

## Appendix 4E

### Preliminary final report

Name of entity

INTEGRATED RESEARCH LIMITED

ABN

76 003 588 449

Reporting period  
(year ended)

30 June 2008

Previous corresponding  
period (year ended)

30 June 2007

#### For announcement to the market

*Extracts from this report for announcement to the market*

			A\$000
Revenue	up	3% to	\$37,384
Profit (loss) before tax attributable to members	up	3% to	\$7,670
Profit (loss) after tax attributable to members	up	6% to	\$5,776
Net profit (loss) for the period attributable to members	up	6% to	\$5,776

Dividends (distributions)	Amount per security	Franked amount per security
Final dividend	1.5¢	-
Previous corresponding period	2.0¢	-

Record date for determining entitlements to the dividend

29 August 2008

#### Brief explanation of directional and percentage changes to profit:

Further analysis of the result, the company's financial position and outlook is provided in "Comments by directors" on page 19 of this report.

**Consolidated income statement**

For the year ended 30 June 2008

In thousands of AUD	Notes	Reporting Period	Previous corresponding period
<b>Revenue:</b>			
Revenue from licence fees		<b>19,623</b>	19,517
Revenue from maintenance fees		<b>16,344</b>	15,856
Revenue from consulting and other services		<b>1,417</b>	1,004
<b>Total revenue</b>		<b>37,384</b>	36,377
<b>Expenses:</b>			
Research and development		<b>8,717</b>	6,369
Sales and marketing		<b>17,114</b>	18,923
General and administration		<b>4,345</b>	4,103
<b>Total expenses</b>		<b>30,176</b>	29,395
<b>Results from operating activities</b>		<b>7,208</b>	6,982
Financing income (interest received)		<b>462</b>	471
<b>Profit before tax</b>		<b>7,670</b>	7,453
Income tax expense	3	<b>1,894</b>	2,020
<b>Profit for the period</b>		<b>5,776</b>	5,433
Basic earnings per share (cents)	4	<b>3.47¢</b>	3.27¢
Diluted earnings per share (cents)	4	<b>3.47¢</b>	3.24¢

The accompanying notes form an integral part of this Income Statement.

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**Consolidated statement of recognised income and expenses**

For the year ended 30 June 2008

<b>In thousands of AUD</b>	<b>Notes</b>	<b>Reporting Period</b>	Previous corresponding period
Effective portion of changes in fair value of cash flow hedges		-	12
Foreign exchange translation differences		<b>(520)</b>	(523)
<b>Net income recognised directly in equity</b>		<b>(520)</b>	(511)
Profit for the period		<b>5,776</b>	5,433
<b>Total recognised income and expense for the period</b>	5	<b>5,256</b>	4,922

The accompanying notes form an integral part of this Statement of Recognised Income and Expenses.

Consolidated balance sheet

As at 30 June 2008

In thousands of AUD	Notes	Reporting Period	Previous corresponding period
<b>Current assets</b>			
Cash and cash equivalents		11,148	11,704
Trade and other receivables		10,157	11,300
Other current assets		1,926	2,014
Total current assets		23,231	25,018
<b>Non-current assets</b>			
Other financial assets		1,765	1,670
Property, plant and equipment		2,405	2,893
Deferred tax assets		284	249
Intangible assets		12,641	11,365
Total non-current assets		17,095	16,177
<b>Total assets</b>		<b>40,326</b>	<b>41,195</b>
<b>Current liabilities</b>			
Trade and other payables		2,448	2,165
Employee benefits		1,139	983
Other current liabilities – deferred revenue		8,995	10,279
Total current liabilities		12,582	13,427
<b>Non-current liabilities</b>			
Deferred tax liabilities		3,141	2,656
Employee benefits		130	113
Provisions		384	384
Other non-current liabilities – deferred revenue		298	462
Total non-current liabilities		3,953	3,615
<b>Total liabilities</b>		<b>16,535</b>	<b>17,042</b>
<b>Net assets</b>		<b>23,791</b>	<b>24,153</b>
<b>Equity</b>			
Issued capital		794	680
Reserves		(482)	(570)
Retained earnings		23,479	24,043
<b>Total equity</b>	5	<b>23,791</b>	<b>24,153</b>

The accompanying notes form an integral part of this Balance Sheet.

**Consolidated statement of cash flows**

For the year ended 30 June 2008

<b>In thousands of AUD</b>	<b>Notes</b>	<b>Reporting Period</b>	Previous corresponding period
<b>Cash flows from operating activities</b>			
Cash receipts from customers		<b>38,420</b>	40,073
Cash paid to suppliers and employees		<b>(31,341)</b>	(31,500)
Cash generated from operations		<b>7,079</b>	8,573
Income taxes paid		<b>(1,133)</b>	(935)
<b>Net cash provided by operating activities</b>		<b>5,946</b>	7,638
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		<b>(198)</b>	(2,103)
Payments for intangible assets		<b>(160)</b>	(361)
Interest received		<b>462</b>	471
<b>Net cash used in investing activities</b>		<b>104</b>	(1,993)
<b>Cash flows from financing activities</b>			
Proceeds from issuing of shares		<b>114</b>	85
Payment of dividend		<b>(5,826)</b>	(4,152)
<b>Net cash used in financing activities</b>		<b>(5,712)</b>	(4,067)
<b>Net increase in cash and cash equivalents</b>		<b>338</b>	1,578
Cash and cash equivalents at 1 July		<b>11,704</b>	10,736
Effects of exchange rate changes on cash		<b>(894)</b>	(610)
<b>Cash and cash equivalents at 30 June</b>		<b>11,148</b>	11,704

The accompanying notes form an integral part of this Statement of Cash Flows

## Notes to the consolidated financial statements

For the year ended 30 June 2008

### Note 1. Significant accounting policies

Integrated Research Limited (the “Company”) is a company domiciled in Australia. The preliminary financial report of the Company for the year ended 30 June 2008 comprises the Company and its controlled entities (together referred to as the “consolidated entity”).

#### **a) Statement of Compliance**

The preliminary final report has been prepared in accordance with the measurement requirements of Australian Accounting Standards (“AASBs”), and interpretations and the Corporations Act 2001. Accounting Standards include Australian Equivalent to International Financial Reporting Standards (“AIFRS”). Compliance with AIFRS ensures the financial reports of the consolidated entity and the company also comply with the measurement requirements of International Financial Reporting Standards and interpretations adopted by the International Accounting Standards Board.

#### **b) Basis of Preparation**

The preliminary financial report is presented in Australian dollars and is prepared on the historical cost basis, with the exception of cash flow hedges, which are at fair value.

The company is of a kind referred to in ASIC Class Order (CO) 98/100 dated 10 July 1998 (updated by CO 05/641 effective 28 July 2005 and CO 06/51 effective 31 January 2006) and in accordance with that Class Order, amounts in the financial report and Directors’ Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. These accounting policies have been consistently applied by each entity in the consolidated entity.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial report. Where relevant, the accounting policies applied to the comparative period have been disclosed if they differ from the current period policy.

**Note 1. Significant accounting policies (continued)**

**c) Basis of consolidation**

Subsidiaries are entities controlled by the company. Control exists when the company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial report from the date that control commences until the date that control ceases.

Investments in subsidiaries are carried at their cost of acquisition in the company's financial statements.

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

**d) Foreign currency**

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Australian dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Australian dollars at foreign exchange rates ruling at the dates the fair value was determined.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to Australian dollars at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations, are translated to Australian dollars at rates approximating the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised directly in a separate component of equity.

**e) Derivative financial instruments**

The consolidated entity uses derivative financial instruments to hedge its exposure to foreign exchange risks arising from operational activities. In accordance with its treasury policy, the consolidated entity does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are recognised initially at cost. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged.

The fair value of forward exchange contracts is their quoted market price at the balance sheet date, being the present value of the quoted forward price.

**Note 1. Significant accounting policies (continued)**

**f) Hedging**

On entering into a hedging relationship, the consolidated entity normally designates and documents the hedge relationship and risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they are designated.

For cash flow hedges, the associated cumulative gain or loss is removed from equity and recognised in the income statement in the same period or periods during which the hedged forecast transaction affects profit or loss. The ineffective part of any gain or loss is recognised immediately in the income statement.

**g) Property, plant and equipment**

Items of property, plant and equipment are stated at cost or deemed cost less accumulated depreciation (see below) and impairment losses (see accounting policy (k)). The cost of acquired assets includes (i) the initial estimate at the time of installation and during the period of use, when relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and (ii) changes in the measurement of existing liabilities recognised for these costs resulting from changes in the timing or outflow of resources required to settle the obligation or from changes in the discount rate.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Depreciation is calculated in a straight line basis so as to write off the cost of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is shorter, using the straight line method. The estimated useful lives in the current period are as follows:

- Computer equipment 4 years
- Furniture and fittings 8 years
- Office equipment 8 years
- Leasehold improvements 6 – 10 years

## Note 1. Significant accounting policies (continued)

### **h) Intangible Assets**

#### *Research and development*

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the income statement as an expense as incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible and the consolidated entity has sufficient resources to complete development.

The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses (see accounting policy (k)).

Amortisation is charged to the income statement on a straight-line basis over the estimated useful life, but no more than three years.

#### *Intellectual Property*

Intellectual Property acquired from third parties is amortised over its estimated useful life.

#### *Computer Software*

Computer software is stated at cost and depreciation on a straight-line basis over 2½ years.

### **i) Trade and other receivables**

Trade and other receivables are stated at their amortised cost less impairment losses (see accounting policy (k)).

### **j) Cash and cash equivalents**

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the consolidated entity's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

### **k) Impairment**

The carrying amounts of the consolidated entity's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement unless the asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through the income statement.

## Note 1. Significant accounting policies (continued)

Impairment of receivables is not recognised until objective evidence is available that a loss event has occurred. Significant receivables are individually assessed for impairment. Impairment testing is performed by placing non-significant receivables in portfolios of similar risk profiles, based on objective evidence from historical experience adjusted for any effects of conditions existing at each balance date.

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

### **l) Employee benefits**

#### *Superannuation*

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred. There are no defined benefit plans in operation.

#### *Long-term service benefits*

The consolidated entity's net obligation in respect of long-term service benefits, other than pension plans, is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates, and is discounted using the rates attached to the Commonwealth Government bonds at the balance sheet date which have maturity dates approximating to the terms of the consolidated entity's obligations.

#### *Share-based payment transactions*

The share option programme allows consolidated entity employees to acquire shares of the Company. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using a binomial lattice model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving threshold for vesting.

#### *Wages, salaries, annual leave, and non-monetary benefits*

Liabilities for employee benefits for wages, salaries and annual leave represent present obligations resulting from employees' services provided to reporting date, calculated at undiscounted amounts based on remuneration wage and salary rates that the consolidated entity expects to pay as at reporting date including related on-costs, such as, workers compensation insurance and payroll tax.

### **m) Provisions**

A provision is recognised in the balance sheet when the consolidated entity has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

### **n) Warranties**

Revenue is deferred in respect of warranty obligations arising from the sale of products or services. The deferral is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

### **o) Trade and other payables**

Trade and other payables are stated at their amortised cost.

**Note 1. Significant accounting policies (continued)**

**p) Revenue**

The consolidated entity allocates revenue to each element in software arrangements involving multiple elements based on the relative fair value of each element. The typical elements in the multiple element arrangement are licence and maintenance fees. The company's determination of fair value is based on the price charged when the same element is sold separately.

Revenue from the sale of licences, where the consolidated entity has no post delivery obligations to perform is recognised in the income statement at the date of delivery of the licence key.

Revenue from maintenance contracts is recognised ratably over the term of the service agreement, which is typically one year. Maintenance contracts are typically priced based on a percentage of licence fees and have a one year term. Services provided to customers under maintenance contracts include technical support and supply of software updates.

Revenue from multiple element software arrangements, where the fair value of an undelivered element cannot be reliably measured are recognised over the period the undelivered services are provided.

Revenue from consulting services is recognised over the period the services are provided.

No revenue is recognised if there are significant uncertainties regarding the recovery of the consideration due, the costs incurred or to be incurred cannot be measured reliably, there is a risk of return of goods or there is continuing management involvement with the goods.

**q) Expenses**

*Operating lease payments*

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense and spread over the lease term.

*Net financing costs / Income*

Net financing costs comprise interest payable on borrowings calculated using the effective interest method, interest receivable on funds invested, dividend income, foreign exchange gains and losses, and gains and losses on hedging instruments that are recognised in the income statement (see accounting policy (f)).

**r) Segment reporting**

A segment is a distinguishable component of the consolidated entity that is engaged in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

**Note 1. Significant accounting policies (continued)**

**s) Income tax**

Income tax on the income statement for the periods presented comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

**t) Goods and Services Tax**

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), or similar taxes, except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable or payable is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities, which are recoverable or payable are classified as operating cash flows.

## Note 2. Segment reporting

The consolidated entity operates predominantly in the computer software products business segment. Segment information is presented in respect of the consolidated entity's geographic segments, which are the primary basis of segment reporting. The geographic segment reporting format reflects the consolidated entity's management and internal reporting structure.

Inter-segment pricing is determined on an arm's length basis.

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly income-earning assets and revenue, interest-bearing loans, borrowings and expenses, and corporate assets and expenses.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

The consolidated entity is managed on a worldwide basis, but operates in the following three geographical segments:

- The Americas. Operating from the United States with responsibility for the countries in North, Central and South America.
- Europe. Operating from the United Kingdom with responsibility for the countries in Europe.
- Asia Pacific. Operating from Australia with responsibility for the countries in the rest of the world, including Head Office revenue and expenses.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

**Note 2. Segment reporting (continued)**

Geographic segments	Americas		Europe		Asia Pacific		Corporate Australia*		Eliminations		Consolidated	
In thousands of AUD	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Sales to customers outside the consolidated entity	<b>23,050</b>	21,672	<b>6,428</b>	6,975	<b>7,358</b>	7,198	<b>548</b>	259	-	273	<b>37,384</b>	36,377
Inter-segment sales	-	-	-	-	-	-	<b>17,555</b>	15,481	<b>(17,555)</b>	(15,481)	-	-
Total segment revenue	<b>23,050</b>	21,672	<b>6,428</b>	6,975	<b>7,358</b>	7,198	<b>18,103</b>	15,740	<b>(17,555)</b>	(15,208)	<b>37,384</b>	36,377
Total revenue											<b>37,384</b>	36,377
Segment results	<b>918</b>	774	<b>202</b>	204	<b>796</b>	326	<b>5,292</b>	5,405	-	273	<b>7,208</b>	6,982
Results from operating activities											<b>7,208</b>	6,982
Financing income											<b>462</b>	471
Income tax expense											<b>(1,894)</b>	(2,020)
Profit for the period											<b>5,776</b>	5,433
Segment assets	<b>15,981</b>	15,351	<b>4,302</b>	5,126	<b>5,473</b>	4,742	<b>28,426</b>	28,276	<b>(13,856)</b>	(12,300)	<b>40,326</b>	41,195
Total assets											<b>40,326</b>	41,195
Segment liabilities	<b>15,121</b>	13,363	<b>3,414</b>	4,207	<b>5,746</b>	4,550	<b>6,130</b>	7,192	<b>(13,876)</b>	(12,270)	<b>16,535</b>	17,042
Total liabilities											<b>16,535</b>	
Capital expenditure	<b>52</b>	53	<b>12</b>	139	<b>29</b>	24	<b>265</b>	2,248	-	-	<b>358</b>	2,464
Total capital expenditure											<b>358</b>	2,464

\* Corporate Australia includes both the corporate head office and development functions of the Company.

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**Note 3. Income tax**

**Recognised in the income statement**

<b>In thousands of AUD</b>	<b>Reporting Period</b>	Previous corresponding period
Current tax expense:		
Current year	<b>1,388</b>	1,071
Prior year adjustments	<b>56</b>	353
	<b>1,444</b>	1,424
Deferred tax expense:		
Origination and reversal of temporary differences	<b>450</b>	596
Total income tax expense in income statement	<b>1,894</b>	2,020

**Numerical reconciliation between income tax expense and profit before tax**

<b>In thousands of AUD</b>	<b>Reporting Period</b>	Previous corresponding period
Profit before tax	<b>7,670</b>	7,453
Income tax using the domestic corporate tax rate of 30%	<b>2,301</b>	2,236
Increase in income tax expense due to:		
Non-deductible expenses	<b>98</b>	84
Effect of tax rates in foreign jurisdictions	<b>97</b>	29
Decrease in income tax expense due to:		
R&D tax incentive	<b>(658)</b>	(682)
Prior year adjustments	<b>56</b>	353
Income tax expense	<b>1,894</b>	2,020

## Note 4. Earnings per share

The calculation of basic and diluted earnings per share at 30 June 2008 was based on the profit attributable to ordinary shareholders of \$5,776,000 (2007: \$5,433,000); a weighted number of ordinary shares outstanding during the year ended 30 June 2008 of 166,504,416 (2007: 166,020,868); and a weighted number of ordinary shares (diluted) outstanding during the year ended 30 June 2008 of 166,600,781, (2007: 167,401,517), calculated as follows:

In thousands of AUD	Reporting Period	Previous corresponding period
Profit for the period	5,776	5,433
<b>Weighted average number of shares used as the denominator</b>		
(Number)	Reporting Period	Previous corresponding period
Number for basic earnings per share:		
Ordinary shares	166,504,416	166,020,868
Effect of employee share options on issue	96,365	1,380,649
Number for diluted earnings per share	166,600,781	167,401,517

## Note 5. Capital and reserves

### Reconciliation of movement in capital and reserves attributed to equity holders in the consolidated entity:

In thousands of AUD	Share capital	Hedging reserve	Translation reserve	Employee benefit reserve	Retained earnings	Total
Previous corresponding period:						
Balance at 1 July 2006	538	(12)	(462)	482	22,662	23,208
Total recognised income and expense	-	12	(523)	-	5,433	4,922
Expensed employee options	-	-	-	85	-	85
Lapsed employee options	-	-	-	(100)	100	-
Shares issued	142	-	-	(52)	-	90
Dividends to shareholders	-	-	-	-	(4,152)	(4,152)
Balance at 30 June 2007	680	-	(985)	415	24,043	24,153
<b>Reporting Period:</b>						
Balance at 1 July 2007	680	-	(985)	415	24,043	24,153
Total recognised income and expense	-	-	(520)	-	5,776	5,256
Transfer from retained earnings to translation reserve	-	-	514	-	(514)	-
Expensed employee options	-	-	-	174	-	174
Shares issued	114	-	-	(80)	-	34
Dividends to shareholders	-	-	-	-	(5,826)	(5,826)
Balance at 30 June 2008	794	-	(991)	509	23,479	23,791

**Note 5. Capital and reserves (continued)**

**Share capital**

In thousands of shares	Ordinary shares	
	Reporting Period	Previous corresponding period
On issue 1 July	<b>166,203</b>	165,905
Issued for cash against employee options exercised under ESOP	532	298
On issue 30 June	<b>166,735</b>	166,203

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

**Note 6. Dividends**

Dividends recognised in the current year by the company are:

In thousands of AUD	Cents per share	Total amount	Franked/unfranked	Date of payment
<b>Reporting Period</b>				
Final 2007	<b>2.0¢</b>	<b>3,326</b>	<b>Unfranked</b>	<b>14 Sep 07</b>
Interim 2008	<b>1.5¢</b>	<b>2,500</b>	<b>Unfranked</b>	<b>7 Mar 08</b>
Total amount		<b>5,826</b>		
Previous corresponding period				
Final 2006	1.5¢	2,490	Unfranked	15 Sep 06
Interim 2007	1.0¢	1,662	Unfranked	16 Mar 07
Total amount		4,152		

After the balance sheet date, the following dividend was proposed by the directors. The declaration and subsequent payment of dividends has no income tax consequences. The financial effect of this dividend has not been brought to account in the financial statements for the year ended 30 June 2008 and will be recognised in subsequent financial reports:

In thousands of AUD	Cents per share	Total amount	Franked/unfranked	Date of payment
Final 2008	1.5	2,501	Unfranked	12 Sep 08

Note 7. Comparison of half year profits

<b>In thousands of AUD</b>	<b>Reporting Period</b>	Previous corresponding period
Consolidated profit after tax reported in the first half year	<b>4,212</b>	1,903
Consolidated profit after tax for the second half year	<b>1,564</b>	3,530
	<b>5,776</b>	5,433

Note 8. NTA backing

	<b>Reporting Period</b>	Previous corresponding period
Net tangible asset backing per ordinary security	<b>6.69¢</b>	7.85¢

Comments by directors

**Shareholder returns and earnings per share**

Returns to shareholders increased through the payment of unfranked dividends.

**Operating performance and performance trends**

Financial highlights (\$000's)	2008	2007	% Change
Revenue from licence fees	19,623	19,517	1%
Revenue from maintenance fees	16,344	15,856	3%
Other	1,417	1,004	41%
<b>Total revenue</b>	<b>37,384</b>	<b>36,377</b>	<b>3%</b>
R&D expenses	8,717	6,369	37%
SG&A expenses	21,459	23,026	(7%)
Interest Income	462	471	(2%)
<b>Net Profit before tax</b>	<b>7,670</b>	<b>7,453</b>	<b>3%</b>
<b>Net profit after income tax</b>	<b>5,776</b>	<b>5,433</b>	<b>6%</b>
Cash and cash equivalents at balance date	11,148	11,704	(5%)
Net cash provided by operating activities	5,946	7,638	(22%)
<b>Net assets</b>	<b>23,791</b>	<b>24,153</b>	<b>(1%)</b>

The overall 2008 financial performance resulted in modest growth when compared to the equivalent prior year with revenue growing by 3% to \$37.4 million and net profit after income tax growing by 6% to \$5.8 million.

Growth in revenue and profit would have been substantially stronger except for the relative strength of the Australian dollar against both the US dollar and UK Sterling. Underlying revenue growth would have been approximately \$3.9 million higher and NPAT increased by \$1.8 million after taking into account the impact of currency exchange rates over the prior year.

The following table discloses research and development outlays for the year:

(\$000's)	2008	2007
Gross research and development spending	10,098	7,831
Capitalisation of development expenses	(7,255)	(5,454)
Amortisation of capitalised expenses	5,874	3,992
<b>Net research and development expenses</b>	<b>8,717</b>	<b>6,369</b>

The table demonstrates the Company's continuing commitment to developing leading edge and innovative products. In October 2007 the company released PROGNOSIS 9.1 for IT Infrastructure, PROGNOSIS 9.1 for ATM/POS and PROGNOSIS 9.5 for IP Telephony, which delivers significant new functionality across its suite of software products.

## **Financial position**

The Company continues to maintain a strong financial position being free of debt and with cash at 30 June 2008 of \$11.1 million compared to \$11.7 million at the same time last year. Net cash flow provided by operating activities was \$5.9 million for the year ended 30 June 2008 compared to \$7.6 million for the same period last year.

## **Outlook and strategy for 2009**

The company's products continue to deliver value for our customers by supporting the performance management of their mission-critical, high availability computing environments.

Our traditional (HP NonStop) business remains healthy. Many of our customers continue buying and upgrading their HP Servers for more processing capacity which in turn drives PROGNOSIS sales.

The Windows, Unix and Linux products performed strongly in 2008. The Company achieved 90% growth over the equivalent prior year as key strategic accounts were won against much larger competitors on the quality and capabilities of PROGNOSIS and proved the value of PROGNOSIS in high performance environments. We will continue to focus our efforts in this market on similar opportunities and are planning for comparable sales in 2009.

Our IP Telephony products growth profile continues in spurts due to the lumpiness of sales. Whilst current year performance was relatively flat compared to the prior year, compound annual growth in new sales for the last four years remains at a healthy 44%. We have increased our IPT product lines with the addition of support for the Nortel platform and have other initiatives in the pipeline. IPT remains the growth opportunity for Integrated Research and additional sales investment in 2009 will drive growth.

We will continue to improve our critical operational processes for sales and software development, the latter of which drove greater innovation in 2008 than previous years.

## **Audit**

This report is based on accounts that are in the process of being audited, and are unlikely to be subject to dispute or qualification.