#### **Tax consolidated legislation**

Razor Risk Technologies Limited and its wholly-owned Australian controlled entities implemented the tax consolidation legislation as of 1 July 2004. Refer Note 5 for further information.

### (p) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

### (q) Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows for both 2011 and 2010:

Furniture and fittings	5 years
Office and computer equipment and software	3 to 5 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

## 2. Summary of significant accounting policies (continued)

### (q) Property, plant and equipment (continued)

#### i) Impairment

For property, plant and equipment, refer to Note 2(u) for the impairment accounting policy.

#### (ii) Derecognition and disposal

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognised.

### (r) Derivative financial instruments

The Company uses derivative financial instruments such as foreign currency contracts to hedge its risks associated with foreign currency fluctuations. Such derivative financial instruments are stated at fair value.

The fair value of forward contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

Gains and losses arising from changes in fair value are taken directly to the Statement of Comprehensive Income.

### (s) Investments and other financial assets

#### Investments in subsidiaries

Investments in subsidiaries are measured at cost in the separate financial statements of Razor Risk Technologies Limited.

#### Term deposits

Held to maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Group's intention to hold these investments to maturity. Term deposits are typically made for periods greater than four months and are subject to a bank guarantee held by an unrelated party as security.

#### Investments (other than investments in subsidiaries) and other financial assets

Financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the marketplace.

#### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.



## 2. Summary of significant accounting policies (continued)

### (t) Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on either the Group's primary or the Group's secondary reporting format determined in accordance with AASB 8 *Operating Segments*.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. When the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. When goodwill forms part of a cash-generating unit (group of cash-generating units) and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured based on the relative values of the operation disposed of and the portion of the cash generating unit retained.

Impairment losses recognised for goodwill are not subsequently reversed.

### (u) Impairment of non-financial assets other than goodwill

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash generating unit to which it belongs. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset.

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. Such reversal is recognised in the income statement. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

## 2. Summary of significant accounting policies (continued)

### (v) Trade and other payables

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30-45 days of recognition.

#### **Financial guarantees**

The fair value of the cross guarantee that exists between Razor Risk Technologies Limited and its wholly owned subsidiary Razor Risk Technologies Services Pty Ltd as discussed in Note 23 has been assessed considering the likelihood of default, the exposure to default and the probability of liability.

Management reviews the (i) likelihood of default; (ii) exposure to default; and (iii) probability of liability at each balance date before determining the fair value of the financial guarantee.

### (w) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessment of the time value of money and the risks specific to the liability.

When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

### (x) Employee leave benefits

#### **(i) Wages, salaries, annual leave and sick leave**

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in employee benefits in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. The Group does not have any accumulating sick leave.

#### **(ii) Long service leave**

A liability for long service leave is recognised in the provision for employee benefits arising from services rendered by employees to balance date. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made from those benefits. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows. Employee benefits payable later than 9 years or more have been reclassified in Current Liabilities.

### (y) Closed share period

Razor Risk Technologies' share trading period commences from the full year balance date, normally June 30th of each year, and ends on release of the announcement of the Company's annual results. The half year share trading period commences from the half year balance date, normally 31 December of each year, and ends on release of the Company's half-yearly report.

## 2. Summary of significant accounting policies (continued)

### (z) Share-based payment transactions

The Group provides benefits to employees (including senior Executives and Directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions').

There are currently two plans in place to provide these benefits:

- (i) the Employee Share Option Plan (ESOP), which provides benefits to Directors and senior Executives; and
- (ii) the Employee Share Acquisition Plan (ESAP), which provides benefits to all employees, including senior Executives and Directors.

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined using a Black-Scholes model, except for options with a market condition attached, which are valued using a Monte-Carlo model.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Razor Risk Technologies Limited ('market conditions') if applicable.

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Group's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The income statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share (see Note 6).

The Directors have suspended the company's ESOP and ESAP as a result of the changes announced in the May 2009 Federal Government Budget.

### (aa) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

## **2. Summary of significant accounting policies (continued)**

### **(ab) Earnings per share**

Basic earnings per share (EPS) is calculated as the net profit attributable to members of the parent, adjusted to exclude costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted EPS is calculated as net profit attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends);- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses;
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares, and divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

### **(ac) Term deposits**

Held to maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Group's intention to hold these investments to maturity. Term deposits are typically made for periods greater than four months and are subject to a bank guarantee held by an unrelated part as security.

### 3. 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.

The Group's revenues from external customers are divided into the following geographical areas:

	CONSOLIDATED	
	2011 \$	2010 \$
Australia (domicile)	2,034,463	5,132,470
United Kingdom	2,201,338	3,479,807
United States of America	5,379,835	5,527,493
Total	9,615,636	14,139,770

The top 5 customers represent 87% of the Group's revenues.

Notes to the Financial Statements (continued)  
For the Year Ended 30 June 2011



4. Revenue and expenses

	CONSOLIDATED	
	2011 \$	2010 \$
<b>Revenue and Expenses from Total Operations</b>		
<b>(a) Revenue</b>		
License sales (i)	2,540,669	2,868,547
Services	7,074,967	11,271,223
	9,615,636	14,139,770
<b>(b) Other Income</b>		
Government Grant (ii)	125,311	160,907
Interest revenue	91,658	45,142
Proceeds of sale of surplus asset	-	1,390
	216,969	207,439
<b>(c) Administrative Expenses</b>		
<i>Employee benefits expenses (iii)</i>		
Wages and salaries	1,628,311	2,873,154
Workers' compensation costs	13,691	20,450
Superannuation	121,169	232,707
Employer related taxes	99,390	187,977
Terminations	338,949	279,723
Other employee costs	(15,488)	61,268
Share based payments	88,716	108,526
	2,274,738	3,763,805
<b>(d) Other expenses</b>		
Interest expense	-	5,933
Loss on write-off of Indian assets	-	21,450
Depreciation of plant and equipment, owned	138,425	203,609
Impairment of goodwill	100,000	205,110
Net foreign exchange differences	115,622	223,001
	354,047	659,103
<b>(e) Lease payments included in income statement</b>		
Operating lease expense	605,269	627,325
	605,269	627,325

(i) Included in license sales is a contract of extension in license terms of \$1,414,094.

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

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

**Notes to the Financial Statements (continued)**  
**For the Year Ended 30 June 2011**

**5. Income tax**

The major components of income tax are:

	CONSOLIDATED	
	2011 \$	2010 \$
<b>Income Statement</b>		
Current tax	32,000	247,715
Deferred tax	130,081	195,019
Recoupment of prior year tax losses	-	(47,734)
Recognition of deferred tax	331,539	(1,470,000)
Income tax reported in the income statement	493,620	(1,075,000)
A reconciliation between tax expense and the product of accounting profit before income tax rate is as follows:		
Accounting profit before income tax	365,353	514,075
At the Groups statutory income tax rate of 30%	109,610	154,223
Add tax effect of:		
Expenditure not allowable for income tax purposes	40,666	65,675
Share-based payment expense	23,386	27,413
Non assessable items for tax purposes	(141,662)	-
Tax losses utilised previously not recognised	-	(47,735)
Prior tax losses derecognised / (recognised)	331,539	(732,011)
Temporary differences recognised	130,081	(537,256)
Under/over provision from prior year	-	(5,309)
Income tax reported in the income statement	493,620	(1,075,000)

At 30 June 2011, there are unrecognised net deferred tax assets arising from the differences in the accounting and tax cost bases of the Group and unrecognised tax losses not brought to account. The Group has unrecouped post-consolidation income tax losses arising in Australia of \$29,273,931 (2010: \$28,286,001) that are available indefinitely for offset against future taxable profits of the companies in which the losses arose.

As of the date of this report, the Directors and Management are of the opinion that the Company meets the requirements and guidelines of AASB 112 Income Taxes for recognition of the Company's prior historical losses recorded to date.

The Directors and Management believe the partial recognition of deferred income tax assets is appropriate, given the following criteria assessed (probable requirements):

- The Company has two years of actual taxable profits on a normalised basis;
- Immediate FY 11/12 budgets indicate further profits.

At 30 June 2011, there is no recognised or unrecognised deferred income tax liability (2010: \$nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries, associate or joint venture, as the Group has no liability for additional taxation should such amounts be remitted.

## 5. Income Tax (continued)

### Tax consolidation

Razor Risk Technologies Limited and its 100% Australian owned subsidiaries have formed a tax consolidation group with effect from 1 July 2004. Razor Risk Technologies Limited is the head entity of the tax consolidated group. Members of the group have entered into a tax sharing arrangement in order to allocate income tax expense between the wholly-owned subsidiaries on a pro-rata basis. In addition the agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations.

### Tax effect accounting by members of the tax consolidated group

The tax funding agreement provides for the allocation of current taxes to members of the tax consolidated group in accordance with an acceptable allocation method under Interpretation 1052, while deferred taxes will be allocated to members of the tax consolidated group in accordance with the principles of AASB 112 *Income Taxes*. The allocation of taxes under the tax funding agreement are recognised as an increase/decrease in the subsidiaries' inter-company accounts with the tax consolidated group head company, Razor Risk Technologies Limited in accordance with Interpretation 1052 *Tax Consolidation Accounting*.

## 6. Earnings per share

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	CONSOLIDATED	
	2011 \$	2010 \$
Net profit / (loss) from continuing operations	(203,234)	2,243,381
Net loss from discontinued operations	(25,877)	(654,306)
Net profit / (loss) attributable to ordinary equity holders of the parent	(229,111)	1,589,075
Weighted average number of ordinary shares for basic earnings per share	286,042,606	283,953,565
Weighted average number of ordinary shares & options for diluted earnings per share	290,402,051	289,887,634

There have been no transactions involving ordinary shares or potential ordinary shares that would significantly change the number of ordinary shares or potential ordinary shares outstanding between the reporting date and the date of completion of these financial statements.



## 7. Discontinued operations

In March 2010, Management announced their decision to discontinue the Indian operation of IT&e Software India Private Limited, close down the branch office based in Chennai, and transfer the remaining processes and intellectual capital of the PTX product from Chennai to Melbourne. The intention was to support the company's PTX clients with staff from Melbourne.

The following strategies have been enacted on the basis of minimising the financial burden of exiting the Chennai location:

- Transfer of the PTX product support and maintenance function to the Melbourne office completed April 2010;
- Closure of the Chennai branch office completed 28 June 2010.

Financial information relating to the discontinued operations is set out below.

	Note	CONSOLIDATED	
		2011 \$	2010 \$
Revenue		-	-
Direct Labour		-	(275,780)
<b>Direct Margin</b>		-	(275,780)
Loss on write-back of Indian assets		(13,914)	(21,450)
Other expenses from ordinary activities		-	(151,966)
Goodwill impairment	13	-	(205,110)
<b>Loss before income tax</b>		(13,914)	(654,306)
Income tax expense		(11,963)	-
<b>Total loss after tax attributable to discontinuing operations</b>		(25,877)	(654,306)

The net cash flows of the discontinued operations which have been incorporated into the cash flow statement are as follows:

	CONSOLIDATED	
	2011 \$	2010 \$
Net cash (outflow) from operating activities	-	(449,275)
<b>Net cash (decrease in cash) generated by the discontinued operations</b>	-	(449,275)

## 8. Cash and cash equivalents

	CONSOLIDATED	
	2011 \$	2010 \$
Cash at bank and in hand	1,117,986	2,642,799
Short-term deposits	492,120	731,421
	1,610,106	3,374,220

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.

8. Cash and cash equivalents (continued)

(a) Reconciliation of net profit / (loss) after tax to net cash flows from operations

	CONSOLIDATED	
	2011 \$	2010 \$
Net Profit / (loss)	(229,111)	1,589,075
<i>Adjustments for:</i>		
Deferred tax asset derecognised / (recognised)	493,620	(1,075,000)
Depreciation	138,425	211,067
Goodwill impairment	100,000	205,110
Disposal of assets	-	57,034
Loss on write-off of Indian assets	25,877	21,450
Rent incentive received	(29,885)	(4,927)
Share-based payment expense	88,716	108,526
Foreign currency translation	(171,731)	(116,998)
<i>Changes in assets and liabilities</i>		
Decrease in financial assets (current)	-	20,467
(Increase) / decrease in trade and other receivables	(1,133,949)	565,672
Decrease / (increase) in prepayments	7,932	(69,062)
(Increase) / decrease in accrued revenue	(35,717)	73,595
Decrease in financial assets (non-current)	341,397	271,190
(Decrease) in trade and other payables	(116,362)	(402,826)
(Decrease) in provisions (current liabilities)	(367,665)	(46,018)
(Decrease) in unearned revenue	(43,611)	(635,289)
(Decrease) in non-current liabilities	(5,531)	(199,975)
Net cash provided by operating activities	(937,595)	573,091

(b) Non-cash financing and investing activities

Nil

Notes to the Financial Statements (continued)  
For the Year Ended 30 June 2011

8. Cash and cash equivalents (continued)

(c) Overdraft facility

	CONSOLIDATED	
	2011 \$	2010 \$
Overdraft facility	400,000	400,000
Amount utilised	-	-
	400,000	400,000

9. Trade and other receivables (current)

	CONSOLIDATED	
	2011 \$	2010 \$
Trade receivables	2,015,583	898,108
Allowance for impairment loss (a)	(170,865)	(170,865)
Other receivables	16,635	94,009
	1,861,353	821,252

(a) Allowance for impairment loss

Trade receivables are non-interest bearing and are generally on 30-90 day terms.

The following table details the Group's trade and other receivables exposed to credit risk with aging analysis and impairment, provided for thereon. Amounts are considered as 'past due' when the debt has not been settled with the terms and conditions agreed between the Group and the customer. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the Group.

The balances of receivables that remain within initial trade terms (as detailed in the table below) are considered to be of high credit quality.

CONSOLIDATED	Gross Amount \$	Past due and impaired \$	Past due but not impaired (days overdue)				Within initial trade terms \$
			< 30 \$	31 - 60 \$	61 - 90 \$	> 90 \$	
<b>2011</b>							
Trade & Term Receivables	2,015,583	170,865	10,193	-	-	613	1,833,912
Other Receivables	16,635	-	-	-	-	-	16,635
Total	2,032,218	170,865	10,193	-	-	613	1,850,547
<b>2010</b>							
Trade & Term Receivables	898,108	170,865	42,367	4,284	31,890	-	648,702
Other Receivables	94,009	-	-	-	4,494	89,515	-
Total	992,117	170,865	42,367	4,284	36,384	89,515	648,702

## For the Year Ended 30 June 2011

**9. Trade and other receivables (current) (continued)**

The Group does not hold any financial asset with terms that have been renegotiated, but which would otherwise be past due or impaired.

For the year ended 30 June 2011, the Group has not made any further provisioning for doubtful debts (2010: \$nil). An impairment assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates to determine whether there is objective evidence that a related party receivable is impaired. When such evidence exists (ie. a company is in receivership), the Group recognises an allowance for the impairment loss.

Movement in the provision for impairment of receivables is as follows:

	Opening Balance	Charge for the year	Amounts written off	Closing Balance
	\$	\$	\$	\$
	1.7.2010			30.6.2011
<b>Consolidated Group</b>				
Provision for impairment	170,865	-	-	170,865
	170,865	-	-	170,865

**(b) Fair value and credit risk**

Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value.

The maximum exposure to credit risk is the fair value of receivables. Collateral is not held as security, nor is it the Group's policy to transfer (on-sell) receivables to special purpose entities.

**(c) Foreign exchange and interest rate risk**

Detail regarding foreign exchange and interest rate risk exposure is disclosed in Note 21.

**10. Financial Assets**

	CONSOLIDATED	
	2011	2010
	\$	\$
<b>Current</b>		
Employee advances	3,000	-
Forward exchange contracts (i)	5,009	-
	8,009	-
<b>Non-Current</b>		
Term Deposits (ii)	298,449	339,670
Rental Bonds (iii)	33,709	34,038
	332,158	373,708

(i) As at 30 June 2011, there was one open forward exchange contract, The Group uses forward foreign exchange contracts to mitigate exchange rate exposure arising from sales in US dollars and other currencies. Forward exchange contracts are not designated as hedging instruments in accordance with AASB 139 Financial Instruments: Recognition and Measurement and are measured at fair value.

(ii) Term deposits typically made for periods greater than four months are usually subject to a bank guarantee held by an unrelated party as security. Interest is earned at the respective term deposit rate.

**Notes to the Financial Statements (continued)**  
**For the Year Ended 30 June 2011**

**10. Financial Assets (continued)**

The Group's financial assets have been classified as non-current due to their long-term nature. Term deposits are held to maturity.

(iii) Rental bonds are amounts paid to landlords as financial security in respect of office space leased. They are subject to fixed interest rates.

**11. Accrued revenue**

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

**12. Property, plant and equipment**

	CONSOLIDATED			
	Furniture & Fittings	Office & Computer Equipment & Software	Leasehold Incentive Furniture & Fittings	Total
	\$	\$	\$	\$
<b>Year ended 30 June 2011</b>				
At 1 July 2010, net of accumulated depreciation	71,563	187,764	139,463	398,790
Additions	611	38,421	-	39,032
Disposals	-	(8,950)	-	(8,950)
Net exchange differences	(5,136)	(53,803)	-	(58,939)
Depreciation for the year	(23,748)	(84,792)	(29,885)	(138,425)
Accumulated depreciated – disposals	-	8,950	-	8,950
At 30 June 2011, net of accumulated depreciation	43,290	87,590	109,578	240,458
<b>At 1 July 2010</b>				
Cost or fair value	189,825	1,075,978	209,194	1,474,997
Accumulated depreciation	(118,262)	(888,214)	(69,731)	(1,076,207)
Net carrying amount	71,563	187,764	139,463	398,790
<b>At 30 June 2011</b>				
Cost or fair value	179,802	1,098,638	209,194	1,487,634
Accumulated depreciation	(136,512)	(1,011,048)	(99,616)	(1,247,176)
Net carrying amount	43,290	87,590	109,578	240,458

Notes to the Financial Statements (continued)  
For the Year Ended 30 June 2011

12. Property, plant and equipment (continued)

	CONSOLIDATED			
	Furniture & Fittings	Office & Computer Equipment & Software	Leasehold Incentive Furniture & Fittings	Total
	\$	\$	\$	\$
<b>Year ended 30 June 2010</b>				
At 1 July 2009, net of accumulated depreciation	103,254	173,546	169,348	446,148
Additions	-	221,357	-	221,357
Disposals	(64,030)	(521,299)	-	(585,329)
Depreciation for the year	(28,402)	(152,780)	(29,885)	(211,067)
Accumulated depreciated – disposals	60,741	466,940	-	527,681
At 30 June 2010, net of accumulated depreciation	71,563	187,764	139,463	398,790
<b>At 1 July 2009</b>				
Cost or fair value	257,802	1,626,221	199,034	2,083,057
Accumulated depreciation	(154,548)	(1,452,675)	(29,686)	(1,636,909)
Net carrying amount	103,254	173,546	169,348	446,148
<b>At 30 June 2010</b>				
Cost or fair value	189,825	1,075,978	209,194	1,474,997
Accumulated depreciation	(118,262)	(888,214)	(69,731)	(1,076,207)
Net carrying amount	71,563	187,764	139,463	398,790

13. Intangible assets

	CONSOLIDATED	
	2011 \$	2010 \$
<b>NextSet goodwill</b>		
Cost	1,548,392	1,548,392
Accumulated impaired losses	(1,548,392)	(1,548,392)
Net carrying value	-	-
<b>TMS goodwill</b>		
Cost	1,085,687	1,085,687
Accumulated impaired losses	(148,081)	(48,081)
Net carrying value	937,606	1,037,606
<b>Halcyon goodwill</b>		
Cost	2,047,264	2,047,264
Accumulated impaired losses	-	-
Net carrying value	2,047,264	2,047,264
<b>Internally developed software</b>		
Cost	615,756	-
Accumulated impaired losses	-	-
Net carrying value	615,756	-
<b>Total intangibles</b>	<b>3,600,626</b>	<b>3,084,870</b>

13. Goodwill (continued)

	CONSOLIDATED				
	Internally developed software \$	NextSet \$	TMS \$	Halcyon \$	Total \$
<b>At 1 July 2009</b>					
Opening balance	-	205,110	1,037,606	2,047,264	3,289,980
Impairment loss	-	(205,110)	-	-	(205,110)
<b>Closing value at 30 June 2010</b>	-	-	1,037,606	2,047,264	3,084,870
<b>At 1 July 2010</b>					
Opening balance	-	-	1,037,606	2,047,264	3,084,870
Additions	615,756	-	-	-	615,756
Impairment loss	-	-	(100,000)	-	(100,000)
<b>Closing value at 30 June 2011</b>	615,756	-	937,606	2,047,264	3,600,626

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.

14. Impairment testing of goodwill and intangibles with indefinite lives

Goodwill acquired through business combinations have been allocated to three individual cash generating units for impairment testing as follows:

- *Halcyon cash generating unit*
- *TMS cash generating unit*
- *NextSet cash generating unit*

(a) **Halcyon cash generating unit**

The recoverable amount of the *Halcyon cash generating unit* has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by senior management covering a five year period.

The recoverable amount is assessed using current discount rates. The pre-tax discount rate for this year was set at 12% based on global economic conditions and the company's maturity of operations (2010: 12%). Sensitivity analysis carried out at historic rates also indicated that no impairment of goodwill had occurred.

No cash flows are assumed beyond the five year period reflecting the uncertain nature of the technology sector.

(b) **TMS cash generating unit**

The recoverable amount of the *TMS cash generating unit* has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by senior management covering a five year period.

The recoverable amount is assessed using current discount rates. The pre-tax discount rate for this year was set at 12% based on global economic conditions and the company's maturity of operations (2010: 12%). Sensitivity analysis carried out at historic rates also indicated that no impairment of goodwill had occurred.

#### 14. Impairment testing of goodwill and intangibles with indefinite lives (continued)

No cash flows are assumed beyond the five year period reflecting the uncertain nature of the technology sector.

The majority of the TMS revenue and costs are incurred in North America.

##### (c) NextSet cash generating unit

The recoverable amount of the *NextSet cash generating unit* has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by senior management covering a five year period.

The recoverable amount is assessed using current discount rates. The pre-tax discount rate for this year was set at 12% based on global economic conditions and the company's maturity of operations (2010: 12%). Sensitivity analysis carried out at historic rates also indicated that no impairment of goodwill had occurred.

No cash flows are assumed beyond the five year period reflecting the uncertain nature of the technology sector.

##### (d) Impairment losses recognised

###### NextSet

As a result of discontinuing the Nextset operations in Chennai, India, in June 2010, the Directors determined it appropriate that the carrying value of goodwill associated with the Indian operations should be valued at nil (\$0) based on the value in use calculations.

Please refer to Note 13 for the carrying value of goodwill for the Halcyon, TMS and NextSet cash generating units.

#### Key assumptions used in value in use calculations for the Halcyon, TMS and NextSet cash generating units for 30 June 2011 and 30 June 2010

The following describes each key assumption on which management has based its cash flow projections when determining the value in use of the Halcyon, TMS and NextSet cash generating units.

##### Budgeted gross margins

The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budgeted year, increased for expected efficiency improvements. Thus, values assigned to gross margins reflect past experience.

##### Cost, revenue and salary growth rates

The basis used to determine the value assigned to the cost, revenue and salary growth rates is 2% which is the current inflation rate. Values assigned to this key assumption are consistent with external sources of information.

##### AUD/USD Foreign Exchange rate

The Australian:United States (AUD/USD) foreign exchange rate 1.06 which is the AUD/USD assumption used in the Company's FY12 revenue budget assumptions.

##### Sensitivity analysis of key assumptions

Management has noted that sensitivity analysis performed through increasing the discount rate used from 12% to 20% has not resulted in any potential write-down in the value of the goodwill valuations as at 30 June 2011.



## 15. Share-based payment plans

### Employee Share Option and Acquisition Plan

The Company has in place an Employee Share Option Plan (“ESOP”) and an Employee Share Acquisition Plan (“ESAP”). The Board obtained shareholder approval at the 2003 AGM to issue up to 15% of its issued share capital in securities under the ESOP and ESAP.

Currently the ESOP and ESAP are suspended, as a result of the changes announced in the May 2009 Federal Government Budget.

#### ESOP

Under the ESOP, the Board is able to grant options to eligible employees, which include all full-time employees of the Company and its Directors (grants to Directors however require shareholder approval). The terms and conditions of the grant are to be determined by the Board, and at the time of this report, options are on issue with different conditions as follows:

#### Hoodless Options

2,116,705 options were issued on 12 December 2006 to Hoodless (UK) following successful listing on AIM (UK Stock Exchange). The options are five year call options exercisable at \$0.12. The options have no vesting date and can be exercised from 12 December 2006.

#### IT&e ESOP Options

IT&e ESOP options were issued to new employees at various dates during the year to 30 June 2008. The options are five year call options with an exercise price range from \$0.12 to \$0.34. Options vest over a three year period in 36 consecutive monthly instalments; however no options can be exercised in the 12 months after the date of grant. The holder must be an employee or Director when options are exercised.

The expense recognised in the income statement in relation to share-based payments is disclosed in the income statement.

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of, and movements in, share options issued during the year:

		2011 #	2011 WAEP	2010 #	2010 WAEP
Outstanding at the beginning of the year	15(a)	4,216,705	\$0.20	8,213,705	\$0.20
Granted during the year	15(b)	-	-	-	-
Lapsed/Forfeited during the year	15(c)	(450,000)	\$0.20	-	-
Exercised during the year	15(c)	-	-	-	-
Expired during the year	15(c)	(150,000)	\$0.20	(3,997,000)	\$0.26
Outstanding at the end of the year	15(d)	3,616,705	\$0.20	4,216,705	\$0.20
Exercisable at end of year		3,616,705	\$0.20	4,135,000	\$0.20

#### (a) Options outstanding at the beginning of the year

No. and Series	Grant date	Vesting date *	Expiry date *	WAEP
2,100,000 IT&e ESOP	17.11.06	17.11.09	17.11.11	\$0.22
2,116,705 Hoodless	12.12.06	12.12.06	12.12.11	\$0.12
4,216,705				

15. Share-based payment plans (continued)

(b) Options granted during the year					
No. and Series	Grant date	Vesting date *	Expiry date *	WAEP	
nil					

(c) Options exercised, lapsed/forfeited or expired during the year					
Number of options	Option series	Grant date	Exercise date	Expiry date	WAEP
150,000	IT&e ESOP	17.11.06	17.11.09	17.11.11	\$0.22
250,000	IT&e ESOP	17.11.06	17.11.09	17.11.11	\$0.22
200,000	IT&e ESOP	17.11.06	17.11.09	17.11.11	\$0.22
600,000					

No options were exercised by employees during the year ended 30 June 2011.

A total of 150,000 IT&e ESOP options expired during the year (2010: 1,997,335 options expired 2,000,000 Halcyon options expired).

(d) Options outstanding at the end of the year					
No. and Series	Grant date	Vesting date *	Expiry date *	WAEP	
1,500,000	IT&e ESOP	30.09.06-30.09.07	30.09.09-30.09.10	30.09.11-30.09.12	\$0.22
2,116,705	Hoodless	12.12.06	12.12.06	12.12.11	\$0.12
3,616,705					

\* Dates provided are the latest date by which options can vest or expire.

The weighted average remaining contractual life for the share options outstanding as at 30 June 2011 is between 1 and 2 years (2010: 1 and 2 years).

The range of exercise prices for options outstanding at the end of the year was \$0.12 - \$0.22.

The weighted average fair value of options granted during the year was \$nil (2010: \$nil).

The following table lists the inputs to the Black-Scholes and Monte Carlo option pricing models used for the year ended 30 June 2008. No options were issued for 2011.

	2008
Expected volatility (%)	100%
Risk-free interest rate (%)	5.03% - 5.91%
Expected life of option (years)	3 - 4.5
Option exercise price (\$)	0.20 - 0.34
Weighted average share price at grant date (\$)	0.27

## **15. Share-based payment plans (continued)**

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.

### **ESOP**

The Company has established an Employee Share Option Plan ("ESOP") for which shareholder approval was provided on 30 November 2003. The ESOP enables the company to issue up to 15% of its issued share capital in securities under the ESOP and ESAP.

Under the ESOP rules, the Company may offer Directors and employees remuneration in the form of shares as part of incentive arrangements. The determination of eligible employees and the terms and conditions of the offer to such employees, will be determined by the Directors from time to time having regard to the needs of the Company.

No new ESOP options were issued to any employee during the year to 30 June 2011.

The expense recognised in the income statement in relation to share-based payments is disclosed in the income statement.

### **ESAP**

The Company has established an ESAP for which shareholder approval was given on 18 July 2000 and renewed on 30 November 2003. The ESAP enables all employees of the Company to invest in the equity of the Company as part of their remuneration. Australian employees will be able to take advantage of certain tax concessions by participating in the ESAP. The terms of the ESAP rules have been drafted to satisfy the requirements of the tax deferral concessions.

Under the ESAP rules, Directors may offer participant employees remuneration in the form of shares as part of the employee's incentive arrangements. The determination of eligible employees and the terms and conditions of the offer to such employees will be determined by the Directors from time to time, having regard to the needs of the Company.

The terms of the ESAP allow the Company to issue matching share components at nil consideration to the shares acquired by the employees. During the year, the Company issued no matching shares at nil consideration (2010: nil). The fair value of shares issued is \$nil (2010: \$nil).

Currently, the ESAP is suspended, as a result of the changes announced in the May 2009 Federal Government Budget.

Notes to the Financial Statements (continued)  
For the Year Ended 30 June 2011

**16. Trade and other payables (current)**

	CONSOLIDATED	
	2011 \$	2010 \$
Trade payables (i)	492,152	661,615
Employee related benefits payable (ii)	74,924	138,929
Other taxes payable	223,178	186,029
	790,254	986,573

- (i) Trade payables are non-interest bearing and are normally settled within 30 day terms.  
(ii) Employee related benefits payable comprise of superannuation payable.

**(a) Fair value**

Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.

**(b) Interest rate, foreign exchange and liquidity risk**

Information regarding interest rate, foreign exchange and liquidity risk exposure is set out in Note 21.

**17. Deferred tax asset**

	Opening Balance \$	Derecognition of Deferred Tax Asset \$	Charged to Income \$	Closing Balance \$
Provisions	270,969	-	(101,462)	169,507
Legal Fees	71,756	-	(30,122)	41,634
Other	-	-	1,503	1,503
Future income tax benefits attributable to tax losses	732,275	(363,539)	-	368,736
	1,075,000	(363,539)	(130,081)	581,380

**18. Employee benefits**

	CONSOLIDATED	
	2011 \$	2010 \$
<b>Current</b>		
Annual leave	197,146	391,184
Long service leave	14,249	106,283
	211,395	497,467
<b>Non-current</b>		
Long service leave	74,800	110,528
	74,800	110,528

**Nature and timing of provisions**

**Annual and long service leave**

Refer to Note 2(x) for the relevant accounting policy and a discussion of the significant estimations and assumptions applied in the measurement of this provision.

**19. Non-current liabilities**

	CONSOLIDATED	
	2011 \$	2010 \$
<b>Non-current</b>		
Lease incentive (i)	385,208	415,093
	385,208	415,093

- (i) On 1 March 2008, the Parent Entity moved to new premises at 115 Pitt Street Sydney. As part of the move, the landlord provided a rent reduction incentive being equal to a 50% reduction in monthly rent payable for the first 18 months of occupation (\$254,827). The rental incentive income and corresponding expense will be amortised on a straight line basis over the term of the lease. Rent reduction incentive amortised for 2011 is \$29,885 (2010: \$29,885).

In addition, the landlord provided lease incentive payments of \$209,195 to move into the premises, which contributed to the overall fit-out costs of the new premises. The lease incentive assets are depreciated on a monthly basis. Lease incentive payments amortised for 2011 is \$29,885 (2010: \$29,885).

**(a) Fair value**

Due to their nature, the carrying amount of the Group's convertible loan approximates their fair value.

**(b) Interest rate, foreign exchange and liquidity risk**

Information regarding interest rate, foreign exchange and liquidity risk exposure is set out in Note 21.

**(c) Assets pledged as security**

There are no assets pledged as security for the non-current interest bearing liabilities.

**(d) Set-off assets and liabilities**

There are no assets pledged as security for the non-current interest bearing liabilities.

**(e) Defaults and breaches**

During the current and prior years, there were no defaults or breaches on any of the loans.

**(f) Bank Facilities**

On 8 June 2010, the following bank facilities were settled with St. George Bank:

- Commercial Overdraft Facility  
Limit = \$400,000
- Currency Exposure Management Facility  
Limit = \$400,000 (Effective FX deal coverage of approximately \$3.5M - \$4.0M)
- Payroll Tape Negotiation Authority Facility  
Limit = \$500,000
- Bank Guarantee Line  
Limit = \$400,000

Total of all limits = \$1,700,000

## 19. Non-current liabilities (continued)

A first registered company charge (Mortgage Debenture) was taken over the assets of Razor Risk Technologies Limited by St. George Bank. The previous Mortgage Debenture held by the ANZ Bank was discharged on 23 July 2010. The fixed and floating charge is over all present and future assets, undertakings (including goodwill) and unpaid / uncalled capital of the company.

The following specific conditions apply to the St. George facilities:

### 1. Interest Cover Ratio Covenant

Interest cover is to be maintained above 2.0 times and is calculated as EBIT divided by finance costs.

### 2. Drawn Exposure Covenant

The commercial overdraft drawn exposure is not to exceed 60% of approved debtors < 60 days plus available cash balances. Approved debtors are to be a minimum S&P rating of BBB or approved in advance by St. George Bank.

The bank guarantee line is currently securing tenancy obligations under the lease of the premises comprising Level 9, 115 Pitt Street, Sydney, and is utilised up to a value of \$275,715.

During the period and up to the date of this report, the commercial overdraft facility has not been utilised.

There is one open Foreign Exchange deal as at 30 June 2011.

## 20. Issued capital and reserves

	CONSOLIDATED	
	2011 \$	2010 \$
<b>Ordinary shares</b>		
Issued and fully paid	52,593,246	52,505,687

The company has authorised share capital amounting to 286,453,565 ordinary shares of no par value.

Fully paid ordinary shares carry one vote per share and carry the right to dividends. On winding up, shareholders have a right to a distribution of surplus assets of the company following the winding up (if any) on a pro rate basis.

Notes to the Financial Statements (continued)  
For the Year Ended 30 June 2011

20. Issued capital and reserves (continued)

	2011		2010	
	Number	\$	Number	\$
<b>Movement in ordinary shares on issue</b>				
Beginning of the financial year	283,953,565	52,505,687	283,953,565	52,450,970
Issued during the year				
– employee share scheme (i)	-	-	-	54,717
– employee retention scheme	2,500,000	87,559	-	-
End of the financial year	286,453,565	52,593,246	283,953,565	52,505,687

(i) Purchased by employees under the ESAP (refer to Note 15).

**Share Options**

The Company has an ESOP share based payment option schemes under which options to subscribe for the Company's shares have been granted to certain Executives and other employees (refer Note 15).

Reserves	CONSOLIDATED		
	Foreign currency translation reserve	Employee equity benefits reserve	Total
	\$	\$	\$
<b>Consolidated</b>			
At 30 June 2009	(43,890)	3,267,053	3,223,163
Currency translation differences	(93,423)	-	(93,423)
Share-based payments	-	50,809	50,809
At 30 June 2010	(137,313)	3,317,862	3,180,549
At 1 July 2010	(137,313)	3,317,862	3,180,549
Currency translation differences	(143,620)	-	(143,620)
Share-based payments	-	1,157	1,157
At 30 June 2011	(280,933)	3,319,019	3,038,086

## 20. Issued capital and reserves (continued)

### Nature and purpose of reserves

#### Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations with a functional currency other than AUD.

#### Share-based payments expense reserve

The reserve is used to record the value of share options provided to employees and Directors as part of their remuneration. Refer to Note 15 for further details of this plan.

### Capital management

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to create returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity.

Management adjusts the capital structure in line with the Company's needs and considering the market environment. As the market is constantly changing, management may issue new shares to provide funding.

During 2011, management paid dividends of \$0 (2010: \$0). Management may issue further capital in the next year if deemed appropriate.

Management monitor capital through the working capital ratio. The working capital ratios based on continuing operations at 30 June 2011 and 2010 were as follows:

	CONSOLIDATED	
	2011 \$	2010 \$
<b>Current Assets</b>		
Cash and cash equivalents	1,610,106	3,374,220
Trade and other receivables	1,861,353	821,252
Prepayments	196,829	214,426
Financial assets	8,009	-
Accrued revenue	57,332	21,614
<b>Total Current Assets</b>	<b>3,733,629</b>	<b>4,431,512</b>
<b>Less Current Liabilities</b>		
Trade and other payables	790,254	986,573
Employee benefits	211,395	497,467
Unearned revenue	1,287,147	1,330,758
<b>Total Current Liabilities</b>	<b>2,288,796</b>	<b>2,814,798</b>
<b>Working Capital</b>	<b>1,444,833</b>	<b>1,616,714</b>

On June 8 2010, the Group secured new bank facilities including a \$400,000 overdraft provision, and is required to maintain the following external covenants:

1. Interest cover ratio covenant of above 2.0.
2. Drawn exposure covenant, where the commercial overdraft exposure is not to exceed 60% of approved debtors < 60 days plus available cash balances.

Refer to Note 19 for further details.



## 21. Financial risk management objectives and policies

### Financial Risk Management objectives

The principal objective of Razor Risk Technologies Limited's (the Group) Financial Risk Management (FRM) strategy is to establish a robust structure for the determination of risk appetite and the measuring, monitoring, reporting and escalation of financial risks. The Group seeks to manage financial risks to maximise the return on shareholder capital, while ensuring:

- the Group remains solvent; and
- there is sufficient cash flow available to execute the operational strategy set by the Group Board of Directors (the Board).

The Group's FRM is carried out in accordance with policies set by the Board. These policies are set out in the Group's FRM Policy and they provide a clear structure for managing financial risks including delegations, escalations and reporting. The FRM Policy also outlines the Group's financial risk management objectives and identifies organisational responsibilities for the implementation of the FRM Policy. The FRM Policy provides an overview of each of the key financial risks including the nature of the risk, objectives in seeking to manage the risk, the key policy variables for the management of the risk and the regional responsibility for managing and reporting the risk.

### Financial Risk Management structure

The Board has ultimate responsibility for risk management and governance, including ensuring an appropriate risk framework is in place and is operating effectively. There are, however, other bodies and individuals within the Group that manage and monitor financial risks.

### The Board

The Board is responsible for the approval of the FRM Policy, shareholder capital investment strategy, capital and financing plans, approval of transactions outside of FRM policy and setting the financial risk appetite.

### The Audit and Risk Management Committee

The Group Audit and Risk Management Committee is responsible for ensuring the existence of effective financial risk management policies and procedures, and oversight of the execution of the FRM Policy.

### Controlled entity boards

The Directors and Boards of various Group operating controlled entities are required to comply with the Board approved risk management policy.

### Risks and mitigation

The Group's principal financial instruments comprise cash and short-term deposits, and trade and other payables. The Group's activities expose it to a variety of financial risks:

- market risk, including interest rate risk, price risk and currency risk;
- liquidity and re-financing risk; and
- credit risk.

The major risks associated with financial instruments and the Group's policies for managing these risks are set out below.

#### (a) Market risk

Market risk is the risk of loss arising from movements in market variables including observable variables such as interest rates, exchange rates and indirectly observable variables such as volatilities and correlations.

**21. Financial risk management objectives and policies (continued)**

**(i) Interest rate risk**

Interest rate risk is the risk to the Group's earnings and capital arising from movements in interest rates, including changes in the absolute levels of interest rates, the shape of the yield curve, the margin between different yield curves and the volatility of interest rates.

At balance date, the Group had the following mix of financial assets and liabilities exposed to Australian variable interest rate risk that are not designated in cash flow hedges:

	CONSOLIDATED	
	2011 \$	2010 \$
<i>Financial Assets</i>		
Cash and cash equivalents	1,610,106	3,374,220
<i>Financial Liabilities</i>		
Nil	-	-
<b>Net Exposure</b>	<b>1,610,106</b>	<b>3,374,220</b>

The Group regularly analyses its interest rate exposure and it is the Group's policy to wherever possible, fund operations from non-interest bearing instruments. At balance date, as the Group had no debt, management has determined that the risk exposure to the Group of a change in Australian variable interest rates is minimal.

**(ii) Price risk**

The Group does not deal in any commodity contracts or have any investments in equity securities. Management has determined that the Group's exposure to commodity and equity securities price risk is minimal.

**(iii) Currency risk**

As a result of operations in foreign countries, the Group has transactional currency exposures. Such exposures arise from sales or purchases by an operating unit in currencies other than the unit's functional currency.

The Group does not hedge the capital invested in overseas operations, thereby accepting the foreign currency translation risk on invested capital.

To minimise transactional risk, the Group naturally reduces currency exposure by paying all wages and foreign unit expenses from foreign currency collections. In addition, the Group has recently secured new banking facilities with St. George Bank, which includes a \$400,000 Currency Exposure Management Facility (effective FX deal coverage of approximately \$3.5M - \$4.0M). This facility will help minimise the volatility associated with the Group's foreign exchange debtors, aimed at delivering cash flows in AUD with reasonable certainty.

Approximately 79% of the Group's sales are denominated in currencies other than the functional currency of the operating entity making the sale (United States USD and Great Britain GBP), with US\$ denominated sales representing 62%. 63% of costs are denominated in the unit's functional currency.

**Notes to the Financial Statements (continued)**  
**For the Year Ended 30 June 2011**

**21. Financial risk management objectives and policies (continued)**

At 30 June 2011, the Group had the following net exposure to \$US and £GBP foreign currency that is not designated in cash flow hedges:

	CONSOLIDATED	
	2011	2010
<b>Net Exposure to \$US</b>	\$	\$
<i>Financial Assets</i>		
Cash and cash equivalents	812,613	496,022
Trade & other receivables	125,623	496,064
	938,236	992,086
<i>Financial Liabilities</i>		
Trade & other payables	40,699	37,932
<b>Net Exposure</b>	<b>897,537</b>	<b>954,154</b>

	CONSOLIDATED	
	2011	2010
<b>Net Exposure to £GBP</b>	\$	\$
<i>Financial Assets</i>		
Cash and cash equivalents	194,906	467,079
Trade & other receivables	53,483	155,504
	248,389	622,583
<i>Financial Liabilities</i>		
Trade & other payables	92,028	111,152
<b>Net Exposure</b>	<b>156,361</b>	<b>511,431</b>

Sensitivity analysis has been carried out on the Group's exposure to \$US and £GBP.

The following tables illustrate sensitivities to the Group's exposure to \$A/\$US and \$A/£GBP foreign exchange rates. The tables indicate the impact on how profit and equity values reported at balance date would have been affected by changes in the \$A/\$US and \$A/£GBP foreign exchange rates that management considers to be reasonably possible. These sensitivities assume that the movement in a particular variable is independent of other variables.

21. Financial risk management objectives and policies (continued)

\$A / \$US	CONSOLIDATED	
	Profit \$	Equity \$
<b>Year Ended 30 June 2011</b>		
+/- 5% in \$A / \$US	+/- 195,300	+/- 195,000
<b>Year Ended 30 June 2010</b>		
+/- 5% in \$A / \$US	+/- 227,757	+/- 227,757

\$A / £GBP	CONSOLIDATED	
	Profit \$	Equity \$
<b>Year Ended 30 June 2011</b>		
+/- 5% in \$A / £GBP	+/- 6,746	+/- 6,746
<b>Year Ended 30 June 2010</b>		
+/- 5% in \$A / £GBP	+/- 49,354	+/- 49,354

**(b) Liquidity risk**

Liquidity risk is the risk that the Group will not be able to meet its debt obligations, or other cash outflows, as they fall due, because of lack of liquid assets or access to adequate funding on acceptable terms.

The remaining contractual maturities of the Group's and Parent entity's financial liabilities are:

	CONSOLIDATED	
	2011 \$	2010 \$
Less than 30 days	639,276	408,707
31-60 days	-	132,926
61-90 days	150,978	440,163
Less than 1 yr	-	4,777
Greater than 1 yr	-	-
	790,254	986,573

To ensure that the Group has sufficient funds available on a timely basis, in the form of cash, liquid assets, and borrowing capacity to meet its liquidity requirements, the Group maintains a defined surplus of cash plus projected cash inflows over projected outflows in a going-concern scenario, while meeting regulatory requirements and internal management guidelines.

In addition, the Group has recently established a \$400,000 Commercial Overdraft Facility with St. George Bank to further reduce the Group's exposure to any liquidity risk.

## 21. Financial risk management objectives and policies (continued)

### Maturity analysis of financial assets and liability based on management's expectations

The following table summarises the maturity profile of the Group's financial assets and liabilities at year end, based on contractual undiscounted repayment of obligations. These assets and liabilities are considered in the Group's overall liquidity risk.

To monitor existing financial assets and liabilities as well as to enable an effective controlling of future risks, the Group has established comprehensive risk reporting covering its worldwide business units that reflects expectations of management of expected settlement of financial assets and liabilities.

Year ended 30 June 2011	Less than 30 days	31-60 days	61-90 Days	Less than 1 yr	Greater than 1 yr	Total
	\$	\$	\$	\$	\$	\$
<b>Consolidated</b>						
<i>Financial assets</i>						
Cash & cash equivalents	1,610,106	-	-	-	-	1,610,106
Trade & other receivables	1,689,875	-	-	613	170,865	1,861,353
	3,299,981	-	-	613	170,865	3,471,459
<i>Financial liabilities</i>						
Trade & other payables	639,276	-	150,978	-	-	790,254
	639,276	-	150,978	-	-	790,254
<b>Net maturity</b>	2,660,705	-	(150,978)	613	170,865	2,681,205

Year ended 30 June 2010	Less than 30 days	31-60 days	61-90 Days	Less than 1 yr	Greater than 1 yr	Total
	\$	\$	\$	\$	\$	\$
<b>Consolidated</b>						
<i>Financial assets</i>						
Cash & cash equivalents	3,374,220	-	-	-	-	3,374,220
Trade & other receivables	556,123	-	4,284	89,515	170,865	820,787
	3,930,343	-	4,284	89,515	170,865	4,195,007
<i>Financial liabilities</i>						
Trade & other payables	408,707	132,926	440,163	4,777	-	986,573
	408,707	132,926	440,163	4,777	-	986,573
<b>Net maturity</b>	3,521,636	(132,926)	(435,879)	84,738	170,865	3,208,434

### (c) Fair value

The methods for estimating fair value are outlined in the relevant notes to the financial statements.

## 21. Financial risk management objectives and policies (continued)

### (d) Credit risk

Credit risk is the risk of loss that arises from a client failing to meet their contractual commitments in full and on time.

The Group manages credit risk by ensuring:-

- trading only with recognised, creditworthy third parties (major customers are large listed corporations);
- that all customers who wish to trade on credit terms are subject to credit verification procedures;
- that receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Management has determined that the Group's exposure to credit risk at 30 June 2011 is minimal.

Refer Note 9, Trade and Other Receivables for further discussion on Credit Risk.

## 22. Commitments and contingencies

### Operating lease commitments – Group as lessee

The Group has entered into commercial leases for office space occupied in Sydney, New York and London.

	CONSOLIDATED	
	2011 \$	2010 \$
<b>Operating lease commitments – Group as lessee</b>		
<i>Future minimum rentals payable under non-cancellable operating leases as at 30 June are as follows:</i>		
Within one year	602,142	580,265
After one year but not more than five years	1,346,085	1,773,591
After more than five years	-	-
<b>Total minimum lease payments</b>	<b>1,948,227</b>	<b>2,353,856</b>

### Summary of key lease arrangements

	Term	Current Term Expires	Option to Renewal	CPI Increase
UK office lease	3 year	11 April 2013	Yes – 1 year	No
Sydney office lease	7 years	28 February 2015	Yes – 7 years	Annual
US office lease	7 years	28 February 2014	No	Annual

### Contingencies

As at 30 June 2011, the Group had term deposits totalling \$298,450 (2010: \$339,670) held as bank guarantees comprised of security deposits for rental premises.

In addition, Note 23 details the Deed of Cross Guarantee entered into in the 2006 financial year. The extent to which an outflow of funds will be required is dependent on the future operations of the entities that are party to the Deed of Cross Guarantee. No liability is expected to arise. The Board has assessed the probability of any liabilities arising from the deed to be low at balance date, and accordingly, no amounts were recognised. The Deed of Cross Guarantee will continue to operate indefinitely.

## 23. Related party disclosure

### Subsidiaries

The consolidated financial statements include the financial statements of Razor Risk Technologies Limited and the subsidiaries listed in the following table:

Name	Country of Incorporation	% Equity Interest		Investments \$	
		2011	2010	2011	2010
Razor Risk Technologies Services Pty Limited ^	Australia	100	100	1,850,922	1,850,922
IT&e Software India Private Limited	India	100	100	247,402	247,402
Razor Risk Technologies Inc	USA	100	100	36,070	36,070
Razor Risk Technologies Limited	UK	100	100	342,729	332,271
				2,477,123	2,466,665

#### *^Entities subject to class order*

Pursuant to Class Order 98/1418, relief has been granted to Razor Risk Technologies Services Pty Limited from the Corporations Act 2001 requirements for preparation, audit and lodgement of financial reports.

As a condition of the Class Order, Razor Risk Technologies Limited and Razor Risk Technologies Services Pty Limited (the "Closed Group") entered into a Deed of Cross Guarantee on 22 June 2006. The effect of the deed is that Razor Risk Technologies Limited has guaranteed to pay any deficiency in the event of winding up of the controlled entity or if they do not meet their obligations under the terms of overdrafts, loans, leases or other liabilities subject to the guarantee. The controlled entities have also given a similar guarantee in the event that Razor Risk Technologies Limited is wound up or if it does not meet its obligation under the terms of overdrafts, loans, leases or other liabilities subject to the guarantee. The Board has assessed the probability of any liabilities arising from the deed to be low at balance date, and accordingly, no amounts were recognised.

### Ultimate parent

Razor Risk Technologies Limited is the ultimate Australian parent entity and ultimate parent of the Group incorporated in Australia.

The consolidated Statement of Comprehensive Income and Statement of Financial Position of the entities that are members of the "Closed Group" is as follows:

	CLOSED GROUP	
	2011 \$	2010 \$
<b>Consolidated Statement of Comprehensive Income</b>		
Net (loss) / profit for the period	(47,207)	1,618,182
(Accumulated losses) at the beginning of the period	(48,220,482)	(49,838,664)
(Accumulated losses) at the end of the period	(47,267,689)	(48,220,482)

Notes to the Financial Statements (continued)  
For the Year Ended 30 June 2011

23. Related party disclosure (continued)

	CLOSED GROUP	
	2011 \$	2010 \$
<b>Consolidated Balance Sheet</b>		
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	601,722	2,744,253
Trade and other receivables	1,833,912	727,243
Prepayments	144,136	148,542
Accrued revenue	57,332	21,614
<b>Total Current Assets</b>	<b>2,637,102</b>	<b>3,641,652</b>
<b>Non-current Assets</b>		
Financial Assets	300,808	388,268
Property, plant and equipment	250,341	380,748
Deferred tax asset	581,380	1,075,000
Intangible assets	2,663,020	2,047,264
Investments in controlled entities	2,477,428	2,466,665
Due to related parties within wholly owned group	1,849,218	1,238,925
<b>Total Non-current Assets</b>	<b>8,122,195</b>	<b>7,596,870</b>
<b>TOTAL ASSETS</b>	<b>10,759,297</b>	<b>11,238,522</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Trade and other payables	601,238	694,120
Short-term provisions	216,261	571,803
Unearned revenue	1,213,768	1,220,466
<b>Total Current Liabilities</b>	<b>2,031,267</b>	<b>2,486,389</b>
<b>Non-current Liabilities</b>		
Lease liability	385,208	415,093
Long-term provisions	74,800	110,528
<b>Total Non-current Liabilities</b>	<b>460,008</b>	<b>525,621</b>
<b>TOTAL LIABILITIES</b>	<b>2,491,275</b>	<b>3,012,010</b>
<b>NET ASSETS</b>	<b>8,268,022</b>	<b>8,226,512</b>
<b>EQUITY</b>		
<b>Equity attributable to equity holders of the parent</b>		
Issued capital	52,593,244	52,505,683
(Accumulated losses)	(48,267,689)	(48,220,482)
Reserves	3,942,467	3,941,311
<b>TOTAL EQUITY</b>	<b>8,268,022</b>	<b>8,226,512</b>



## 23. Related party disclosure (continued)

### Key management personnel

Details relating to key management personnel, including remuneration paid, are included in Note 26.

### Transactions with Related Parties

The following table provides the total amount of transactions that were entered into with related parties for the relevant financial year.

Related Party		Purchases from related parties \$	Other transactions with related parties \$
<b>Parent</b>			
<i>Subsidiaries:</i>			
Transfer pricing transactions	2011	2,071,992	
	2010	4,630,554	
Share-based transactions	2011		57,108
	2010		81,661

Related party amounts result from transactions in relation to the parent company meeting the working capital requirements of subsidiaries. In addition, Razor Risk Technologies Limited (UK), Razor Risk Technologies Inc. and Razor Risk Technologies Ltd have entered into Services Agreements for the provision of services in relation to i) sales and pre-sales activity, ii) software support, iii) implementation activities, and iv) customer support, training and project management. Costs for such services are reimbursed with a mark-up of 7%. Settlement is within 90 days but it may vary.

The balance payable by Razor Risk Technologies Limited to its subsidiaries at 30 June 2011 is \$4,464,783 (2010: \$4,100,137).

#### Terms and conditions of transactions with related parties

Sales to and purchases from related parties are made in arm's length transactions both at normal market prices and on normal commercial terms. Outstanding balances at year-end are unsecured, interest free and settlement occurs in cash.

## 24. Events after the reporting date

No matters or circumstances have arisen since the end of the financial year 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.

## 25. Auditors' remuneration

The auditor of Razor Risk Technologies Limited is Grant Thornton Audit Pty Limited.

	CONSOLIDATED	
	2011 \$	2010 \$
<i>Amounts received or due and receivable by Grant Thornton Australia for:</i>		
• an audit or review of the financial report of the entity and any other entity in the consolidated group	93,000	89,529
• non-audit services in relation to the entity and any other entity in the consolidated group		
– tax compliance	10,500	69,319
– other assurance related services	1,095	23,500
	104,595	182,348
<i>Amounts received or due and receivable by non Grant Thornton audit firms for:</i>		
• an audit or review of the financial report of subsidiaries	12,619	15,816
	12,619	15,816

## 26. Director and executive disclosures

### (a) Compensation of Key Management Personnel

#### (i) Compensation of Key Management Personnel

For the years ended 30 June 2011 and 30 June 2010 - refer to the tables on pages 14 to 16 in the Directors' Report. The Company has applied the option under *Corporations Amendments Regulation 2006* to transfer key management personnel remuneration disclosures required by AASB 124 *Related Party Disclosures* paragraphs Aus 25/4 to Aus 25.7.2 to the Remuneration Report within the Directors' Report.

#### (ii) Compensation by Category: Key Management Personnel

	CONSOLIDATED	
	2011 \$	2010 \$
Short-term - salary and fees	1,214,390	1,367,600
Short-term - bonus	-	85,000
Post employment	61,069	96,780
Share-based payments - options	-	1,316
Share-based payments - shares	57,108	80,345
	1,332,567	1,631,041

26. Director and executive disclosures (continued)

(b) Option holdings of Key Management Personnel (Consolidated)

30 June 2011	Balance at beginning of period 1 July 2010	Net Change Other #	Balance at end of period 30 June 2011	Vested at 30 June 2011	
				Total	Exercisable
<b>Directors</b>					
E Bugg	500,000	-	500,000	500,000	500,000
<b>Total</b>	500,000	-	500,000	500,000	500,000

During the year no options issued to Directors were exercised and no new options were issued.

30 June 2010	Balance at beginning of period 1 July 2009	Net Change Other #	Balance at end of period 30 June 2010	Vested at 30 June 2010	
				Total	Exercisable
<b>Directors</b>					
E Bugg	500,000	-	500,000	500,000	500,000
S Yencken #	1,400,000	(1,400,000)	-	-	-
<b>Total</b>	1,900,000	(1,400,000)	500,000	500,000	500,000

# S Yencken's options lapsed during the year.

During the year no options issued to Directors and senior Executives were exercised and no new options were issued.

26. Director and executive disclosures (continued)

(c) Shareholdings of Key Management Personnel (Consolidated)

Shares held in Razor Risk Technologies Limited (number)

30 June 2011	Balance 1 July 2010 Ordinary	Granted as Remuneration Ordinary	Net Change Other Ordinary	Balance 30 June 2011 Ordinary
<b>Directors</b>				
E Bugg	916,217	-	448,923	1,365,140
S Yencken	35,925,668	-	-	35,925,668
R Pickering	4,855,145	-	-	4,855,145
J Yuile	14,188,601	-	-	14,188,601
A Wood	10,807,883	2,500,000	460,000	13,767,883
<b>Executives ^^</b>				
G Lawlor#	-	-	-	-
T Arens	633,400	500,000	-	1,133,400
C Brooke	517,804	800,000	-	1,317,804
O Carton	139,945	-	-	139,945
F Walker*	1,133,400	-	(1,133,400)	-
<b>Total</b>	<b>69,118,063</b>	<b>3,800,000</b>	<b>(224,477)</b>	<b>72,693,586</b>

^^ For the purposes of this report, the term 'Executive' encompasses the Chief Executive Officer, Chief Operating Officer, Senior Vice President – Product Management, and Chief Financial Officer of the Group, and the Company Secretary.

# Appointed 1 April 2011.

\* Resigned 4 April 2011. At that time, Ms Walker continued to hold her ordinary shares.

All equity transactions with key management personnel other than those arising from the exercise of remuneration options have been entered into under terms and conditions no more favourable than those the Group would have adopted if dealing at arm's length.

26. Director and executive disclosures (continued)

(c) Shareholdings of Key Management Personnel (Consolidated) (continued)

30 June 2010	Balance 1 July 2009 Ordinary	Granted as Remuneration Ordinary	Net Change Other Ordinary	Balance 30 June 2010 Ordinary
<b>Directors</b>				
E Bugg	811,608	-	104,609	916,217
S Yencken	35,925,668	-	-	35,925,668
R Pickering	4,855,145	-	-	4,855,145
J Yuile	14,188,601	-	-	14,188,601
A Wood	10,807,883	-	-	10,807,883
<b>Executives ^^</b>				
N Slack-Smith*	4,015,663	-	(4,015,663)	-
F Walker	508,400	625,000	-	1,133,400
T Arens	8,400	625,000	-	633,400
C Brooke	517,804	-	-	517,804
O Carton	139,945	-	-	139,945
<b>Total</b>	<b>71,779,117</b>	<b>1,250,000</b>	<b>(3,911,054)</b>	<b>69,118,063</b>

^^ For the purposes of this report, the term 'Executive' encompasses the Chief Executive Officer, Chief Operating Officer, Senior Vice President – Product Management, and Chief Financial Officer of the Group, and the Company Secretary.

\* Resigned 25 September 2009. At that time, Mr Slack-Smith continued to hold his ordinary shares.

Notes to the Financial Statements (continued)  
For the Year Ended 30 June 2011

27. Parent Entity Disclosures

	CONSOLIDATED	
	2011 \$	2010 \$
<b>Parent entity</b>		
<b>Assets</b>		
Current assets	4,294,298	5,063,882
Non-current assets	6,271,113	6,257,067
<b>Total assets</b>	<b>10,565,411</b>	<b>11,320,949</b>
<b>Liabilities</b>		
Current liabilities	7,570,756	7,385,374
Non-current liabilities	443,467	511,342
<b>Total liabilities</b>	<b>8,014,223</b>	<b>7,896,716</b>
<b>NET ASSETS</b>	<b>2,551,188</b>	<b>3,424,233</b>
<b>Equity</b>		
Issued capital	52,593,244	52,505,683
Retained earnings	(53,626,400)	(52,664,638)
<b>Reserves</b>		
Employee equity benefits reserve	3,584,344	3,583,188
<b>TOTAL EQUITY AND RESERVES</b>	<b>2,551,188</b>	<b>3,424,233</b>
<b>Financial performance</b>		
(Loss) / Net profit / for the year	(961,762)	1,396,768
Other comprehensive income	-	-
<b>Total comprehensive income</b>	<b>(961,762)</b>	<b>1,396,768</b>
<b>Contingent liabilities</b> - Term deposits held as guarantees comprised of security deposits for rental premises	275,715	298,304
<b>Contractual commitments</b> - Contractual capital commitments for the acquisition of property, plant or equipment	-	-
<b>Guarantees in relation to the debts of subsidiaries (i)</b>	-	-

(i) Refer to Note 25 regarding detailed cross guarantee disclosures between Razor Risk Technologies Limited (Parent Entity) and other related parties within the Razor Group.

## Directors' Declaration

---

### Directors' Declaration

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

- (1) In the opinion of the Directors:
  - (a) the financial statements, notes and the additional disclosures included in the Directors' Report designated as audited, of the consolidated entity are in accordance with the Corporations Act 2001, including:
    - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of their performance for the year ended on that date;
    - (ii) complying with Accounting Standards and Corporations Regulations 2001; and
    - (iii) complied with International Financial Reporting Standards as disclosed in Note 1.
  - (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- (2) This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial period ending 30 June 2011.
- (3) In the opinion of the Directors, as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in Note 23 will be able to meet any obligations or liabilities to which they are or may become subject, by virtue of the Deed of Cross Guarantee.

On behalf of the Board



ELLIS BUGG

Chairman

Sydney, 30 September 2011

Grant Thornton Audit Pty Ltd  
ACN 130 913 594

Level 17, 383 Kent Street  
Sydney NSW 2000  
Locked Bag Q800  
QVB Post Office  
Sydney NSW 1230

**T** +61 2 8297 2400  
**F** +61 2 9299 4445  
**E** [info.nsw@au.gt.com](mailto:info.nsw@au.gt.com)  
**W** [www.grantthornton.com.au](http://www.grantthornton.com.au)

## **Independent Auditor's Report To the Members of Razor Risk Technologies Limited**

### **Report on the financial report**

We have audited the accompanying financial report of Razor Risk Technologies Limited (the "Company"), which comprises the consolidated statement of financial position as at 30 June 2011, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

### **Directors responsibility for the financial report**

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view of the financial report in accordance with Australian Accounting Standards and the Corporations Act 2001. This responsibility includes such internal controls as the Directors determine are necessary to enable the preparation of the financial report to be free from material misstatement, whether due to fraud or error. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

### **Auditor's responsibility**

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards which require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.



An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Independence**

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

### **Auditor's opinion**

In our opinion:

- a the financial report of Razor Risk Technologies Limited is in accordance with the Corporations Act 2001, including:
  - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
  - ii complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

### **Report on the remuneration report**

We have audited the remuneration report included in pages 9 to 17 of the directors' report for the year ended 30 June 2011. The Directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

**Auditor's opinion on the remuneration report**

In our opinion, the remuneration report of Razor Risk Technologies Limited for the year ended 30 June 2011, complies with section 300A of the Corporations Act 2001.



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



A J Archer  
Director - Audit & Assurance

Sydney, 30 September 2011

Grant Thornton Audit Pty Ltd  
ACN 130 913 594

Level 17, 383 Kent Street  
Sydney NSW 2000  
Locked Bag Q800  
QVB Post Office  
Sydney NSW 1230

**T** +61 2 8297 2400  
**F** +61 2 9299 4445  
**E** info.nsw@au.gt.com  
**W** www.grantthornton.com.au

**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 audit of Razor Risk Technologies Limited for the year ended 30 June 2011, 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 audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



A J Archer  
Director - Audit & Assurance

Sydney, 30 September 2011

## ASX Additional Information

### SUBSTANTIAL SHAREHOLDERS AS AT 21 SEPTEMBER 2011

The following information required by the Australian Stock Exchange Limited and not shown elsewhere in this report is extracted from the Company's Share Register.

Name	Number of Ordinary Shares	Number of Ordinary Share Options	% of Issued Capital
GBST HOLDINGS LIMITED	43,825,473	-	15.30
MR SIMON ANTHONY YENCKEN*	35,925,688	-	12.54
MR JOHN MICHAEL WISBEY	14,554,334	-	5.44

\* Mr Yencken holds a relevant interest in shares held in his own name and by Parwood Pty Ltd

### DISTRIBUTION OF SHAREHOLDINGS AS AT 31 AUGUST 2011

Size of holding	Number of Ordinary Shareholders	Number of Ordinary Shares
1 - 1,000	18	12,228
1,001 - 5,000	130	405,819
5,001 - 10,000	260	2,180,811
10,001 - 100,000	652	21,833,095
100,001 and over	240	262,021,612
<b>Total</b>	<b>1,300</b>	<b>286,453,565</b>
Number of ordinary shareholders with less than a marketable parcel of shares are:	0	0

### VOTING RIGHTS

All ordinary shares issued by Razor Risk Technologies Limited carry one vote per share without restriction.

**TWENTY LARGEST SHAREHOLDERS AS AT 21 SEPTEMBER 2011**

	Name	Number of Ordinary Shares	%
1	GBST HOLDINGS LTD	43,825,473	15.30
2	MR SIMON ANTHONY YENCKEN	26,723,846	9.33
3	MR JOHN MICHAEL WISBEY	15,570,834	5.44
4	CARRIER INTERNATIONAL PTY LTD <CARRIER INTERNATIONAL SF A/C>	10,000,000	3.49
5	PARWOOD PTY LIMITED <S A YENCKEN FAMILY A/C>	9,201,822	3.21
6	RAZOR RISK TECHNOLOGIES ESP PTY LTD <CONTROL A/C>	8,726,257	3.05
7	BOND STREET CUSTODIANS LIMITED <DSK – V07395 A/C>	8,521,941	2.97
8	MR ANDREW NICHOLAS SCOTT WOOD	8,407,882	2.94
9	BOOM SECURITIES (HK) LTD <CLIENTS ACCOUNT>	7,307,958	2.55
10	MS JANE YUILE	5,666,660	1.98
11	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	5,442,685	1.90
12	SANDHURST TRUSTEES LTD <JMFG CONSOL A/C>	2,901,532	1.01
13	MR ROBERT GEORGE STRIBLING + MRS PAULINE GOH-STRIBLING	2,880,000	1.01
14	MS ANN MARIE LANDRY	2,688,940	0.94
15	MR IAN CRAIG HARROP	2,688,939	0.94
16	UBS WEALTH MANAGEMENT AUSTRALIA NOMINEES PTY LTD	2,447,222	0.85
17	SOUTHERLY TRADING PTY LTD	2,227,500	0.78
18	MR PHILIP CAIRNS DIXON + MRS JACQUELINE DIXON + MR STEPHEN THOMAS WRIGHT <DIXON FAMILY A/C>	2,150,000	0.75
19	QTI MANAGED FUNDS LIMITED	2,016,000	0.70
20	AUSTROM PTY LIMITED <NOLAN SUPER FUND A/C>	2,000,000	0.70