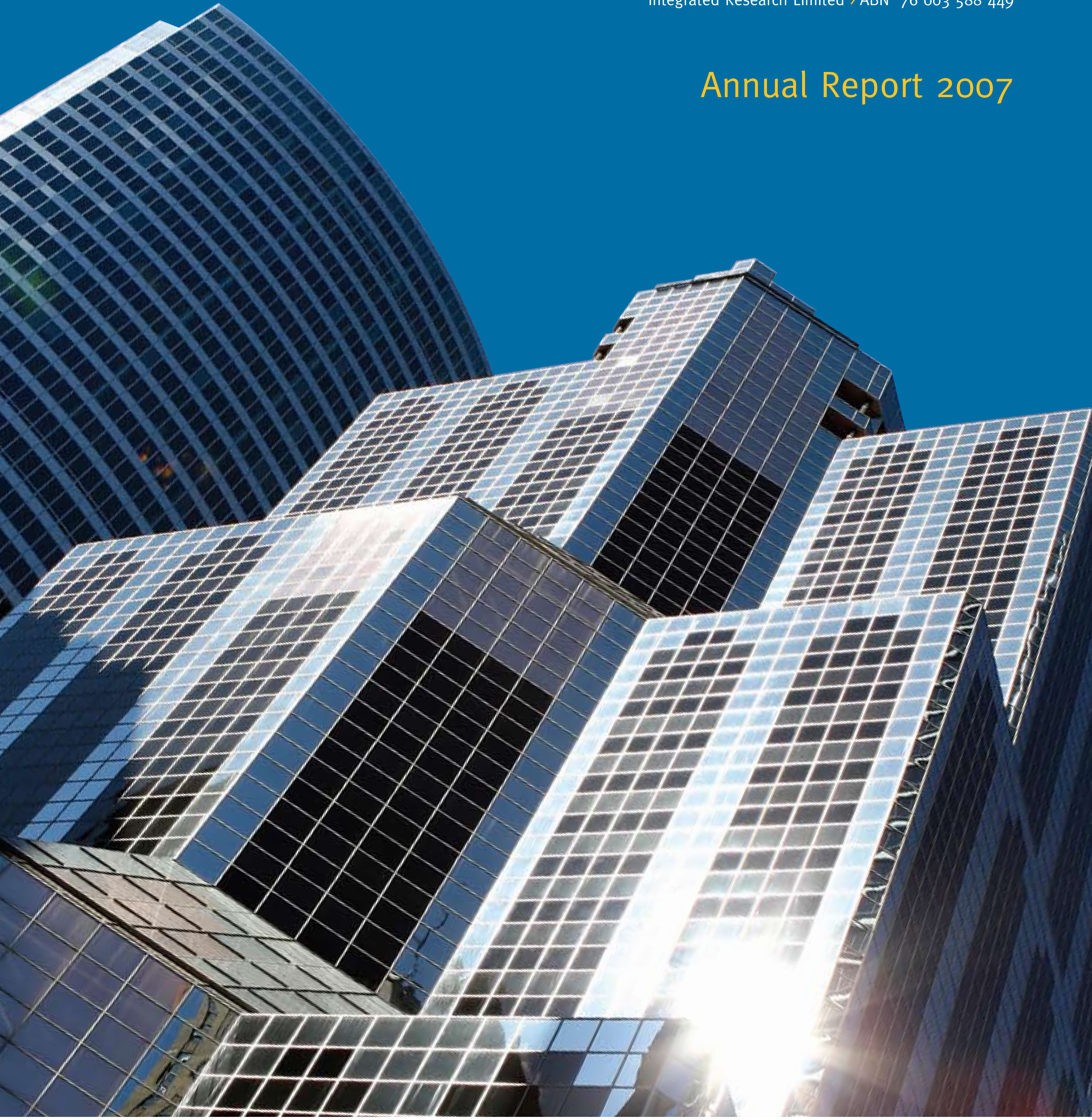
integrated research

Integrated Research Limited › ABN 76 003 588 449

Annual Report 2007



Performance monitoring software for business-critical systems

PROGNOSIS®

Contents

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2007 Highlights

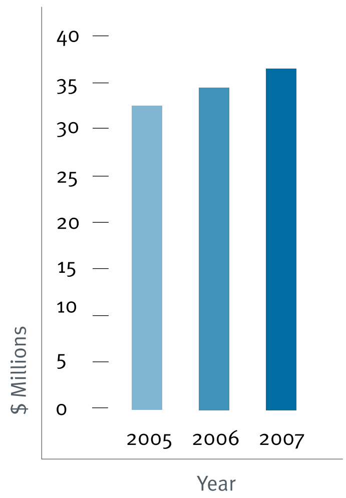
Financial summary

In millions of AUD (except earnings per share) **Year ended 30 June**	2007 $m	2006 $m	% Change	
Revenue from licence fees	19.5	18.6	↑	5 %
Total revenue	36.4	34.5	↑	6 %
Net profit after tax	5.4	7.0	↓	23 %
Net assets	24.2	23.2	↑	4 %
Cash at balance date	11.7	10.7	↑	9 %
Americas revenue	21.7	20.1	↑	8 %
Europe revenue	7.0	8.4	↓	17 %
Asia Pacific revenue	7.2	6.1	↑	18 %
Earnings per share (cents per share)	3.27¢	4.22¢	↓	23 %

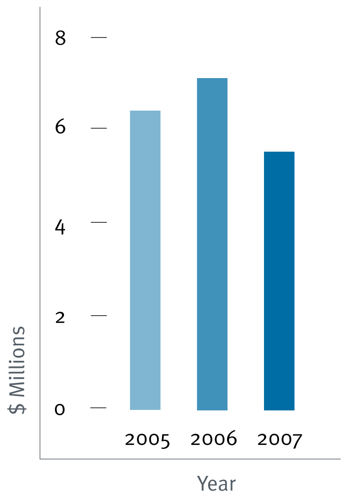
Global performance

- Record revenue results
- 5% increase in revenue from licence fees

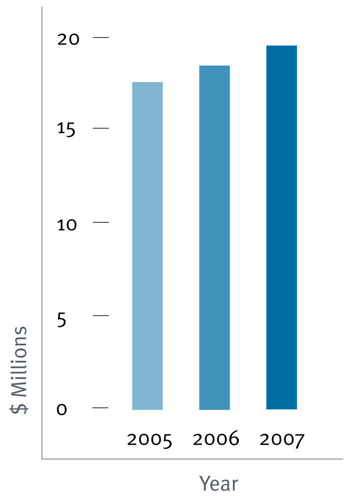
Total revenue



Net profit after tax



Revenue from licence fees



- The world’s largest **bank**
- The world’s largest **telco**
- The world’s largest **stock exchange**
- The world’s largest **ISP**
- The world’s largest **airline**

and 35% of the Global 1000 companies all trust...

PROGNOSIS

Integrated Research’s Australian-developed PROGNOSIS software is used by many of the world’s largest enterprises to ensure the performance and reliability of their most critical computing systems.

PROGNOSIS gives IT support staff insight into the health of these computer systems, providing instant alerts and deep diagnostics to quickly identify and resolve problems before they impact the business.

Letter from the Chairman

Dear fellow shareholders,

We made good progress towards our key growth strategies during the year, although some of our gains were eroded by a poor result in Europe, adverse currency exchange movements, and several tax adjustments.

As a result, our profit before tax declined 6%, and the profit after tax 23%, compared to the previous year. The overall group revenue grew 6%, which was 12% in US dollars, highlighting the currency impact during the year.

I am pleased we were able to continue strong growth in our VoIP (IP Telephony) products of 80%, and over 90% in US dollars. PROGNOSIS is now the clear leader in the third party VoIP management software market, managing more than twice the handsets of its nearest competitor. The VoIP market is well positioned for strong growth in the ensuing years and PROGNOSIS is ideally placed to capitalise on this growth.

During the year we released additional products, and signed new channel partners, which will drive continued growth and market coverage. Moving forward the company has strategies aimed at increasing its leadership position in the enterprise VoIP market with the introduction of new products and platform coverage.

Our traditional HP NonStop business remained steady, with maintenance renewals at approximately 95%, and good customer acceptance of HP's new Integrity NonStop servers, which in turn drives more PROGNOSIS license revenue.

The architecture of PROGNOSIS, which is common to all products, allows the company to leverage its development cost effectively. The company will continue to invest in R&D to improve its sustainable competitive advantage.

Integrated Research generated A$7.6 million in cash during the year compared to A$5.1 million last year. This took our year-end cash on hand balance to A$11.7 million, and we were also able to bring our receivables average down to 81 days. The continued focus on cash management was outstanding during the year, and my thanks to the finance and administration team for their continuing efforts.

The Board is pleased to announce a final dividend of 2 cents per share, bringing the full year dividend to 3 cents. The strong cash position, coupled with the confidence in future earnings, were key considerations in increasing the payout ratio.

Finally, we recently announced that Mark Brayan joined the company as CEO in September 2007, replacing Keith Andrews. I appreciate the contribution Keith has made to the business, and extend a warm welcome to Mark. It is an exciting time for Integrated Research, and the Board and I will work with Mark and the team to ensure our continued growth.

Steve Killelea
Chairman

PROGNOSIS for
IP Telephony

VoIP for big business...how do you manage that?

By giving companies the specialised tools they need to monitor and measure call quality, and to identify and resolve problems within the supporting computer-based infrastructure, PROGNOSIS is helping big businesses eliminate the risk of migrating to Voice over IP (VoIP).

Customers include: AT&T, Accenture, Airbus, Alpha West/Optus, ARUP, BAE Systems, BellSouth, Boeing, Brigham Young University, British Airways, Del Monte, Deutsche Telecom, Equant, Fannie Mae, France Telecom, General Motors, Harvard University, IBM, JPMorgan Chase, Lehman Brothers, Merrill Lynch, NASDAQ, NCR, Singapore Polytechnic, Sprint, Standard Life, State of Arizona, TD Financial Corp., Tecnologico de Monterey, Thiess, Time Warner Cable, Verizon, Warner Pacific

“As more organisations adopt larger scale deployments, the ability for PROGNOSIS to manage highly distributed or very large environments will position the company as leading vendor for a variety of deployment sizes”

George Hamilton, Director, Yankee Group

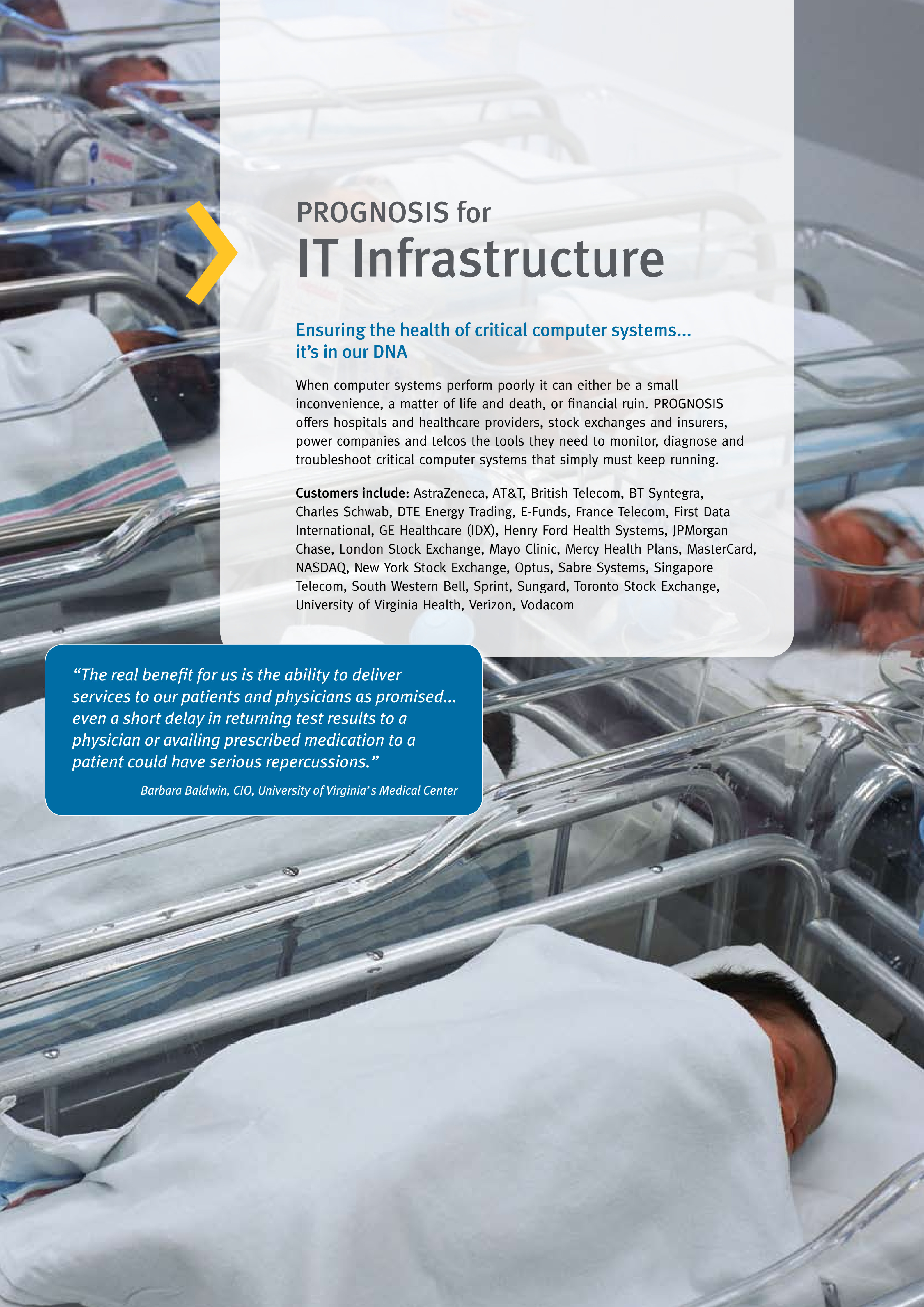
> *"When cardholders present their cards for payment, they expect them to work every time. PROGNOSIS helps us deliver that level of performance to our clients and their customers."*
>
> *Phillip Patrick, Director of Technical Support, TSYS*

PROGNOSIS for ATM/POS

Why do the world's financial institutions bank on PROGNOSIS?

From retail EFTPOS systems to automated teller machine networks, PROGNOSIS gives IT support teams the insight they need to identify and fix transaction problems, to uncover the details of cardholder issues in seconds, and to better manage ATM maintenance processes.

Customers include: ANZ Bank, Arab National Bank, Bankserv South Africa, BNI Bank Indonesia, Burgan Bank Kuwait, Citibank, Emirates Bank UAE, Fiserv, Global Trust Bank India, HDFC Bank, ICICI Bank India, Kmart, KNET Kuwait, Kotak Mahindra Bank, Kuwait Finance House, Link UK, MasterCard, Oman Intl Bank, Qatar Central Bank, Royal Bank of Canada, Standard Bank South Africa, Target, Walgreens, Washington Mutual, Westpac Bank



PROGNOSIS for

IT Infrastructure

Ensuring the health of critical computer systems... it's in our DNA

When computer systems perform poorly it can either be a small inconvenience, a matter of life and death, or financial ruin. PROGNOSIS offers hospitals and healthcare providers, stock exchanges and insurers, power companies and telcos the tools they need to monitor, diagnose and troubleshoot critical computer systems that simply must keep running.

Customers include: AstraZeneca, AT&T, British Telecom, BT Syntegra, Charles Schwab, DTE Energy Trading, E-Funds, France Telecom, First Data International, GE Healthcare (IDX), Henry Ford Health Systems, JPMorgan Chase, London Stock Exchange, Mayo Clinic, Mercy Health Plans, MasterCard, NASDAQ, New York Stock Exchange, Optus, Sabre Systems, Singapore Telecom, South Western Bell, Sprint, Sungard, Toronto Stock Exchange, University of Virginia Health, Verizon, Vodacom

"The real benefit for us is the ability to deliver services to our patients and physicians as promised... even a short delay in returning test results to a physician or availing prescribed medication to a patient could have serious repercussions."

Barbara Baldwin, CIO, University of Virginia's Medical Center

"This is an innovative approach to measuring quality of service for online customers...another fine example of this company's ability to leverage its expertise in business-critical technology."

Senator Stephen Conroy, Australian Shadow Minister for Communications and Information Technology

PROGNOSIS for Web Applications

How can travel agencies know if their customers are able to book online?

While we're all becoming more reliant on the internet for booking flights and accommodation, for conducting internet banking, or for online shopping, we're quick to give up on a website that's slow or simply doesn't work. By measuring the quality of user experience, PROGNOSIS offers organisations unique insight into how well their revenue generating web-based applications are functioning for their customers.

Customers include: Duetsche Telecom, Swiss Federal Department of Justice and Police, GE Healthcare (IDX), Minneapolis Public Housing Authority, Sungard Financial Services

Review of operations and activities

Principal activities

The company's principal activities during the period were the design, development and sale of systems and applications management computer software for business-critical computing and IP telephony networks. There were no significant changes in the nature of these activities during the year.

Group overview

Integrated Research has a 19-year heritage of providing performance monitoring and diagnostics software solutions for business-critical computing environments.

Since its establishment in 1988, the company has provided its core PROGNOSIS products to a cross section of large organisations requiring high levels of computing performance and reliability.

The PROGNOSIS product range is an integrated suite of monitoring and management software, designed to give an organisation's technical personnel operational insight into their HP NonStop, Windows, UNIX and Linux servers, and the business applications that run on these computers.

Typical business environments where PROGNOSIS is used include automated teller machine (ATM) and EFTPOS (POS) transaction systems, web applications such as online banking or online shopping, hospital systems, emergency services, stock trading applications, and telecommunications systems. PROGNOSIS also offers a suite of IP telephony performance monitoring products for the emerging, high-growth enterprise Voice over IP (VoIP) market.

The company has developed its PROGNOSIS products around a fault-tolerant, highly distributed software architecture, designed to achieve high levels of functionality, scalability and reliability with a low total cost of ownership.

Integrated Research services customers in more than 50 countries through direct sales offices in the USA, UK, Germany, Australia and Singapore, and via a global, channel-driven distribution network. The company's customer base consists of many of the world's largest organisations and includes major stock exchanges, banks, credit card companies, telecommunications companies, computer companies and hospitals.

The company generates the majority of its revenue from upfront licence fees, recurring maintenance and recurring licence fees.

Review and results of operations

The consolidated income statement shows a net profit for the financial year ended 30 June 2007 of $5.4 million compared with $7.0 million in 2006, which represents a decrease of 23%.

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.

The company's major operational activities in the 2007 financial year have been directed toward the continued development of its sales and marketing organisations, to directly engage the customer base and prospects in the field and build new channel partners to increase market coverage.

Revenue

Revenue for the period was $36.4 million, an increase of 6% over 2006. Licence fees, which made up 54% of revenue, increased by 5% whilst maintenance fees increased by 3%.

Revenue in 2007 was impacted by a strong Australian dollar, particularly in the second half of the financial year. In US dollar terms total revenue grew by 12%.

Both the Americas and Asia Pacific regions recorded strong revenue growth on the prior year of 8% and 18% respectively. This was offset by a disappointing result from the European region, where revenue decreased by 17% on the prior year.

Revenue for the NonStop products was slightly down on the prior year, whilst the VoIP products experienced strong growth of 80% for the year. In US dollar terms NonStop revenues actually grew by 4% and VoIP revenues grew by 92%.

"Revenue in 2007 was impacted by a strong Australian dollar, particularly in the second half of the financial year. In US dollar terms total revenue grew by 12% ."

Review of operations and activities *(continued)*

Expenses

Total expenses for the period were $29.4 million, an increase of 9% over the prior year. Headcount increased from 128 at 30 June 2006 to 134 at 30 June 2007. This reflects the company's continued investment in sales and product development, particularly in the VoIP products.

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 first half of the financial year 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.

Research and development expenses were $6.4 million, representing 18% of revenue, and are made up of:

In thousands of AUD	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

Shareholder returns

Returns to shareholders increased through the payment of dividends. Dividends are unfranked, however, the company expects that dividends in 2008 will be partially franked.

	2007	2006	2005
Net profit	$5,433,000	$6,975,000	$6,238,000
Basic EPS	3.27¢	4.22¢	3.77¢
Dividends per share	3.0¢	2.5¢	2.5¢
Return on equity	22.5%	30.1%	31.3%

Financial position

The consolidated entity continues to maintain a strong financial position being free of debt and with cash at 30 June 2007 of $11.7 million, compared to $10.7 million at the same time last year. Net cash flow provided by operating activities was $7.6 million for the year ended 30 June 2007, compared to $5.1 million for the same period last year.

	2007	2006	2005
Net cash flow provided by operating activities	$7,638,000	$5,085,000	$5,439,000
Current ratio (current assets to current liabilities)	1.86	1.95	1.95
Net tangible asset backing per ordinary share	7.85¢	8.27¢	6.69¢

Outlook and strategy for 2008

The company's products continue to deliver value for our customers. The company's 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 VoIP 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 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 VoIP 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 focused on selling the Windows, UNIX, Linux and VoIP 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.

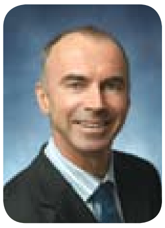
The company has also invested in improving many of the internal processes that are key to improved efficiency. These include CMMI (software development quality program) in the product development process, new lead/marketing management tools, financial reporting tools, and finally new processes aimed 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.

Directors

The directors of the company at any time during or since the end of the financial year are listed below:

Steve Killelea
MAICD -Non-Executive Director and Chairman

Steve founded Integrated Research in August 1988 and held the position of Managing Director and Chief Executive Officer until retiring from his executive position in November 2004. He was appointed as a Non-Executive Director in November 2004 and elected Chairman in July 2005. Steve is seeking re-election at the 2007 Annual General Meeting. Former listed companies directorships held in the past three years: None. Age 58 years.

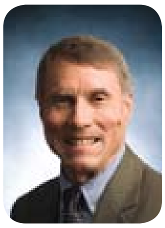


Mark Brayan
MBA - Managing Director and Chief Executive Officer (Appointed to office September 2007)

Mark Brayan joined Integrated Research in September 2007 and is responsible for the overall strategy and leadership of the company. Mark has over twenty years experience in the software industry, most recently he was COO of outsourcer Talent2 and previously CEO of the listed software company Concept Systems before its merger with Talent2. Mark has a strong understanding of the systems management market through his time with BMC Software. As Managing Director, Mark is not required to seek re-election to the Board. Former listed companies directorships held in the past three years: None. Age 43 years.

Keith Andrews
BBM, FAICD
Managing Director and Chief Executive Officer (Resigned from office September 2007)

Keith was appointed as Managing Director and Chief Executive Officer in November 2004. He has over twenty years experience at senior levels in the IT industry in Australia and overseas, having previously held senior corporate positions in Asia and the US. Former listed companies directorships held in the past three years: None. Age 47 years.



David Boyles
BA, MA, MBA,MAICD
Independent Non-Executive Director and Deputy Chairman

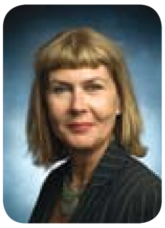
David has been a Director since July 2003 and was appointed Deputy Chairman in September 2005. He has over twenty years senior management experience with US and Australian multinational companies. David's current term will expire no later than the close of the 2009 Annual General Meeting. Former listed companies directorships held in the past three years: director of ERG Group from December 2003 to June 2005, and was appointed a director of Infosys Technologies in July 2005. Age 58 years.

John Brown
B Com, FCA, MAICD
Independent Non-Executive Director

John was appointed a Director in July 2007. He has worked across a range of practice areas from audit, financial due diligence to risk management. He was a partner with KPMG for over 26 years and joined the Board of Integrated Research after the end of the financial year. John's current term will expire no later than the close of the 2010 Annual General Meeting. Former listed companies directorships held in the past three years: None. Age 59 years.

Alex Kennedy
M.Mgt, Dip CM, FAICD
Independent Non-Executive Director (Resigned from office September 2007)

Alex has been a director since May 2003. He has nearly 35 years of specialist and executive management experience across a broad range of industries. Former listed companies directorships held in the past three years: None. Age 59 years.



Kate Costello
Llb, FAICD
Independent Non-Executive Director

Kate was appointed a Director in August 2005. She has over twenty years experience in corporate governance and strategy development. She is also a Director of Governance Matters Pty Ltd and a number of other private companies. Kate's current term will expire no later than the close of the 2008 Annual General Meeting. Kate is a director of LabTech Systems Ltd, a listed company. Former listed companies directorships held in the past three years: None. Age 55 years.

Ian Winlaw
M.Com, FCA, FAICD
Independent Non-Executive Director (Resigned from office December 2006)

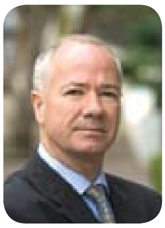
Ian had been a director since August 2000 and was Chairman of the Audit Committee until his resignation in December 2006. Former listed companies directorships held in the past three years: None. Age 68 years.

David Leighton
MBA, FCPA, ACIS
David is a member of Chartered Secretaries Australia. He has been Company Secretary since October 2000.

Senior Management

Alex Baburin
General Manager, Research and Development

Alex Baburin joined Integrated Research in November 2006 and is responsible for the company's software development and global support activities. Alex has 20 years experience in the development, creation and management of high-technology hardware and software products for Honeywell and Siemens. For the past 6 years he was responsible for general management of the Siemens Access Control product line globally and for much of that time was based in Germany.



Steve Douglas
Vice President, Europe

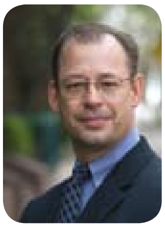
Based in the company's European headquarters in London, England, Steve joined the company's UK subsidiary in October 2002. He is responsible for leading the business operations across Europe and the UK, and is a Director of Integrated Research UK Limited. Steve has more than twenty-five years technical and sales experience in the European IT industry. In addition to his senior sales positions with Informix, Oracle and Software AG, he also brings expertise from technical roles with British Aerospace and Texas Instruments.

Nathan Brumby
Chief Technology Officer

Nathan Brumby joined the company in October 2005 and is responsible for setting technology strategy and direction across all product areas within the company. Nathan draws on considerable software and international business experience from previous positions including Chief Process Officer for Object Consulting, Chief Executive Officer of Software Engineering Australia, and Chief Executive Officer of NRG Innovations in Canada.

Stephen Rorie
B.Com, CA
Chief Financial Officer

Stephen Rorie joined Integrated Research in August 2006 and is responsible for overseeing the company's finance and administration, including regulatory compliance and investor relations. Stephen is a Chartered Accountant and holds a Bachelor of Commerce Degree from the University of New South Wales. He has extensive senior corporate, finance and manufacturing experience and was previously Chief Financial Officer for Volante, a leading Australian owned, publicly-listed IT services, solutions and infrastructure group.

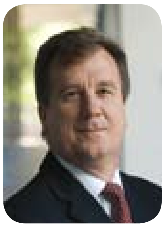


Kurt Roscow
BA, MBA
President, Americas

Based in the company's American headquarters in Denver, Colorado, Kurt joined the company in October 2003. He is responsible for leading and developing the business operations in the Americas and is President of Integrated Research, Inc. Prior to joining Integrated Research his roles included senior sales and channel management positions with IBM, Oracle and JD Edwards.

Belinda York
Vice President Marketing

Belinda York joined Integrated Research in October 2002 and is responsible for managing the company's global marketing strategy. Belinda draws on more than twenty years in the IT industry, including positions as Australian Managing Director for Borland International, Avid Technology, Onyx Software and FairMarket. She was responsible for launching and managing these subsidiary businesses and building their position and opportunity in fast-growing markets.



David Taylor
General Manager of Asia Pacific and PROGNOSIS Solutions Group

David Taylor joined Integrated Research in November 2006 and is responsible for the PROGNOSIS Solutions Group and the Asia-Pacific regional sales team. David has more than 17 years experience in the performance monitoring solutions market in the US, Latin America, Middle East, Africa and Asia Pacific, having held the positions of Regional Vice President of both Compuware and MapInfo, and most recently as the Vice President of Asia Pacific for NetIQ.

Integrated Research

Proud developers of PROGNOSIS performance monitoring software for business-critical computer systems

- Founded in 1988
- Customers in 50+ countries
- Clients include 35% of Global 1000 companies
- Dominant share of HP NonStop performance monitoring market
- Emerging as dominant performance monitoring solution for large-scale VoIP deployments

Financials

Directors' Report

The directors present their report together with the Financial Report of Integrated Research Limited ("the company") and of the consolidated entity, being the company and its controlled entities, for the year ended 30 June 2007 and the Auditor's Report thereon.

Results

The net profit of the consolidated entity for the 12 months ended 30 June 2007 after income tax expense was $5.4 million.

Dividends

Dividends paid or declared by the company since the end of the previous financial year were:

		Cents Per Share	Total Amount $'000	Date of Payment
Final 2006 – Ordinary shares	Unfranked	1.5	2,487	15 Sep 2006
Interim 2007 – Ordinary shares	Unfranked	1.0	1,659	9 Mar 2007
Final 2007 – Ordinary shares	Unfranked	2.0	3,324	14 Sep 2007

Events subsequent to reporting date

For dividends declared after 30 June 2007 see Note 22 in the financial statements. The financial effect of dividends declared and paid after 30 June 2007 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 July 2007, Mr John Brown was appointed as an independent Non-Executive Director of the company.

In September 2007, Mr Keith Andrews resigned from both his position of Chief Executive Officer and Managing Director of the company.

In September 2007, Mr Mark Brayan was appointed as Chief Executive Officer and Managing Director of the company.

In September 2007, Mr Alex Kennedy resigned as an independent Non-Executive Director of the company.

No other transaction or event of a material or unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely, in the opinion of the directors of the company, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future financial years.

Future developments

Likely developments in the operations of the consolidated entity in future financial years and the expected results of those operations are referred to generally in the Review of Operations and Activities Report.

Further information on likely developments including expected results would in the Directors' opinion, result in unreasonable prejudice to the company and has therefore not been included in this Report.

Directors and company secretary

Details of current directors' qualifications, experience, age and special responsibilities are set out on page 12. Details of the company secretary and his qualifications are set out on page 13.

Officers who were previously partners of the audit firm

No officers of the company during the financial year were previously partners of the current audit firm.

Directors' meetings

The numbers of meetings of the company's board of directors and of each board committee held during the year ended 30 June 2007, and the numbers of meetings attended by each director were:

	Board Meetings		Audit Committee Meetings		Nomination and Remuneration Committee Meetings		Strategy Committee Meetings	
	A	**B**	**A**	**B**	**A**	**B**	**A**	**B**
Keith Andrews	12	12	-	-	-	-	1	1
David Boyles	12	12	2	2	2	2	1	1
Kate Costello	12	12	3	3	-	-	1	1
Alex Kennedy	12	12	2	2	3	3	-	-
Steve Killelea	11	12	-	-	3	3	1	1
Ian Winlaw	6	6	2	2	-	-	-	-

A: Number of meetings attended.

B: Number of meetings held during the time the directors held office or was a member of the committee during the year.

State of affairs

In the opinion of the directors there were no significant changes in the state of affairs of the consolidated entity that occurred during the financial year under review.

Environmental regulation

The consolidated entity's operations are not subject to significant environmental regulations under either Commonwealth or State legislation.

Directors' interests

The relevant interest of each director in the shares or options over such shares issued by the companies in the consolidated entity and other relevant bodies corporate, as notified by the directors to the Australian Stock Exchange in accordance with S205G(1) of the Corporations Act 2001, at the date of this report is as follows:

	Ordinary shares			Options
	Directly held	**Beneficially held**	**Total**	**Number of Options**
David Boyles	1,700,000	-	1,700,000	-
Kate Costello	-	200,000	200,000	-
Steve Killelea	94,497,339	337,612	94,834,951	-
John Brown	-	-	-	-
Mark Brayan	-	-	-	-

Share options

Options granted to directors and senior executives

During or since the end of the financial year, the company granted options for no consideration over unissued ordinary shares in Integrated Research Limited to the following named executive officers of the consolidated entity as part of their remuneration:

	Number of options granted	Exercise price	Expiry date
Keith Andrews	1,000,000	$0.46	Aug 2011*
Stephen Rorie	300,000	$0.44	Aug 2011
David Taylor	200,000	$0.57	Oct 2011

* options will lapse 3 months after employment terminated in September 2007.

No options were granted to any non-executive directors of the consolidated entity during or since the end of the financial year.

The options were granted under the Integrated Research Limited Employee Share Option Plan. 25% of options vest and may be exercised from each of the first to fourth anniversaries of the issue date. In addition, the ability to exercise some options is conditional on the consolidated entity achieving certain performance hurdles. Unexercised options expire five years after the issue date or 3 months after termination of the employee's employment.

Unissued shares under option

Unissued ordinary shares of Integrated Research Limited under option at the date of this report are as follows:

Expiry date	Exercise price	Number of shares	Expiry date	Exercise price	Number of shares
July 2007	$0.57	258,000	Apr 2010	$0.46	200,000
Feb 2008	$0.24	220,355	Sep 2010	$0.54	520,000
Jun 2008	$0.12	139,000	Jan 2011	$0.48	200,000
Aug 2008	$0.22	224,250	May 2011	$0.41	674,000
Feb 2009	$0.26	273,510	Aug 2011	$0.44	470,000
Apr 2009	$0.46	585,000	Aug 2011	$0.46	1,000,000
May 2009	$0.33	238,990	Nov 2011	$0.57	200,000
July 2009	$0.40	288,000	Jan 2012	$0.50	160,000
Nov 2009	$0.57	400,000	Jun 2012	$0.48	884,000
Feb 2010	$0.52	344,500			
Total unissued ordinary shares of Integrated Research Limited under option					7,279,605

Options do not entitle the holder to participate in any share issue of the company or any other body corporate.

Shares issued on the exercise of options

During or since the end of the financial year, the company issued ordinary shares as a result of the exercise of options as follows (there were no amounts unpaid on the shares issued):

Number of shares	Amount paid on each share
36,895	$0.24
38,125	$0.12
77,500	$0.22
35,990	$0.26
34,760	$0.33
24,750	$0.40
50,000	$0.47

Indemnification and insurance of directors and officers

Indemnification

The company has agreed to indemnify the directors of the company on a full indemnity basis to the full extent permitted by law, for all losses or liabilities incurred by the director as an officer of the company including, but not limited to, liability for negligence or for reasonable costs and expenses incurred, except where the liability arises out of conduct involving a lack of good faith.

Insurance

During the financial year Integrated Research Limited paid a premium of $37,000 to insure the directors and officers of the consolidated entity and related bodies corporate.

The liabilities insured include costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against officers in their capacity as officers of the consolidated entity.

Remuneration report

The company's Remuneration Report, which forms part of this Directors' Report, is on pages 24 to 31.

Corporate governance

A statement describing the company's main corporate governance practices in place throughout the financial year is on pages 32 to 40 of this Annual Report.

Non-audit services

During the year DTT NSW, the company's auditor, has performed certain other services in addition to their statutory duties.

The board has considered the non-audit services provided during the year by the auditor and in accordance with written advice provided by resolution of the audit committee, is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- All non-audit services were subject to the corporate governance procedures adopted by the company and have been reviewed by the audit committee to ensure they do not impact the integrity and objectivity of the auditor, and
- The non-audit services provided do not undermine the general principles relating to auditor independence as set out in Professional Statement *F1 Professional independence*, as they did not involve reviewing or auditing the auditor's own work, acting in management or decision making capacity for the company, acting as an advocate for the company or jointly sharing risks and rewards.

A copy of the auditors' independence declaration as required under Section 307C of the Corporations Act is attached and forms part of the Directors' Report.

Rounding of amounts to nearest thousand dollars

The company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class order, amounts in the Financial Report and the Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

This report is made in accordance with a resolution of the directors.

Steve Killelea
Chairman

David Boyles
Deputy Chairman

Dated at North Sydney this 21st day of September 2007

Remuneration Report

Remuneration policies - audited

Remuneration levels for key management personnel and secretaries of the company, and relevant key management personnel of the consolidated entity are competitively set to attract and retain appropriately qualified and experienced directors and senior executives. The remuneration committee obtains independent advice on the appropriateness of remuneration packages given trends in comparative companies both locally and internationally and the objectives of the company's remuneration strategy.

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the company and the consolidated entity, including directors of the company and other executives.

The remuneration structures explained below are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. The remuneration structure takes into account:

- The capability and experience of the directors and senior executives
- The directors and senior executives ability to control the relevant segment's performance
- The consolidated entity's performance including:
  - The consolidated entity's earnings
  - The growth in share price and returns on shareholder wealth

Remuneration packages include a mix of fixed and variable remuneration and short and long-term performance based incentives.

Fixed remuneration - audited

Fixed remuneration consists of base remuneration (which is calculated on a total cost basis and includes any FBT charges related to employee benefits including motor vehicles), as well as employer contributions to superannuation funds.

Remuneration levels are reviewed annually through a process that considers individual, segment and overall performance of the consolidated entity. In addition, external consultants provide analysis and advice to ensure the directors' and senior executives' remuneration is competitive in the market place. A senior executives remuneration is also reviewed on promotion.

Performance-linked remuneration - audited

Performance linked remuneration includes both short-term and long-term incentives and is designed to reward executive directors and senior executives for exceeding their financial and personal objectives. The short-term incentive (STI) is an "at risk" bonus provided in the form of cash, while the long-term incentive (LTI) is provided as options over ordinary shares of Integrated Research Limited under the rules of the Employee Share Option Plan (ESOP).

Remuneration Report *(continued)*

Short-term incentive bonus

The nomination and remuneration committee is responsible for setting the key performance indicators (KPI's) for the chief executive officer, and for approving the KPI's for the senior executives who report to him. The KPI's generally include measures relating to the consolidated entity, the relevant segment, and the individual, and include financial, people, customer, strategy and risk measures. The measures are chosen as they directly align the individual's reward to the KPI's of the consolidated entity and to its strategy and performance.

The financial performance objectives vary with position and responsibility and are aligned with each respective years budget. The non-financial objectives vary with position and responsibility and include measures such as achieving strategic outcomes and staff development.

At the end of the financial year the nomination and remuneration committee assess the actual performance of the CEO against the KPI's set at the beginning of the financial year. A percentage of the predetermined maximum amounts for each KPI is awarded depending on results. The committee recommends the cash incentive to be paid to the CEO for approval by the board.

Long-term incentive

Options are issued to executive directors and other senior executives under the Employee Share Option Plan. The ability of executive directors and other senior executives to exercise options is conditional on the consolidated entity achieving certain profit after tax (PAT) performance hurdles over the vesting period.

Mr Keith Andrews, the chief executive officer was eligible to be issued a total of 360,000 performance shares to vest over a period of four consecutive years following an independent verification of attaining growth in total shareholder return (TSR) (defined as share price growth and dividends paid) at or above the median of the comparator group that comprise the ASX Small Ordinaries Index. No performance shares were issued during this financial year.

Consequences of performance on shareholder wealth - unaudited

In considering the consolidated entity's performance and benefits for shareholder wealth, the nomination and remuneration committee has regard to the following indices in respect of the current financial year and the previous four financial years:

	2007	2006	2005	2004	2003
New licences	$19,517,000	$18,633,000	$17,790,000	$15,842,000	$12,396,000
Net profit	$5,433,000	$6,975,000	$6,238,000	$4,455,000	$1,072,000
Dividends paid	$4,152,000	$4,146,000	$3,310,000	$1,239,000	$2,892,000
Change in share price	$0.185	($0.005)	$0.05	$0.23	($0.43)

Net profit and new licence sales are considered in setting the STI, as two of the financial performance targets are "profit after tax" and "new sales". Dividends and changes in share price are included in the TSR calculation for the LTI.

The nomination and remuneration committee considers that the above performance linked structure is generating the desired outcomes.

Service agreements - audited

Service contracts for executive directors and senior executives are unlimited in term but capable of termination by either party according to a period specified in the employment contract and the consolidated entity retains the right to terminate the contract immediately by payment in lieu of notice or a severance payment or an amount for redundancy equal to the scale of payments prescribed in the NSW Employment Protection Act.

Mr Keith Andrews, chief executive officer, had a contract of employment with Integrated Research Limited dated 5 October 2004, which provided for specific notice and severance understandings of up to two years compensation depending on the particular circumstances. Mr Andrews terminated his employment in September 2007.

Mr Mark Brayan, chief executive officer, has a contract of employment with Integrated Research Limited dated 29 August 2007, which provides for specific notice and severance understandings of up to four months compensation depending on the particular circumstances. Mr Brayan can terminate his employment by giving four months prior notice in writing.

Mr Stephen Rorie, chief financial officer, has a contract of employment with Integrated Research Limited dated 26 May 2006, which provides for specific notice and severance understandings of up to nine months compensation depending on the particular circumstances. Mr Rorie can terminate his employment by giving three months prior notice in writing.

Mr Nathan Brumby, chief technical officer, has a contract of employment with Integrated Research Limited dated 22 September 2005, which provides for specific notice and severance understandings of up to four months compensation depending on the particular circumstances. Mr Brumby can terminate his employment by giving one month prior notice in writing.

Mr David Taylor, General Manager – Asia Pacific and PSG, has a contract of employment with Integrated Research Limited dated 8 September 2006, which provides for specific notice and severance understandings of up to six months compensation depending on the particular circumstances. Mr Taylor can terminate his employment by giving three months prior notice in writing.

Mr Steve Douglas, Vice President Europe, has a contract of employment with Integrated Research Limited dated 30 August 2006, which provides for specific notice and severance understandings of up to three months compensation depending on the particular circumstances. Mr Douglas can terminate his employment by giving three months prior notice in writing.

Non-executive directors - audited

Total remuneration for all non-executive directors last voted upon at a special meeting of shareholders in October 2000 is not to exceed $500,000 per annum.

Director’s base fees are presently $45,000 per annum plus compulsory superannuation. The chairman receives the base fee by a multiple of two and the deputy chairman receives the base fee by a multiple of 1.5. Director’s fees cover all main board activities and committee membership.

Non-executive directors do not receive performance related compensation or retirement benefits.

Directors’ and executive officers’ remuneration - audited

Details of the nature and amount of each major element of the remuneration of each director of the company and each of the executives and relevant group executives receiving the highest remuneration are reported on the next page.

Remuneration Report *(continued)*

The estimated value of options disclosed is calculated at the date of grant using the Binomial option pricing model, adjusted to take into account the inability to exercise options during the vesting period. Further details of options granted during the year are set out above under "Share options".

"Executive officers" are officers who are involved in, or who take part in, the management of the affairs of Integrated Research Limited and/or related bodies corporate. Remuneration for overseas-based employees has been translated to Australian dollars at the average exchange rates for the year.

		Short Term			Post-employment	Share-based payments	Other compensation		Proportion of remuneration (not audited)	
In AUD		Salary & fees $	Bonus $	Non-cash benefits $	Superannuation contribution $	Value of options (A) $	Termination benefit $	Total $	Performance related	Value of options
Directors										
Non-executive										
David Boyles	2007	67,500	-	-	6,075	-	-	73,575	-	-
	2006	64,687	-	-	5,822	-	-	70,509	-	-
Kate Costello (appointed 1 August 2005)	2007	-	-	-	49,050	-	-	49,050	-	-
	2006	-	-	-	44,962	-	-	44,962	-	-
Alex Kennedy	2007	-	-	-	49,050	-	-	49,050	-	-
	2006	22,500	-	-	26,550	-	-	49,050	-	-
Steve Killelea	2007	90,000	-	-	8,100	-	-	98,100	-	-
	2006	90,000	-	-	8,100	-	-	98,100	-	-
Ian Winlaw (resigned 31 December 2006)	2007	22,500	-	-	2,025	-	-	24,525	-	-
	2006	45,000	-	-	4,050	-	-	49,050	-	-
Executive										
David Leighton (retired 31 March 2006)	2007	-	-	-	-	-	-	-	-	-
	2006	176,082	-	30,219	38,422	30,300	117,766	392,789	-	8%
Keith Andrews	2007	369,565	50,000	58,541	32,662	7,500	-	518,268	11%	1%
	2006	355,009	130,000	33,511	40,560	62,998	-	622,078	21%	10%

Remuneration Report *(continued)*

In AUD		Short Term: Salary & fees $	Bonus $	Non-cash benefits $	Post-employment: Super-annuation contribution $	Share-based payments: Value of options $	Other compensation: Termination benefit $	Total $	Proportion of remuneration (not audited): Performance related	Value of options
Executive officers (excluding directors)										
The Company										
Nathan Brumby	2007	209,944	74,574	-	11,954	1,777	-	298,249	25%	1%
	2006	152,882	26,000	-	9,104	2,237	-	190,223	14%	1%
Stephen Rorie (appointed 7 August 2006)	2007	219,732	48,750	31,044	11,629	2,192	-	313,347	16%	1%
	2006	-	-	-	-	-	-	-	-	-
David Purdue (terminated 1 February 2007)	2007	149,157	8,000	4,371	33,046	11,924	49,500	255,998	3%	5%
	2006	157,447	-	3,561	24,078	13,814	-	198,900	-	7%
David Taylor (appointed 1 November 2006)	2007	121,127	59,712	4,088	13,646	1,433	-	200,006	30%	1%
	2006	-	-	-	-	-	-	-	-	-
David Leighton *	2007	33,750	-	-	-	-	-	33,750	-	-
Consolidated										
Steve Douglas	2007	210,488	130,693	-	-	513	-	341,694	38%	0%
	2006	206,192	189,751	-	-	7,795	-	403,738	47%	2%
Kurt Roscow	2007	192,771	173,039	-	-	540	-	366,350	47%	0%
	2006	195,980	253,625	-	-	7,710	-	457,315	56%	2%
Total compensation: key management (consolidated)	2007	1,686,534	544,768	98,044	217,237	25,879	49,500	2,621,962		
	2006	1,465,779	599,376	67,291	201,648	124,854	117,766	2,576,714		
Total compensation: key management (company)	2007	1,249,525	241,036	98,044	217,207	24,826	49,500	1,880,168		
	2006	1,063,607	156,000	67,291	201,648	109,349	117,766	1,715,661		

* David Leighton retired as an executive director on 31 March 2006 and he has continued his role as company secretary.

Remuneration Report *(continued)*

Analysis of bonuses included in remuneration - unaudited

Details of the vesting profile of the short-term incentive cash bonuses awarded as remuneration to each director of the company and each of the named company executives and relevant group executives are detailed below:

	Short term incentive bonuses		
	Included in remuneration $ (A)	% vested in year	% forfeited in year (B)
Directors			
Keith Andrews	50,000	40%	60%
Executives			
Nathan Brumby	74,574	84%	16%
Stephen Rorie	48,750	98%	2%
David Taylor	59,712	78%	22%
Steve Douglas	130,693	52%	48%
Kurt Roscow	173,039	87%	13%

(A) Amounts included in remuneration for the financial year represents the amount that vested in the financial year based on achievement of personal goals and satisfaction of specified performance criteria. No amounts vest in future financial years in respect of the short-term incentive bonus scheme for the 2007 financial year.

(B) The amounts forfeited are due to the performance or service criteria not being met in relation to the current financial year.

Equity instruments – audited

All options refer to options over ordinary shares of Integrated Research Limited, which are exercisable on a one-for-one basis under the Employee Share Option Plan (ESOP).

Options and rights over equity instruments granted as compensation

Details on options over ordinary shares in the company that were granted as compensation to each key management person during the reporting period and details on options that were vested during the reporting period are as follows:

	Number of options granted in 2007	Grant date	Number of options vested during 2007	Fair value of option at grant date	Exercise price per option	Expiry date
Executives:						
Keith Andrews	1,000,000	Aug 2006	-	$0.16	$0.46	Aug 2011
Stephen Rorie	300,000	Aug 2006	-	$0.14	$0.44	Aug 2011
David Taylor	200,000	Nov 2006	-	$0.19	$0.57	Oct 2011
Steve Douglas	-	-	75,000	$0.14	$0.46	Apr 2009
Kurt Roscow	-	-	75,000	$0.14	$0.46	Apr 2009

No options have been granted to named executives since the end of the financial year. The options listed on the previous page were provided at no cost to the recipients.

All options expire on the earlier of their expiry date or termination of the individual's employment, except for termination due to retirement. The options are exercisable on an annual basis on the first to fourth anniversaries of the grant date. In addition to a continuing employment service condition, the ability of executives to exercise options is conditional on the consolidated entity achieving certain performance hurdles.

Further details, including grant dates and exercise dates regarding options granted to executives under the ESOP are in note 19 to the financial statements.

Exercise of options granted as compensation

During the reporting year the following shares were issued on the exercise of options previously granted as compensation:

	Number of shares	Amount paid per share
Executives:		
Nil	-	-

There were no amounts unpaid on the shares issued as a result of the exercise of the options.

Analysis of movement in options – unaudited

The movement during the reporting period, by value, of options over ordinary shares in the company held by each company director and each of the named company executives and relevant group executives is detailed below:

	Value of options			
In AUD	**Granted in year (A) $**	**Exercised in year (B) $**	**Forfeited in year (C) $**	**Total options value in year (D) $**
Keith Andrews	157,000	-	-	7,500
Stephen Rorie	44,700	-	-	2,192
David Taylor	38,600	-	-	1,433
Nathan Brumby	-	-	-	1,777
Steve Douglas	-	-	-	513
Kurt Roscow	-	-	-	540
	240,300	-	-	13,955

(A) The value of options granted in the year is the fair value of the options calculated at the grant date using a bi-nominal option-pricing model. The total value of the options granted is included in the table above. This amount is allocated to remuneration over the vesting period, and is before adjusting the value for the probability the options will vest.

(B) The value of options exercised during the year is calculated as the market price of shares of the company on the Australian Stock Exchange as at the close of trading on the date the options were exercised after deducting the price paid to exercise the option.

(C) There were no options forfeited during the year.

(D) Total options value in year represents the fair value of options granted apportioned over the vesting period, adjusting the value for the probability the options will vest.

Analysis of options and rights over equity instruments granted as compensation - unaudited

Details of vesting profile of the options granted to each director of the company and each of the named executives are detailed below:

	Options granted					Value yet to vest ($)	
	Number	Date	% vested in year	Forfeited in year (A)	Financial year in which grant vests	Min (B)	Max (C)
Directors							
Keith Andrews	1,000,000	Aug 2006	-	-	2011	nil	157,000
Executives							
Nathan Brumby	200,000	Jan 2006	-	-	2011	nil	43,000
David Taylor	200,000	Nov 2006	-	-	2011	nil	38,600
Stephen Rorie	300,000	Aug 2006	-	-	2011	nil	44,700
Steve Douglas	15,000	Feb 2004	25%	-	2009	nil	1,995
	285,000	Apr 2004	25%	-	2009	nil	37,905
Kurt Roscow	300,000	Apr 2004	25%	-	2009	nil	42,000

(A) The % forfeited in the year represents the reduction from the maximum number of options available to vest due to the highest level of performance not being achieved.

(B) The minimum value of options yet to vest is $nil as the market price of the shares of the company on the Australian Stock Exchange at the time may not exceed the option price.

(C) The maximum values presented above are based on the values calculated using the Binomial option pricing model as applied in estimating the value of options for employee benefit expense purposes.

Corporate Governance Statement

This statement outlines the main corporate governance practices that were in place throughout the financial year, which comply with the ASX Corporate Governance Council recommendations, unless otherwise stated.

Board of directors and its committees

Role of the board

The board's primary role is the protection and enhancement of long-term shareholder value.

To fulfil this role, the board is responsible for the overall corporate governance of the consolidated entity including formulating its strategic direction, approving and monitoring capital expenditure, setting remuneration, appointing, removing and creating succession policies for directors and senior executives, establishing and monitoring the achievement of management goals and ensuring the integrity of internal control and management information systems. It is also responsible for approving and monitoring financial and other reporting. Details of the board's charter are located on the company's website (**www.ir.com**).

Board process

To assist in the execution of its responsibilities, the Board has established a number of board committees including a Nomination and Remuneration Committee, an Audit Committee and a Strategy Committee. These committees have written mandates and operating procedures, which are reviewed on a regular basis. The board has also established a framework for the management of the consolidated entity including a system of internal control, a business risk management process and the establishment of appropriate ethical standards.

The full board currently holds twelve scheduled meetings each year, plus strategy and any extraordinary meetings at such other times as may be necessary to address any specific matters that may arise.

The agenda for its meetings is prepared in conjunction with the chairman, chief executive officer and company secretary. Standing items include the CEO's report, financial reports, strategic matters, governance and compliance. Submissions are circulated in advance. Executives are regularly involved in board discussions and directors have other opportunities, including visits to operations, for contact with a wider group of employees.

During the year the board undertook a formal performance evaluation of itself and of individual directors and the Chairman to identify governance and performance strengths and areas for improvement. The Chairman discussed individual director results with each director agreeing appropriate development actions and, tabled his own results for discussion and agreement with the board. The board implemented changes to its governance practices as a consequence of the evaluation. The board increased the scheduling of executive presentation sessions at board meetings to ensure the board is continuously updated on operational and strategic issues and has the opportunity to meet and work with management in Australia from the company's overseas operations.

Corporate Governance Statement *(continued)*

Director education

The consolidated entity follows an induction process to educate new directors about the nature of the business, current issues, the corporate strategy and expectations of the consolidated entity concerning performance of directors. Directors also have the opportunity to visit consolidated entity facilities and meet with management to gain a better understanding of business operations. In addition Executives make regular presentations to the board to ensure its familiarity of operational matters. Directors are expected to access external continuing education opportunities to update and enhance their skills and knowledge.

Independent advice and access to company information

Each director has the right of access to all relevant company information and to the company's executives and, subject to prior consultation with the chairman, may seek independent professional advice from a suitably qualified adviser at the consolidated entity's expense. A copy of the advice received by the director is made available to all other members of the board.

Composition of the board

The names of the directors of the company in office at the date of this report are set out on page 12 of this report.

The company's constitution provides for the board to consist of between three and twelve members. At 30 June 2007 the board members were comprised as follows:

- Mr Steve Killelea – non independent non executive director (Chairman).
- Mr David Boyles – independent non executive director (Deputy Chairman).
- Ms Kate Costello - independent non executive director.
- Mr Alex Kennedy - independent non executive director.
- Mr Keith Andrews - executive director (Chief Executive Officer).

Mr Ian Winlaw retired from his position as an independent non executive director in December 2006. Mr Alex Kennedy retired from his position as an independent non executive director in September 2007. Mr John Brown was appointed as an independent non executive director in July 2007.

Mr Keith Andrews resigned from his position of executive director in September 2007 and Mr Mark Brayan was appointed as an executive director in September 2007.

The election of Mr Killelea, who holds a majority of the company's issued shares, as non-executive chairman does not comply with the ASX Corporate Governance Council recommendation that the chairman be an independent director. However, the board considers the appointment of Mr Killelea to be beneficial to the company and will enable it to continue to build on the experience and knowledge gained through his long involvement with Integrated Research and his associations throughout the information industry. Mr Killelea founded Integrated Research in 1988 and was the CEO and managing director of the company until his retirement in November 2004. The board recognises the need for directors to exercise unfettered and independent judgement and in September 2005 appointed Mr David Boyles as deputy chairman. In this role Mr Boyles acts as lead independent director.

At each Annual General Meeting one-third of directors, any director who has held office for three years and any director appointed by directors in the preceding year must retire, then being eligible for re-election. The chief executive officer is not required to retire by rotation.

The composition of the board is reviewed on a regular basis to ensure that the board has the appropriate mix of expertise and experience. When a vacancy exists, through whatever cause, or where it is considered that the board would benefit from the services of a new director with particular skills, the Nomination and Remuneration Committee will, in conjunction with the board, determine the selection criteria for the position based on the skills deemed necessary for the board to best carry out its responsibilities. The committee would then select a panel of candidates and the board would then appoint the most suitable candidate who must stand for election at the next general meeting of shareholders.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee is a committee of the board of directors and is empowered by the board to assist it in fulfilling its duties to shareholders and other stakeholders. In general, the committee has responsibility to: 1) ensure the company has appropriate remuneration policies designed to meet the needs of the company and to enhance corporate and individual performance and 2) review board performance, select and recommend new directors to the board and implement actions for the retirement and re-election of directors.

Responsibilities Regarding Remuneration

The Committee reviews and makes recommendations to the board on:

- The appointment, remuneration, performance objectives and evaluation of the chief executive officer.
- The remuneration packages for senior executives.
- The company's recruitment, retention and termination policies and procedures for senior executives.
- Executive remuneration and incentive policies.
- Policies on employee incentive plans, including equity incentive plans.
- Superannuation arrangements.
- The remuneration framework and policy for non-executive directors.
- Remuneration levels are competitively set to attract and retain the most qualified and experienced directors and senior executives. The Remuneration Committee obtains independent advice on the appropriateness of remuneration packages, given trends in comparative companies and industry surveys. Remuneration packages include a mix of fixed remuneration, performance-based remuneration and equity-based remuneration.

Corporate Governance Statement *(continued)*

Responsibilities Regarding Nomination

The Committee develops and makes recommendations to the board on:

- The CEO and senior executive succession planning
- The range of skills, experience and expertise needed on the board and the identification of the particular skills, experience and expertise that will best complement board effectiveness.
- A plan for identifying, reviewing, assessing and enhancing director competencies.
- Board succession plans to maintain a balance of skills, experience and expertise on the board.
- Evaluation of the board's performance.
- Appointment and removal of directors.
- Appropriate composition of committees.
- The terms and conditions of the appointment of non-executive directors are set out in a letter of appointment, including expectations for attendance and preparation for all board meetings, expected time commitments, procedures when dealing with conflicts of interest, and the availability of independent professional advice.

The members of the Nomination and Remuneration Committee during the year were:

- Alex Kennedy (Chairman from December 2006) – Independent Non-Executive.
- David Boyles (retired as member from December 2006) – Independent Non-Executive.
- Alex Kennedy – Independent Non-Executive.
- Steve Killelea – Non-Executive.

The Nomination and Remuneration Committee meets at least twice a year and as required. The Committee met five times during the year under review.

Audit Committee

The Audit Committee has a documented charter, approved by the board. All members must be non-executive directors with a majority being independent. The chairman may not be the chairman of the board. The committee advises on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the consolidated entity.

The members of the Audit Committee during the year were:

- David Boyles (Chairman from December 2006) – Independent Non-Executive
- Ian Winlaw (Chairman retired December 2006) – Independent Non-Executive
- Kate Costello – Independent Non-Executive
- Alex Kennedy – Independent Non-Executive

The external auditor, chief executive officer and chief financial officer are invited to Audit Committee meetings at the discretion of the committee. The committee met three times during the year and committee members' attendance record is disclosed in the table of directors' meetings on page 19.

The external auditor met with the audit committee/board three times during the year, two of which included time without the presence of executive management. The chief executive officer and the chief financial officer declared in writing to the board that the company's financial reports for the year ended 30 June 2007 comply with accounting standards and present a true and fair view, in all material respects, of the company's financial condition and operational results. This statement is required annually.

The Audit Committee's charter is available on the company's website and includes information on procedures for selection and appointment of the external auditor, and for rotation of external audit engagement partners.

The main responsibilities of the Audit Committee include:

- Reviewing the annual and half-year financial reports and other financial information distributed externally, including new accounting policies to ensure compliance with Australian Accounting Standards and generally accepted accounting principles.
- Assessing whether non-audit services provided by the external auditor are consistent with maintaining the external auditor's independence. Each reporting period the external auditor provides a declaration of independence.
- Providing advice to the board in respect of whether provision of the non-audit services by the external auditor is compatible with the general standards of independence of auditors imposed by the Corporations Act 2001.
- Reviewing the nomination and performance of the external auditor.
- Monitoring the establishment of an appropriate internal control framework, and appropriate ethical standards.
- Monitoring the procedures to ensure compliance with the Corporations Act 2001 and ASX Listing Rules and all other regulatory requirements.
- Addressing any matters outstanding with auditors, Australian Tax Office, overseas tax authorities, Australian Securities and Investments Commission and financial institutions.

The Audit Committee reviews the performance of the external auditors on an annual basis and normally meets with them during the year as follows:

- To discuss the external audit plans, identifying any significant changes in structure, operations, internal controls or accounting policies likely to impact the financial statements and to review the fees proposed for the audit work to be performed.

Corporate Governance Statement *(continued)*

- Prior to announcement of results:
  - To review the half-year and preliminary final report prior to lodgement with the ASX, and any significant adjustments required as a result of the auditor's findings.
  - To recommend the Board approval of these documents.
- To finalise half-year and annual reporting:
  - Review the results and findings of the auditor, the adequacy of accounting and financial controls, and to monitor the implementation of any recommendations made.
  - Review the draft financial report and recommend board approval of the financial report.
- As required, to organise, review and report on any special reviews or investigations deemed necessary by the board.

The full board has retained responsibility for monitoring the corporate risk assessment processes and fraud control.

Strategy Committee

The Strategy Committee has a documented charter, approved by the board and is responsible for reviewing strategy and recommending strategies to the board to enhance the company's long-term performance. The committee is comprised of at least three members, including the chairman of the board and the chief executive officer. The board appoints a member of the committee to be chairman.

The members of the Strategy Committee during the year were:

- Steve Killelea (Chairman) – Non-Executive.
- Keith Andrews – Executive.
- David Boyles – Independent Non-Executive.
- Kate Costello – Independent Non-Executive.

The Strategy Committee is responsible for:

- Working with management on the articulation of any strategic plan for recommendation to the board.
- Assisting in identifying and assessing strategic opportunities including:
  - Mergers and acquisitions proposals
  - Intellectual property developments or acquisitions
  - Changes in business models
  - Partnering arrangements
  - Entry into new markets

- Staying close to business challenges and risks
- Recommending specific (eg product) strategies, including business cases and mechanisms to measure progress results, to the board.

The Committee met once during the year under review.

Risk management

The board reviews the status of business risks to the consolidated entity through integrated risk management programs ensuring risks are identified, assessed and appropriately managed. Major business risks arise from such matters as actions by competitors, government policy changes and the impact of exchange rate movements.

Comprehensive policies and procedures are established such that:

- Capital expenditure above a certain size requires Board approval.
- Financial exposures are controlled, including the use of forward exchange contracts.
- Risks are identified and managed, including internal audit, privacy, insurances, business continuity and compliance.
- Business transactions are properly authorised and executed.

The chief executive officer and the chief financial officer have declared, in writing to the board that the company's financial reports are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board.

Internal control framework

The board is responsible for the overall internal control framework, but recognises that no cost effective internal control system will preclude all errors and irregularities. The board has instigated the following internal control framework:

- Financial reporting – Monthly actual results are reported against budgets approved by the directors and revised forecasts for the year are prepared monthly.
- Continuous disclosure – Identify matters that may have a material effect on the price of the Company's securities, notify them to the ASX and post them to the Company's website.
- Quality and integrity of personnel – Formal appraisals are conducted at least annually for all employees.
- Operating unit controls – Operating units are required to confirm compliance with financial controls and procedures including information systems controls detailed in procedures manuals.
- Investment appraisals – Guidelines for capital expenditure include annual budgets, detailed appraisal and review procedures and levels of authority.

Corporate Governance Statement *(continued)*

Internal Audit

The company does not have an internal audit function but utilises its financial resources as needed to assist the board in ensuring compliance with internal controls.

Ethical standards

All directors, managers and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the consolidated entity. Every employee has a nominated supervisor to whom they may refer any issues arising from their employment.

Conflict of interest

Directors must keep the board advised, on an ongoing basis, of any interest that could potentially conflict with those of the company. Where the board considers that a significant conflict exists the director concerned does not receive the relevant board papers and is not present at the meeting whilst the item is considered. The board has developed procedures to assist directors to disclose potential conflicts of interest. Details of director related entity transactions with the company and consolidated entity are set out in Note 28.

Code of conduct

The consolidated entity has advised each director, manager and employee that they must comply with the code of conduct. The code aligns behaviour of the board and management with the code of conduct by maintaining appropriate core values and objectives. It may be reviewed on the company's website and includes:

- Responsibility to the community and fellow employees to act with honesty and integrity, and without prejudice.
- Compliance with laws and regulations in all areas where the company operates, including employment opportunity, occupational health and safety, trade practices, fair dealing, privacy, drugs and alcohol, and the environment.
- Dealing honestly with customers, suppliers and consultants.
- Ensuring reports and other information are accurate and timely.
- Proper use of company resources, avoidance of conflicts of interest and use of confidential or proprietary information.

Trading in company securities by directors and employees

Directors and employees may acquire shares in the company, but are prohibited from dealing in company shares whilst in possession of price sensitive information, and except in the periods:

- From 24 hours to 28 days after the release of the company's half-yearly results announcement or following the wide dissemination of information on the status of the corporation and current results.
- From 24 hours after the release of the company's annual results announcement to a maximum of 28 days after the annual general meeting.

Directors must obtain the approval of the chairman of the board and notify the company secretary before they buy or sell shares in the company, subject to board veto. The company advises the ASX of any transactions conducted by directors in shares in the company.

The consolidated entity's trading policy may be reviewed on the company's website.

Communication with shareholders

The board provides shareholders with information using a comprehensive continuous disclosure policy which includes identifying matters that may have a material effect on the price of the company's securities, notifying them to the ASX, posting them on the company's website (**www.ir.com**), and issuing media releases. Disclosures under this policy are in addition to the periodic and other disclosures required under the ASX Listing Rules and the Corporations Act. More details of the policy are available on the company's website.

The chief executive officer and the chief financial officer are responsible for interpreting the company's policy and where necessary informing the board. The company secretary is responsible for all communication with the ASX.

The board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the consolidated entity's strategy and goals. Important issues are presented to the shareholders as single resolutions. The external auditor is requested to attend the Annual General Meetings to answer any questions concerning the audit and the content of the auditor's report.

The shareholders are requested to vote on the appointment and aggregate remuneration of directors, the granting of options and shares to directors, the Remuneration report and changes to the Constitution. Copies of the Constitution are available to any shareholder who requests it.

Financial Report

Financial Report

Income statements

For the year ended 30 June 2007

In thousands of AUD	Notes	Consolidated 2007	Consolidated 2006	The Company 2007	The Company 2006
Revenue:					
Revenue from licence fees		19,517	18,633	13,109	12,699
Revenue from maintenance fees		15,856	15,467	9,408	9,739
Revenue from consulting and other services		1,004	423	421	212
Total revenue		36,377	34,523	22,938	22,650
Research and development expenses		6,369	6,687	6,369	6,687
Sales and marketing expenses		18,923	16,452	8,145	6,804
General and administration expenses		4,103	3,827	2,693	2,481
Total expenses		29,395	26,966	17,207	15,972
Results from operating activities		6,982	7,557	5,731	6,678
Financing income	3	471	365	280	2,248
Profit before tax		7,453	7,922	6,011	8,926
Income tax expense	7	2,020	947	1,319	571
Profit for the period		5,433	6,975	4,692	8,355
Basic earnings per share (AUD cents)	8	3.27¢	4.22¢		
Diluted earnings per share (AUD cents)	8	3.24¢	4.22¢		
Dividend paid per share (AUD cents)	22	3.00¢	2.50¢		

The income statements are to be read in conjunction with the notes to the financial statements set out on pages 46 to 78.

Statements of recognised income and expense

For the year ended 30 June 2007

		Consolidated		The Company	
In thousands of AUD	**Notes**	**2007**	**2006**	**2007**	**2006**
Effective portion of changes in fair value of cash flow hedges	22	12	(12)	12	(12)
Foreign exchange translation differences	22	(523)	172	-	-
Net income recognised directly in equity		(511)	160	12	(12)
Profit for the period		5,433	6,975	4,692	8,355
Total recognised income and expense for the period		4,922	7,135	4,704	8,343

Other movements in equity arising from transactions with owners as owners are set out in note 22.

The amounts recognised directly in equity are disclosed net of tax – see note 15 for tax effect.

The statements of recognised income and expense are to be read in conjunction with the notes to the financial statements set out on pages 46 to 78.

Balance sheets

As at 30 June 2007

In thousands of AUD	Notes	Consolidated 2007	Consolidated 2006	The Company 2007	The Company 2006
Current assets					
Cash and cash equivalents	9	11,704	10,736	5,045	4,914
Trade and other receivables	10	11,300	13,615	10,954	11,917
Other current assets	11	2,014	2,644	1,605	2,151
Total current assets		25,018	26,995	17,604	18,982
Non-current assets					
Investments	12	-	-	54	54
Other financial assets	13	1,670	1,413	1,583	1,377
Property, plant and equipment	14	2,893	1,137	2,454	672
Deferred tax assets	15	249	450	-	-
Intangible assets	16	11,365	9,567	11,323	9,558
Total non-current assets		16,177	12,567	15,414	11,661
Total assets		41,195	39,562	33,018	30,643
Current liabilities					
Trade and other payables	17	2,165	2,378	1,255	832
Income tax payable	18	-	77	-	-
Employee benefits	19	983	919	741	661
Provisions	20	-	312	-	290
Other current liabilities	21	10,279	10,163	6,384	5,805
Total current liabilities		13,427	13,849	8,380	7,588
Non-current liabilities					
Deferred tax liabilities	15	2,656	2,261	2,656	2,261
Employee benefits	19	113	244	113	244
Provisions	20	384	-	360	-
Other non-current liabilities	21	462	-	232	-
Total non-current liabilities		3,615	2,505	3,361	2,505
Total liabilities		17,042	16,354	11,741	10,093
Net assets		24,153	23,208	21,277	20,550
Equity					
Issued capital	22	680	538	680	538
Reserves	22	(570)	8	415	470
Retained earnings	22	24,043	22,662	20,182	19,542
Total equity	22	24,153	23,208	21,277	20,550

The balance sheets are to be read in conjunction with the notes to the financial statements set out on pages 46 to 78.

Statements of cash flows

For the year ended 30 June 2007

		Consolidated		The Company	
In thousands of AUD	**Notes**	**2007**	**2006**	**2007**	**2006**
Cash flows from operating activities					
Cash receipts from customers		40,073	33,150	24,733	20,473
Cash paid to suppliers and employees		(31,500)	(27,730)	(17,731)	(16,438)
Cash generated from operations		8,573	5,420	7,002	4,035
Income taxes paid		(935)	(335)	(812)	(255)
Net cash provided by operating activities	26	7,638	5,085	6,190	3,780
Cash flows from investing activities					
Payments for property, plant and equipment		(2,103)	(211)	(1,945)	(275)
Payments for intellectual property purchases		(361)	(316)	(327)	(21)
Interest received		471	365	280	248
Dividends received		-	-	-	2,000
Net cash used in investing activities		(1,993)	(162)	(1,992)	1,952
Cash flows from financing activities					
Proceeds from issuing of shares		85	70	85	70
Payment of dividend	22	(4,152)	(4,146)	(4,152)	(4,146)
Net cash used in financing activities		(4,067)	(4,076)	(4,067)	(4,076)
Net increase in cash and cash equivalents		1,578	847	131	1,656
Cash and cash equivalents at 1 July		10,736	9,699	4,914	3,258
Effects of exchange rate changes on cash		(610)	190	-	-
Cash and cash equivalents at 30 June	9	11,704	10,736	5,045	4,914

The statements of cash flows are to be read in conjunction with the notes to the financial statements set out on pages 46 to 78.

Notes to the 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 financial report of the Company for the year ended 30 June 2007 comprises the Company and its subsidiaries (together referred to as the "consolidated entity").

The financial report was authorised for issue by the directors on 20 September 2007.

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 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.

Note 1: Significant accounting policies (continued)

Adoption of new and revised Accounting Standards

Initial application of the following Standards and Interpretations is not expected to have any material impact to the financial report of the consolidated entity and the company:

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB Interpretation 10 'Interim Financial Reporting and Impairment'	1 November 2006	30 June 2008
AASB Interpretation 11 'AASB 2 ~ Group and Treasury Share Transactions'	1 March 2007	30 June 2008
AASB 2007-1 'Amendments to Australian Accounting Standards arising from AASB Interpretation 11'	1 March 2007	30 June 2008
AASB 2007-4 'Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments'	1 July 2007	30 June 2008
AASB Interpretation 13 'Customer Loyalty Programmes'	1 July 2008	30 June 2009
AASB Interpretation 14 'AASB 119 – The limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction'	1 January 2008	30 June 2009
AASB 123 'Borrowing Costs' – revised standard	1 January 2009	30 June 2010
AASB 2007-6 'Amendments to Australian Accounting Standards arising from AASB 123'	1 January 2009	30 June 2010

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.

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

Note 1: Significant accounting policies (continued)

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 remeasurement 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.

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.

Notes to the Financial Statements *(continued)*

For the year ended 30 June 2007

Note 1: Significant accounting policies (continued)

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', management has accounted for the change in depreciation method as a change in accounting policy. Management consider 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:

- Plant and equipment 4 – 8 years
- Leasehold improvements 6 – 10 years

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

In the consolidated entity 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. There was an insignificant effect to the parent entity.

Year-ended 30 June 2006

Income Statement

In the consolidated entity 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. There was an insignificant effect to the parent entity.

Note 1: Significant accounting policies (continued)

Balance Sheet

In the consolidated entity 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. There was an insignificant effect to the parent entity.

Consolidated statement of recognized income and expenses

In the consolidated entity total recognised income and expense for the period has decreased by $28,000. There was an insignificant effect to the parent entity.

30 June 2007

Income Statement and balance sheet

In the consolidated entity 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. There was an insignificant effect to the parent entity.

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.

Note 1: Significant accounting policies (continued)

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 comprises 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.

For intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date.

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.

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.

Note 1: Significant accounting policies (continued)

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 the threshold for vesting.

Wages, salaries, annual leave, sick leave and non-monetary benefits

Liabilities for employee benefits for wages, salaries, annual leave and sick 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) Trade and other payables

Trade and other payables are stated at their amortised cost.

o) 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 rateably 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.

Note 1: Significant accounting policies (continued)

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.

p) 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

Net financing costs comprise interest payable on borrowings calculated using the effective interest method, dividends on redeemable preference shares, 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 1(f)).

q) 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.

r) 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.

Note 1: Significant accounting policies (continued)

s) 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, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise inter segment revenue less unallocated head office expenses, corporate and inter segment assets and liabilities.

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.

Notes to the Financial Statements *(continued)*

For the year ended 30 June 2007

Note 2. Segment reporting (continued)

Geographic segments	Americas		Europe		Asia Pacific		Unallocated		Eliminations		Consolidated	
In thousands of AUD	**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	-	-	-	-	-	-	15,481	16,589	(15,481)	(16,589)	-	-
Total segment revenue	21,672	20,137	6,975	8,414	7,198	6,080	15,740	16,570	(15,208)	(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	28,276	27,256	(12,300)	(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	7,192	6,881	(12,270)	(13,581)	17,042	16,354
Total liabilities											17,042	16,354
Cash flow from operating activities	12,866	11,529	5,395	3,937	5,015	3,649	1,175	147	(16,813)	(14,177)	7,638	5,085
Cash flow from investing activities	121	(89)	(122)	(11)	(24)	(7)	(1,968)	1,945	-	(2,000)	(1,993)	(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	2,248	289	-	-	2,464	527
Total capital expenditure											2,464	527

Note 3. Financing income

	Consolidated		The Company	
In thousands of AUD	**2007**	**2006**	**2007**	**2006**
Interest income	471	365	280	248
Dividends received	-	-	-	2,000
	471	365	280	2,248

For the year ended 30 June 2007

Note 4. Expenses

Total expenses include:

In thousands of AUD	Note	Consolidated 2007	Consolidated 2006	The Company 2007	The Company 2006
Research expenses as incurred		344	496	344	496
Increase in employee provisions		72	15	70	15
Release of make good provision	20	(130)	-	(130)	-

Note 5. Personnel expenses

In thousands of AUD	Note	Consolidated 2007	Consolidated 2006	The Company 2007	The Company 2006
Wages and salaries		19,165	16,993	11,069	9,783
Other associated personnel expenses		1,972	1,616	1,504	698
Superannuation contributions		818	727	818	727
Employee options and share grant	19	85	243	85	243
Increase in liability for annual leave		35	(27)	86	(19)
Increase in liability for long service leave		71	63	71	63
		22,146	19,615	13,633	11,495

Note 6. Auditors' remuneration

In AUD	Consolidated 2007	Consolidated 2006	The Company 2007	The Company 2006
Remuneration for audit and review of the financial reports of the Company or any entity in the consolidated entity:				
Audit and review of financial reports:				
Auditors of the company – DTT NSW	129,000	-	87,000	-
Former Auditors of the company – KPMG	-	184,000	-	128,000
Remuneration for other services by the auditors of the Company or any entity in the consolidated entity:				
Taxation services:				
Auditors of the company – DTT NSW	27,500	-	12,000	-
Former Auditors of the company – KPMG	-	58,000	-	22,000
Other Services				
Auditors of the company – DTT NSW	5,000	-	5,000	-

Notes to the Financial Statements *(continued)*

For the year ended 30 June 2007

Note 7. Income tax expense

Recognised in the income statement

In thousands of AUD	Note	Consolidated 2007	Consolidated 2006	The Company 2007	The Company 2006
Current tax expense:					
Current year		1,071	735	768	239
Prior year adjustments		353	(140)	156	(79)
		1,424	595	924	160
Deferred tax expense:					
Origination and reversal of temporary differences	15	596	352	395	411
Total income tax expense in income statement		2,020	947	1,319	571

Numerical reconciliation between income tax expense and profit before tax

In thousands of AUD	Consolidated 2007	Consolidated 2006	The Company 2007	The Company 2006
Profit before tax	7,453	7,922	6,011	8,926
Income tax using the domestic corporate tax rate of 30%	2,236	2,377	1,804	2,678
Increase in income tax expense due to:				
Non-deductible expenses	84	29	41	20
Effect of tax rates in foreign jurisdictions	29	102	-	-
Decrease in income tax expense due to:				
R&D tax incentive	(682)	(615)	(682)	(615)
Foreign sourced income (net of expense)	-	-	-	(627)
Recognition of FDT offset reduction (see below)	-	(806)	-	(806)
Prior year adjustments	353	(140)	156	(79)
Income tax expense	2,020	947	1,319	571

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 8. 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:

	Consolidated	
In thousands of AUD	**2007**	**2006**
Profit for the period	5,433	6,975

Weighted average number of shares used as the denominator

	Consolidated	
(Number)	**2007**	**2006**
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 9. Cash and cash equivalents

	Consolidated		The Company	
In thousands of AUD	**2007**	**2006**	**2007**	**2006**
Cash at bank and on hand	11,704	10,736	5,045	4,914

Note 10. Trade and other receivables

	Consolidated		The Company	
In thousands of AUD	**2007**	**2006**	**2007**	**2006**
Trade debtors	11,606	13,905	3,628	2,598
Less: Provision for returns	(402)	(290)	(97)	(38)
	11,204	13,615	3,531	2,560
GST receivable	96	-	96	125
Receivable from controlled entities	-	-	7,327	9,232
	11,300	13,615	10,954	11,917

Notes to the Financial Statements *(continued)*

For the year ended 30 June 2007

Note 11. Other current assets

	Consolidated		The Company	
In thousands of AUD	**2007**	**2006**	**2007**	**2006**
Franking deficit tax offset benefit	788	1,809	789	1,426
Income taxes receivable	744	296	525	383
Other prepayments	482	539	291	342
	2,014	2,644	1,605	2,151

Note 12. Investments

	Consolidated		The Company	
In thousands of AUD	**2007**	**2006**	**2007**	**2006**
Shares in controlled entities at cost (refer Note 25)	-	-	54	54

Note 13. Other financial assets

	Consolidated		The Company	
In thousands of AUD	**2007**	**2006**	**2007**	**2006**
Deposits	1,670	1,413	1,583	1,377

Deposits are term deposits which are held to secure a bank guarantee on leased premises and a foreign exchange facility.

Note 14. Property, plant and equipment

Plant and Equipment	Consolidated		The Company	
In thousands of AUD	**2007**	**2006**	**2007**	**2006**
Carrying amount at start of year	869	1,056	624	739
Additions	453	202	369	45
Disposals	-	(16)	-	-
Depreciation expense	(487)	(373)	(311)	(160)
Carrying amount at end of year	835	869	682	624

Leasehold Improvements	Consolidated		The Company	
In thousands of AUD	**2007**	**2006**	**2007**	**2006**
Carrying amount at start of year	268	238	48	82
Additions	2,017	319	1,945	245
Disposals	(21)	-	(21)	-
Depreciation expense	(206)	(289)	(200)	(279)
Carrying amount at end of year	2,058	268	1,772	48

Carrying amounts	Consolidated			The Company		
In thousands of AUD	**Plant and Equipment**	**Leasehold Improvements**	**Total**	**Plant and Equipment**	**Leasehold Improvements**	**Total**
Balance at 1 July 2006	869	268	1,137	624	48	672
Balance at 30 June 2007	835	2,058	2,893	682	1,772	2,454

Notes to the Financial Statements *(continued)*

For the year ended 30 June 2007

Note 15. Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Consolidated	**Assets**		**Liabilities**		**Net**	
In thousands of AUD	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**
Trade and other receivables	-	4	-	-	-	4
Property, plant and equipment	86	56	-	-	86	56
Intangible assets	67	-	3,280	2,654	(3,214)	(2,654)
Trade and other payables	23	257	-	-	23	257
Employee benefits	315	370	-	-	315	370
Provisions	259	105	-	-	259	105
Other current liabilities	18	51	10	-	9	51
Unrealised foreign exchange loss	115	-	-	-	115	-
Deferred tax assets/liabilities	883	843	3,290	2,654	(2,407)	(1,811)
Set off of deferred tax asset	(634)	(393)	(634)	(393)	-	-
Net deferred tax assets/liabilities	249	450	2,656	2,261	(2,407)	(1,811)

The Company	**Assets**		**Liabilities**		**Net**	
In thousands of AUD	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**
Trade and other receivables	-	4	-	-	-	4
Property, plant and equipment	29	-	-	-	29	-
Intangible assets	67	-	3,280	2,654	(3,214)	(2,654)
Trade and other payables	23	-	-	-	23	-
Employee benefits	256	272	-	-	256	272
Provisions	145	96	-	-	145	96
Other current liabilities	-	21	10	-	(10)	21
Unrealised foreign exchange loss	115	-	-	-	115	-
Deferred tax assets/liabilities	634	393	3,290	2,654	(2,656)	(2,261)
Set off of deferred tax asset	(634)	(393)	(634)	(393)	-	-
Net deferred tax assets/liabilities	-	-	2,656	2,261	(2,656)	(2,261)

Note 15. Deferred tax assets and liabilities (continued)

Movement in temporary differences during the year:

For year ended 30 June 2007	Consolidated			The Company		
In thousands of AUD	Balance 1 Jul 06	Recognised in income	Balance 30 Jun 07	Balance 1 Jul 06	Recognised in income	Balance 30 Jun 07
Trade and other receivables	4	(4)	-	4	(4)	-
Property, plant and equipment	56	30	86	-	29	29
Intangible assets	(2,654)	(560)	(3,214)	(2,654)	(560)	(3,214)
Trade and other payables	257	(235)	23	-	23	23
Employee benefits	370	(55)	315	272	(16)	256
Provisions	105	154	259	96	49	145
Other current liabilities	51	(42)	9	21	(31)	(10)
Unrealised foreign exchange loss	-	115	115	-	115	115
	(1,811)	(596)	(2,407)	(2,261)	(395)	(2,656)

For year ended 30 June 2006	Consolidated			The Company		
In thousands of AUD	Balance 1 Jul 05	Recognised in income	Balance 30 Jun 06	Balance 1 Jul 05	Recognised in income	Balance 30 Jun 06
Trade and other receivables	41	(37)	4	19	(15)	4
Property, plant and equipment	16	40	56	(17)	17	-
Intangible assets	(2,458)	(196)	(2,654)	(2,458)	(196)	(2,654)
Trade and other payables	140	117	257	34	(34)	-
Employee benefits	353	17	370	258	14	272
Provisions	115	(10)	105	83	13	96
Other current liabilities	284	(233)	51	181	(160)	21
Unrealised foreign exchange loss	50	(50)	-	50	(50)	-
	(1,459)	(352)	(1,811)	(1,850)	(411)	(2,261)

There were no deferred tax adjustments recognised directly in equity (2006: $ nil).

Notes to the Financial Statements *(continued)*

For the year ended 30 June 2007

Note 16. Intangible assets

The amortisation and impairment charge is recognised in the following line item in the income statement:

	Consolidated		The Company	
In thousands of AUD	**2007**	**2006**	**2007**	**2006**
Research and development expenses	4,067	4,058	4,055	3,995
	4,067	4,058	4,055	3,995

Cost

	Consolidated				The Company			
In thousands of AUD	**Software development**	**Patents & trade-marks**	**Third party software**	**Total**	**Software development**	**Patents & trade-marks**	**Third party software**	**Total**
Balance at 1 July 2005	11,835	33	525	12,393	11,835	-	463	12,298
Fully amortised & offset	(3,285)	-	-	(3,285)	(3,285)	-	-	(3,285)
Developed	4,810	-	-	4,810	4,810	-	-	4,810
Acquired	556	-	21	577	556	-	21	577
Balance at 30 June 2006	13,916	33	546	14,495	13,916	-	484	14,400
Balance at 1 July 2006	13,916	33	546	14,495	13,916	-	484	14,400
Fully amortised & offset	(23)	-	-	(23)	(23)	-	-	(23)
Internally developed	5,454	-	-	5,454	5,454	-	-	5,454
Acquired	16	-	395	411	16	-	350	366
Balance at 30 June 2007	19,363	33	941	20,337	19,363	-	834	20,197

Note 16. Intangible assets (continued)

Amortisation

In thousands of AUD	Consolidated Software development	Consolidated Patents & trade-marks	Consolidated Third party software	Consolidated Total	The Company Software development	The Company Patents & trade-marks	The Company Third party software	The Company Total
Balance at 1 July 2005	3,732	23	400	4,155	3,732	-	400	4,132
Fully amortised & offset	(3,285)	-	-	(3,285)	(3,285)	-	-	(3,285)
Amortisation for year	3,911	1	146	4,058	3,911	-	84	4,368
Balance at 30 June 2006	4,358	24	546	4,928	4,358	-	484	4,842
Balance at 1 July 2006	4,358	24	546	4,928	4,358	-	484	4,842
Fully amortised & offset	(23)	-	-	(23)	(23)	-	-	(23)
Amortisation for year	3,992	1	74	4,067	3,992	-	63	4,055
Balance at 30 June 2007	8,327	25	620	8,972	8,327	-	547	8,874

Carrying amounts

In thousands of AUD	Consolidated Software development	Consolidated Patents & trade-marks	Consolidated Third party software	Consolidated Total	The Company Software development	The Company Patents & trade-marks	The Company Third party software	The Company Total
Balance at 1 July 2006	9,558	9	-	9,567	9,558	-	-	9,558
Balance at 30 June 2007	11,036	8	321	11,365	11,036	-	287	11,323

Note 17. Trade and other payables

In thousands of AUD	Consolidated 2007	Consolidated 2006	The Company 2007	The Company 2006
Payable to controlled entities	-	-	68	32
Trade and other creditors	2,165	2,378	1,187	800
	2,165	2,378	1,255	832

Note 18. Income tax payable

In thousands of AUD	Consolidated 2007	Consolidated 2006	The Company 2007	The Company 2006
Income tax provision	-	77	-	-

Notes to the Financial Statements *(continued)*

For the year ended 30 June 2007

Note 19. Employee benefits

Current

	Consolidated		The Company	
In thousands of AUD	**2007**	**2006**	**2007**	**2006**
Liability for untaken annual leave	816	919	574	661
Liability for long service leave	167	-	167	-
	983	919	741	661

Non-current

	Consolidated		The Company	
In thousands of AUD	**2007**	**2006**	**2007**	**2006**
Liability for long service leave	113	244	113	244

Pension plans

Employees of the consolidated entity accumulate pension benefits through statutory contributions by the entities in the consolidated entity as required by the laws of the jurisdictions in which they operate, supplemented by individual contributions. The consolidated entity does not provide any defined benefit pension plans.

Share based payments

On 4 October 2000, the consolidated entity established a share option programme that entitles employees to purchase shares in the entity. In accordance with this programme, options are exercisable at the market price of the shares at the date of grant.

258,000 equity settled share option grants made prior to 7 November 2002 are outstanding. In accordance with the transitional provisions in AASB 1 and AASB 2, the recognition and measurement principles in AASB 2 have not been applied to these grants.

On 1 November 2005, the consolidated entity granted 45,000 shares to the Chief Executive Officer, as approved by shareholders at the 2005 AGM. No shares have been issued during the year ended 30 June 2007 other than through the exercise of options (refer below).

The terms and conditions of the grants made and number outstanding at 30 June 2007 are as follows:

- All options vest at the rate of 25% per annum, starting on the first anniversary of the grant date
- The contractual life of each option is five years from the grant date
- Exercises are settled by physical delivery of shares
- Grants marked (*) include performance hurdles as conditions for vesting

Note 19. Employee benefits (continued)

Grant date	Exercise Price	Number of Instruments Outstanding	Grant date	Exercise Price	Number of Instruments Outstanding
July 2002	$0.57	258,000	Apr 2005 (*)	$0.46	200,000
Feb 2003	$0.24	220,355	Sep 2005	$0.54	520,000
Jun 2003	$0.12	139,000	Jan 2006 (*)	$0.48	200,000
Aug 2003	$0.22	224,250	May 2006	$0.41	674,000
Feb 2004	$0.26	273,510	Aug 2006 (*)	$0.44	470,000
Apr 2004 (*)	$0.46	585,000	Aug 2006 (*)	$0.46	1,000,000
May 2004	$0.33	238,990	Nov 2006 (*)	$0.57	200,000
Jul 2004	$0.40	288,000	Jan 2007 (*)	$0.50	160,000
Nov 2004	$0.57	400,000	Jun 2007	$0.48	884,000
Feb 2005	$0.52	344,500			

The number and weighted average exercise prices of share options is as follows:

	Weighted Average exercise price	Number of options	Weighted Average exercise price	Number of options
In thousands of options	**2007**	**2007**	**2006**	**2006**
Outstanding at the beginning of the period	$0.45	7,824	$0.44	7,752
Forfeited during the period	$0.51	(2,960)	$0.51	(1,489)
Exercised during the period	$0.28	(298)	$0.24	(298)
Granted during the period	$0.47	2,714	$0.47	1,859
Outstanding at the end of the period	$0.44	7,280	$0.45	7,824
Exercisable at the end of the period (vested)	$0.48	3,349	$0.44	2,878

The options outstanding at 30 June 2007 have an exercise price in the range of $0.12 to $0.57 and a weighted average of contractual life of five years.

During the year ended 30 June 2007, 298,020 options were exercised (2006: 298,108).

The fair values of services received in return for share options granted to employees is measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on the Binomial option-pricing model. The contractual life of the option (five years) is used as an input into this formula. Expectations of early exercise are incorporated into the Binomial formula.

Note 19. Employee benefits (continued)

Fair value of share options and assumptions

For year ended 30 June 2007

Grant date	7 Aug 2006	15 Aug 2006	1 Nov 2006	23 Jan 2007	14 Jun 2007
Fair value at measurement date	$0.14	$0.16	$0.19	$0.18	$0.17
Share price	$0.44	$0.46	$0.57	$0.50	$0.48
Exercise price	$0.44	$0.46	$0.57	$0.50	$0.48
Expected volatility (expressed as weighted average volatility used in the modelling under the Binomial formula)	47%	47%	46%	46%	46%
Option life (expressed as weighted average life used in the modelling under the Binomial formula)	5 years	5 years	5 years	5 years	5 years
Expected dividends	5%	5%	5%	5%	5%
Risk-free interest rate (based on national government bonds)	5%	5%	5%	5%	5%

For year ended 30 June 2006

Grant date	16 Sep 2005	10 Jan 06	31 May 06
Fair value at measurement date	$0.24	$0.21	$0.18
Share price	$0.54	$0.48	$0.41
Exercise price	$0.54	$0.48	$0.41
Expected volatility (expressed as weighted average volatility used in the modelling under the Binomial formula)	70%	70%	70%
Option life (expressed as weighted average life used in the modelling under the Binomial formula)	5 years	5 years	5 years
Expected dividends	5%	5%	5%
Risk-free interest rate (based on national government bonds)	5%	5%	5%

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility due to publicly available information.

Share options are granted under a service condition and, for grants to key management personnel, a non-market performance condition related to profitability of the consolidated entity. Such conditions are not taken into account in the grant date fair value measurement of the services received. There are no market conditions associated with the share option grants.

The fair value of the options at grant date is determined based on the Binomial formula using the above model inputs. During the year ended 30 June 2007, the company and consolidated entity recognised expense of $85,000 related to the fair value of options granted (2006: $243,000 in company and consolidated entity).

Note 20. Provisions

Current

In thousands of AUD	Lease make good	Other	Total
Consolidated:			
Balance at 1 July 2006	290	22	312
Payments	(160)	(22)	(182)
Provisions released during the year	(130)	-	(130)
Provision made during the year	-	-	-
Balance at 30 June 2007	-	-	-
The Company:			
Balance at 1 July 2006	290	-	290
Payments	(160)	-	(160)
Provisions released during the year	(130)	-	(130)
Provision made during the year	-	-	-
Balance at 30 June 2007	-	-	-

Non-Current

In thousands of AUD	Lease make good	Other	Total
Consolidated:			
Balance at 1 July 2006	-	-	-
Provisions released during the year	-	-	-
Provision made during the year	360	24	384
Balance at 30 June 2007	360	24	384
The Company:			
Balance at 1 July 2006	-	-	-
Provisions released during the year	-	-	-
Provision made during the year	360	-	360
Balance at 30 June 2007	360	-	360

Notes to the Financial Statements *(continued)*

For the year ended 30 June 2007

Note 21. Other liabilities

Current

In thousands of AUD	Consolidated 2007	Consolidated 2006	The Company 2007	The Company 2006
Deferred revenue	10,279	10,151	6,384	5,793
Hedge liability	-	12	-	12
	10,279	10,163	6,384	5,805

Non-Current

In thousands of AUD	Consolidated 2007	Consolidated 2006	The Company 2007	The Company 2006
Deferred revenue	462	-	232	-

Note 22. Capital and reserves

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

Consolidated

In thousands of AUD	Share capital	Hedging reserve	Translation reserve	Employee benefit reserve	Retained earnings	Total
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
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 22. Capital and reserves (continued)

The Company

In thousands of AUD	Share capital	Hedging reserve	Translation reserve	Employee benefit reserve	Retained earnings	Total
Balance at 1 July 2005	468	-	-	239	15,333	16,040
Total recognised income and expense	-	(12)	-	-	8,355	8,343
Expensed employee options	-	-	-	243	-	243
Shares issued	70	-	-	-	-	70
Dividends to shareholders	-	-	-	-	(4,146)	(4,146)
Balance at 30 June 2006	538	(12)	-	482	19,542	20,550
Balance at 1 July 2006	538	(12)	-	482	19,542	20,550
Total recognised income and expense	-	12	-	-	4,692	4,704
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	-	-	415	20,182	21,277

Share capital

	Ordinary shares	
In thousands of shares	2007	2006
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

Effective 1 July 1998, the Company Law reform Act abolished the concept of par value shares and the concept of authorised capital. Accordingly, the company does not have authorised capital or par value in respect of its issued shares.

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 22. Capital and reserves (continued)

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations where their functional currency is different to the presentation currency of the reporting entity, as well as from the translation of liabilities that hedge the Company's net investment in a foreign subsidiary.

Employee benefit reserve

The employee benefit reserve arises on the grant of share options to employees under the consolidated entity's Employee Share Option Plan. Amounts are transferred out of the reserve and into share capital when the options are exercised. Refer to note 19 for further detail.

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
2007				
Final 2006	1.5¢	2,490	Unfranked	15 Sep 06
Interim 2007	1.0¢	1,662	Unfranked	16 Mar 07
Total amount		4,152		
2006				
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 23. Financial instruments

Exposure to credit, interest rate and currency risks arise in the normal course of the company's and consolidated entity's business. Derivative financial instruments are used to hedge exposure to fluctuations in foreign exchange rates.

Credit risk

Exposure to credit risk is monitored on an ongoing basis. The consolidated entity does not require collateral in respect of financial assets.

At the balance sheet date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the balance sheet.

Interest rate risk

The consolidated entity's exposure to interest rate risk and the effective interest rates are set out below:

2007 In thousands of AUD	Notes	Effective interest rate	Total	Six months or less	6-12 months
Consolidated					
Cash and cash equivalents	9	3.92%	11,704	11,704	-
Other financial assets	13	5.47%	1,670	1,670	-
		4.11%	13,374	13,374	-
The Company					
Cash and cash equivalents	9	4.85%	5,045	5,045	-
Other financial assets	13	5.68%	1,583	1,583	-
		5.05%	6,628	6,628	-

2006 In thousands of AUD	Notes	Effective interest rate	Total	Six months or less	6-12 months
Consolidated					
Cash and cash equivalents	9	3.03%	10,736	10,736	-
Other financial assets	13	5.37%	1,413	1,000	413
		3.30%	12,149	11,736	413
The Company					
Cash and cash equivalents	9	3.82%	4,914	4,914	-
Other financial assets	13	5.51%	1,377	1,000	377
		4.19%	6,291	5,914	377

The company and consolidated entity's trade and other receivables and trade and other payables are not subject to interest rate risk.

Note 23. Financial instruments (continued)

Foreign currency risk

The consolidated entity is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the AUD. The currencies giving rise to this risk are primarily USD and GBP.

The consolidated entity uses forward exchange contracts to hedge its foreign currency risk. The forward exchange contracts have maturities of less than one year after the balance sheet date. Where necessary, the forward exchange contracts are rolled over at maturity.

The consolidated entity classifies its forward exchange contracts hedging forecasted transactions as cash flow hedges and measures them at fair value. The fair value of hedge contracts at 30 June 2007 is $Nil (30 June 2006: fair value loss of $12,000). The consolidated entity did not have any forward exchange contracts at 30 June 2007.

Note 24. Operating leases

Non-cancellable operating lease rentals are payable as follows:

	Consolidated		The Company	
In thousands of AUD	**2007**	**2006**	**2007**	**2006**
Less than one year	1,120	992	813	759
Between one and five years	3,258	834	2,440	-
	4,378	1,826	3,253	759

Note 25. Consolidated entities

	Country of incorporation	Ownership interest	
		2007	**2006**
Parent entity:			
Integrated Research Limited	Australia		
Subsidiaries:			
Integrated Research, Inc	USA	100%	100%
Integrated Research UK Limited	UK	100%	100%

In the financial statements of the company, investments in controlled entities are measured at cost.

For the year ended 30 June 2007

Note 26. Reconciliation of cash flows from operating activities

	Consolidated		The Company	
In thousands of AUD	**2007**	**2006**	**2007**	**2006**
Profit for the period	5,433	7,003	4,692	8,355
Depreciation and amortisation	4,760	4,528	4,566	4,434
Change in value of PP&E	-	1	-	(15)
Provision for doubtful debts	112	(36)	59	19
Interest received	(471)	(365)	(280)	(248)
Dividend received	-	-	-	(2,000)
Net exchange differences	(62)	(172)	(150)	(89)
Change in operating assets and liabilities:				
(Increase)/decrease in trade debtors	4,308	(3,197)	2,977	(3,022)
(Increase)/decrease in future income tax benefit	395	(733)	-	(696)
(Increase)/decrease in other operating assets	(5,923)	(4,678)	(5,877)	(4,740)
Increase/(decrease) in trade creditors	(213)	535	426	178
Increase/(decrease) in other operating liabilities	436	863	492	-
Increase/(decrease) in provision for income taxes payable	(926)	476	(429)	403
Increase/(decrease) in provision for deferred income taxes	201	406	(395)	411
Increase/(decrease) in other provisions	72	51	70	559
Increase/(decrease) in reserves	(484)	403	39	231
Net cash from operating activities	7,638	5,085	6,190	3,780

Notes to the Financial Statements *(continued)*

For the year ended 30 June 2007

Note 27. Key management personnel disclosures

The following were key management personnel of the consolidated entity at any time during the reporting period and unless otherwise indicated were key management personnel for the entire period:

Non-executive directors

Steve Killelea (Chairman)

David Boyles

Kate Costello

Alex Kennedy

Ian Winlaw (resigned December 2006)

Executive directors

Keith Andrews (Chief Executive Officer)

Other key management personnel (full year)

Nathan Brumby (CTO)

Steve Douglas (VP Europe)

Kurt Roscow (President, Americas)

Other key management personnel (part year)

Stephen Rorie (CFO, appointed August 2006)

David Taylor (GM AsiaPac and PSG, appointed November 2006)

Key management personnel compensation

The key management personnel compensation included in "personnel expenses" (see note 5) are as follows:

	Consolidated		The Company	
In AUD	**2007**	**2006**	**2007**	**2006**
Short-term benefits	2,295,596	2,132,446	1,554,855	1,286,898
Post-employment benefits	217,237	201,648	217,237	201,648
Termination benefits	49,500	117,766	49,500	117,766
Equity compensation benefits	25,879	124,854	24,826	109,349
	2,588,212	2,576,714	1,846,418	1,715,661

Individual directors and executives compensation disclosures

Information regarding individual directors and executives compensation is provided in the remuneration report on pages 24 to 31.

Apart from the details disclosed in this note, no director has entered into a material contract with the company or the consolidated entity since the end of the previous financial year and there were no material contracts involving directors' interests existing at year-end.

Note 27. Key management personnel disclosures (continued)

Key management personnel transactions with the company or its controlled entities

It is the consolidated entity's policy that service contracts for executive directors and senior executives be unlimited in term but capable of termination by either party on one months notice and that the consolidated entity retains the right to terminate the contract immediately by payment in lieu of notice or a severance payment equal to three months remuneration or up to an amount for redundancy equal to the scale of payments prescribed in the NSW Employment Protection Act.

Information regarding individual key management personnel's service contracts is provided in the remuneration report on pages 24 to 31.

Equity instruments

All options refer to options over ordinary shares of Integrated Research Limited, which are exercisable on a one-for-one basis under the Employee Share Option Plan (ESOP).

Options and rights over equity instruments granted as compensation

The movement during the reporting period in the number of options over ordinary shares in Integrated Research Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

	Held at 1 July 2006	Granted as compensation	Exercised	Other changes*	Held at 30 June 2007	Vested during the year	Vested and exercisable at 30 June 2007
Directors							
Keith Andrews	1,000,000	1,000,000	-	(1,000,000)	1,000,000	-	-
Executives							
Nathan Brumby	200,000	-	-	-	200,000	-	-
Steve Douglas	300,000	-	-	-	300,000	75,000	75,000
Stephen Rorie	-	300,000	-	-	300,000	-	-
Kurt Roscow	300,000	-	-	-	300,000	75,000	75,000
David Taylor	-	200,000	-	-	200,000	-	-

* Other changes represent options that expired or were forfeited during the year.

Note 27. Key management personnel disclosures (continued)

Options granted as compensation in the current year were:

	Options Granted	Grant Date	Expiration Date	Exercise Price per Share $	Market Value per Share $	Earliest Exercise Date
Keith Andrews	1,000,000	15/08/06	14/08/11*	0.46	0.47	15/08/07
Stephen Rorie	300,000	07/08/06	06/08/11	0.44	0.47	07/08/07
David Taylor	200,000	01/11/06	30/10/11	0.57	0.47	01/11/07

* options will lapse 3 months after employment terminated on September 2007

25% of options granted vest annually on the anniversary of the grant date, and may also be subject to the consolidated entity achieving certain performance hurdles. Options expire on the earlier of their expiry date or termination of the individual's employment. No options have been granted since the end of the financial year. The options were provided at no cost to the recipients.

No options held by key management personnel are vested but not exercisable.

Exercise of options and shares granted as compensation

During the reporting period no shares were issued granted as compensation.

There are no amounts unpaid on the shares issued as a result of the exercise of the options.

Movements in shares

The movement during the reporting period in the number of ordinary shares in Integrated Research Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

	Held at 1 July 2006	Purchases	Received on exercise of options	Received as compensation	Sales	Held at 30 June 2007
Directors						
Non-executive						
David Boyles	1,600,000	100,000	-	-	-	1,700,000
Kate Costello	200,000	-	-	-	-	200,000
Alex Kennedy	350,000	-	-	-	-	350,000
Steve Killelea	94,834,951	-	-	-	-	94,834,951
Executive						
Keith Andrews	145,000	-	-	-	-	145,000
Executives						
nil						

Shareholdings at the date of the Directors' Report remain unchanged.

Note 27. Key management personnel disclosures (continued)

Changes in key management personnel in the period after the reporting date and prior to the date when financial report is authorised for issue

Mr John Brown was appointed as an independent Non-Executive Director of the company in July 2007.

Mr Alex Kennedy resigned as an independent Non-Executive Director of the company in September 2007.

Mr Keith Andrews resigned his position as chief executive officer in September 2007.

Mr Mark Brayan was appointed to the position of chief executive officer in September 2007.

Other transactions with the company or its controlled entities

There were no other transactions between the key management personnel, or their personally-related entities, and the company or its controlled entities.

Note 28. Related parties

The consolidated entity has a related party relationship with its subsidiaries (see note 25) and its key management personnel (see note 27).

During the financial year ended 30 June 2007, subsidiaries purchased goods from the consolidated entity in the amount of $19,760,000 (2006: $16,589,000) and at 30 June 2007 subsidiaries owed the consolidated entity $7,259,000 (2006: $9,200,000) Refer notes 10 and 17. The net amounts owed are non interest bearing and repayable at call. Transactions with subsidiaries are priced on an arm's length basis.

At 30 June 2007 Mr Steve Killelea, the Chairman of the Company, owned 56.82% of the Company (2006: 56.94%).

Note 29. Subsequent events

For dividends declared after 30 June 2007 see Note 22 in the financial statements. The financial effect of dividends declared and paid after 30 June 2007 have not been brought to account in the financial statements for the year ended 30 June 2007 and will be recognised in subsequent financial reports.

No other transaction or event of a material or unusual nature has arisen in the interval between the end of the financial year and the date of this report any item, likely, in the opinion of the directors of the company, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future financial years.

Directors' Declaration

In the opinion of the directors of Integrated Research Limited ("the Company"):

(a) the financial statements and notes, set out in pages 42 to 78, are in accordance with the Corporations Act 2001, including:

  (i) giving a true and fair view of the financial position of the Company and consolidated entity as at 30 June 2007 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date; and

  (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

(c) The directors have been given the declarations required under Section 295A of the Corporations Act 2001 from the chief executive officer and the chief financial officer for the financial year ended 30 June 2007.

Dated at North Sydney this 21st day of September 2007.

Signed in accordance with a resolution of the directors:

Steve Killelea
Chairman

David Boyles
Deputy Chairman

DTT NSW

DTT NSW has changed its name from Horwath Sydney Partnership and is a continuation of that partnership.
The partners of DTT NSW have also joined the Australian partnership of Deloitte Touche Tohmatsu.
All changes with effect from 1 February 2007.

DTT NSW
ABN 30 856 062 171

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225 George Street
Sydney NSW 2000
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Independent Auditor's Report to the members of Integrated Research Limited

Report on the Financial Report and AASB 124 Compensation Disclosures in the Directors' Report

We have audited the accompanying financial report of Integrated Research Limited which comprises the balance sheet as at 30 June 2007, and the income statement, cash flow statement and statement of recognised income and expense for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end as set out on pages 42 to 79.

We have also audited the compensation disclosures contained in the directors' report. As permitted by the *Corporations Regulations 2001*, the company has disclosed information about the compensation of key management personnel ("compensation disclosures") as required by paragraphs Aus 25.4 to Aus 25.7.2 of Accounting Standard AASB 124 *Related Party Disclosures* ("AASB 124"), under the heading "remuneration report" on pages 24 to 31 of the directors' report, and not in the financial report. These compensation disclosures are identified in the directors' report as being audited. The remuneration report also contains information not subject to audit

Directors' Responsibility for the Financial Report and the AASB 124 Compensation Disclosures Contained in the Directors' Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. The directors are also responsible for the compensation disclosures contained in the directors' report. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report and compensation disclosures contained in the directors' report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement and the compensation disclosures comply with AASB 124.

DTT NSW

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The partners of DTT NSW have also joined the Australian partnership of Deloitte Touche Tohmatsu.
All changes with effect from 1 February 2007.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report and the compensation disclosures contained in the directors' report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report and the compensation disclosures contained in the directors' report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report and the compensation disclosures contained in the directors' report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report and the compensation disclosures contained in the directors' report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's Opinion on the financial report

In our opinion:

(a) the financial report of Integrated Research Limited is in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2007 and of their performance for the year ended on that date; and

   (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Auditor's Opinion on the AASB 124 Compensation Disclosures Contained in the Directors' Report

In our opinion, the compensation disclosures that are contained on pages 24 to 31 under the heading "remuneration report" of the directors' report and identified as being audited, comply with paragraphs Aus 25.4 to Aus 25.7.2 of Accounting Standard AASB 124 *Related Party Disclosures*.

DTT NSW

Michael Kaplan
Partner
Chartered Accountants
Sydney, 21 September 2007

Liability limited by a scheme under Professional Standards Legislation

Lead Auditor's Independence Declaration

DTT NSW

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The Board of Directors
Integrated Research Limited
Level 9, 100 Pacific Highway,
NORTH SYDNEY, NSW, 2000

21st September 2007

Dear Board Members

Integrated Research Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Integrated Research Limited.

As lead audit partner for the audit of the financial statements of Integrated Research Limited for the financial year ended 30 June 2007, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely,

DTT NSW

Michael Kaplan
Partner
Chartered Accountants

Liability limited by a scheme under Professional Standards Legislation

ASX Additional Information

Shareholder information

Analysis of numbers of equity security holders by size of holding at 31 August 2007:

			Class of equity security	
			Ordinary shares	
			Shares	Options
1	-	1,000	84	-
1,001	-	5,000	904	4
5,001	-	10,000	473	21
10,001	-	100,000	586	48
100,001		and over	64	21
			2,111	94

Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest holders of quoted equity securities as at 31 August 2007 are listed below:

		Ordinary Shares	
		Number held	Percentage of issued shares
1	Stephen John Killelea	94,497,339	56.82
2	National Nominees Limited	7,616,803	4.58
3	HSBC Custody Nominees	7,051,642	4.24
4	Andrew Rhys Rutherford	5,486,589	3.30
5	ANZ Nominees Limited	4,100,186	2.47
6	B&R James Investments Pty Limited	2,500,000	1.50
7	JP Morgan Nominees Australia Limited	1,952,308	1.17
8	Vicki Maree Lewis and David William Lewis	1,850,000	1.11
9	David Leroy Boyles	1,700,000	1.02
10	UBS Nominees Pty Ltd	1,102,110	0.66
11	Citicorp Nominees Pty Ltd	969,525	0.58
12	Citicorp Nominees Pty Ltd	904,475	0.54
13	Farvex Corporation Pty Limited	715,882	0.43
14	Bell Potter Nominees Ltd	500,000	0.30
15	Howard Securities Pty Ltd	500,000	0.30
16	Belinda York and Hugh Webster	454,594	0.27
17	Carlos Gil	364,261	0.22
18	Alexander Kennedy and Lesley Kennedy	350,000	0.21
19	Bipeta Pty Ltd	337,612	0.20
20	Richard Mews and Wee Khoon Mews	333,460	0.20
		133,286,785	80.12

Unquoted equity securities

	Number on issue *	Number of holders
Options issued under the Integrated Research Limited Employee Option Plan to take up ordinary shares	7,279,605	94

*Number of unissued ordinary shares under the options.

No person holds 20% or more of these securities.

On-market buy-back

There is no current on-market buy-back.

Substantial holders

Substantial holders in the Company are set out below:

	Number held	Percentage
Stephen John Killelea	94,497,339	56.82

Voting rights

The voting rights attaching to each class of equity securities are set out below:

1. Ordinary shares.
   On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

2. Options.
   No voting rights.

Other information

Integrated Research Limited, incorporated and domiciled in Australia, is a publicly listed company limited by shares.

Corporate Directory

Directors	Steve Killelea *Chairman and Non-Executive Director* Mark Brayan *Chief Executive Officer* David Boyles *Independent Non-Executive Director and Deputy Chairman* Kate Costello *Independent Non-Executive Director* Alex Kennedy *Independent Non-Executive Director* John Brown *Independent Non-Executive Director*
Secretary	David Leighton
Registered Office	Level 9, 100 Pacific Highway North Sydney, NSW, 2060 Phone: (+61 2) 9966 1066
Share Registry	Computershare Investor Services Pty Limited
Auditors	DTT NSW (Formerly Horwath Sydney Partnership) 225 George Street Sydney, NSW, 2000
Solicitors	Dibbs Abbott Stillman Level 8, Angel Place 123 Pitt Street Sydney, NSW, 2000
Bankers	Westpac Banking Corporation
Stock Exchange Listing	Australian Stock Exchange Code IRI
Country of Incorporation	Integrated Research Limited, incorporated and domiciled in Australia, is a publicly listed company limited by shares.
Notice of Annual General Meeting	The Annual General Meeting of Integrated Research Limited will be held at 3:00pm on Tuesday, 13th November 2007, at the Museum of Sydney, Corner of Phillip and Bridge Streets, Sydney.

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For more information visit our website at www.prognosis.com or email info@prognosis.com

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