



PROGNOSIS®

by Integrated Research

Integrated Research Limited financial results

ABN: 76 003 588 449

August 2006



Precise performance monitoring for business-critical systems

Full year results: FY 2006

	30 June 2006 A\$000	30 June 2005 A\$000	% change
Licence fees	19,040	17,790	7%
Maintenance fees	14,909	14,877	0%
Other	574	446	29%
Total revenue	34,523	33,113	4%
R&D expenses	6,687	6,241	7%
SG&A expenses	20,234	18,925	7%
PBT	7,967	8,241	-3%
PAT	*7,003	6,238	12%
EPS (cents)	4.22	3.77	12%
Dividends for the year (cents)	2.5	2.5	0%

* Includes \$806k FDT offsets
Prior period comparatives restated for AIFRS



Highlights & Looking Forward

- **Strong result from HP NonStop**
- **Positive organisational changes in H1 showed results in H2**
- **Expanded relationships with key partners**
- **H2 analysis key to understanding momentum**
- **HP NonStop steady growth through next year**
- **Large IP telephony deployments increasing**
- **Changes in Windows, UNIX, Linux market have created new opportunities for IR**
- **New product lines being developed**



Balance sheet

Key balance sheet items

	June 2006 A\$000	June 2005 A\$000
Cash	10,736	9,699
Receivables	13,615	10,079
Net R&D	9,567	8,885
Deferred Revenue	10,163	9,007
Net assets	23,288	19,958

Prior period comparatives restated for AIFRS



R&D spending

	2006 AU\$ (000's)	2005 AU\$ (000's)	% change
Gross spending	7,348	7,747	-5.2%
Capitalised	4,657	4,113	13.2%
Capitalised %	63%	53%	
Amortised	3,996	2,607	53.3%
Net spending	6,687	6,241	7.2%
% of revenue	19%	19%	

Prior period comparatives restated for AIFRS

Cashflow

- **Cashflow from Operating Activities was A\$5.4m (2005: A\$6.7m)**
- **Capex for 2006 was A\$0.5m (2005: A\$0.7m)**
- **Focus on improving receivable days outstanding**
- **Historically low bad debt experience**
- **Blue chip customers**

Review of operations

- **1st half performance adversely affected the full year result**
- **Organisational changes (1st half):**
 - USA - new team and leadership
 - Asia Pacific – new leadership and domestic business focus
 - IP telephony growth 2nd half 2005 to 2nd half 2006 was 55%
 - 2nd half 2006 of \$4.6m (normalised) included spending on sales and R&D
- **Performance overall:**
 - All regions grew
 - All product lines grew (IP Telephony flat)
 - JP Morgan using all 3 Prognosis products
- **Approximately 95% of income earned in foreign currency**
- **Majority of FY2007 forex exposure effectively hedged**



Market Observations

- **IP telephony:**
 - New pilots/trials continues in enterprises
 - Existing customer rollouts taking longer than expected
 - Integrators becoming active
 - Partner relationships building
- **Windows, Unix, Linux:**
 - Competitive landscape changing
 - Strengthening focus in 2007
 - Platform for other IP telephony products
- **Non Stop:**
 - 10 year renewals minimal through 2006
 - New HP Integrity servers gaining acceptance in the base
 - Key driver is credit/debit/trading transactions



Top 20 customers - 2006

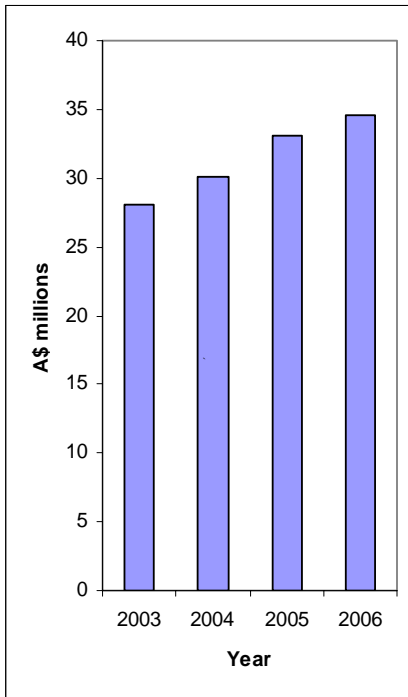
Over \$1 million	
BT Syntegra	JP Morgan Chase
Wells Fargo	
\$500k - \$1 million	
Sungard Financial Systems	Equant PLC (France Telecom)
Vodacom SA	Rabo Facet BV
JP Morgan (BancOne)	Visa International
Chicago Mercantile	EJPD
\$300k - \$500k	
Sabre Inc.	AT&T Wireless Services
T-Systems Int. GmbH	Dell Computer
* LOTO - Quebec	Charles Schwab.
Vodacom DR Congo	* OTP Bank Rt.
Fannie Mae	

* New Customer

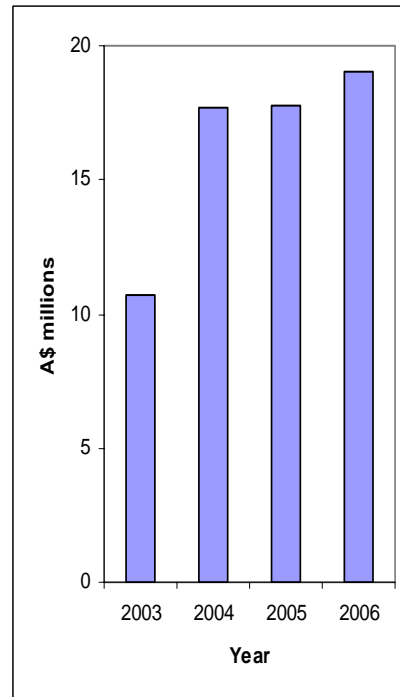


Results - FY 2003 – 2006

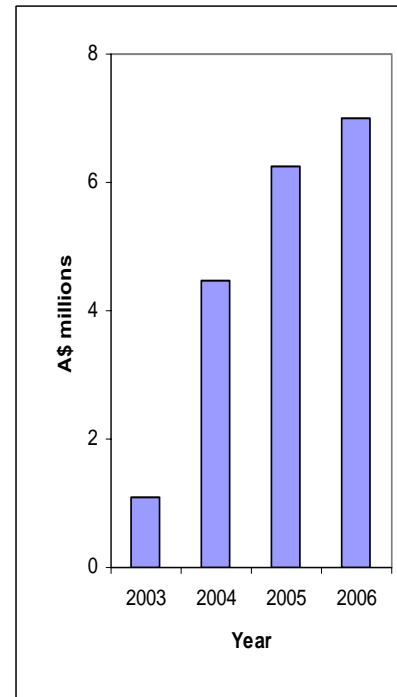
Revenue
A\$ millions



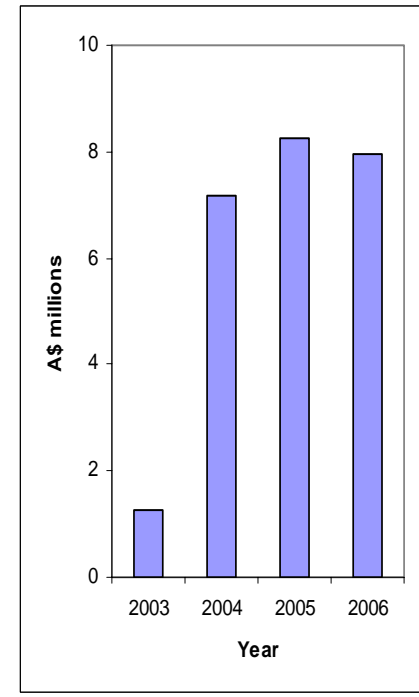
Licence fees
A\$ millions



NPAT
A\$ millions

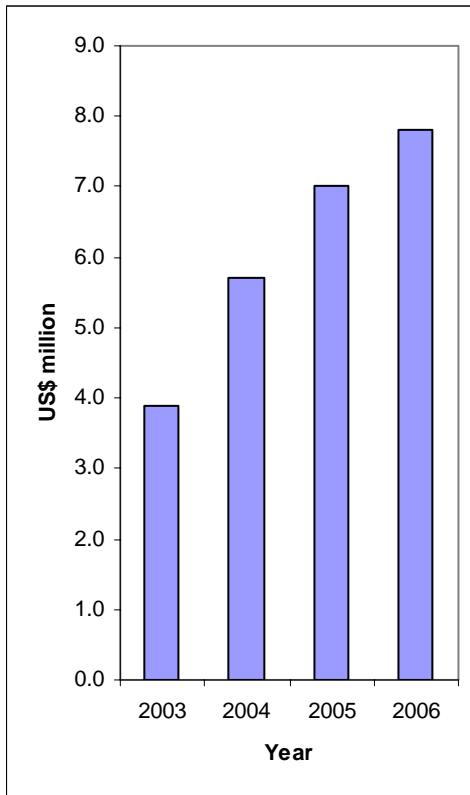


PBT
A\$ millions

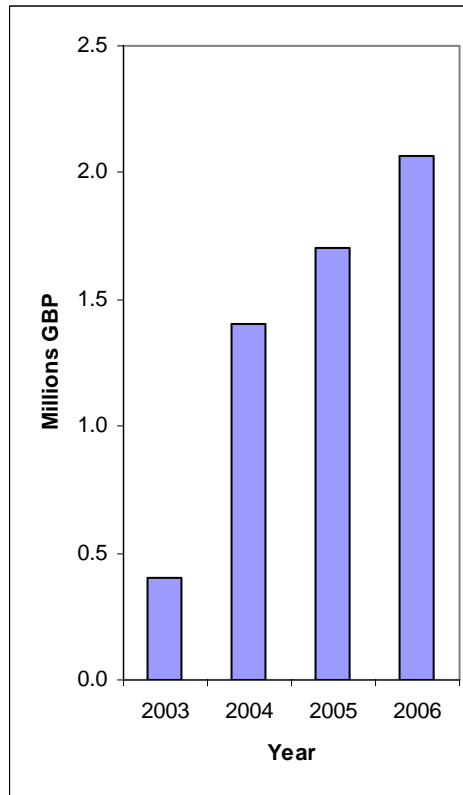


Sales by region - FY 2003 – 2006

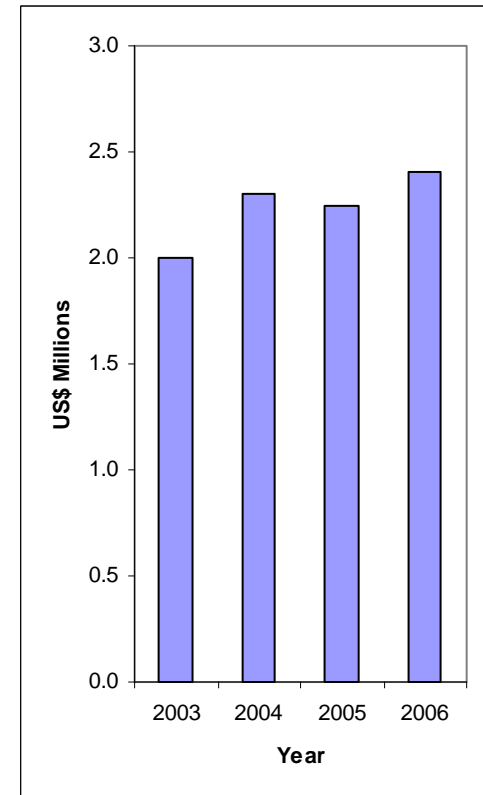
Americas – US\$ millions



UK/Europe – GBP millions

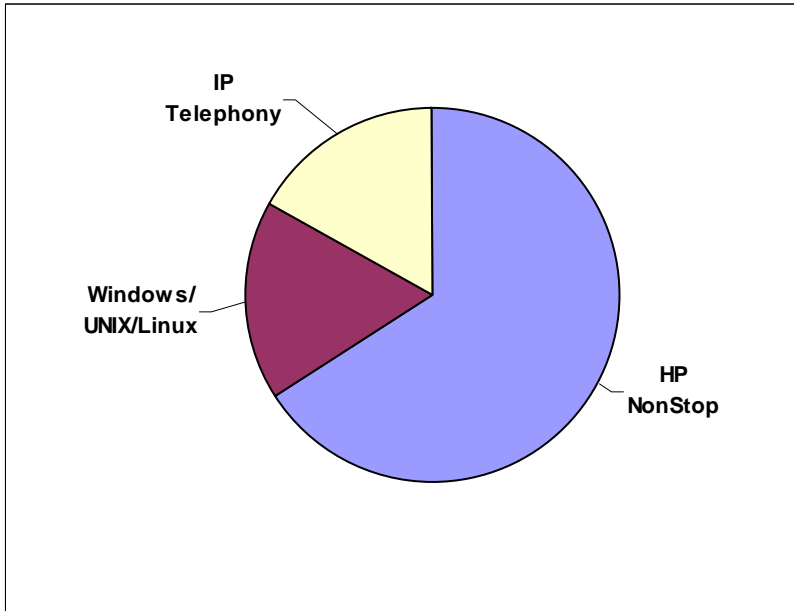


Asia Pacific – US\$ millions

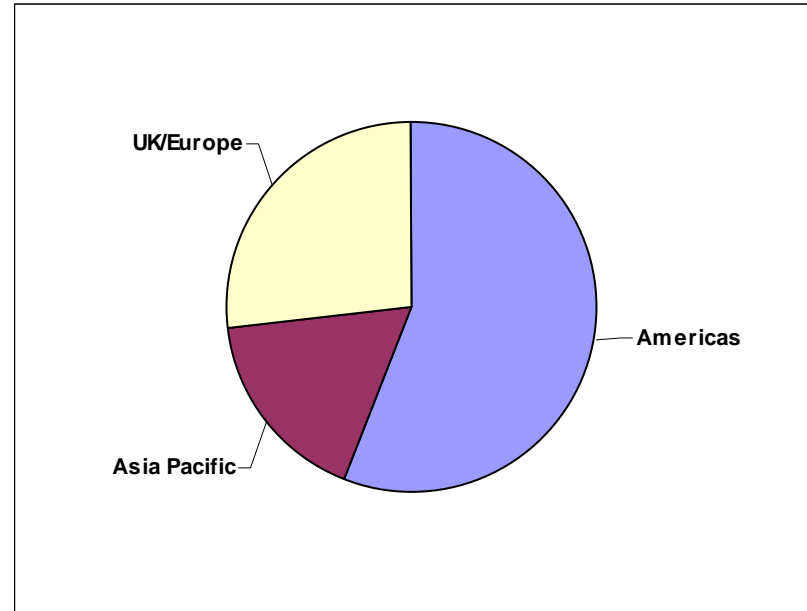


Sales break up - FY 2006

License Fees by platform

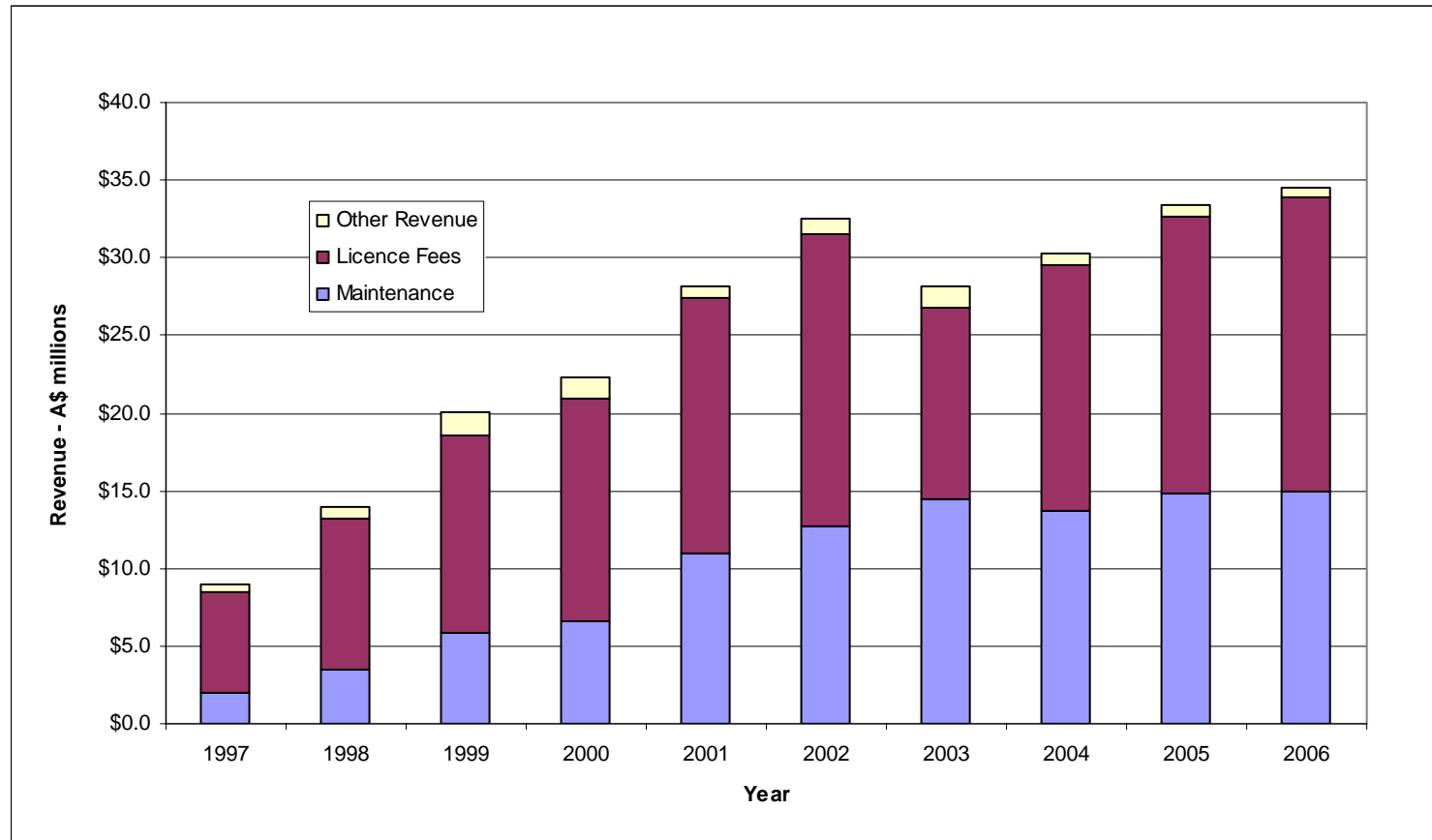


License Fees by region



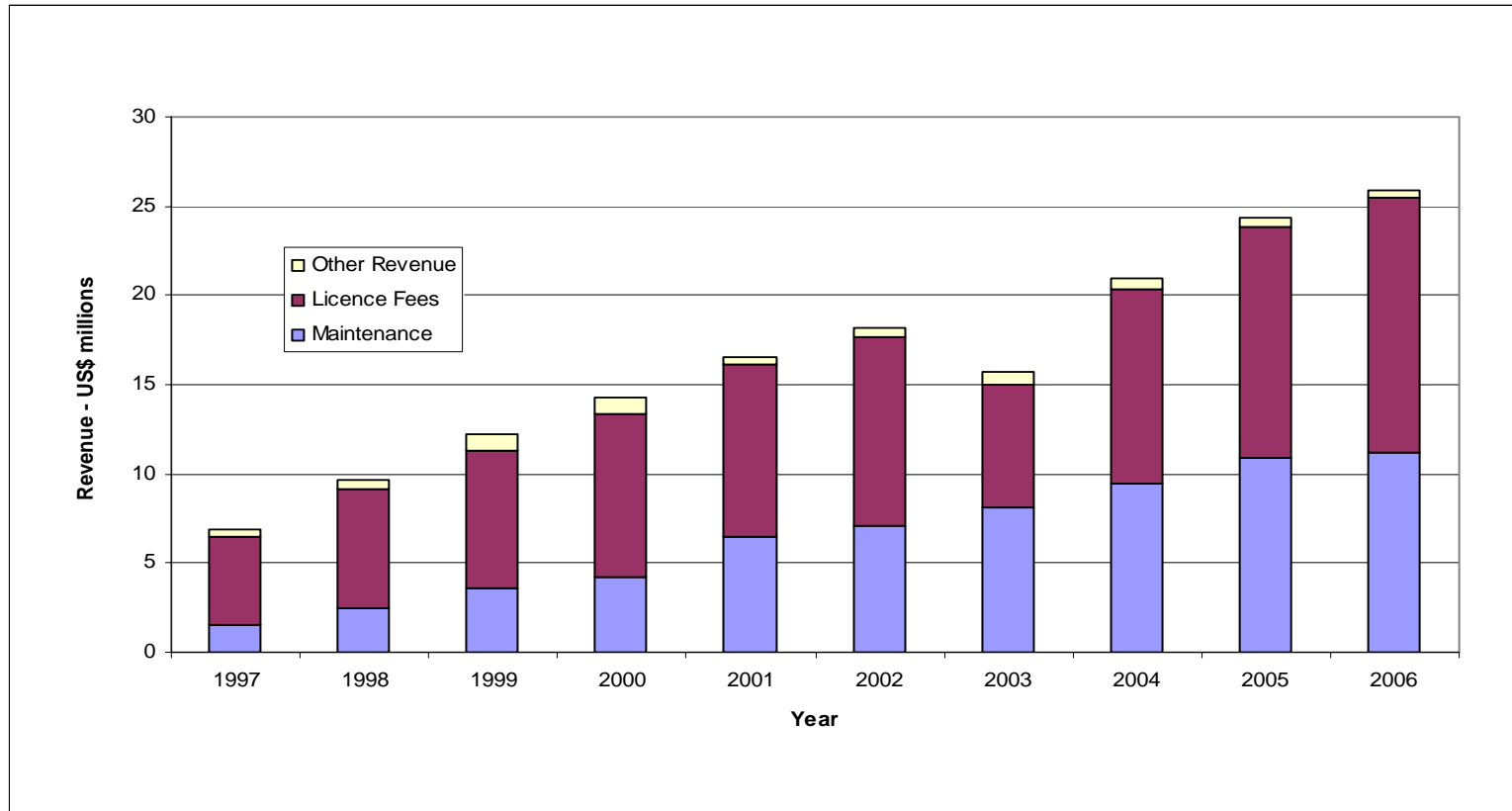
10-year revenue history

10-year revenue history – A\$ millions



10-year revenue history

10-year revenue history – US\$ millions



FY2003 affected by Iraq war



Looking Ahead

- **Majority of FY2007 forex exposure effectively hedged**
- **Growth in all products and regions**
- **Continued investment in products and sales**
- **IP telephony offers substantial multi year growth opportunities**
 - **Prognosis is the leading product**
- **Strengthened management team**
- **3 strong product segments increases our resilience and opportunity**
- **Strong balance sheet well positioned for organic growth and acquisitions**

