



Interim Financial Report

Jade Software Corporation



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INCOME STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2007

	Note	Unaudited Interim Period Ending		12 months to
		30 June 2007	30 June 2006	31 December 2006
		\$000's	\$000's	\$000's
Revenue	2	20,946	23,272	40,718
Expenditure	3	13,461	14,204	27,495
Profit before depreciation, amortisation, financing and tax		\$7,485	\$9,068	\$13,223
Depreciation and amortisation	3	2,386	2,538	4,736
Profit before financing and tax		\$5,099	\$6,530	\$8,487
Finance costs		98	102	220
Profit before Income Tax		\$5,001	\$6,428	\$8,267
Income tax expense		140	301	526
Profit Attributable to Equity holders of the Parent		\$4,861	\$6,127	\$7,741

STATEMENTS OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2007

	Note	Unaudited Interim Period Ending		12 months to
		30 June 2007	30 June 2006	31 December 2006
		\$000's	\$000's	\$000's
Equity at the Beginning of the Period as previously published		\$28,219	\$22,083	\$22,083
Changes on adoption of NZ IFRS	9	475	(207)	(207)
EQUITY AT THE BEGINNING OF THE PERIOD AS RESTATED		\$28,694	\$21,876	\$21,876
Exchange differences on translation of foreign operations		250	(434)	(554)
Fair value gains on available-for-sale financial assets	4	1,538	68	631
Net revenues recognised directly in contributed equity		\$1,788	(\$366)	\$77
Profit for the period		4,861	6,127	7,741
Total Recognised revenues and expenses for the period		\$6,649	\$5,761	\$7,818
Share repurchase		-	(1,000)	(1,000)
Equity at the End of the Period		\$35,343	\$26,637	\$28,694

BALANCE SHEETS

AS AT 30 JUNE 2007

	Note	Unaudited Interim Period Ending		12 months to
		30 June 2007	30 June 2006	31 December 2006
		\$000's	\$000's	\$000's
ASSETS				
Current Assets				
Cash and cash equivalents		23,813	21,534	21,160
Trade and other receivables		9,168	5,914	6,536
Contracts in progress		543	21	516
		33,524	27,469	28,212
Non Current Assets				
Trade and other receivables		42	64	53
Available-for-sale financial assets	4	5,619	3,518	4,081
Property, plant and equipment		1,187	1,440	1,445
Intangible assets		7,420	8,244	7,282
		14,268	13,266	12,861
Total Assets		\$47,792	\$40,735	\$41,073
LIABILITIES				
Current Liabilities				
Trade and other payables		4,476	4,760	4,339
Interest-bearing liabilities		2,720	107	117
Revenue in advance		1,921	1,274	889
Provisions		937	1,783	1,540
		10,054	7,924	6,885
Non Current Liabilities				
Revenue in advance		2,238	3,071	2,614
Interest-bearing liabilities		157	3,103	2,880
		2,395	6,174	5,494
Total Liabilities		\$12,449	\$14,098	\$12,379
NET ASSETS		\$35,343	\$26,637	\$28,694
EQUITY				
Contributed equity		64,576	64,576	64,576
Reserves	5	4,890	2,659	3,102
Retained earnings		(34,123)	(40,598)	(38,984)
TOTAL EQUITY		\$35,343	\$26,637	\$28,694



STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2007

	Note	Unaudited Interim Period Ending		12 months to
		30 June 2007	30 June 2006	31 December 2006
		\$000's	\$000's	\$000's
Cash Flows From Operating Activities				
Cash Was Provided From:				
Receipts from customers		17,803	17,785	33,478
Sale of customer contracts and goodwill		-	3,647	3,647
Interest and dividends received		913	557	1,268
Interest tax received		179	-	-
		18,895	21,989	38,393
Cash Was Applied To:				
Payments to suppliers and employees		13,752	13,904	28,883
Interest paid		98	102	219
Income and withholding taxes paid		135	27	254
		13,985	14,033	29,356
Net Cash Flows From Operating Activities	6	\$4,910	\$7,956	\$9,037
Cash Flows From Investing Activities				
Cash Was Provided From:				
Sale of property, plant and equipment		-	5	11
Sale of capitalised software development		-	561	561
		-	566	572
Cash Was Applied To:				
Purchase of property, plant and equipment		214	388	587
Acquisition of customer contracts	7	295	-	-
Purchase of software		-	-	38
Software development capitalised		1,609	861	1,810
		2,118	1,249	2,435
Net Cash Flows From Investing Activities		(\$2,118)	(\$683)	(\$1,863)

STATEMENTS OF CASH FLOWS continued
FOR THE SIX MONTHS ENDED 30 JUNE 2007

	Unaudited Interim Period Ending		12 months to
	30 June 2007	30 June 2006	31 December 2006
	\$000's	\$000's	\$000's
Cash Flows From Financing Activities			
Cash Was Applied To:			
Repayment of finance leases	72	121	236
Repurchase of shares	-	1,000	1,000
	72	1,121	1,236
Net Cash Flows From Financing Activities	(\$72)	(\$1,121)	(\$1,236)
Net Increase in Cash Held	\$2,720	\$6,152	\$5,938
Add opening cash and cash equivalents	21,160	15,100	15,100
Effect of exchange rate changes on net cash	(67)	282	122
Closing Cash and Cash Equivalents	\$23,813	\$21,534	\$21,160

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2007

1. STATEMENT OF ACCOUNTING POLICIES

(I) BASIS OF PREPARATION

The interim financial statements presented here are those of Jade Software Corporation Limited and its subsidiaries (the Group).

These financial statements have been prepared in accordance with the requirements of the Companies Act 1993 and the Financial Reporting Act 1993 in accordance with IAS 34: Interim Financial Reporting and should be read in conjunction with the financial statements for the year ended 31 December 2006. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets as identified in specific accounting policies below. The financial statements for the six months ended 30 June 2007 and 30 June 2006 are unaudited. The comparative information for the year ended 31 December 2006 has been audited under NZ FRS.

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand. They comply with the New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities.

(II) APPLICATION OF NZ IFRS 1 FIRST-TIME ADOPTION OF NEW ZEALAND EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (NZ IFRS 1)

The financial statements of Jade Software Corporation Limited, until 31 December 2006, had been prepared in accordance with previous New Zealand Financial Reporting Standards (NZ FRS). NZ FRS differs in certain respects from NZ IFRS. When preparing the Group interim financial statements for the six months ended 30 June 2007, management has amended certain accounting and valuation methods applied in the previous NZ FRS financial statements to comply with NZ IFRS. The comparative figures have been restated to reflect these adjustments.

Reconciliations and descriptions of the effect of transition from previous NZ FRS to NZ IFRS on the Group's assets, liabilities, equity and profit are given in note 9.

In preparing these financial statements in accordance with NZ IFRS 1 the Group has applied the following optional exemptions from full retrospective application of NZ IFRS:

Business combinations

The Group has applied the business combinations exemption in NZ IFRS 1. It has not restated business combinations that took place prior to the 1 January 2006 transition date.

Cumulative translation differences

The cumulative translation differences for all foreign operations are reported as a separate component of equity. Applying the exemption within NZ IFRS 1 means that these cumulative translation differences are deemed to be zero on 1 January 2006, the date of transition to NZ IFRS 1.

NOTES TO THE FINANCIAL STATEMENTS continued

FOR THE SIX MONTHS ENDED 30 JUNE 2007

1. STATEMENT OF ACCOUNTING POLICIES continued

(III) CHANGES TO ACCOUNTING POLICIES

The adoption of NZ IFRS has resulted in changes to certain accounting policies. Where these changes are significant in relation to these financial statements, the changed accounting policy is outlined below. The remaining policies used in the preparation of these financial statements are either consistent with those used in the preparation of the published financial statements for the year ended 31 December 2006 or the change is insignificant to these interim financial statements.

Foreign currency translation

Functional and presentation currency

Items included in the financial statements of the subsidiaries' operations are measured using the currency of the primary economic environment in which it operates (the functional currency). The financial statements are presented in New Zealand dollars, which is the functional and presentation currency of Jade Software Corporation Limited.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Foreign operations

The results and balances of all foreign operations that have a functional currency different from New Zealand dollars are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet are translated at the closing rate at the date of that balance sheet;
- Income and expenses for each income statement are translated at the dates of the transactions; and
- All resulting exchange differences are recognised as a separate component of equity.

Receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Collectibility of receivables is reviewed on an ongoing basis. A provision for doubtful receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivable. The amount of the provision is recognised in the income statement. Debts that are known to be uncollectible are written off.

Where settlement is deferred for longer than twelve months, the receivable is carried at the present value of the estimated future cash flows, discounted at an imputed interest rate of interest.

NOTES TO THE FINANCIAL STATEMENTS continued

FOR THE SIX MONTHS ENDED 30 JUNE 2007

1. STATEMENT OF ACCOUNTING POLICIES continued

Investments

Investments that are designated as available-for-sale financial assets are initially recognised at fair value plus transaction costs. They are subsequently carried at fair value, with unrealised gains and losses arising from changes in fair value recognised within equity, except for foreign exchange movements on monetary assets, which are recognised in the income statement. The fair values of quoted investments are based on current bid prices.

When available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains or losses from investments.

Employee entitlements

Employee entitlements to salaries and wages, non-monetary benefits, annual and long service leave and other benefits are recognised in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

The liability for employee entitlements is carried at the present value of the estimated future cash flows.

NOTES TO THE FINANCIAL STATEMENTS continued

FOR THE SIX MONTHS ENDED 30 JUNE 2007

2. REVENUE

	Unaudited Interim Period Ending		12 months to
	30 June 2007	30 June 2006	31 December 2006
	\$000's	\$000's	\$000's
Revenue from operations	16,921	17,759	34,038
Other Income:			
Interest received	815	649	1,434
Rental income	154	297	483
Sundry revenue	86	58	154
Profit on sale of Health software, customer contracts and goodwill	2,970	4,509	4,609
	\$20,946	\$23,272	\$40,718

The 2007 profit on the sale of Health software, customer contracts and goodwill comprises additional consideration receivable from Ascribe plc on the successful achievement of certain sales and profit targets. This receivable will be settled in July 2007 by the issue of 2,010,517 shares in Ascribe plc, which had a fair value of 57.5p at 30 June 2007.

3. EXPENSES

	Unaudited Interim Period Ending		12 months to
	30 June 2007	30 June 2006	31 December 2006
	\$000's	\$000's	\$000's
Expenditure:			
Employee benefits	11,490	11,954	23,048
Transfer to capitalised software development	(1,609)	(860)	(1,810)
Reversal of provisions	(635)	(193)	(224)
Other expenses	4,215	3,303	6,481
	\$13,461	\$14,204	\$27,495
Depreciation:			
Furniture and Fittings	40	27	53
Plant and computer equipment	496	369	642
Software	65	51	88
Motor Vehicles	6	6	13
	\$607	\$453	\$796
Amortisation:			
Capitalised software development	1,764	2,085	3,940
Jade Partner agreements	15	-	-
	\$1,779	\$2,085	\$3,940

NOTES TO THE FINANCIAL STATEMENTS continued

FOR THE SIX MONTHS ENDED 30 JUNE 2007

4. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Unaudited Interim Period Ending		12 months to
	30 June 2007	30 June 2006	31 December 2006
	\$000's	\$000's	\$000's
Balance at the beginning of the period	4,081	-	-
Additions	-	3,450	3,450
Revaluation	1,538	68	631
Balance at the end of the period	\$5,619	\$3,518	\$4,081

Available-for-sale financial assets comprise 3,804,516 shares held in the UK listed company, Ascribe plc.

5. RESERVES

	Unaudited Interim Period Ending		12 months to
	30 June 2007	30 June 2006	31 December 2006
	\$000's	\$000's	\$000's
Capital reserve	3,025	3,025	3,025
Investments revaluation reserve	2,169	68	631
Foreign currency translation reserve	(304)	(434)	(554)
	\$4,890	\$2,659	\$3,102

NATURE AND PURPOSE OF RESERVES

(i) CAPITAL RESERVE

The capital reserve comprises historical capital profits received on the sale of land and buildings.

(ii) INVESTMENTS REVALUATION RESERVE

Changes in the fair value of investments such as equities, classified as available-for-sale financial assets, are taken to the investments revaluation reserve.

(iii) FOREIGN CURRENCY TRANSLATION RESERVE

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations into New Zealand dollars.

NOTES TO THE FINANCIAL STATEMENTS continued

FOR THE SIX MONTHS ENDED 30 JUNE 2007

6. RECONCILIATION OF OPERATING CASH FLOW WITH PROFIT

	Unaudited Interim Period Ending		12 months to
	30 June 2007 \$000's	30 June 2006 \$000's	31 December 2006 \$000's
Reported Profit After Tax	\$4,861	\$6,127	\$7,741
Add/(Less): Non-Cash and Non-operating Items			
Depreciation of property plant and equipment	607	453	790
Amortisation of capitalised software	1,779	2,085	3,940
Amortisation recovered on disposal of capitalised software	-	(113)	(113)
Investment acquired as part of sale of health software, customer contracts and goodwill	-	(3,450)	(3,450)
Provision (decrease)/increase	(603)	1,244	1,000
Foreign exchange movements on non-operating items	25	351	(77)
Loss on sale of property, plant and equipment	2	3	69
	\$1,810	\$573	\$2,159
Add/(Less): Movements in Working Capital			
(Increase)/decrease in receivables	(2,764)	1,330	722
(Increase)/decrease in contracts in progress	(42)	126	(369)
Increase/(decrease) in payables	156	722	308
Increase/(decrease) in revenue in advance	889	(922)	(1,524)
	(\$1,761)	\$1,256	(\$863)
Reported Net Cash Flows From Operating Activities	\$4,910	\$7,956	\$9,037

NOTES TO THE FINANCIAL STATEMENTS continued

FOR THE SIX MONTHS ENDED 30 JUNE 2007

7. ACQUISITIONS

On 30 March 2007, Jade Software Corporation Limited acquired the Jade Partner Programme contracts, related receivables and liabilities from Jolly Good Business Pty Limited for a cash consideration of \$295,000.

Details of the fair value of the assets and liabilities acquired are as follows:

	30 June 2007
	\$000's
Intangible assets - customer contracts	318
Trade receivables	34
Other liabilities	(57)
Consideration Paid	\$295

8. EVENTS AFTER THE BALANCE SHEET DATE

Acquisition of Methodware Limited

On 2 July 2007, Jade Software Corporation Limited acquired 100% of the shares in Methodware Limited, an operational risk software company, for consideration of \$12,500,000 in cash, of which \$3,000,000 is contingent on the achievement of certain profit targets for the year ended 30 June 2007, and the issue of 20,000,000 shares in Jade Software Corporation Limited. Jade has a potential obligation to procure a buyer for the shares in three years time at 20 cents per share and in the event that it cannot do so, it will be required to purchase the shares at 20 cents per share.

The assets and liabilities acquired comprise cash and cash equivalents, property, plant and equipment, intangible assets and liabilities including contingent liabilities. As the audited financial statements to 30 June 2007 have not yet been completed, it is not practicable at this stage to estimate the fair values of these assets and liabilities. Full details of these fair values will be provided in the 2007 annual report.

The financial effects of the above transactions have not been brought into account at 30 June 2007. The operating results, assets and liabilities of the company will be consolidated from 2 July 2007, the point at which control was transferred.

Value of Investments

As at 30 June 2007, Jade Direct NZ Limited (a member of the Jade Software Corporation group) held 3,804,516 shares in Ascribe plc, a listed UK company. These shares are valued in this report at 57.5p per share, representing the market price at 30 June 2007. On 16 July 2007 a further 2,010,517 shares in Ascribe plc were issued to Jade Direct NZ Limited.

Subsequent to the balance sheet date, the share price in Ascribe plc has declined to 37p per share as at the date of this report. This decline in value has not been reflected in this report as it relates to circumstances that have arisen subsequent to the balance date. The financial effect in July 2007 will be a reduction in receivables of \$380,134, which will be reflected as a loss in the income statement, and a reduction in the available-for-sale investments of \$2,451,269, which will be recognised directly in equity.

NOTES TO THE FINANCIAL STATEMENTS continued

FOR THE SIX MONTHS ENDED 30 JUNE 2007

9. RECONCILIATION OF TRANSITION TO NEW ZEALAND EQUIVALENTS TO IFRS

A reconciliation of adjustments to the group assets, liabilities, equity and profit at the reporting dates of 31 December 2006 and 30 June 2006, and at the transition date of 1 January 2006, is set out below.

	Total Assets \$000's	Total Liabilities \$000's	Equity \$000's	Profit Before Tax \$000's
Reported at 31 December 2006 using NZ FRS	\$40,235	\$12,016	\$28,219	\$7,662
Investment at fair value	698	-	698	-
Receivables discounting	(25)	-	(25)	380
Translation of foreign assets and liabilities	(7)	49	(56)	276
Long service leave accrual	-	67	(67)	20
Leases classification	172	247	(75)	(71)
Adjustment	\$838	\$363	\$475	605
Restated balance under NZ IFRS at 31 December 2006	\$41,073	\$12,379	\$28,694	\$8,267

	Total Assets \$000's	Total Liabilities \$000's	Equity \$000's	Profit Before Tax \$000's
Reported at 30 June 2006 using NZ FRS	\$40,831	\$13,525	\$27,306	\$6,524
Investment at fair value	(151)	-	(151)	-
Receivables discounting	(67)	-	(67)	342
Translation of foreign assets and liabilities	7	288	(281)	(365)
Long service leave accrual	-	66	(66)	28
Leases classification	115	219	(104)	(101)
Adjustment	(\$96)	\$573	(\$669)	(\$96)
Restated balance under NZ IFRS at 30 June 2006	\$40,735	\$14,098	\$26,637	\$6,428

	Total Assets \$000's	Total Liabilities \$000's	Equity \$000's
Reported at 31 December 2005 using NZ FRS	\$34,085	\$12,002	\$22,083
Receivables discounting	(370)	-	(370)
Translation of foreign assets and liabilities	(3)	(252)	249
Long service leave accrual	-	82	(82)
Leases classification	177	181	(4)
Adjustment	(\$196)	\$11	(\$207)
Restated balance under NZ IFRS at 1 January 2006	\$33,889	\$12,013	\$21,876

NOTES TO THE FINANCIAL STATEMENTS continued

FOR THE SIX MONTHS ENDED 30 JUNE 2007

9. RECONCILIATION OF TRANSITION TO NEW ZEALAND EQUIVALENTS TO IFRS continued

Explanations of the adjustments on transition to NZ IFRS are outlined below.

Investment at fair value

Investments were previously to be held at the lower of cost and net realisable value. Under NZ IFRS, investments are held at fair value with the resulting adjustments reported within equity.

Receivables discounting

Under NZ IFRS, long-term receivables are discounted to take into effect the time value of money. They were previously reported at the invoiced amount.

The increased profit in 2006 on the discounting of receivables includes \$267,969 on the sale of a long term receivable to Ascribe plc.

Translation of foreign exchange assets and liabilities

The Group retranslates foreign monetary assets and liabilities held by foreign subsidiaries at the closing rate of exchange, with the exchange variations reported within equity. Under NZ FRS, these exchange variations were reported within the income statement.

Long service leave

Long service leave is currently recognised on an accrual basis. It was previously recognised when it vested.

Leases

Leases on plant, computer equipment and software that transfer substantially all the risks and rewards on ownership have been reclassified on transition to NZ IFRS from operating leases to finance leases.

Computer software

Computer software that is an integral part of the related hardware has been transferred from property, plant and equipment to intangible assets.

CORPORATE DIRECTORY

COMPANY NUMBER	CH 345150
REGISTERED OFFICE	19 Sheffield Crescent, Christchurch, New Zealand
AUDITORS	PricewaterhouseCoopers
BANKERS	ASB Bank Limited
SOLICITORS	AJ Parks, Wellington Chapman Tripp, Christchurch
TAX ADVISORS	Jackson Valentine Limited, Dunedin