

Tuesday 30th August 2011

**Appendix 4E Preliminary final report for the financial year ended 30th June 2011
and statement on Audited Financial Report**

Sydney: The Directors of Razor Risk Technologies Limited (ASX: RZR) announce that the attached 4E is based on the financial report for the year ended 30th June 2011. The financial report is in the process of being audited. The financial report is not subject to audit dispute or qualification.

The Directors now anticipate that the audited financial report for the year ended 30th June 2011 will be released to the ASX on or before 30th September 2011.

- END -

Enquiries/Additional Information:

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Ellis Bugg, Chairman
Andrew Wood, CEO

About Razor Risk Technologies Limited

Razor Risk Technologies is a leading provider of risk management technology and consulting solutions to financial institutions worldwide. Established in 1999, the company was created in response to the complex issues surrounding risk management. Razor Risk Technologies recognised that to proactively measure and manage risk, it was necessary to manage the total exposure of a financial institution across all of its global activities. The company's Razor product has helped transform the way Banks, Hedge Funds, Brokers, Central Clearing Counterparties and Stock Exchanges, in many countries, measure their risk and manage their capital.

An Australian public company (ASX: RZR) with offices in Sydney (headquarters), New York and London, Razor Risk Technologies has a highly skilled team of specialists who provide risk management technology and consulting services across the financial markets and risk management sectors. The company operates on a global risk consultancy structure, drawing upon the expertise of all employees in implementing best practices for clients' individual needs. This methodology supports an efficient, low cost, minimal risk implementation, allowing clients to maximise optimal risk and reward. Razor Risk Technologies has a 100 per cent successful implementation record for Razor. For more information, please visit Razor Risk Technologies at: www.razor-risk.com. ABN: 84 088 299 512

Appendix 4E

Preliminary final report for the financial
year ended 30 June 2011

razor

RISK TECHNOLOGIES

Financial year ended 30 June 2011

Previous corresponding period – year ended 30 June 2010

Results for announcement to the Market

	30 June 2011 \$'000	Increase/Decrease	Percentage
Revenues from ordinary activities	9,616	Decrease	32%
Profit before income taxes	290	Decrease	75%
Net profit after tax from continuing operations	(204)	Decrease	109%
Net profit after tax attributed to members	(230)	Decrease	114%

Dividends

It is not proposed to pay dividends for the financial year ended 30 June 2011.

NTA backing

	Current period	Previous corresponding period
Net tangible asset backing per share	0.74 cents	1.03 cents

There has been no control gained or lost over entities in the financial year.

For an explanation of figures reported above, refer to attached preliminary final report and covering commentary.

Brief explanation of Revenue

Revenue for the full year fell 32% reflective of the company's key potential markets of the Americas and Europe continuing to be severely impacted by subdued immediate investment in enterprise risk management applications. The uncertainty around final governance obligations for both clients and perspective clients resulted in an on going long sales cycles in both America and in Europe. Our target client base in these geographies continue to operate a wait and see approach. 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 \$379,000 (2010 \$1,274,000) after a goodwill impairment charge of \$100,000 (2010 \$nil) 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 \$616,000 (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.

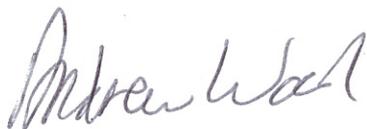
Deferred tax asset reduced

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 unrecouped 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.

Audit of accounts

The preliminary final report is based on accounts that are in the progress of being audited.

Signed in accordance with a resolution of the Directors.



ANDREW WOOD
Director
30 August 2011

Statement of Comprehensive Income for the year ended 30 June 2011

	Note	CONSOLIDATED	
		2011 \$'000	2010 \$'000
Revenue from continuing operations	3	9,616	14,140
Direct Labour		(4,133)	(6,353)
Direct Margin		5,483	7,787
Other revenue	3	250	207
<i>Operating Expenditure</i>			
Direct sales expenses		(738)	(1,207)
Impairment expenses		(100)	-
Marketing expenses		(88)	(262)
Occupancy expenses		(666)	(711)
Administration expenses		(3,475)	(3,881)
Other expenses		(287)	(659)
Profit before tax and share-based payments		379	1,274
Share-based payment expense		(89)	(106)
Profit before income tax		290	1,168
Income tax (expense) / credit		(494)	1,075
Net profit for the period from continuing operations		(204)	2,243
Loss for the period from discontinued operations		(26)	(654)
Net (Loss) / profit for the period		(230)	1,589
Other comprehensive income for the year, after tax			
Currency (loss) on translation of subsidiary		(193)	(93)
Income tax relating to components of other comprehensive income		-	-
Other comprehensive income for the year, after tax		(193)	(93)
Total comprehensive income for the year		(423)	1,496
Total comprehensive income attributed to owners of the parent		(423)	1,496
Overall operations			
Basic earnings per share (cents per share)	4	(0.08)	0.56
Diluted earnings per share (cents per share)	4	(0.08)	0.54
Continuing operations			
Basic earnings per share (cents per share)		(0.08)	0.79
Diluted earnings per share (cents per share)		(0.08)	0.77
Discontinued operations			
Basic earnings per share (cents per share)		(0.08)	(0.23)
Diluted earnings per share (cents per share)		(0.08)	(0.23)

Statement of Financial Position

As at 30 June 2011



	Note	CONSOLIDATED	
		2011 \$'000	2010 \$'000
ASSETS			
Current Assets			
Cash and cash equivalents		1,610	3,374
Trade and other receivables		1,861	821
Prepayments		194	214
Financial assets		8	-
Accrued revenue		57	22
Total Current Assets		3,730	4,431
Non-current Assets			
Financial assets		332	374
Property, plant and equipment		225	399
Deferred tax asset		581	1,075
Intangible assets	6	3,601	3,085
Total Non-current Assets		4,739	4,933
TOTAL ASSETS		8,469	9,364
LIABILITIES			
Current Liabilities			
Trade and other payables		790	987
Short-term provisions		211	497
Unearned revenue		1,287	1,331
Total Current Liabilities		2,288	2,815
Non-current Liabilities			
Long-term provisions		75	111
Deferred lease incentive		385	415
Total Non-current Liabilities		460	526
TOTAL LIABILITIES		2,748	3,341
NET ASSETS		5,721	6,023
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	7	52,594	52,506
Accumulated losses		(49,861)	(49,663)
Reserves		2,988	3,180
TOTAL EQUITY		5,721	6,023

Preliminary final report for the financial year ended 30 June 2011

Statement of Changes in Equity

For the Year Ended 30 June 2011



	CONSOLIDATED			
	Issued capital \$'000	Accumulated losses \$'000	Other reserves \$'000	Total \$'000
<i>Changes in equity for period</i>				
Balance at 1 July 2009	52,451	(51,252)	3,222	4,421
Net comprehensive income for the period	-	1,589	(93)	1,496
Share-based payment	55	-	51	106
At 30 June 2010	52,506	(49,663)	3,180	6,023
<i>Changes in equity for period</i>				
Balance at 1 July 2010	52,506	(49,631)	3,180	6,055
Net comprehensive income for the period	-	(230)	(193)	(423)
Share-based payment	88	-	1	89
At 30 June 2011	52,594	(49,861)	2,988	5,721

Preliminary final report for the financial year ended 30 June 2011

Statement of Cash Flow
For the Year Ended 30 June 2011



	Note	CONSOLIDATED	
		2011 \$'000	2010 \$'000
Cash flows from Operating Activities			
Receipts from customers (inclusive of GST)		8,282	13,925
Payments to suppliers and employees (inclusive of GST)		(9,436)	(13,558)
Interest received		92	45
Government grant received		125	161
Income taxes paid		-	-
Net cash flows (used in) / provided by operating activities	5	(937)	573
Cash flows from Investing Activities			
Purchase of property, plant and equipment		(39)	(221)
Capitalised software development costs		(616)	-
Net cash flows (used in) investing activities		(655)	(221)
Cash flows from Financing Activities			
Proceeds from issue of shares and options		-	-
Net cash flows provided by financing activities		-	-
Net (decrease) / increase in cash and cash equivalents		(1,592)	352
Net foreign exchange differences		(172)	(117)
Cash and cash equivalents at beginning of the year		3,374	3,139
Cash and cash equivalents at end of the year		1,610	3,374

Preliminary final report for the financial year ended 30 June 2011

1. Information on audit

This statement is based on accounts which are in the process of being audited.

2. Segment information

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

The operating result presented in the Statement of Comprehensive Income represents the same segment information as reported to the Company's Chief Operating decision maker.

3. Revenue

	CONSOLIDATED	
	2011 \$'000	2010 \$'000
Revenue from Total Operations		
(a) Revenue		
Sale of goods	8,760	12,436
Rendering of services	856	1,704
	9,616	14,140
(b) Other revenue		
Government Grant (i)	125	161
Interest revenue	92	45
Write-back of prior period elimination entry – Indian entity	33	-
Proceeds of sale of surplus asset	-	1
	250	207

- (i) 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.

4. Earnings per share

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

	CONSOLIDATED	
	2011 \$'000	2010 \$'000
Net profit from continuing operations	(204)	2,243
Net loss from discontinued operations	(26)	(654)
Net profit attributable to ordinary equity holders of the parent	(230)	1,589
	<i>Thousands</i>	<i>Thousands</i>
Weighted average number of ordinary shares for basic earnings per share	285,625	283,954
Weighted average number of ordinary shares & options for diluted earnings per share	289,573	289,888

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.

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

	CONSOLIDATED	
	2011 \$'000	2010 \$'000
Net Profit	(230)	1,589
<i>Adjustments for:</i>		
Deferred tax asset recognised	494	(1,075)
Depreciation	171	211
Goodwill impairment	100	205
Disposal of assets	-	57
Write-back of elimination entry – Indian entity	(33)	-
Loss on write-off of Indian assets	26	21
Rent incentive received	(30)	(5)
Share-based payment expense	89	109
Foreign currency translation	(172)	(117)
<i>Changes in assets and liabilities</i>		
Decrease in financial assets (current)	-	20
(Increase) / decrease in trade and other receivables	(1,134)	566
Decrease / (increase) in prepayments	8	(69)
(Increase) / decrease in accrued revenue	(36)	74
Decrease in financial assets (non-current)	344	271
(Decrease) in trade and other payables	(116)	(403)
(Decrease) in provisions (current liabilities)	(368)	(46)
(Decrease) in unearned revenue	(44)	(635)
(Decrease) in non-current liabilities	(6)	(200)
Net cash provided by operating activities	(937)	573

6. Intangible assets

	CONSOLIDATED	
	2011 \$'000	2010 \$'000
NextSet goodwill		
Cost	1,548	1,548
Accumulated impaired losses	(1,548)	(1,548)
Net carrying value	-	-
TMS goodwill		
Cost	1,085	1,085
Accumulated impaired losses	(148)	(48)
Net carrying value	937	1,037
Halcyon goodwill		
Cost	2,048	2,048
Accumulated impaired losses	-	-
Net carrying value	2,048	2,048
Internally developed software		
Cost	616	-
Accumulated impaired losses	-	-
Net carrying value	616	-
Total intangibles	3,601	3,085

	CONSOLIDATED				
	Internally generated software \$'000	NextSet \$'000	TMS \$'000	Halcyon \$'000	Total \$'000
At 1 July 2009					
Opening balance	-	205	1,037	2,048	3,290
Impairment loss	-	(205)	-	-	(205)
Closing value at 30 June 2010	-	-	1,037	2,048	3,085
At 1 July 2010					
Opening balance	-	205	1,037	2,048	3,085
Additions	616	-	-	-	616
Impairment loss	-	-	(100)	-	(100)
Closing value at 30 June 2011	616	205	937	2,048	3,601

7. Issued capital and reserves

	CONSOLIDATED	
	2011 \$'000	2010 \$'000
Ordinary shares		
Issued and fully paid	52,594	52,506

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.

	2011		2010	
	Number ('000)	\$'000	Number ('000)	\$'000
Movement in ordinary shares on issue				
Beginning of the financial year	283,953	52,506	283,953	52,451
Issued during the year				
– employee share scheme (i)	-	-	-	55
– employee retention scheme	2,500	88	-	-
End of the financial year	286,453	52,594	283,953	52,506

(i) Purchased by employees under the ESAP

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