

Appendix 4E

Preliminary final report

Name of entity

INTEGRATED RESEARCH LIMITED

ABN

76 003 588 449

Reporting period
(year ended)

30 June 2007

Previous corresponding
period (year ended)

30 June 2006

For announcement to the market

Extracts from this report for announcement to the market

			A\$000
Revenue	up	5% to	\$36,377
Profit (loss) before tax attributable to members	down	7% to	\$7,453
Profit (loss) after tax attributable to members	down	22% to	\$5,433
Net profit (loss) for the period attributable to members	down	22% to	\$5,433

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

Record date for determining entitlements to the dividend

31 August 2007

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 20 of this report.

Consolidated income statement

For the year ended 30 June 2007

In thousands of AUD	Notes	Reporting Period	Previous corresponding period
Revenue:			
Revenue from licence fees		19,517	18,633
Revenue from maintenance fees		15,856	15,467
Revenue from consulting and other services		1,004	423
Total revenue		36,377	34,523
Expenses:			
Research and development		6,369	6,687
Sales and marketing		18,923	16,452
General and administration		4,103	3,827
Total expenses		29,395	26,966
Results from operating activities		6,982	7,557
Financing income (interest received)		471	365
Profit before tax		7,453	7,922
Income tax expense	3	2,020	947
Profit for the period		5,433	6,975
Basic earnings per share (cents)	4	3.27¢	4.22¢
Diluted earnings per share (cents)	4	3.24¢	4.22¢

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

Consolidated statement of recognised income and expenses

For the year ended 30 June 2007

In thousands of AUD	Notes	Reporting Period	Previous corresponding period
Effective portion of changes in fair value of cash flow hedges		12	(12)
Foreign exchange translation differences		(523)	172
Net income recognised directly in equity		(511)	160
Profit for the period		5,433	6,975
Total recognised income and expense for the period	5	4,922	7,135

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

Consolidated balance sheet

As at 30 June 2007

In thousands of AUD	Notes	Reporting Period	Previous corresponding period
Current assets			
Cash and cash equivalents		13,286	10,736
Trade and other receivables		11,301	13,615
Other current assets		1,270	4,057
Total current assets		25,857	28,408
Non-current assets			
Other financial assets		88	-
Property, plant and equipment		2,892	1,137
Deferred tax assets		249	450
Intangible assets		11,365	9,567
Income tax receivable		744	-
Total non-current assets		15,338	11,154
Total assets		41,195	39,562
Current liabilities			
Trade and other payables		2,165	2,378
Income tax payable		-	77
Employee benefits		983	919
Provisions		-	312
Other current liabilities – deferred revenue		10,279	10,163
Total current liabilities		13,427	13,849
Non-current liabilities			
Deferred tax liabilities		2,656	2,261
Employee benefits		113	244
Provisions		384	-
Other non-current liabilities – deferred revenue		462	-
Total non-current liabilities		3,615	2,505
Total liabilities		17,042	16,354
Net assets		24,153	23,208
Equity			
Issued capital		680	538
Reserves		(570)	8
Retained earnings		24,043	22,662
Total equity	5	24,153	23,208

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

Consolidated statement of cash flows

For the year ended 30 June 2007

In thousands of AUD	Notes	Reporting Period	Previous corresponding period
Cash flows from operating activities			
Cash receipts from customers		40,073	33,150
Cash paid to suppliers and employees		(31,443)	(27,730)
Cash generated from operations		8,630	5,420
Income taxes paid		(935)	(335)
Net cash provided by operating activities		7,695	5,085
Cash flows from investing activities			
Release of deposits		1,525	-
Payments for property, plant and equipment		(2,103)	(211)
Payments for intangible assets		(361)	(316)
Interest received		471	365
Net cash used in investing activities		(468)	(162)
Cash flows from financing activities			
Proceeds from issuing of shares		85	70
Payment of dividend		(4,152)	(4,146)
Net cash used in financing activities		(4,067)	(4,076)
Net increase in cash and cash equivalents		3,160	847
Cash and cash equivalents at 1 July		10,736	9,699
Effects of exchange rate changes on cash		(610)	190
Cash and cash equivalents at 30 June		13,286	10,736

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 2007

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 2007 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, generally 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 formally designates and documents the hedge relationship and risk management objective and strategy for undertaking the hedge. The documentation included 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 - change in accounting policy

The method used to calculate depreciation has been changed in the current year from the diminishing value method to the straight line method. In accordance with AASB 108 'Accounting Policies, Changes in Accounting Estimates and Errors', the Company has accounted for the change in depreciation method as a change in accounting policy. The Company considers that the straight line method of depreciation provides more reliable and more relevant information because it is a more appropriate reflection of the pattern in which the assets' future economic benefits are expected to be consumed.

Using the straight line method, 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)

The effect of the change in accounting policy on the consolidated income statement, balance sheet and statement of recognised income and expenses is as follows:

1 July 2005

Retained profits has decreased by \$52,000, deferred tax assets has increased by \$33,000 and Property, plant and equipment has decreased by \$85,000.

Year- ended 30 June 2006

Income Statement

General and administration expenses has increased by \$45,000 and income tax expense has decreased by \$17,000, resulting in a decrease in profit before tax of \$45,000 and profit after tax of \$28,000. There was no material adjustment to earnings per share or diluted earnings per share.

Balance Sheet

Property, plant and equipment has decreased by \$130,000 and Deferred tax assets has increased by \$50,000. Retained profits and Net assets have both decreased by \$80,000.

Consolidated statement of recognized income and expenses

Total recognised income and expense for the period has decreased by \$28,000.

30 June 2007

Income Statement and balance sheet

General and administration expenses have decreased by \$25,000 with a corresponding increase in property, plant and equipment due to the adoption of the new accounting policy. There was no material adjustment to earnings per share or diluted earnings per share. Total recognised income and expense for the period has increased by \$25,000.

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)).

Note 1. Significant accounting policies (continued)

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.

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.

Note 1. Significant accounting policies (continued)

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.

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 In thousands of AUD	Americas		Europe		Asia Pacific		Unallocated		Eliminations		Consolidated	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Sales to customers outside the consolidated entity	21,672	20,137	6,975	8,414	7,198	6,080	259	(19)	273	(89)	36,377	34,523
Inter-segment sales	-	-	-	-	-	-	19,760	16,589	(19,760)	(16,589)	-	-
Total segment revenue	21,672	20,137	6,975	8,414	7,198	6,080	20,019	16,570	(19,487)	(16,678)	36,377	34,523
Total revenue											36,377	34,523
Segment results	774	666	204	302	326	390	5,405	6,288	273	(89)	6,982	7,557
Results from operating activities											6,982	7,557
Financing income											471	365
Income tax expense											(2,020)	(947)
Profit for the period											5,433	6,975
Segment assets	15,351	15,867	5,126	6,670	4,742	3,368	27,741	27,256	(11,765)	(13,599)	41,195	39,562
Total assets											41,195	39,562
Segment liabilities	13,363	14,013	4,207	5,848	4,550	3,193	6,634	6,881	(11,712)	(13,581)	17,042	16,354
Total liabilities												16,354
Cash flow from operating activities	12,866	11,529	5,395	3,937	5,015	3,649	1,231	147	(16,812)	(14,177)	7,695	5,085
Cash flow from investing activities	120	(89)	(122)	(11)	(24)	(7)	(442)	1,945	-	(2,000)	(468)	(162)
Cash flow from financing activities	-	(2,000)	-	-	-	-	(4,067)	(4,076)	-	2,000	(4,067)	(4,076)
Capital expenditure	53	206	139	25	24	7	2,208	289	-	-	2,424	527
Total capital expenditure											2,424	527

Note 3. Income tax

Recognised in the income statement

In thousands of AUD	Reporting Period	Previous corresponding period
Current tax expense:		
Current year	1,071	735
Prior year adjustments	353	(140)
	1,424	595
Deferred tax expense:		
Origination and reversal of temporary differences	596	352
Total income tax expense in income statement	2,020	947

Numerical reconciliation between income tax expense and profit before tax

In thousands of AUD	Reporting Period	Previous corresponding period
Profit before tax	7,453	7,922
Income tax using the domestic corporate tax rate of 30%	2,236	2,377
Increase in income tax expense due to:		
Non-deductible expenses	84	29
Effect of tax rates in foreign jurisdictions	29	102
Prior year adjustments	353	-
Decrease in income tax expense due to:		
R&D tax incentive	(682)	(615)
Remission of FDT offset reduction (see below)	-	(806)
Prior year adjustments	-	(140)
Income tax expense	2,020	947

Franking deficit tax offset

In March 2004, the Australian Taxation Office (ATO) notified the company of retrospective changes in franking deficit tax (FDT) legislation (Taxation Laws Amendment Act (No. 8) 2003) that reduced the value of the company's deferred tax assets by a deficit tax offset reduction in the amount of \$806,000. Accordingly, the company wrote down the value of its franking deficit tax offset benefit by \$806,000 in the 30 June 2004 financial report.

In June 2006, the FDT legislation was amended by the Australian Parliament to allow the ATO to determine not to apply the deficit tax offset reduction. The company requested consideration under the terms of the amended legislation and was subsequently advised by the ATO that its request was approved. Accordingly the company has re-recognised the related franking deficit tax offset benefit of \$806,000 at 30 June 2006.

Note 4. Earnings per share

The calculation of basic and diluted earnings per share at 30 June 2007 was based on the profit attributable to ordinary shareholders of \$ 5,433,000 (2006: \$6,975,000); a weighted number of ordinary shares outstanding during the year ended 30 June 2007 of 166,020,868, (2006: 165,561,470); and a weighted number of ordinary shares (diluted) outstanding during the year ended 30 June 2007 of 167,401,517, (2006: 165,818,384), calculated as follows:

In thousands of AUD	Reporting Period	Previous corresponding period
Profit for the period	5,433	6,975
Weighted average number of shares used as the denominator		
(Number)	Reporting Period	Previous corresponding period
Number for basic earnings per share:		
Ordinary shares	166,020,868	165,561,470
Effect of employee share options on issue	1,380,649	256,914
Number for diluted earnings per share	167,401,517	165,818,384

Note 5. Capital and reserves

Reconciliation of movement in capital and reserves attributed to equity holders in the parent:

In thousands of AUD	Share capital	Hedging reserve	Translati on reserve	Employe e benefit reserve	Retained earnings	Total
Previous corresponding period:						
Balance at 1 July 2005	468	-	(634)	239	19,833	19,906
Total recognised income and expense	-	(12)	172	-	6,975	7,135
Expensed employee options	-	-	-	243	-	243
Shares issued	70	-	-	-	-	70
Dividends to shareholders	-	-	-	-	(4,146)	(4,146)
Balance at 30 June 2006	538	(12)	(462)	482	22,662	23,208
Reporting 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

Note 5. Capital and reserves (continued)

Share capital

In thousands of shares	Ordinary shares	
	Reporting Period	Previous corresponding period
On issue 1 July	165,905	165,561
Issued to CEO under employment contract and approved by shareholders at 2005 AGM	-	45
Issued for cash against employee options exercised under ESOP	298	299
On issue 30 June	166,203	165,905

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
Reporting 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		
 Previous corresponding period				
Final 2005	1.5¢	2,487	Unfranked	16 Sep 05
Interim 2006	1.0¢	1,659	Unfranked	10 Mar 06
Total amount		4,146		

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 2007 and will be recognised in subsequent financial reports:

In thousands of AUD	Cents per share	Total amount	Franked/unfranked	Date of payment
Final 2007	2.0	3,324	Unfranked	14 Sep 07

Note 7. Comparison of half year profits

In thousands of AUD	Reporting Period	Previous corresponding period
Consolidated profit after tax reported in the first half year	1,903	1,617
Consolidated profit after tax for the second half year	3,530	5,358
	5,433	6,975

Note 8. NTA backing

	Reporting Period	Previous corresponding period
Net tangible asset backing per ordinary security	7.85¢	8.27¢

Comments by directors

Shareholder returns and earnings per share

Returns to shareholders increased through the payment of dividends. Dividends are unfranked and the company expects that dividends in 2008 will also be unfranked.

Operating performance and performance trends

Financial highlights (\$000's)	2007	2006	% Change
Revenue from licence fees	19,517	18,633	5%
Revenue from maintenance fees	15,856	15,467	3%
Other	1,004	423	137%
Total revenue	36,377	34,523	5%
R&D expenses	6,369	6,687	(5%)
SG&A expenses	23,026	20,279	14%
Interest Income	471	365	29%
Net Profit before tax	7,453	7,922	(7%)
Net profit after income tax	5,433	6,975	(22%)
Cash and cash equivalents at balance date	13,286	10,736	24%
Net cash provided by operating activities	7,695	5,085	51%
Net assets	24,153	23,208	4%

Revenue for the period ended 30 June 2007 was \$36.4 million which represents a 5% increase against the comparable period last year.

The consolidated entity's profit before tax was \$7.5m compared to \$7.9 million for the corresponding period last year which represents a decrease of 7%. The net profit after tax for the period was \$5.4 million compared to \$7.0 million for the corresponding period last year which represents a decrease of 22%.

The 30 June 2007 profit after tax result was negatively impacted by \$0.4m in tax adjustments relating to an under provision of tax in the prior year. The 30 June 2006 profit after tax result included a \$0.8m reduction in the tax expense due to the claim back of a prior charge relating to a franking deficits tax offset.

Total SG&A expenses for the year ended 30 June 2007 were \$23.0 million which was an overall increase of 14% on the same period last year. This reflects the company's continued investment in sales and product development, particularly in the IP Telephony products. Staff numbers at 30 June 2007 were 134 compared to 128 at 30 June 2006.

Gross spending on research and development for the year ended 30 June 2007 was \$7.8 million which represents a 7% increase on the comparable period last year. Despite this, the net research and development expense for the year ended 30 June 2007 was \$6.4 million compared to \$6.7 million for the same period last year. This is a result of a reduced amortisation charge in the 1st half of FY2007 resulting from the timing of various product releases combined with increased capitalisation rates due to the development focus on the impending October 2007 product releases.

(\$000's)	2007	2006
Gross research and development spending	7,831	7,348
Capitalisation of development expenses	5,454	4,657
Amortisation of capitalised expenses	3,992	3,996
Net research and development expenses	6,369	6,687

Financial position

The consolidated entity continues to maintain a strong financial position being free of debt and with cash at 30 June 2007 of \$13.3 million compared to \$10.7 million at the same time last year. Net cash flow provided by operating activities was \$7.7 million for the year ended 30 June 2007 compared to \$5.1 million for the same period last year.

Outlook and strategy for 2008

The company's products continue to deliver value for our customers. Our traditional (HP NonStop) business remains healthy, with many of our customers buying new HP servers to provide more processing capacity, which in turn drives more PROGNOSIS revenue. We see no change in the contribution that this product makes to the business.

The IP Telephony products will continue to deliver the major revenue growth. In 2008, we have more products which increase the addressable market, and also more channels to take our products to market. The impact of both of these factors will ensure strong growth again in 2008. Our products support both Cisco and Avaya platforms that together comprise over 60% of the Enterprise IP Telephony market.

Our Windows, UNIX and Linux products are expected to perform better in 2008 due to two factors. Firstly, we have some major customers planning to expand their use of PROGNOSIS. Secondly, we developed a new channel to market during 2007, and will try and replicate the model of solution partners including PROGNOSIS as part of their own solution.

The US and Asia Pac regions performed well in 2007, and they should each continue during 2008. The company has opened an office in Singapore in July, with two staff focussed on selling the Windows, UNIX, Linux and IP Telephony products through Asia. Europe had a disappointing 2007, and significant focus will be given to improving license revenue, especially from the company's traditional products.

The company has also invested in improving many of the internal processes that are key to improved efficiency. These include CMMI (software development quality program) in the product development process, new lead/marketing management tools, improved financial reporting tools, and finally improved processes aimed at improving our employee retention and hiring practices. Many of these process improvements will continue into 2008, and are essential to enable the company to scale for growth.

Audit

This report is based on accounts that are in the process of being audited.