

SHAREHOLDER NEWSLETTER ISSUE 28, AUGUST 2011

Summary

We are pleased to announce a 23.8% increase in our profit after tax to 30 June compared to the same period last year. This increase in profits was the result of an 8.5% increase in revenues and an expenditure increase held to 1.4% compared to the same period last year. This strong result for the half year was delivered in the face of a challenging exchange rate: the average conversion rate for the half year of US to Australian dollar was 25% higher than the half year period last year (103.30 cents compared to 89.4 cents).

In the half year to 30 June 2011 we have added several new end user accounts and several new partner clients. The main focus of the work in this period has been developing the pipeline of end user accounts for the IDEAS Advantage service. The trial is successful and as of the time of writing this newsletter we have closed the first deal for IDEAS Advantage with a health provider in the US. The pipeline is strong and we expect to close several new end user accounts and new business with our vendor clients over the next month or so. Feedback for the product is good and we now have IDEAS Advantage in our regular update cycle.

Half Year Results and Abridged Financials

Set out below is an abridged version of our 30 June 2011 profit and loss statement and balance sheet. Our detailed half year report was lodged with the ASX on 25 August, and can be viewed on-line at:

<http://www.asx.com.au/asx/research/companyInfo.do?by=asxCode&asxCode=IDE>

All figures are in \$AU unless otherwise stated.

Income Statement to 30 June (Abridged)	30 June 2011	30 June 2010	Balance Sheet at 30 June (Abridged)	30 June 2011	31 Dec 2010
	\$	\$		\$	\$
Revenue & other income	4,387,989	4,046,060	Assets		
Operating & other expenses	(3,015,803)	(2,975,053)	Cash and deposits	5,979,733	3,851,488
Profit before income tax	1,372,186	1,071,007	Trade and other receivables	422,332	2,194,185
Income tax expense	(451,155)	(326,831)	Other assets	457,208	565,715
Profit after tax	921,031	744,176	Deferred tax assets	183,443	196,173
Basic earnings per share (cents)	6.72	5.81	Intangible assets	2,348,933	2,348,933
Diluted earnings per share (cents)	6.71	5.39	Total Assets	9,391,649	9,156,494
			Liabilities		
			Trade and other payables	303,102	910,197
			Borrowings	17,446	25,092
			Revenue received in advance	3,519,829	3,177,193
			Other liabilities	991,309	712,524
			Total Liabilities	4,831,686	4,825,006
			Equity		
			Issued capital	2,815,737	2,919,463
			Reserves	(301,777)	(262,037)
			Retained earnings	2,046,005	1,670,062
			Total Equity	4,559,963	4,331,488

SHAREHOLDER NEWSLETTER ISSUE 28, AUGUST 2011

2011 First-half Analysis

The profit of the consolidated entity after providing for income tax amounted to \$921,031 for the half year to 30 June 2011. This is an increase of \$176,855 or 23.8% on the after tax profit for the half year to 30 June 2010 of \$744,176. Income from all sources for the consolidated entity amounted to \$4,387,989 for the half year to 30 June 2011. This is an increase of \$341,929 or 8.5% on the revenue from all sources for the half year to 30 June 2010 of \$4,046,060.

The consolidated entity was cash flow positive for the half year, with net cash provided by operating activities of \$2,779,209. While this is a small decrease of \$90,514 or 3.2% compared to \$2,869,725 from same period last half year, it is net of the \$549,088 dividend payment to shareholders in April 2011.

Our balance sheet continues to strengthen, and net assets of \$4,559,963 are up 5.3% from \$4,331,488 from December 2010.

Share Buy-back information

The share buy-back announced May 2010 continues to be in place. From 1 January to 30 June 2011 the company has bought back a further 121,361 shares at a cost of \$103,726, bring the total bought back since the original announcement to 199,360 shares at a cost of \$140,725.

Remainder of year - Outlook

Management and the board are cautiously confident that the good performance from the first six months of 2011 will be continued over the remainder of the year. Full year guidance is not able to be given at this time as end of year results are subject to subscription renewals from several major customers which are not due until later in the year. The effects of the strengthening Australian dollar are harder for us to avoid, however our plans are to keep the existing operations in place in Australia as there are issues in outsourcing production, and to ensure we maximise revenue opportunities.

The goals of management and the board are unchanged; we will maintain our focus on increasing revenues within our vendor clients while building our reseller and partner business as well as investing and growing our business from the large corporate sector of the end user market.

Strategy Execution

At the 2011 AGM we reiterated the execution of our strategy to build a more diversified client base. The focus was on the following areas:

1. New Business Partner clients direct
Opportunity - Sell the full Competitive Profiles/ Server CAR direct to larger Business Partners/ SI's.
Update - We have seen several new Partners sign up and we are in discussion with several more for sales soon.
2. Sell the RPE2 metric direct to embed in capacity planning software under license

SHAREHOLDER NEWSLETTER ISSUE 28, AUGUST 2011

Opportunity – develop more 'CiRBA' like opportunities

Update – the commercials and selling of the CiRBA 'powered by' RPE2 has taken longer to bed down that we had hoped, there are several large end user CiRBA clients interested in signing up to our data and we continue to focus on this relationship to ensure its success before embarking on others

3. Differentiated revenue sources from vendors

Opportunity – build new research areas

Update - discussions with vendors continue on us building our resources out to help them with competitive tracking in new business areas.

4. Develop and Trial new tools.

Opportunity - Recruit analysts to give more bench strength to then look for more opportunities in software for revenue growth = TCO Base data for end users

Update – we have built the building blocks of new TCO tools. See CloudSizer update

5. Continue to Strengthen the end user value proposition

Opportunity - Convert a minimum of 10 trials of IDEAS Advantage to paying annual subscription clients by end 2011 – leverage free gateways pulling power.

Update - We believe at this stage we are on track to hit the goal of 10 new clients for IDEAS Advantage by calendar/ financial year end 2011. We are getting traction with the trials and IDEAS believes that this significantly cuts down our sales lead time for qualifying prospects and closing as well as being a great lead generation tool.

Opportunity Leverage www.cloudsizer.com work into IDEAS Advantage



CLOUDSIZER
SIZE IT. CHOOSE IT.

Update – we are releasing a new subscription version of www.cloudsizer.com to be a paid for version which will be around \$US295 for three months access. This is not quite an 'app-style' portal but enables a broader section of users to start a relationship with IDEAS.

Due to business growth and development of new research areas we are hiring two analysts in the US and one in Australia. The Australian Dollar's growth and the poor state of the US economy remain a concern for management, though so far we are pleased with the way our business has performed in the face of these uncertainties.

We remain optimistic about cementing our vendor business and growing our end user business; growing new revenue channels and being able to leverage and combine our analyst capabilities with the actionable intelligence in our subscription based tools.

SHAREHOLDER NEWSLETTER
ISSUE 28, AUGUST 2011

I look forward to updating you as the year progresses.

A handwritten signature in blue ink, appearing to read 'SB', on a light blue background.

Yours faithfully
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