

Half Year Financial Statements
31 December 2009

razor

RISK TECHNOLOGIES

Contents to Half Year Financial Statements

CORPORATE INFORMATION	3
DIRECTORS' REPORT	5
STATEMENT OF COMPREHENSIVE INCOME	7
STATEMENT OF FINANCIAL POSITION	8
STATEMENT OF CHANGES IN EQUITY	9
STATEMENT OF CASH FLOW	10
NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS	11
1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.....	11
2. SEGMENT INFORMATION	12
3. REVENUE, INCOME AND EXPENSES.....	13
4. CASH AND CASH EQUIVALENTS.....	14
5. ACCRUED REVENUE.....	14
6. FINANCIAL ASSETS.....	14
7. GOODWILL.....	15
8. EVENTS AFTER THE BALANCE SHEET DATE.....	15
9. CONTINGENT LIABILITIES.....	15
DIRECTORS' DECLARATION	16
AUDITORS' INDEPENDENCE DECLARATION	17
INDEPENDENT AUDITORS' REVIEW REPORT	18

Corporate Information

ABN 84 088 299 512

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

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

DIRECTORS

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

COMPANY SECRETARY

Oliver Carton

REGISTERED OFFICE

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SHARE REGISTER

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SOLICITORS

Carton Solicitors
Suite 211, 11 Milton Parade
Malvern VIC 3144

BANKERS

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

The Board of Directors of Razor Risk Technologies Limited submits its report in respect of the half-year ended 31 December 2009.

DIRECTORS

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

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

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

PRINCIPAL ACTIVITIES

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

REVIEW AND RESULTS OF OPERATIONS

The Company has continued to make significant improvements in operations which resulted in a net profit of \$603,000 for the six months to 31 December 2009 (\$456,000 for the six months to 31 December 2008). The improving net profit was despite a significant foreign exchange impact due to the strengthening Australian dollar, which has seen erosion in the gross value of USD and GBP foreign derived sales.

Improvements continue in client margins compared to the previous full and half year trading results.

Underlying management of costs continue to be a key focus of the Company and have been reduced where appropriate. The company has significantly invested in its sales and marketing capabilities to be in the best position when the global economic positions improve. The full benefits of the implementation of a global structure for client operations are continuing to enhance management of projects, with deliveries and milestones resulting in increased cash generation and maximised additional revenue opportunities with existing clients.

Cash, cash equivalents and term deposits totalled \$2.9m as at 31 December 2009 (\$2.1m at 31 December 2008) reflecting the continual improvement in overall financial performance and enhanced management of client receivables and vendor payment terms.

The carrying value of goodwill as at 31 December 2009 was reviewed and found to be appropriate.

OUTLOOK

Despite the ongoing global economic slowdown, in recent months we have seen a distinct pick up in the number of direct enquiries for Razor and specific requests for proposals. The main enquiries revolve around credit / counterparty risk management and measurement which are at the core of the Razor suite of modules.

Directors' Report

OUTLOOK (Continued)

A number of major opportunities with central clearing parties (which are confidential by their very nature) have been progressed. These opportunities already involve receiving fees for our risk consulting services as we work with clients to tailor a Razor solution to their exact needs and implementation timeline.

The outlook for the company and ability to absorb a period without a major new licence sale has improved markedly in the past 18 months.

The Directors remain confident in the ability to ultimately win new business and intend continuing the strategy of focussing on Razor and expanding the Company's sales and marketing efforts.

SIGNIFICANT EVENTS SINCE BALANCE DATE

No matters or circumstances have arisen since 31 December 2009 which significantly or may significantly affect the operations of the consolidated group, the results of those operations, or the state of affairs of the consolidated group in future financial years.

AUDITOR'S INDEPENDENCE DECLARATION

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

Signed in accordance with a resolution of the directors.



ANDREW WOOD

Group Chief Executive Officer

Sydney, 15 February 2010

Statement of Comprehensive Income
For the Half Year Ended 31 December 2009

	Note	CONSOLIDATED	
		31 Dec 2009 \$'000	31 Dec 2008 \$'000
Revenue	3(a)	7,678	8,873
Direct labour		(3,358)	(4,720)
Direct margin		4,320	4,153
Other income	3(b)	83	20
<i>Operating expenditure</i>			
Direct sales expenses		(531)	(247)
Marketing expenses		(110)	(86)
Occupancy expenses		(417)	(496)
Administrative expenses	3(c)	(2,464)	(2,957)
Other expenses	3(d)	(254)	144
Profit before tax and share-based payments		627	531
Share-based payment expense		(24)	(53)
Profit before income tax		603	478
Income tax (expense)		-	(22)
Net profit for the period		603	456
Other comprehensive income			
FX translation (loss) on translation of subsidiary		(191)	(384)
Income tax relating to components of other comprehensive income		-	-
Other comprehensive income for the year, after tax		(191)	(384)
Total comprehensive income for the year		412	72
Total comprehensive income attributed to:			
Owners of the parent		412	72
Basic earnings per share (cents per share)		0.21	0.16
Diluted earnings per share (cents per share)		0.20	0.15

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

Statement of Financial Position

As at 31 December 2009

	Note	CONSOLIDATED	
		As at 31 Dec 2009 \$'000	As at 30 Jun 2009 \$'000
ASSETS			
Current Assets			
Cash and cash equivalents	4	2,443	3,139
Trade and other receivables		1,205	1,459
Prepayments		139	134
Accrued revenue	5	448	95
Total Current Assets		4,235	4,827
Non-current Assets			
Financial assets	6	425	489
Property, plant and equipment		508	446
Goodwill	7	3,290	3,290
Total Non-current Assets		4,223	4,225
TOTAL ASSETS		8,458	9,052
LIABILITIES			
Current Liabilities			
Trade and other payables		1,075	1,302
Employee benefits		468	632
Unearned revenue		1,407	1,966
Total Current Liabilities		2,950	3,900
Non-Current Liabilities			
Employee benefits		220	311
Deferred lease incentive		431	420
Total Non-Current Liabilities		651	731
TOTAL LIABILITIES		3,601	4,631
NET ASSETS		4,857	4,421
EQUITY			
Equity attributable to equity holders of the parent			
Contributed equity		52,474	52,451
Accumulated losses		(50,649)	(51,252)
Reserves		3,032	3,222
TOTAL EQUITY		4,857	4,421

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

Statement of Changes in Equity

For the Half Year Ended 31 December 2009

	CONSOLIDATED			
	Issued Capital \$'000	Accumulated losses \$'000	Other reserves \$'000	Total Equity \$'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	-	603	(191)	412
Share-based payment	23	-	1	24
Issue of share capital	-	-	-	-
At 31 December 2009	52,474	(50,649)	3,032	4,857

	CONSOLIDATED			
	Issued Capital \$'000	Accumulated losses \$'000	Other reserves \$'000	Total Equity \$'000
<i>Changes in equity for period</i>				
Balance at 1 July 2008	52,212	(52,714)	3,318	2,816
Net comprehensive income for the period	-	456	(384)	72
Employee Share Scheme	2	-	-	2
Share-based payment	-	-	31	31
Staff Bonus Scheme	14	-	-	14
Conversion of Director's Loan	86	-	-	86
Management Retention Issue	6	-	-	6
At 31 December 2008	52,320	(52,258)	2,965	3,027

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

Statement of Cash Flow

For the Half Year Ended 31 December 2009

	Note	CONSOLIDATED	
		As at 31 Dec 2009 \$'000	As at 31 Dec 2008 \$'000
Cash flows from Operating Activities			
Receipts from customers (inclusive of GST)		7,540	9,127
Payments to suppliers and employees (inclusive of GST)		(8,055)	(9,111)
Interest received		82	25
Government grant received		50	-
Net cash flows (used) / provided in operating activities		(383)	41
Cash flows from Investing Activities			
Payment to Halcyon		-	(302)
Repayment of loans		-	(21)
Purchase of property, plant and equipment		(171)	-
Net cash flows (used in) investing activities		(171)	(323)
Cash flows from Financing Activities			
Proceeds from issue of shares and options		-	-
Net cash flows provided by financing activities		-	-
Net (decrease) in cash and cash equivalents		(554)	(282)
Net foreign exchange differences		(142)	162
Cash and cash equivalents at beginning of period		3,139	1,604
Cash and cash equivalents at the end of period	4	2,443	1,484

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The half-year financial statements should be read in conjunction with the Annual Financial Statements of Razor Risk Technologies Limited as at 30 June 2009, which has been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards.

It is also recommended that the half-year financial statements be considered together with any public announcements made by Razor Risk Technologies Limited and its controlled entities during the half-year ended 31 December 2009 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

(a) Basis of Preparation

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

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

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

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

Going Concern

During the period the operations of Razor Risk Technologies Limited have continued to trade profitably.

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

(b) Significant Accounting Policies

The half-year consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2009 except AASB134 changes coming from AASB101.

Management has reclassified how direct labour is reported in the Statement of Comprehensive Income. The Group restructured its management structure during FY 08/09 and the company now operates under a central global structure. Wages and salaries in relation to sales, management and administration salaries relating to the Indian subsidiary for the period 31 December 2008 have been reclassified under operating expenditure from direct labour. The amount of each class of wages and salaries reclassified is as follows:

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Significant Accounting Policies (continued)

	Presented at 31 Dec 2008 \$'000	Adjustments at 31 Dec 2008 \$'000	Re-stated 31 Dec 2008 \$'000
Direct labour	5,780	(1,060)	4,720
Sales staff costs reclassified	-	247	247
Management staff costs reclassified	-	806	806
Indian subsidiary administration costs reclassified	-	7	7
	5,780	-	5,780

(c) Basis of Consolidation

The half-year consolidated financial statements comprise the financial statements of Razor Risk Technologies Limited and its subsidiaries as at 31 December 2009 ('the Group').

2. SEGMENT INFORMATION

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

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

3. REVENUE, INCOME AND EXPENSES

The current period profit (2008: profit) before tax and share-based payments includes the following material items of income and expense whose disclosure is relevant in explaining the performance of the entity:

	CONSOLIDATED	
	2009 \$'000	2008 \$'000
(a) Revenue		
Sale of goods	6,935	7,722
Rendering of services	743	1,151
	7,678	8,873
(b) Other Income		
Government grant (i)	50	-
Proceeds on sale of surplus assets	1	-
Bank interest receivable	32	20
	83	20
(c) Administrative Expenses		
<i>Employee benefits expenses (ii)</i>		
Wages and salaries	1,091	1,446
Workers' compensation costs	10	9
Superannuation	142	41
Employer related taxes	110	56
Terminations	183	97
Other employee costs	114	57
Share based payments	24	53
	1,674	1,759
(d) Other expenses		
Interest expense	4	17
Depreciation of plant and equipment, owned	108	102
Net foreign exchange differences	142	(263)
	254	(144)
(e) Lease payments included in statement of comprehensive income		
Operating lease expense	404	460
	404	460

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

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

4. CASH AND CASH EQUIVALENTS

	CONSOLIDATED	
	As at 31 Dec 2009 \$'000	As at 30 Jun 2009 \$'000
Cash at bank and in hand	2,443	1,254
Short-term deposits	-	1,885
	2,443	3,139

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

5. ACCRUED REVENUE

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

6. FINANCIAL ASSETS

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

	CONSOLIDATED	
	As at 31 Dec 2009 \$'000	As at 30 Jun 2009 \$'000
Non-Current		
Term Deposits	384	427
Bonds	41	62
	425	489

7. GOODWILL

	CONSOLIDATED			
	NextSet \$'000	TMS \$'000	Halcyon \$'000	Total \$'000
At 1 July 2008				
Opening balance	205	1,037	2,048	3,290
Impairment loss	-	-	-	-
At 31 December 2008	205	1,037	2,048	3,290
At 1 January 2009				
Opening balance	205	1,037	2,048	3,290
Impairment loss	-	-	-	-
At 30 June 2009	205	1,037	2,048	3,290
At 1 July 2009				
Opening balance	205	1,037	2,048	3,290
Impairment loss	-	-	-	-
At 31 December 2009	205	1,037	2,048	3,290

As at 31 December 2009, Management have performed impairment testing and the value in use calculation prepared support the carrying value of goodwill.

8. EVENTS AFTER THE BALANCE SHEET DATE

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

9. CONTINGENT LIABILITIES

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

Directors' Declaration

Directors' Declaration

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

In the opinion of the directors:

- (a) the financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company and Consolidated entity's financial position as at 31 December 2009 and of their performance for the half-year ended on that date; and
 - (ii) complying with Accounting Standards and Corporations Regulations 2001.

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

On behalf of the Board



ANDREW WOOD

Group Chief Executive Officer

Sydney, 15 February 2010

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**Auditor's Independence Declaration
To The Directors of Razor Risk Technologies Limited**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Razor Risk Technologies Limited for the half-year ended 31 December 2009, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- b no contraventions of any applicable code of professional conduct in relation to the review.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



A J Archer
Director - Audit & Assurance Services

Sydney, 15 February 2010

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

We have reviewed the accompanying half-year financial report of Razor Risk Technologies Limited ("Company"), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2009, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagement ASRE 2410: Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001.

As the auditor of Razor Risk Technologies Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

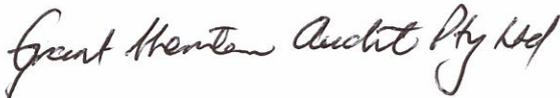
Independence

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

Conclusion

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

- a giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and
- b complying with Accounting Standard AASB 134: Interim Financial Reporting and Corporations Regulations 2001.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



A J Archer
Director - Audit & Assurance Services

Sydney, 15 February 2010