Integrated Research
Annual Report 2010

ABN 76 003 588 449

Providing Business Insight™

Integrated Research

Contents

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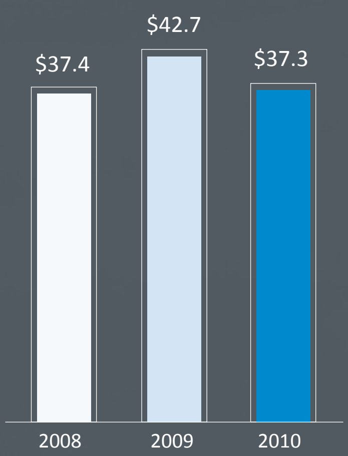
2010 Highlights

Financial summary

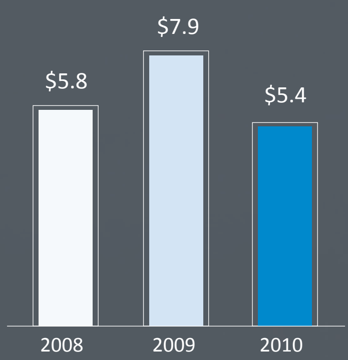
In millions of AUD (except earnings per share)			
Year ended 30 June	**2010**	**2009**	**% Change**
Revenue from licence fees	17.4	21.7	↓ (20%)
Total revenue	37.3	42.7	↓ (13%)
Net profit after tax	5.4	7.9	↓ (31%)
Net assets	24.5	27.2	↓ (10%)
Cash at balance date	8.4	14.5	↓ (42%)
Americas revenue	22.5	27.0	↓ (17%)
Europe revenue	5.2	7.3	↓ (28%)
Asia Pacific revenue	8.0	7.3	↑ 10%
Earnings per share (cents per share)	3.24	4.72	↓ (31%)

In millions of local currency			
Year ended 30 June			
Americas revenue (USD)	19.7	19.7	-
Europe revenue (UK Sterling)	2.9	3.3	↓ (12%)
Asia Pacific revenue (AUD)	8.0	7.3	↑ 10%

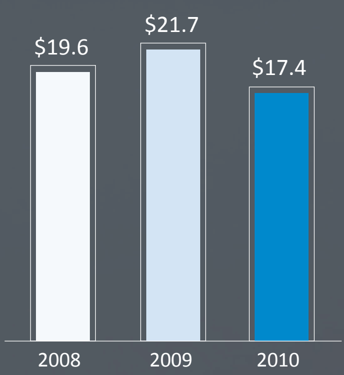
Total revenue
(Dollars in millions)



Net profit after tax
(Dollars in millons)



Revenue from licence fees
(Dollars in millons)



Letter from the Chairman

Dear fellow shareholders,

The 2010 financial year was a difficult trading year for Integrated Research mainly because of the record appreciation in the Australian dollar against all of the currencies of our major trading partners.

The Company's profit after tax came in at $5.4 million and represents a fall of 31% on the 2009 financial year results. Total revenue for the financial year was $37.3 million, compared to $42.7 million in the prior financial year and represented a fall of 13%. The result was also affected by a decline in HP NonStop revenue which is covered in detail later in this report. There were, however, some pleasing aspects to the Company's performance, with strong growth in the IP telephony (IPT) business and in Consulting Services.

Revenue derived from the Company's IPT products continued its strong growth. Even with the stronger Australian dollar, new licence sales for IPT were up 14% over the prior year with growth reported in all geographic regions. On currency adjusted terms, IPT new licence sales increased by 29% over the prior year. This was also a watershed year for the Company with IPT now being the largest source of new licence sales. The Company continues to invest in this product line, both in new R&D initiatives and in the sales operation, and expects to maintain its historical growth rates.

The Company has expanded the number of IPT platforms that it manages, which now includes Alcatel-Lucent in addition to the existing platforms of Avaya, Cisco and Nortel. The Company will continue to expand on the number of supported platforms, as one of our strategic strengths is the breadth and seamless integration provided for multiple IP telephony platforms. Additionally, the Company's strategy is to expand its product ranges, so I am pleased to announce that Integrated Research has released a Network Diagnostics product with special emphasis on IP telephony networks.

The Company's core strategic competency is its world class Research and Development operation, and the Company will continue to invest in its success.

For the full financial year Consulting Services grew by 19% over the prior year to $2.0 million. This is the second consecutive year of strong growth with 23% growth being recorded in the 2009 financial year. Whilst only approximately 11% of overall new licence revenue, it does reflect our clients' interest in having Integrated Research extend our solutions. The company will continue to expand this business segment and we would expect to see similar levels of growth in the coming years.

The HP NonStop result was disappointing. There were a number of circumstances that affected this result: adverse currency conditions, more strategic focus on our IPT business unit as it becomes our major source of new licence revenue, and changes in the HP NonStop marketplace. Stock trading has increasingly been moving towards new and evolving technological platforms that are not as reliant on fault tolerant high end systems such as NonStop, particularly in Europe and North America.

However, payments systems remain buoyant for HP NonStop and the number of transactions that will be processed by our customers is expected to increase this year and in future years. To take further advantage of this situation, Integrated Research has signed a strategic reseller relationship with ACI, the world's largest supplier of POS and ATM switches. This is expected to provide a good source of revenue in ensuing years.

The Distributed Systems business segment (Windows, UNIX and Linux based servers) recorded growth in Europe and Asia Pacific, mainly due to customers seeking real time monitoring solutions for their mission-critical applications. The Company will maintain its attention on this business unit with special emphasis on the payments systems that run on these platforms. The Company will also continue to expand the Distributed Systems product range with the release of new products over the coming financial year.

The Company's core strategic competency is its world class Research and Development operation, and the Company will continue to invest in its success. R&D expenditure for the 2010 financial year was $8.3 million, representing 22% of total revenue and in line with historical averages. It is also pleasing to note that there has been a significant improvement in R&D processes, resulting in better product quality and improved customer satisfaction.

Although the global economic situation has improved, the growth rates in the developed world are still below historical trend lines. Although the future global outlook does not point to a recessionary environment, the Company has developed its plans around subdued economic conditions. The Company expects that the Australian dollar will remain strong, but the steep appreciation in the currency experienced during the 2010 financial year is not expected to be repeated.

The future outlook for the Company remains solid. The Company has no debt, the core technologies that the Company's business units are based upon, including HP NonStop, remain healthy, with expansion expected in both the IP telephony and payments markets. The company has a strong cash position with $8.4 million at 30 June 2010.

The Board is pleased to announce a final dividend of 1.0 cents per share, 45% franked, bringing the total dividend for the year to 3.0 cents per share and includes a special dividend of 0.5 cents. This is comparable to total dividends of 4.0 cents for the prior financial year.

Thank you for your continued support.

Steve Killelea
Chairman

In just **twelve months** at Integrated Research

- We acquired 148 new customers.
- We reached four million total phones under management.
- We signed up and enabled more than 70 new Prognosis VoIP Monitor Resellers.
- We had a presence at 27 trade shows and events.
- We released 6 new products, across 4 product lines.
- We signed two new major alliance agreements with ACI Worldwide and Stratus Technologies.
- We grew and cemented existing alliances with Avaya, EMC and GE.

Integrated Research solutions are reaching more people, **every day**

We are living in a world in which data demands are becoming increasingly more real time. Data is instantaneous, it is high-volume, it is delivered and accessed via diverse technology platforms, and it requires constant vigilance to manage and maintain. Integrated Research is well-positioned to take advantage of this shift.

2010 was both a demanding and rewarding year for Integrated Research. Through the efforts of IR staff across the globe in our offices in Australia, USA and United Kingdom, we achieved significant milestones, of which we are justifiably proud.

More customers and prospects are hearing about the solutions Integrated Research provide and engaging with us than ever before. The message has reached them online via websites and social networks, through our alliance partners, via advertising and publicity, at events, from analysts and industry experts, and from existing Prognosis users sharing their experiences.

They are learning how Prognosis touches the day to day lives of millions of people and hundreds of enterprises, providing critical business insight to our customers.

Through our new alliances we now have the opportunity to reach new markets with our monitoring solutions for Payments, Communications and IT Infrastructure. We are continuing to extend our solution range to meet customer needs through Consulting, and reaffirming our commitment to innovation in Research and Development.

Most of all, we are listening to and responding to the needs of our customers, which is reflected in our products, both old and new.

Prognosis solutions for **Communications**

With global communications vendors offering more technologies and solutions daily, and buzzwords such as Unified Communications, SIP and TelePresence permeating the market, Integrated Research is responding by offering an ever-growing list of supported technologies, depth of functionality, and multi-platform and multi-vendor support.

Our best-in-class Prognosis IP Telephony Manager forms the basis of our Communications monitoring solution, providing a real-time, telephony-centric view across the entire VoIP ecosystem, supporting major vendors including Cisco, Avaya, Nortel and Alcatel-Lucent.

Our strong, long-term relationships and alliances with major vendors are providing the basis for widening our product range to include voip monitoring for small to medium business, as well as expanding and updating Prognosis solutions for service providers and enterprise contact centres.

Now, Prognosis solutions for Communications have been supplemented with Prognosis Network Diagnostics, extending the power of Prognosis from the telephony application into the network, providing deeper business insight and diagnostic capability than ever before.


Prognosis
Solutions for mid-to-large enterprises
Solutions for small and medium business
Solutions for Managed Service Providers
Solutions for contact centres
Solutions for Unified Communications
Solutions for telephony networks

Prognosis solutions for **Payments**

From Australia's population of just 22.15 million people, there were 118.8 million credit card transactions processed per month in 2009. The total number of non-cash payments grew by 7% over the previous year, and leading analysts believe this number will continue to grow. This is a staggering electronic transaction rate, and financial institutions are reaping the benefits. However, with higher transaction volumes comes higher management complexity.

Offering a centralised, real-time view of all transactions and devices in the payments environment forms the core of Prognosis monitoring solutions for Payments. Prognosis supports established platforms, including ACI BASE24 and BASE24-eps, EFD Connex and S1 Postilion, as well as offering extended solutions to monitor transactions from any transaction processing application, including custom and in-house developed platforms.

Prognosis is also particularly well positioned to support financial services organisations through mergers and acquisitions, as well as migration to different processing platforms, with the capability to integrate new, legacy, and diverse platforms seamlessly into a single management view.

Alliances with ACI Worldwide and Stratus Technologies have opened up new opportunities for Integrated Research, not only for enhanced sales and marketing, but for partnering with these industry leaders to innovate and develop monitoring solutions to address new challenges in the payments market.

ir Prognosis®

- Solutions for ATM and POS payment service management
- Solutions for ATM and POS device management
- Solutions for transaction surveillance
- Solutions for custom and in-house developed financial transaction platforms
- Solutions for phone, internet and mobile banking

Prognosis solutions for IT Infrastructure

Monitoring the performance and availability of critical IT Infrastructure has formed the core of the Prognosis monitoring solution for over twenty years. The HP NonStop platform continues to represent the pinnacle of high availability for critical customer-facing interactions.

Integrated Research have maintained a commitment to developing and innovating around the HP NonStop platform. Prognosis monitoring solutions ensure businesses are able to maximise the return on their infrastructure investments, and continue to make HP NonStop the centrepiece of their business operations.

Prognosis solutions for IT Infrastructure have now also been expanded dramatically to meet customer demand, supporting industry moves towards virtualisation and cloud applications, and expanding our monitoring capabilities to include high-demand storage arrays. We also continue to support new releases in applications and middleware for distributed systems.

With an unparalleled depth of metrics and a customisable, flexible interface, Prognosis provides the real time business insight required to unlock the hidden value in enterprise IT infrastructure.

Prognosis®

- Solutions for HP NonStop systems
- Solutions for distributed systems hardware, applications and middleware
- Solutions for ensuring customer satisfaction with web applications
- Solutions for XP Storage Arrays
- Solutions for virtualised environments

Chief Executive Officer's report

Dear Shareholders,

The 2010 financial year presented some challenges to Integrated Research, but I'm pleased to report that we have withstood these and that the business is healthy, profitable and debt free. We are also seeing some benefits from our growth strategies and are well prepared for the future.

Licence sales were down 20% on the prior year to $17.4 million due to the combined effects of a stronger Australian dollar and lower HP NonStop sales. This in turn reduced total revenue by 13% from last year to $37.3 million. Our annual net profit after tax was down 31% on the prior year to $5.4 million.

However, we estimate that our licence sales were down just 7% on a constant currency basis and profit after tax similarly down by 16%. We made a foreign currency hedging gain of $1.6 million in FY2010 and will continue to hedge profits and control costs in order manage currency fluctuations in FY2011.

Our IPT business grew in all regions. We added 148 new IPT customers in the year, mostly through the successful execution of strategies to support our alliance with Avaya, including investment in enabling the Avaya channel. IPT licence and maintenance billings were up 6% on the prior year, or about 23% on a constant currency basis.

This IPT growth was encouraging considering that according to Gartner the number of IP phones shipped in calendar 2009 was 10% less than 2008. Gartner forecast a return to growth in 2010, fuelled by the ongoing trend to replace digital telephony with IP telephony as older systems are retired, and to take advantage of the lower costs and functionality improvements that IP telephony provides.

We are building on our IPT product range in order to expand our addressable market. We recently added support for Alcatel-Lucent, and already have our first major customer using this product. Alcatel-Lucent support opens markets for us in Europe and Northern Africa, and expands upon our existing solutions for Cisco, Avaya and Nortel. We have also launched a Network Diagnostics product that can be sold to new and existing customers, providing visibility of the entire telephony ecosystem for more effective troubleshooting and problem resolution.

We grew our Consulting business in FY2010, with Consulting revenue up 19% to $2.0 million. Our consulting services include customisation, implementation, training and integration to help our customers derive more value from Prognosis. We added people and built a scalable foundation of systems and processes in order to support future Consulting revenue growth.

Consulting makes Prognosis more valuable to our customers, expands our footprint and increases customer retention.

Consulting Services is an important part of our strategy. In addition to contributing services revenue, our consultants look for ways to extend our customers' use of Prognosis to provide real time business insight. This makes Prognosis more valuable to our customers, expands our footprint and increases customer retention.

We also increased our focus on the payments market in FY2010, which offers a significant opportunity for us. It is a high growth market in developing countries, as well as being a rapidly evolving market in western economies, with new payments channels such as mobiles and the internet. Our ability to monitor high volumes of transactions in continuity-critical environments makes Prognosis a strong fit for this market.

Our strategy in payments is similar to our IPT strategy, supporting multiple platforms to increase our addressable market, as well as providing solutions for heterogeneous payments environments. We currently support ACI BASE24 and BASE24-eps, EFD Connex and S1 Postilion. We also have a powerful toolkit that enables us to fully integrate any custom-built or bespoke switch into Prognosis. With a large number of payments switches being developed in-house, the level of visibility Prognosis offers to these financial institutions is invaluable.

Our new alliance with ACI Worldwide enhances this go to market strategy. ACI's market share of the top 500 retail payment switches using commercial software is over 50%, and they have selected Prognosis as their payment service management solution for the full range of ACI products. Given that the vast majority of ACI's customers run their payment switches on HP NonStop servers, the ACI alliance is also expected to have a positive impact on our HP NonStop products and revenue.

Our HP NonStop business was down this year due to lower customer spending on HP NonStop servers throughout the year, largely because of changes in the market and customers having sufficient processing capacity for their current business. Also, analysts estimate that IT capital spending declined by more than 10% in 2009. We expect this to be temporary, as our customers will need to invest in additional capacity to cope with increased processing when the economy recovers.

It's important to note that our HP NonStop customer retention remains high at 92%. This underpins the importance of our products and the systems that they manage. We continue to invest in our HP NonStop suite, and released new products and functionality during the financial year. Our development plan is aligned with HP's server strategy, of which HP NonStop is an important component.

Our Distributed Systems products recorded growth in Europe and Asia Pacific. We are committed to the continued development and support of these products, particularly to enable monitoring of multi-platform applications such as payments.

The new strategic alliance between Integrated Research and Stratus Technologies, a leading provider of high-availability, fault-tolerant Windows servers, increases the market for our Distributed Systems products and provides a new channel to customers in the financial services, manufacturing, transportation, healthcare and telecommunications sectors that rely on Stratus servers.

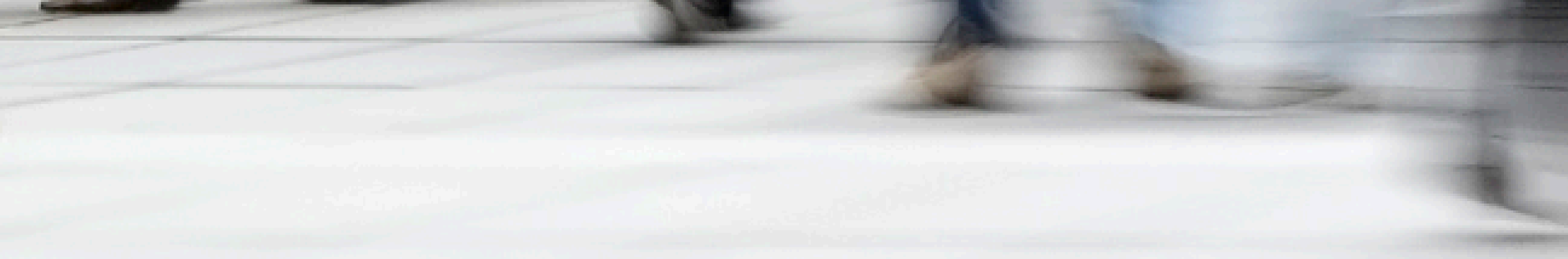
FY2010 also saw the implementation of a number of new systems and processes within Integrated Research to ensure our agility and scalability, and to build a strong foundation for future growth. These included new CRM and financial systems that give us greater visibility into our business and improve our decision making.

These internal changes are having a strategic impact on our business. We've re-engineered our R&D processes by implementing the Agile development methodology and this has resulted in measurable improvements in product quality, shorter development cycles and a 53% improvement in R&D output per person.

Despite the challenges of FY2010, our business is strong and poised for growth. I would like to thank our customers for their ongoing business and our staff for their hard work and perseverance this year.

Thank you for your support.

Mark Brayan
Chief Executive Officer



Review of operations and activities

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

Principal activities

The Company's principal activities during the year were the design, development and sale of systems and applications management computer software for business-critical computing and IP telephony networks.

The Company increased its investment in and revenue from Prognosis-based consulting services during the year and expects to increase this further in future years.

Group overview

Integrated Research has a twenty-two 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 IP Telephony environments and the business applications that run on these platforms.

Typical business environments where Prognosis is used include automated teller machine (ATM) and EFTPOS transaction systems, web applications such as online banking or online shopping, hospital systems, emergency services, stock trading applications, and telecommunications systems including IP telephony systems.

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 and Australia, 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 most of its revenue from upfront licence fees, recurring maintenance and recurring licence fees.

Review and results of operations

The Company achieved an annual net profit after tax of $5.4 million compared to the equivalent prior period of $7.9 million, which is within the guidance provided to the ASX on 2 July 2010. Revenue for the full year was $37.3 million representing a 13% decline over the prior year, mainly attributable to a stronger Australian dollar. In constant currency, revenue was down 3% compared to the prior year.

Revenue

Revenue for the year was $37.3 million, a decrease of 13% over 2009. Licence fees decreased by 20%, and maintenance fees decreased by 12%. The customer retention rate remains high at 93%.

Currency exchange rates were volatile over the course of the 2010 financial year resulting. The average US exchange rate for the 2010 financial year was 17% higher than the equivalent prior year. Consolidated revenues were lower due to the impact of currency translation of our overseas operations.

In underlying natural currency the Americas reported flat revenue, Europe reported a decline of 14% and Asia Pacific increased by 10% over the equivalent prior year.

Revenue derived from the Company's IP Telephony (IPT) products continued its strong growth. Even with the stronger Australian dollar, new licence sales for IPT were up 14% over the prior year with growth reported in all geographic regions. This was a watershed year for the Company with IPT now being the largest source of new licence sales.

Total revenue was impacted by lower than anticipated HP NonStop sales. However, the product line showed improvement in the second half with 10% increase in new licence sales in the US over the same period last year, in line with improved economic conditions globally.

Revenue from consulting services increased by 19% over the prior year to $2.0 million which validates the Company's strategy to invest in this business segment.

Revenue derived from the Company's IP Telephony products continued its strong growth. New licence sales for IPT were up 14% over the prior year with growth reported in all geographic regions.

Expenses

The Company continued to focus on expanding its capabilities and productivity. The number of staff increased by 13% from 142 to 161. Total expenses were $31.6 million, down 5% against the prior year, which was attributable to the strong Australian dollar.

Research and development expenditure of $8.3 million was 22% of total revenue and in line with historical averages. This has been underscored by significant improvement in research and development processes, better product quality and improved customer satisfaction. The company is committed to maintaining and improving its core strategic strength and we expect a comparable level of investment in research and development in the future.

Net research and development expenses are represented as follows:

In thousands of AUD	2010	2009
Gross research and development spending	8,290	9,001
Capitalisation of development expenses	(5,932)	(5,790)
Amortisation of capitalised expenses	5,989	5,033
Net research and development expenses	**8,347**	**8,244**

Shareholder returns

Returns to shareholders increased through the payment of partly franked dividends:

	2010	2009	2008
Net profit ($'000)	$5,401	$7,863	$5,776
Basic EPS	3.24¢	4.72¢	3.47¢
Dividends per share	3.0¢	4.0¢	3.0¢
Return on equity	22.0%	28.9%	24.3%

Financial position

The consolidated entity continues to hold a strong financial position being free of debt and with cash at 30 June 2010 of $8.4 million, compared to $14.5 million at the same time last year. Net cash flow provided by operating activities was $8.3 million, compared to $13.4 million for the same period last year.

	2010	2009	2008
Net cash flow provided by operating activities ($'000)	$8,339	$13,434	$13,201
Current ratio (current assets to current liabilities)	1.57	1.98	1.85
Net tangible asset backing per ordinary share	6.32¢	8.35¢	6.69¢

Outlook and strategy for 2011

The Company's products continue to deliver value for our customers by supporting the performance management of their mission-critical, high availability computing environments in segments such as payments and communications.

The Company invested in 2010 in recommendations from its review of its strategy in 2009. This review validated our strategy of maximising the unique core features of Prognosis. We will continue to improve and extend our products to deliver real-time insight to critical business processes and transactions.

The HP NonStop platform is an important part of HP's server strategy and remains at the operational core of many of the world's largest companies. The payments segment is a growing opportunity for Integrated Research and we have invested in our payments products to add platform support and functionality to exploit this trend.

We have signed a strategic alliance with ACI Worldwide, the world's largest payments software vendor, to be their exclusive partner for payments monitoring. As well as driving payments sales this opens up more HP NonStop opportunities for us given most ACI switches run on HP NonStop. The payments market also includes many customised switches and we have developed a repeatable solution that monitors customised switches, which greatly increases our addressable market.

Prognosis for Distributed Systems (Windows, Unix and Linux) continues to be sold alongside our HP NonStop products as customers seek a common monitoring interface for all platforms or convert applications from one platform to another. We expect this trend to continue in 2010 and will invest to extend our platform coverage. We signed a strategic alliance with Stratus, a leading vendor of ultra-high availability Windows servers, to provide real-time monitoring for their customers and application partners.

Our IP Telephony products are central to our growth in 2011 and beyond. Sales grew in FY10 and we made important investments in the product line. We added support for Alcatel-Lucent's IP phones and launched a network diagnostics product that extends the functionality of Prognosis for IP Telephony. Over four million phones are now licensed with Prognosis. We will continue our investments in our IPT products to add functionality that improves our strong market position.

Consulting Services is an important element in our strategy. Consultants provide services to implement Prognosis for our customers and train them in its effective use. They also help us develop unique and repeatable solutions that extend the use and value of Prognosis. We will continue to invest in people and processes for our consulting business to grow revenue and margin.

In addition to investments in new products and alliances, we have improved our R&D capabilities by implementing the Agile development methodology. This has decreased cycle times, increased product quality and enabled more focus on innovation and new product development.

Consulting Services is an important element in our strategy. Consultants provide services to implement Prognosis for our customers and train them in its effective use.

Directors

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

Steve Killelea, AM

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 also Chairman of the Institute for Peace and Economics and The Charitable Foundation and for activities involved with these he has received a number of international awards. He is also active in the financial community with investments in many high tech companies. Steve's current term will expire no later than the close of the 2012 Annual General Meeting. Listed companies directorships held in the past three years: None.
Age 61 years.

Mark Brayan, MBA

Managing Director and Chief Executive Officer

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. Listed companies directorships held in the past three years: None.
Age 46 years.

Alan Baxter, BSc, Dip Ed

Independent Non-Executive Director

Alan was appointed as a Director in June 2009. Alan has nearly forty years experience in Information Technology covering a broad range of the industry's activities. These include many years in a variety of roles with IBM Australia, CEO of DMR Consulting in Australia and COO of Fujitsu Consulting's global operations from London. He was Non-Executive Chairman of Fujitsu Australia & New Zealand, a director of Mincom Ltd and is currently Chairman of Konekt Limited and also of Innogence Limited. Konekt Ltd is a publicly listed company. Alan's current term will expire no later than the close of the 2012 Annual General Meeting. Listed company directorships held in the past three years other than listed above: None.
Age 65 years.

John Brown, B Com, FCA, MAICD

Independent Non-Executive Director

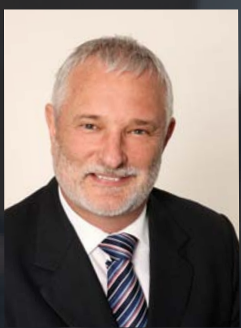
John was appointed a Director in July 2007. He was a partner with KPMG for over 26 years and since retiring in 2006 has been appointed to be the chair or member of the audit committee of a number of NSW and Federal public sector entities. John is also a Director and Chair of the Audit Committee of Sydney Water Corporation and a Director of The Gift Of Life Foundation. John's current term will expire no later than the close of the 2010 Annual General Meeting. Listed companies directorships held in the past three years: None.
Age 62 years.

Kate Costello, LLB, FAICD
Independent Non-Executive Director

Kate was appointed as a Director in August 2005. She is a lawyer and has over twenty years experience in corporate governance and strategy development. She is also a Director of Governance Matters Pty Ltd, listed company, LBT Innovations Ltd, and a number of other private companies. Kate's current term will expire no later than the close of the 2011 Annual General Meeting. Listed companies directorships held in the past three years other than listed above: None. Age 57 years.

Clyde McConaghy, B.Bus., MBA, MAICD, MIOD - UK
Non-Executive Director

Clyde was appointed a Director in December 2007. He has two decades of international strategic market development experience in the technology, media and online industries. Clyde was a board director of WMRC Plc, an economic analysis publisher, on the London Stock Exchange and a director of the Economist Intelligence Unit GmbH in London. Clyde is managing director of Smarter Capital Pty Limited, another company associated with Mr Steve Killelea, Chairman of Integrated Research. Clyde's current term will expire no later than the close of the 2011 Annual General Meeting. Listed companies directorships held in the past three years: None. Age 48 years.



Peter Lloyd
Non-Executive Director

Peter was appointed a Director in July 2010. He has 37 years experience in computing technology, having worked for both computer hardware and software solution providers. For the past 26 years Peter has been specifically involved in the provision of payments solutions for the financial services industry. Peter is currently the global sales and marketing Director for Distra Pty Ltd a provider of payments systems. He is also a Director of The Grayrock Group Pty Ltd and Limehouse Creative Pty Ltd. Peter's current term will expire no later than the close of the 2010 Annual General meeting.Listed companies directorships held in the past three years: None. Age 56 years.

David Leighton, MBA, FCPA, ACIS
Company Secretary

David is a member of Chartered Secretaries Australia. He has been Company Secretary since October 2000.

Senior Leadership Team

Peter Adams, B.Com, CA

Chief Financial Officer

Peter joined Integrated Research in March 2008 and is responsible for overseeing the Company's finance and administration, including regulatory compliance and investor relations. Peter is a Qualified Chartered Accountant with over 20 years experience. He has held a number of senior accounting and finance roles, including seven years as CFO with Infomedia (an ASX-listed technology company), six years with Renison Goldfields (ex ASX top 100 Resources Company) and two years with Transfield Pty Ltd. Peter's career began with Arthur Andersen, where he was responsible for managing large audit clients.

Alex Baburin, B.App. Sc

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. Before joining Integrated Research he was responsible for general management of the Siemens Access Control product line globally and for much of that time was based in Germany.

Andre Cuenin, BSc, MBA

Global Head of Sales

Andre joined Integrated Research in October 2008 and is responsible for all global business operations. Andre has over 20 years experience in IT sales, most recently as VP of Field Operations at Stratavia, where he was responsible for sales and professional services marketing worldwide. Prior to this he spent 15 years with CA (previously known as Computer Associates) in several senior management positions including VP of Worldwide Sales Operations.

Pierre Semaan, BEng, MBA

General Manager, Product Management & Marketing

Pierre joined Integrated Research in June 2008 and is responsible for the management and strategic direction of all product lines and strategic marketing. Pierre has over 15 years international experience managing teams delivering technology innovations. He was most recently the Senior Vice President of Technology for Sage CRM solutions, which included leading the ACT!, SalesLogix and Mobility R&D organisations. Prior to Sage, Pierre worked at Citrix as the Chief of Operations & Director of the CTO Office and Advanced Products Group.

Geoff Bryant, M.Mgt, MAICD

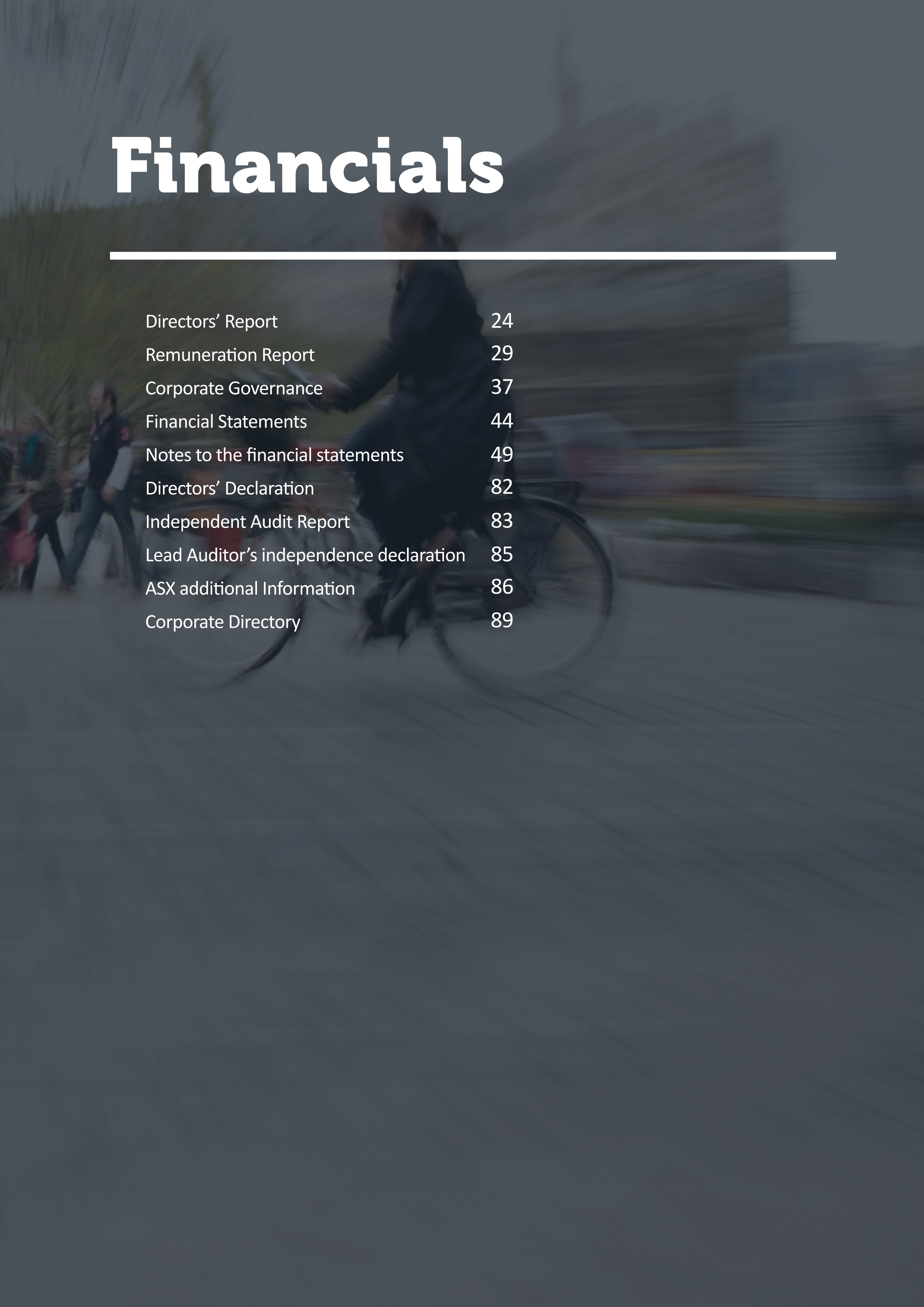
Vice President Consulting

Geoff joined Integrated Research in June 2009 and is responsible for all Consulting Services activities, which includes professional services and training. With 20 years experience in operations and services positions in the technology sector, Geoff brings expertise that will help ensure Integrated Research customers receive world class consulting services to optimise the value of their PROGNOSIS investments. Prior to Integrated Research he held a number of business and management positions in Asia Pacific, Europe and North America with Cognos, IDS Scheer, Novell, and Software AG.

Integrated Research **customers** include*

- **8** of the worlds **10** largest companies
- **5** of the top **10** US banks
- **4** of the **5** biggest aerospace and defense companies
- **6** of the **10** biggest telecommunications companies
- **6** of the **10** biggest stock exchanges
- The **3** biggest oil and gas companies
- The **2** biggest aircraft manufacturers

*Source: Forbes 2000 (2010) and World Federation of Exchanges



Financials

Directors' Report

The directors present their report together with the Financial Statements of Integrated Research Limited ("the consolidated entity"), being the Company and its controlled entities, for the year ended 30 June 2010 and the Auditor's Report thereon.

Results

The net profit of the consolidated entity for the 12 months ended 30 June 2010 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 2009 – Ordinary shares	5% franked	2.5	4,170	18 Sep 2009
Interim 2010 – Ordinary shares	8% franked	1.5	2,502	12 Mar 2010
Special 2010 – Ordinary shares	unfranked	0.5	834	12 Mar 2010
Final 2010 – Ordinary shares	45% franked	1.0	1,668	17 Sep 2010

Principal activities and review of operations

Detail of the principal activities and review of operations of the consolidated entity are set out on pages 14 to 17.

Events subsequent to reporting date

For dividends declared after 30 June 2010 see Note 19 in the financial statements. The financial effect of dividends declared and paid after 30 June 2010 has not been brought to account in the financial statements for the year ended 30 June 2010 and will be recognised in subsequent financial statements.

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 pages 18 to 19. Details of the company secretary and his qualifications are set out on page 19.

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 2010, and the numbers of meetings attended by each director were:

	Board Meetings		**Audit and Risk Committee Meetings**		**Nomination and Remuneration Committee Meetings**		**Strategy Committee Meetings**	
	A	B	A	B	A	B	A	B
Alan Baxter	11	12	3	3	3	3	-	-
John Brown	12	12	3	3	-	-	-	-
Mark Brayan	12	12	-	-	-	-	3	3
Kate Costello	12	12	-	-	2	3	3	3
Steve Killelea	11	12	-	-	3	3	3	3
Clyde McConaghy	12	12	3	3	-	-	3	3

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

Directors' Report page 24-28

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 Securities Exchange in accordance with S205G(1) of the Corporations Act 2001, at the date of this report is as follows:

	Ordinary shares in Integrated Research			Options
	Directly held	**Beneficially held**	**Total**	**Number of Options**
Alan Baxter	-	-	-	-
Mark Brayan	25,000	-	25,000	1,000,000
John Brown	101,000	-	101,000	-
Kate Costello	-	200,000	200,000	-
Steve Killelea	94,497,339	337,612	94,834,951	-
Clyde McConaghy	-	-	-	-
Peter Lloyd	-	-	-	-

Share options

Options granted to directors and senior executives

The Company granted no options to either executives or non-executive directors of the consolidated entity during or since the end of the financial year.

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
Sep 2010	$0.54	400,000
May 2011	$0.41	482,000
Jan 2012	$0.50	160,000
Jun 2012	$0.48	648,000
Sep 2012	$0.42	1,000,000
Feb 2013	$0.38	350,000
Apr 2013	$0.38	300,000
July 2013	$0.35	200,000
Oct 2013	$0.31	340,000
May 2014	$0.28	1,540,000
Total unissued ordinary shares of Integrated Research Limited under option		5,420,000

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
15,000	$0.41
10,000	$0.48
10,000	$0.28

Indemnification and insurance of officers and auditors

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 to insure the directors and executive 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.

The Company has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of the Company or any related body corporate against a liability incurred as such on officer or auditor.

Remuneration report

The Company's Remuneration Report, which forms part of this Directors' Report, is on pages 29 to 36.

Corporate governance

A statement describing the Company's main corporate governance practices in place throughout the financial year is on pages 37 to 43 of this Annual Report.

Non-audit services

During the year Deloitte Touche Tohmatsu, 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 and Risk 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 and Risk 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 on page 85 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 Statements 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

Mark Brayan
Chief Executive Officer

Dated at North Sydney this 16th day of August 2010

Remuneration Report

Remuneration policies

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 Nomination and 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 (including directors) have authority and responsibility for planning, directing and controlling the activities of the Company and the consolidated entity.

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

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 periodic analysis and advice to ensure the directors' and senior executives' remuneration is competitive in the market place. A senior executive's remuneration is also reviewed on promotion.

Performance-linked remuneration

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).

Short-term incentive bonus

The Nomination and Remuneration Committee is responsible for setting the key performance indicators (KPIs) for the Chief Executive Officer, and for approving the KPIs for the senior executives who report to him. The KPIs 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 KPIs 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 year's 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 assesses the actual performance of the CEO against the KPIs 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. PAT was considered the most appropriate performance hurdle given its intrinsic link to creating shareholder wealth.

Consequences of performance on shareholder wealth

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:

	2010	2009	2008	2007	2006
New licences	$17,386,000	$21,723,000	$19,623,000	$19,517,000	$18,633,000
Net profit	$5,401,000	$7,863,000	$5,776,000	$5,433,000	$6,975,000
Dividends paid	$7,506,000	$5,003,000	$5,826,000	$4,152,000	$4,146,000
Change in share price	$0.125	($0.06)	($0.23)	$0.185	($0.005)

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".

The Nomination and Remuneration Committee considers that the above performance linked structure is generating the desired outcomes.

Key management personnel

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:

Directors	Other key management personnel
Steve Killelea – Chairman	Peter Adams – Chief Financial Officer
Mark Brayan – Chief Executive Officer	Alex Baburin – General Manager, Research & Development
Alan Baxter	Geoff Bryant – Vice President Consulting
John Brown	Andre Cuenin – Global Head Of Sales
Kate Costello	Rick Ferguson – Vice President Asia Pacific
Clyde McConaghy	David Leighton – Company Secretary
	Pierre Semaan – General Manager, Product Management & Marketing
	David Stark – Vice President Europe *(resigned Nov 2009)*

Service agreements

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 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 undertakings 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 Peter Adams, Chief Financial Officer, has a contract of employment with Integrated Research Limited dated 23 January 2008, which provides for specific notice and severance undertakings of up to three months compensation depending on the particular circumstances. Mr Adams can terminate his employment by giving three months prior notice in writing.

Mr Alex Baburin, General Manager Research and Development, has a contract of employment with Integrated Research Limited dated 18 October 2006, which provides for specific notice and severance undertakings of up to one month's compensation depending on the particular circumstances. Mr Baburin can terminate his employment by giving one month's prior notice in writing.

Mr Geoff Bryant, Vice President Consulting, has a contract of employment with Integrated Research Limited dated 19 June 2009, which provides for specific notice and severance undertakings of up to one month's compensation depending on the particular circumstances. Mr Bryant can terminate his employment by giving one month's prior notice in writing.

Mr Andre Cuenin, Global Head of Sales, has a contract of employment with Integrated Research Limited dated 22 September 2008, which provides for specific notice and severance undertakings of one month's compensation depending on the particular circumstances. Mr Cuenin can terminate his employment by giving one month's prior notice in writing.

Mr Rick Ferguson, Vice President Asia Pacific, has a contract of employment with Integrated Research Limited dated 20 February 2008, which provides for specific notice and severance undertakings of up to three months compensation depending on the particular circumstances. Mr Ferguson can terminate his employment by giving three months prior notice in writing.

Mr Pierre Semaan, General Manager Product Management & Marketing, has a contract of employment with Integrated Research Limited dated 22 May 2008, which provides for specific notice and severance undertakings of one month's compensation depending on the particular circumstances. Mr Semaan can terminate his employment by giving one month's prior notice in writing.

Non-executive directors

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 in FY2010 were $50,000 per annum plus compulsory superannuation. The chairman receives the base fee by a multiple of two. Director's fees cover all main board activities and committee membership. Directors can elect to salary sacrifice their directors fees into superannuation.

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

Directors' and executive officers' remuneration

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 below.

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.

No director or executive appointed during the year received a payment as part of his or her consideration for agreeing to hold the position.

In AUD	Year	Short Term: Salary & fees $	Short Term: Bonus $	Short Term: Non-cash benefits $	Post-employment: Superannuation contribution* $	Share-based payments: Value of options $	Other compensation: Termination benefit $	Total $	Proportion of remuneration: Performance related	Proportion of remuneration: Value of options
Directors: Non-executive										
Alan Baxter *(appointed June 2009)*	2010	50,000	-	-	4,500	-	-	54,500	-	-
	2009	1,603	-	-	144	-	-	1,747	-	-
David Boyles *(resigned November 2008)*	2010	-	-	-	-	-	-	-	-	-
	2009	-	-	-	26,773	-	-	26,773	-	-
John Brown	2010	50,000	-	-	4,500	-	-	54,500	-	-
	2009	45,000	-	-	4,050	-	-	49,050	-	-
Kate Costello	2010	37,500	-	-	17,000	-	-	54,500	-	-
	2009	-	-	-	49,050	-	-	49,050	-	-
Steve Killelea *(Chairman)*	2010	100,000	-	-	9,000	-	-	109,000	-	-
	2009	90,000	-	-	8,100	-	-	98,100	-	-
Clyde McConaghy	2010	50,000	-	-	4,500	-	-	54,500	-	-
	2009	33,750	-	-	15,300	-	-	49,050	-	-
Directors: Executive										
Mark Brayan	2010	395,468	45,260	4,532	14,461	(22,455)	-	437,266	10%	(5%)
	2009	395,468	149,870	4,532	13,334	85,956	-	649,160	23%	13%

* Superannuation contribution contain salary sacrifice.

In AUD		Short Term Salary & fees $	Short Term Bonus $	Short Term Non-cash benefits $	Post-employment Super-annuation contribution $	Share-based payments Value of options $	Other compen-sation Termina-tion benefit $	Total $	Proportion of remuneration Perfor-mance related	Proportion of remuneration Value of options
Executive officers (excluding directors)										
Consolidated										
Peter Adams	2010	241,008	37,412	4,532	14,461	(5,695)	-	291,718	13%	(2%)
	2009	229,950	49,330	1,133	18,918	20,306	-	319,637	15%	6%
Alex Baburin	2010	207,891	35,536	3,399	18,710	(8,952)	-	256,584	14%	(3%)
	2009	188,503	41,870	4,532	16,965	13,068	-	264,938	16%	5%
Geoff Bryant	2010	185,154	69,109	8,988	16,731	-	-	279,982	25%	-
(appointed June 2009)	2009	-	-	-	-	-	-	-	-	-
Rick Ferguson	2010	209,144	106,642	4,532	18,823	(4,555)	-	334,586	32%	(1%)
	2009	206,851	115,725	4,532	18,617	17,178	-	362,903	32%	5%
David Leighton	2010	43,759	-	1,241	4,050	-	-	49,050	-	-
	2009	45,000	-	-	4,050	-	-	49,050	-	-
Pierre Semaan	2010	221,007	61,519	4,532	14,461	(12,189)	-	289,330	21%	(4%)
	2009	207,436	41,889	4,532	16,932	8,831	-	279,620	15%	3%
Andre Cuenin	2010	233,069	164,972	-	-	2,574	-	400,615	41%	1%
(appointed October 2008)	2009	162,847	143,965	-	-	8,689	-	315,501	46%	3%
Kurt Roscow	2010	-	-	-	-	-	-	-	-	-
(resigned July 2008)	2009	11,691	-	-	-	-	-	11,691	-	-
David Stark	2010	135,794	45,482	-	-	(23,416)	-	157,860	29%	(15%)
(resigned Nov 2009)	2009	265,217	118,559	-	-	22,463	-	406,239	29%	6%
Total compensation: key management *(including directors)*	2010	2,159,794	565,932	31,756	141,197	(74,688)	-	2,823,991		
	2009	1,883,316	661,208	19,261	192,233	176,491	-	2,932,509		

Analysis of bonuses included in remuneration

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			
Mark Brayan	45,260	23%	77%
Executives			
Peter Adams	37,412	75%	25%
Alex Baburin	35,536	89%	11%
Geoff Bryant	69,109	69%	31%
Andre Cuenin	164,972	83%	17%
Rick Ferguson	106,642	76%	24%
Pierre Semaan	61,519	87%	13%
David Stark	45,482	23%	77%

(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 2010 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

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

No options have been granted to named executives either during or since the end of the financial year.

There were no options vesting during the year that were granted to named executives in prior reporting periods.

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 16 to the financial statements.

Exercise of options granted as compensation

During the reporting year no shares were issued to executives on the exercise of options previously granted as compensation.

Analysis of options and rights over equity instruments granted as compensation

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 expires	Min (B)	Max (C)
Directors							
Mark Brayan	1,000,000	Sep 2007	-	-	2012	nil	$108,075
Executives							
Peter Adams	350,000	Mar 2008	-	-	2013	nil	$58,861
Alex Baburin	160,000	Aug 2006	-	-	2012	nil	$25,748
	40,000	Oct 2008	-	-	2013	nil	$5,191
Andre Cuenin	300,000	Oct 2008	-	-	2013	nil	$38,933
Rick Ferguson	300,000	Apr 2008	-	-	2013	nil	$50,453
Pierre Semaan	200,000	Jul 2008	-	-	2013	nil	$29,305
David Stark	350,000	Mar 2008	-	100%	2013	nil	n/a

(A) The percentage forfeited in the year represents the reduction from the maximum number of options available to vest due to the performance hurdles not being achieved or due to the resignation of the executive.

(B) The minimum value of options yet to vest is $nil as the executives may not achieve the required performance hurdles or may terminate their employment prior to vesting.

(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 evaluating and approving 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 assessing 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 and Risk 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 board-endorsed policies, 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 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 strategic matters for discussion, the CEO's report, financial reports, key performance indicator reports and presentations by key executives and external industry experts. Board papers are circulated in advance. Directors have other opportunities, including visits to operations, for contact with a wider group of employees.

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 with 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 pages 18 to 19 of this report.

The company's constitution provides for the board to consist of between three and twelve members. At 30 June 2010 the board members were comprised as follows:

- **Mr Steve Killelea** – non executive director (Chairman).
- **Mr Alan Baxter** – independent non executive director.
- **Mr John Brown** – independent non executive director.
- **Ms Kate Costello** – independent non executive director.
- **Mr Clyde McConaghy** – non executive director.
- **Mr Mark Brayan** – executive director (Chief Executive Officer).

Mr Peter Lloyd was appointed as an independent non executive director in July 2010.

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 is satisfied that the company benefits from Mr Killelea's experience and knowledge gained through his long involvement with Integrated Research and his associations throughout the information technology industry. Mr Killelea founded Integrated Research in 1988 and was the CEO and managing director of the company until his retirement in November 2004.

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 CEO 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, in conjunction with the board, determines the selection criteria for the position based on the skills deemed necessary for the board to best carry out its responsibilities. The committee then selects a panel of candidates and the board appoints 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.

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:

- **Ms Kate Costello** (Chairperson) – Independent Non-Executive
- **Mr Alan Baxter** – Independent Non-Executive
- **Mr Steve Killelea** – Non-Executive

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

Audit and Risk Committee

The Audit and Risk 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 risk management, internal control and appropriate ethical standards for the management of the consolidated entity.

The members of the Audit and Risk Committee during the year were:

- **Mr John Brown** (Chairman) – Independent Non-Executive
- **Mr Alan Baxter** – Independent Non-Executive
- **Mr Clyde McConaghy** – Non-Executive

During the year, the Audit and Risk Committee provided the Board with updates to the Company's risk management register (with the Board approving this document).

The external auditor, Chief Executive Officer and Chief Financial Officer are invited to Audit and Risk 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 25.

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 2010 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 and Risk 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 and Risk Committee include:

- Serve as an independent party to monitor the financial reporting process and internal control systems.
- Review the performance and independence of the external auditors and make recommendations to the board regarding the appointment or termination of the auditors.
- Review the scope and cost of the annual audit, negotiating and recommending the fee for the annual audit to the board.

- Review the external auditor's management letter and responses by management.
- Provide an avenue of communication between the auditors, management and the board.
- Monitor compliance with all financial statutory requirements and regulations.
- Review financial reports and other financial information distributed to shareholders so that they provide an accurate reflection of the financial health of the company.
- Monitor corporate risk management and assessment processes, and the identification and management of strategic and operational risks.
- Enquire of the auditors of any difficulties encountered during the audit, including any restrictions on the scope of their work, access to information or changes to the planned scope of the audit.

The Audit and Risk 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.
- 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.

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:

- **Mr Steve Killelea** (Chairman) – Non-Executive
- **Mr Mark Brayan** – Executive
- **Mr Clyde McConnaghy** – Non-Executive
- **Ms Kate Costello** – Independent Non-Executive

The Strategy Committee is responsible for:

- Review and assist in defining current strategy.
- Assess new strategic opportunities, including M&A proposals and intellectual property developments or acquisitions.
- Stay close to the business challenges and monitor operational implementation of strategic plans.
- Endorse strategy and business cases for consideration by the full board.

The Committee met three times during the year under review.

Risk management

Under the Audit and Risk Charter, the Audit and Risk Committee reviews the status of business risks to the consolidated entity through integrated risk management programs ensuring risks are identified, assessed and appropriately managed and communicated to the board. 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.
- Investment appraisals – Guidelines for capital expenditure include annual budgets, detailed appraisal and review procedures and levels of authority.

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

Each Director 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 consolidated entity are set out in Note 25.

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 Statements

Consolidated statement of comprehensive income

For the year ended 30 June 2010		Consolidated	
In thousands of AUD	**Notes**	**2010**	**2009**
Revenue			
Revenue from licence fees		17,386	21,723
Revenue from maintenance fees		16,846	19,217
Revenue from consulting and other activites		3,071	1,744
Total revenue		37,303	42,684
Research and development expenses		8,347	8,244
Sales, consulting and marketing expenses		19,197	18,932
General and administration expenses		4,054	6,142
Total expenses	4	31,598	33,318
Profit before finance income and tax		5,705	9,366
Finance income	3	341	454
Profit before tax		6,046	9,820
Income tax expense	6	645	1,957
Profit for the year		5,401	7,863
Other comprehensive income			
Gain/(loss) on cash flow hedge taken to equity		(797)	657
Foreign exchange translation differences		(153)	(162)
Income tax relating to components of other comprehensive income	13	239	(197)
Other comprehensive income (net of tax)		(711)	298
Total Comprehensive income for the year		4,690	8,161
Profit attributable to:			
Owners of the parent		5,401	7,863
Total comprehensive income attributable to:			
Owners of the parent		4,690	8,161
Basic earnings per share (AUD cents)	7	3.24¢	4.72¢
Diluted earnings per share (AUD cents)	7	3.23¢	4.71¢

The consolidated statement of comprehensive income is to be read in conjunction with the notes to the financial statements set out on pages 49 to 81.

Consolidated statement of financial position

As at 30 June 2010		Consolidated	
In thousands of AUD	**Notes**	**2010**	**2009**
Current assets			
Cash and cash equivalents	8	8,396	14,459
Trade and other receivables	9	14,548	11,012
Current tax assets		336	1,683
Other current assets	10	879	2,142
Total current assets		24,159	29,296
Non-current assets			
Trade and other receivables	9	1,514	-
Other financial assets	11	1,818	1,823
Property, plant and equipment	12	2,064	2,355
Deferred tax assets	13	742	394
Intangible assets	14	13,957	13,323
Total non-current assets		20,095	17,895
Total assets		44,254	47,191
Current liabilities			
Trade and other payables	15	3,088	2,913
Provisions	17	1,445	1,132
Income tax liabilities		211	-
Other current liabilities	18	10,615	10,740
Total current liabilities		15,359	14,785
Non-current liabilities			
Deferred tax liabilities	13	3,473	3,802
Provisions	17	555	635
Other non-current liabilities	18	365	723
Total non-current liabilities		4,393	5,160
Total liabilities		19,752	19,945
Net assets		24,502	27,246
Equity			
Issued capital	19	835	816
Reserves	19	(860)	(44)
Retained earnings		24,527	26,474
Total equity		24,502	27,246

The consolidated statement of financial position is to be read in conjunction with the notes to the financial statements set out on pages 49 to 81.

Consolidated statement of changes in equity

For the year ended 30 June 2010	Consolidated					
In thousands of AUD	Share capital	Hedging reserve	Translation reserve	Employee benefit reserve	Retained earnings	Total
Balance at 1 July 2008	794	-	(991)	509	23,479	23,791
Profit for the year	-	-	-	-	7,863	7,863
Other comprehensive income for the year	-	460	(162)	-	-	298
Total comprehensive income for the year	-	460	(162)	-	7,863	8,161
Lapsed employee options	-	-	-	(135)	135	-
Expensed employee options	-	-	-	284	-	284
Shares issued	22	-	-	(9)	-	13
Dividends to shareholders	-	-	-	-	(5,003)	(5,003)
Balance at 30 June 2009	816	460	(1,153)	649	26,474	27,246
Balance at 1 July 2009	816	460	(1,153)	649	26,474	27,246
Profit for the year	-	-	-	-	5,401	5,401
Other comprehensive income for the year	-	(558)	(153)	-	-	(711)
Total comprehensive income for the year	-	(558)	(153)	-	5,401	4,690
Lapsed employee options	-	-	-	(158)	158	-
Expensed employee options	-	-	-	60	-	60
Shares issued	19	-	-	(7)	-	12
Dividends to shareholders	-	-	-	-	(7,506)	(7,506)
Balance at 30 June 2010	835	(98)	(1,306)	544	24,527	24,502

The consolidated statement of changes in equity is to be read in conjunction with the notes to the financial statements set out on pages 49 to 81.

Consolidated statements of cash flows

For the year ended 30 June 2010		Consolidated	
In thousands of AUD	**Notes**	**2010**	**2009**
Cash flows from operating activities			
Cash receipts from customers		33,059	41,513
Cash paid to suppliers and employees		(25,588)	(26,494)
Cash generated from operations		7,471	15,019
Income taxes paid/(refunded)		868	(1,585)
Net cash provided by operating activities	23	8,339	13,434
Cash flows from investing activities			
Payments for capitalised development		(5,932)	(5,790)
Payments for property, plant and equipment		(334)	(501)
Payments for intangible assets		(624)	(24)
Interest received		341	454
Net cash used in investing activities		(6,549)	(5,861)
Cash flows from financing activities			
Proceeds from issuing of shares		12	13
Payment of dividend	19	(7,506)	(5,003)
Net cash used in financing activities		(7,494)	(4,990)
Net increase/(decrease) in cash and cash equivalents		(5,704)	2,583
Cash and cash equivalents at 1 July		14,459	11,148
Effects of exchange rate changes on cash		(359)	728
Cash and cash equivalents at 30 June	8	8,396	14,459

The consolidated statement of cash flows is to be read in conjunction with the notes to the financial statements set out on pages 49 to 81.

Notes to the Financial Statements

For the year ended 30 June 2010

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 2010 comprises the Company and its subsidiaries (together referred to as the "consolidated entity").

The financial report was authorised for issue by the directors on 16 August 2010.

a) Statement of Compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards, and Interpretations and the Corporations Act 2001. Accounting Standards include Australian Equivalent to International Financial Reporting Standards ("AIFRS"). Compliance with AIFRS ensures the financial statements of the consolidated entity 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 statements are presented in Australian dollars and are 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 financial statements 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.

Significant accounting policies (continued)

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.

Standards and Interpretations issued not yet effective

At the date of authorisation of the financial report, a number of standards and Interpretations were in issue but not yet effective.

Initial application of the following Standards will not affect any of the amounts recognised in the financial statements, but will change the disclosures presently made in relation to the consolidated entity's financial statements:

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 2009-8 'Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions'	1 January 2010	30 June 2011
AASB 124 'Related Party Disclosures (2009)', AASB 2009-12 'Amendments to Australian Accounting Standards'	1 January 2011	30 June 2012
AASB 9 'Financial Instruments', AASB 2009-11 'Amendments to Australian Accounting Standards arising from AASB 9'	1 January 2013	30 June 2014
AASB 2009-10 'Amendments to Australian Accounting Standards – Classification of Rights Issues'	1 February 2010	30 June 2011
AASB 2009-14 'Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement'	1 January 2011	30 June 2012
AASB 2010-3 Amendments to Australian Accounting Standards arising from the Annual Improvements Project	1 July 2010	30 June 2011
AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project	1 January 2011	30 June 2012
AASB Interpretation 19 'Extinguishing Liabilities with Equity Instruments'	1 July 2010	30 June 2011

Significant accounting policies (continued)

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial statements.

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.

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

d) Foreign currency

In preparing the financial statements of the individual entities 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 year end date are translated to Australian dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in profit or loss. 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.

On consolidation, the assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation are translated to Australian dollars at foreign exchange rates ruling at the year end 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 other comprehensive income.

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 year end date, being the present value of the quoted forward price.

f) Hedging

On entering into a hedging relationship, the consolidated entity normally designates and documents the hedge relationship and risk management objective and strategy for undertaking the hedge. The documentation 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

Significant accounting policies (continued)

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 profit or loss 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 profit or loss.

g) Property, plant and equipment

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

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

Depreciation is provided on property, plant and equipment. Depreciation is calculated on a straight line basis so as to write off the net 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 the shorter, using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed annually, with the effect of any changes recognised on a prospective basis.

The following useful lives are used in the calculation of depreciation:

Leasehold improvements	6 to 10 years
Plant and equipment	4 to 8 years

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 profit or loss 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 profit or loss 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 profit or loss 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 depreciated on a straight-line basis over a 2½ to 3 year period.

Significant accounting policies (continued)

i) Trade and other receivables

Trade and other receivables are stated at their amortised cost less impairment losses. The carrying amount of uncollectible trade receivables is reduced by an impairment loss through the use of an allowance account.

Allowance for returns is offset against trade receivables for estimated warranty claims based upon historical experience.

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 year end 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 profit or loss 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 profit or loss.

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 profit or loss 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 year end date which have maturity dates approximating to the terms of the consolidated entity's obligations.

Share-based payment transactions

The share option programme allows the company and the 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 option pricing model, taking into account the terms and conditions upon which the options were granted.

Significant accounting policies (continued)

The amount recognised as an expense is adjusted to reflect the actual number of share options that are expected to vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

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

Liabilities for employee benefits for wages, salaries and annual leave represent present obligations resulting from employees' services provided to the year end date, calculated at undiscounted amounts based on remuneration wage and salary rates that the consolidated entity expects to pay as at the year end date.

m) Provisions

A provision is recognised in the statement of financial position 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 profit or loss 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.

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 profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense and spread over the lease term.

Financing income

Financing income comprises interest receivable on funds invested, dividend income, foreign exchange gains and losses, and gains and losses on hedging instruments that are recognised in profit or loss (see accounting policy 1(f)).

Significant accounting policies (continued)

q) Income tax

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognised in profit or loss 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 substantively enacted at the year end date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised on 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 year end 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 dividend franking deficit tax that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

r) 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 statement of financial position.

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.

s) Significant accounting judgements, estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Intangible assets

An intangible asset arising from development expenditure on an internal project is recognised only when the consolidated entity can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development. Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure so capitalised is amortised over the period of expected benefits from the related project commencing from the commercial release of the project. The carrying value of an intangible asset arising from development expenditure is tested for impairment annually when the asset is not yet available for use or more frequently when an indication of impairment arises during the reporting period.

Significant accounting policies (continued)

Share based payment transactions

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using a binomial option pricing model and applying management determined probability factors relating to non-market vesting conditions.

Receivables

The consolidated entity assesses impairment of receivables based upon assessment of objective evidence for significant receivables and 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 reporting date. This assessment includes judgements and estimates of future outcomes the actual results of which may differ from the estimates at the reporting date.

Note 2: Segment Reporting

The Group has adopted AASB 8 Operating Segments and AASB 2008-3 Amendments to Australian Accounting Standards arising from AASB 8 with effect from 1 July 2008. AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (CODM) in order to allocate resources to the segment and to assess its performance. In contrast, the predecessor Standard (AASB 114 Segment Reporting) required an entity to identify two sets of segments (business and geographical), using a risks and rewards approach, with the entity's system of internal financial reporting to key management personnel serving only as the starting point for the identification of such segments.

The information reported to the CODM (being the Chief Executive Officer) for the purposes of resource allocation and assessment of performance is focused on geographical performance. The principal geographical regions are 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 and Corporate Australia - includes revenue and expenses for research and development and corporate head office functions of the company.

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

Segment profit represents the profit earned by each segment without allocation of investment revenue and income tax expense. This is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance.

Information regarding these segments is presented below. Amounts reported for the prior period have been restated to conform to the requirements of AASB 8. The accounting policies of the reportable segments are the same as the Group's accounting policies.

The directors have elected under Section 334(5) of the Corporations Act 2001 to apply "AASB2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project" in advance of its effective date. The effect of this amendment is that entities are not required to disclose information regarding segment assets and liabilities where that information is not reported to the CODM.

Segment Reporting (continued)

In thousands of AUD	Americas 2010	Americas 2009	Europe 2010	Europe 2009	Asia Pacific 2010	Asia Pacific 2009	Corporate Australia* 2010	Corporate Australia* 2009	Eliminations 2010	Eliminations 2009	Consolidated 2010	Consolidated 2009
Sales to customers outside the consolidated entity	22,482	26,988	5,198	7,276	7,955	7,317	1,668	1,103	-	-	37,303	42,684
Inter-segment sales	-	-	-	-	-	-	18,503	19,659	(18,503)	(19,659)	-	-
Total segment revenue	22,482	26,988	5,198	7,276	7,955	7,317	20,171	20,762	(18,503)	(19,659)	37,303	42,684
Total revenue											37,303	42,684
Segment results	806	829	116	201	1,179	687	3,604	7,649	-	-	5,705	9,366
Results from operating activities											5,705	9,366
Financing income											341	454
Income tax expense											(645)	(1,957)
Profit for the year											5,401	7,863
Capital additions**	73	52	15	38	-	-	870	435	-	-	958	525
Depreciation and amortisation expenditure	61	56	37	38	-	-	6,672	5,589	-	-	6,770	5,683
Non-current assets	2,417	540	105	137	-	-	17,627	17,272	(54)	(54)	20,095	17,895

In thousands of local currency***	Americas (USD) 2010	Americas (USD) 2009	Europe (UK Sterling) 2010	Europe (UK Sterling) 2009
Sales to customers outside the consolidated entity	19,719	19,710	2,871	3,321
Inter-segment sales	-	-	-	-
Total segment revenue	19,719	19,710	2,871	3,321
Segment results	493	494	75	83

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

** Excludes internal development costs capitalised but includes third party assets acquired.

*** Segment results represented in local currencies as reviewed by the Chief Operating Decision Maker

Note 3. Finance income

	Consolidated	
In thousands of AUD	**2010**	**2009**
Interest income	341	454

Note 4. Expenses

Total expenses include:	Consolidated	
In thousands of AUD	**2010**	**2009**
Depreciation and amortisation	6,770	5,683
Bad and doubtful debt expense	129	78
Operating lease rental expenses	1,343	1,266

Note 5. Auditors' remuneration

2010 and 2009 – Deloitte Touche Tohmatsu	Consolidated	
In AUD	**2010**	**2009**
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	139,913	126,796
Other auditors	20,804	23,333
Remuneration for other services by the auditors of the Company or any entity in the consolidated entity:		
Taxation services:		
Auditors of the company	17,405	44,604
Other auditors	2,857	3,229
Other services:		
Auditors of the company (sundry accounting advice)	3,600	10,900

Note 6. Income tax expense

Recognised in profit for the year		Consolidated	
In thousands of AUD	**Note**	**2010**	**2009**
Current tax expense:			
Current year		1,356	1,743
Prior year adjustments		(273)	(140)
		1,083	1,603
Deferred tax expense:			
Origination and reversal of temporary differences	13	(438)	354
Total income tax expense in income statement		645	1,957

Numerical reconciliation between income tax expense and profit before tax	Consolidated	
In thousands of AUD	**2010**	**2009**
Profit before tax	6,046	9,820
Income tax using the domestic corporate tax rate of 30%	1,814	2,946
Increase in income tax expense due to:		
Non-deductible expenses	30	177
Effect of tax rates in foreign jurisdictions	58	102
Decrease in income tax expense due to:		
R&D tax incentive	(979)	(1,065)
Other	(5)	(63)
Prior year adjustments	(273)	(140)
Income tax expense	645	1,957

Note 7. Earnings per share

The calculation of basic and diluted earnings per share at 30 June 2010 was based on the profit attributable to ordinary shareholders of $5,401,000 (2009: $7,863,000); a weighted number of ordinary shares outstanding during the year ended 30 June 2010 of 166,809,097 (2009: 166,778,141); and a weighted number of ordinary shares (diluted) outstanding during the year ended 30 June 2010 of 167,450,698 (2009: 166,938,786), calculated as follows:

	Consolidated	
In thousands of AUD	**2010**	**2009**
Profit for the year	5,401	7,863

Earnings per share (continued)

Weighted average number of shares used as the denominator (Number)	Consolidated 2010	2009
Number for basic earnings per share:		
Ordinary shares	166,809,097	166,778,141
Effect of employee share options on issue	641,601	160,645
Number for diluted earnings per share	167,450,698	166,938,786
Basic earnings per share (AUD cents)	3.24¢	4.72¢
Diluted earnings per share (AUD cents)	3.23¢	4.71¢

Note 8. Cash and cash equivalents

In thousands of AUD	Consolidated 2010	2009
Cash at bank and on hand	8,396	14,459

Note 9. Trade and other receivables

Current In thousands of AUD	Consolidated 2010	2009
Trade debtors	15,993	11,749
Less: Allowance for doubtful debts	(470)	(521)
Less: Allowance for returns	(1,073)	(320)
	14,450	10,908
GST receivable	98	104
	14,548	11,012

Trade and other receivables (continued)

Non-current	Consolidated	
In thousands of AUD	2010	2009
Trade debtors	1,514	-

The credit period on sales ranges from 30 to 90 days although in limited circumstances extended payment terms have been offered. No interest is charged on trade debtors.

Ageing of past due but not impaired:

	Consolidated	
In thousands of AUD	2010	2009
Past due 90 days	3,884	1,523

The movement in the allowance for doubtful debts in respect of trade receivables is detailed below:

	Consolidated	
In thousands of AUD	2010	2009
Balance at beginning of year	521	187
Amounts written off during the year	(180)	(810)
Increase in provision	129	1,144
Balance end of year	470	521

The consolidated entity has used the following basis to assess the allowance loss for trade receivables and as a result is unable to specifically allocate the allowance to the ageing categories shown above:

- a general provision based on historical bad debt experience;
- the general economic conditions;
- an individual account by account specific risk assessment based on past credit history; and
- any prior knowledge of debtor insolvency or other credit risk.

Included in the consolidated entity's trade receivable balance are debtors with a carrying amount of $2,341,000 (2009: $682,000) which are past due at the reporting date which the consolidated entity has not provided for as there has been no significant change in credit quality and the consolidated entity believes that the amounts are still considered recoverable. The consolidated entity does not hold any collateral over these balances.

Note 10. Other current assets

In thousands of AUD	Consolidated 2010	2009
Other prepayments	608	887
Fair value of hedge asset	271	1,255
	879	2,142

Note 11. Other financial assets

In thousands of AUD	Consolidated 2010	2009
Deposits	1,818	1,823

Deposits are term deposits which are held to secure a bank guarantee on leased premises and a foreign exchange facility. The carrying amount of other financial assets is a reasonable approximation of their fair value.

Note 12. Property, plant and equipment

In thousands of AUD	Consolidated	
Plant and Equipment	**2010**	**2009**
At cost	4,690	4,303
Accumulated depreciation	(3,902)	(3,448)
	788	855
Leasehold Improvements		
At cost	2,012	2,026
Accumulated depreciation	(736)	(526)
	1,276	1,500
Total property, plant and equipment		
At cost	6,702	6,329
Accumulated depreciation	(4,638)	(3,974)
Total written down amount	2,064	2,355

Property, plant and equipment (continued)

In thousands of AUD	Consolidated	
Plant and Equipment	**2010**	**2009**
Carrying amount at start of year	855	687
Additions	338	501
Effects of foreign currency exchange	(1)	-
Depreciation expense	(404)	(333)
Carrying amount at end of year	788	855
Leasehold Improvements		
Carrying amount at start of year	1,500	1,718
Additions	1	-
Effects of foreign currency exchange	(5)	-
Depreciation expense	(220)	(218)
Carrying amount at end of year	1,276	1,500

Note 13. Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Consolidated	Assets		Liabilities		Net	
In thousands of AUD	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
Property, plant and equipment	28	34	-	-	28	34
Intangible assets	-	-	4,185	3,993	(4,185)	(3,993)
Trade and other payables	339	148	-	-	339	148
Employee benefits	510	381	-	-	510	381
Provisions	670	351	-	-	670	351
Other current liabilities	-	40	-	-	-	40
Unrealised foreign exchange gain	-	-	162	398	(162)	(398)
Unrealised foreign exchange loss	69	29	-	-	69	29
Deferred tax assets/liabilities	1,616	983	4,347	4,391	(2,731)	(3,408)
Set off of deferred tax asset	(874)	(589)	(874)	(589)	-	-
Net deferred tax assets/liabilities	742	394	3,473	3,802	(2,731)	(3,408)

Deferred tax assets and liabilities (continued)

Movement in temporary differences during the year:

For year ended 30 June 2010	**Consolidated**			
In thousands of AUD	**Balance 1 July 09**	**Recognised in income**	**Recognised in equity**	**Balance 30 June 10**
Property, plant and equipment	34	(6)	-	28
Intangible assets	(3,993)	(192)	-	(4,185)
Trade and other payables	148	191	-	339
Employee benefits	381	129	-	510
Provisions	351	319	-	670
Other current liabilities	40	(40)	-	-
Unrealised foreign exchange gain	(398)	(3)	239	(162)
Unrealised foreign exchange loss	29	40	-	69
	(3,408)	438	239	(2,731)

For year ended 30 June 2009	**Consolidated**			
In thousands of AUD	**Balance 1 July 08**	**Recognised in income**	**Recognised in equity**	**Balance 30 June 09**
Property, plant and equipment	50	(16)	-	34
Intangible assets	(3,754)	(239)	-	(3,993)
Trade and other payables	67	81	-	148
Employee benefits	372	9	-	381
Provisions	281	70	-	351
Other current liabilities	27	13	-	40
Unrealised foreign exchange gain	-	(201)	(197)	(398)
Unrealised foreign exchange loss	100	(71)	-	29
	(2,857)	(354)	(197)	(3,408)

Note 14. Intangible assets

The amortisation is recognised in the following line item in the statement of comprehensive income:

	Consolidated	
In thousands of AUD	**2010**	**2009**
Research and development expenses	6,146	5,132

Intangible assets (continued)

Cost	Consolidated			
In thousands of AUD	Software development	Patents & trade-marks	Third party software	Total
Balance at 1 July 2008	26,618	33	1,101	27,752
Internally developed	5,790	-	-	5,790
Acquired	-	-	24	24
Balance at 30 June 2009	32,408	33	1,125	33,566
Balance at 1 July 2009	32,408	33	1,125	33,566
Fully amortised & offset	(10,539)	(33)	-	(10,572)
Effects of foreign currency exchange	-	-	(21)	(21)
Internally developed	5,932	-	-	5,932
Acquired	392	-	447	839
Balance at 30 June 2010	28,193	-	1,551	29,744

Amortisation	Consolidated			
In thousands of AUD	Software development	Patents & trade-marks	Third party software	Total
Balance at 1 July 2008	14,201	33	877	15,111
Amortisation for year	5,033	-	99	5,132
Balance at 30 June 2009	19,234	33	976	20,243
Balance at 1 July 2009	19,234	33	976	20,243
Fully amortised & offset	(10,539)	(33)	-	(10,572)
Effects of foreign currency exchange	-	-	(30)	(30)
Amortisation for year	5,989	-	157	6,146
Balance at 30 June 2010	14,684	-	1,103	15,787

Carrying amounts	Consolidated			
In thousands of AUD	Software development	Patents & trade-marks	Third party software	Total
Balance at 30 June 2009	13,174	-	149	13,323
Balance at 30 June 2010	13,509	-	448	13,957

Note 15. Trade and other payables

	Consolidated	
In thousands of AUD	**2010**	**2009**
Trade and other creditors	3,088	2,913

The average credit period on trade and other payables is 30 days.

Note 16. Employee benefits

Current	Consolidated	
In thousands of AUD	**2010**	**2009**
Liability for annual leave	1,168	1,002
Liability for long service leave	277	130
	1,445	1,132

Non-current	Consolidated	
In thousands of AUD	**2010**	**2009**
Liability for long service leave	171	255

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.

Employee benefits (continued)

The terms and conditions of the grants made and number outstanding at 30 June 2010 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

Grant date	Exercise Price	Number of Instruments Outstanding	Grant date	Exercise Price	Number of Instruments Outstanding
Sep 2005	$0.54	400,000	Mar 2008 (*)	$0.38	350,000
May 2006	$0.41	482,000	Apr 2008 (*)	$0.38	300,000
Jan 2007 (*)	$0.50	160,000	Jul 2008 (*)	$0.35	200,000
Jun 2007	$0.48	648,000	Oct 2008 (*)	$0.31	340,000
Sep 2007 (*)	$0.42	1,000,000	May 2009	$0.28	1,540,000

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

In thousands of options	Weighted Average exercise price 2010	Number of options 2010	Weighted Average exercise price 2009	Number of options 2009
Outstanding at the beginning of the year	$0.40	6,996	$0.44	6,376
Forfeited during the year	$0.47	(1,541)	$0.41	(1,523)
Exercised during the year	$0.39	(35)	$0.23	(57)
Granted during the year	$-	-	$0.29	2,200
Outstanding at the end of the year	$0.38	5,420	$0.40	6,996
Exercisable at the end of the year (vested)	$0.45	1,986	$0.47	2,082

The options outstanding at 30 June 2010 have a weighted average exercise price of $0.38 and a weighted average of contractual life of five years.

During the year ended 30 June 2010, 35,000 options were exercised (2009: 57,250).

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.

Employee benefits (continued)

There were no options granted during the 2010 financial year. The fair value of options granted and assumptions for the 2009 financial year are disclosed as follows:

Fair value of share options and assumptions

For year ended 30 June 2009			
Grant date	**18 Jul 08**	**16 Oct 08**	**5 May 09**
Fair value at measurement date	$0.15	$0.13	$0.12
Share price	$0.35	$0.31	$0.28
Exercise price	$0.35	$0.31	$0.28
Expected volatility (expressed as weighted average volatility used in the modelling under the Binomial formula)	63%	63%	63%
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)	5.3%	5.3%	5.3%

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 2010, the consolidated entity recognised expense of $60,000 related to the fair value of options granted (2009: $284,000).

Note 17. Provisions

Current		**Consolidated**	
In thousands of AUD	**Note**	**2010**	**2009**
Employee benefits	16	1,445	1,132

Provisions (continued)

Non-current		Consolidated	
In thousands of AUD	Note	2010	2009
Employee benefits	16	171	255
Lease make good		384	360
Other		-	20
		555	635

Note 18. Other liabilities

Current	Consolidated	
In thousands of AUD	2010	2009
Fair value of hedge liabilities	232	-
Deferred revenue	10,383	10,740
	10,615	10,740

Non-current	Consolidated	
In thousands of AUD	2010	2009
Deferred revenue	365	723

Note 19. Capital and reserves

Share capital	Consolidated	
In thousands of shares	2010	2009
On issue 1 July	166,792	166,735
Issued against employee options exercised under ESOP	35	57
On issue 30 June	166,827	166,792

Capital and reserves (continued)

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.

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 Consolidated Entity'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 16 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
2010				
Final 2009	2.5	4,170	5% franked	18 Sep 09
Interim 2010	1.5	2,502	8% franked	12 Mar 10
Special 2010	0.5	834	Unfranked	12 Mar 10
Total amount		7,506		
2009				
Final 2008	1.5	2,501	Unfranked	12 Sep 08
Interim 2009	1.5	2,502	Unfranked	9 Mar 09
Total amount		5,003		

Capital and reserves (continued)

After the end of the financial year, 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 2010 and will be recognised in subsequent financial statements:

In thousands of AUD	Cents per share	Total amount	Franked/ unfranked	Date of payment
Final 2010	1.0	1,668	45% franked	17 Sep 10

The final dividend declared of 1.0 cent together with the interim and special dividends paid in March 2010 of 1.5 cents and 0.5 cents respectively takes total dividends for the 2010 financial year to 3.0 cents.

Franking account disclosure:	Company	
In thousands of AUD	2010	2009
Adjusted franking account balance	375	184
Impact on franking account balance of dividends not recognised	(322)	(89)
Income tax consequence of unrecognised dividends	-	-

Note 20. Financial instruments

Capital risk management

The consolidated entity manages its capital to ensure that controlled entities will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of treasury management.

The capital structure of the consolidated entity consists of cash and cash equivalents and equity attributable to equity holders of the company, comprising issued capital, reserves, and retained earnings as disclosed in Notes 8 and 19 respectively.

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 1 to the financial statements.

Financial risk management objectives

The Board of Directors has overall responsibility for the establishment and oversight of the consolidated entity's financial management framework. The Board has an established Audit and Risk Committee, which is responsible for developing and monitoring the consolidated entity's financial management policies. The Committee provides regular reports to the Board of Directors on its activities.

Financial instruments (continued)

The Audit and Risk Committee oversees how Management monitors compliance with risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks.

The main risks arising from the consolidated entity's financial instruments are currency risk, credit risk, liquidity risk and cash flow interest rate risk.

The consolidated entity seeks to minimise the effects of these risks, where deemed appropriate, by using derivative financial instruments to hedge these risk exposures. The use of financial derivatives is governed by the consolidated entity's policies on foreign exchange risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. The consolidated entity does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Market risk

The consolidated entity's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and cash flow interest rate risks. The consolidated entity enters into foreign exchange forward contracts to hedge the exchange rate risk arising from transactions not recorded in an entity's functional currency.

Foreign currency risk management

The consolidated entity undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

The carrying amount of the consolidated entity's foreign currency denominated monetary assets and monetary liabilities at the reporting date that are denominated in a currency that is different to the functional currency of the respective entities undertaking the transactions is as follows:

	Consolidated			
	Liabilities		Assets	
In thousands of AUD	2010	2009	2010	2009
US Dollar	-	-	3,119	1,388
Euro	-	-	1,200	720
UK Sterling	-	-	10	61

Financial instruments (continued)

(i) Foreign currency sensitivity

At 30 June 2010, if the US Dollar, Euro and UK sterling weakened against the Australian dollar by the percentage shown, with all other variables held constant, net profit for the year would increase (decrease) by:

	Consolidated					
	US Impact		Euro Impact		Sterling Impact	
In thousands of AUD	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
Net profit	346	154	133	80	1	7
Retained earnings	346	154	133	80	1	7
Change in currency (i) – 10% decrease						

(i) This has been based on the change in the exchange rate against the Australian dollar in the financial years ended 30 June 2010 and 30 June 2009.

The sensitivity analysis has been based on the sensitivity rates used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates based on historical volatility.

In management's opinion, the sensitivity analysis is not fully representative of the inherent foreign exchange risk as the year end exposure does not necessarily reflect the exposure during the course of the year. The consolidated entity includes certain subsidiaries whose functional currencies are different to the consolidated entity presentation currency. The main operating entities outside of Australia are based in the United States and the United Kingdom. As stated in the consolidated entity's accounting policies per Note 1, on consolidation the assets and liabilities of these entities are translated into Australian dollars at exchange rates prevailing on the year end date. The income and expenses of these entities is translated at the average exchange rates for the year. Exchange differences arising are classified as equity and are transferred to a foreign exchange translation reserve. The consolidated entity's future reported profits could therefore be impacted by changes in rates of exchange between either the Australian Dollar and the United States Dollar, or the Australian Dollar and the UK Sterling.

Forward foreign exchange contracts

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 United States Dollar, UK Sterling and Euros.

The consolidated entity uses forward exchange contracts to hedge its foreign currency risk. The forward exchange contracts have maturities of less than two years after the year end date.

The consolidated entity classifies its forward exchange contracts hedging forecasted transactions as cash flow hedges and measures them at fair value. The following table details the forward foreign currency contracts outstanding as at reporting date:

Financial instruments (continued)

Outstanding contracts	Average exchange rate		Foreign Currency		Contract Value		Fair Value	
	2010	2009	2010 FC'000	2009 FC'000	2010 A$'000	2009 A$'000	2010 A$'000	2009 A$'000
Consolidated								
Sell US Dollar								
Less than 3 months	0.82	0.64	3,700	1,675	4,455	2,622	84	549
3 to 6 months	0.88	0.72	1,625	1,600	1,856	2,230	(83)	238
6 to 9 months	0.86	0.72	1,000	2,050	1,166	2,830	(39)	260
9 to 12 months	0.85	0.71	1,500	750	1,758	1,058	(64)	110
12 to 15 months	0.80	0.71	1,000	250	1,244	354	8	36
Sell UK Sterling								
Less than 3 months	0.54	0.40	35	100	64	254	2	47
Sell Euros								
Less than 3 months	0.60	0.56	430	50	716	90	95	2
3 to 6 months	0.59	0.55	80	100	135	181	17	5
6 to 9 months	0.60	0.55	100	100	168	182	19	4
9 to 12 months	-	0.55	-	100	-	182	-	4
							39	1,255

These hedge assets are classified as a level 2 fair value measurement, being derived from inputs rather than quoted prices that are observable for the asset either directly (ie as prices) or indirectly (ie derived from prices).

Interest rate risk management

The consolidated entity is exposed to interest rate risk on the cash held in bank deposits. Cash in bank and term deposits of $7.1 million were held by the consolidated entity at the reporting date, attracting an average interest rate of 4.6% (2009: 3%). If interest rates had been 50 basis points higher or lower and all other variables were held constant, the consolidated entity's net profit would increase by $35,000 (2009: $57,000).

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts.

Financial instruments (continued)

The consolidated entity does not have any significant credit risk exposure to any single counterparty or any consolidated entity of counterparties having similar characteristics. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, who have built an appropriate liquidity risk management framework for the management of the consolidated entity's short, medium and long-term funding and liquidity management requirements.

The consolidated entity manages liquidity risk by maintaining adequate reserves, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

All creditor and other payables shown in note 15 for both 2010 and 2009 carry no interest obligation and have a maturity of less than three months.

Fair value of financial instruments

The carrying value of financial assets and financial liabilities of the consolidated entity is a reasonable approximation of their fair value.

Note 21. Operating leases

Non-cancellable operating lease rentals is for office space with payables as follows:

	Consolidated	
In thousands of AUD	**2010**	**2009**
Less than one year	1,040	1,136
Between one and five years	2,213	2,406
Greater than five years	-	-
	3,253	3,542

Note 22. Consolidated entities

	Country of incorporation	Ownership interest	
		2010	**2009**
Parent entity:			
Integrated Research Limited	Australia		
Subsidiaries:			
Integrated Research, Inc	USA	100%	100%
Integrated Research UK Limited	UK	100%	100%

Note 23. Reconciliation of cash flows from operating activities

In thousands of AUD	Consolidated 2010	2009
Profit for the year	5,401	7,863
Depreciation and amortisation	6,770	5,683
Provision for doubtful debts	(51)	334
Allowance for returns	753	(13)
Interest received	(341)	(454)
Dividend received	-	-
Net exchange differences	359	(729)
Change in operating assets and liabilities:		
(Increase)/decrease in trade debtors	(5,752)	(1,172)
(Increase)/decrease in future income tax benefit	(348)	(110)
(Increase)/decrease in other operating assets	2,615	(1,959)
Increase/(decrease) in trade creditors	(48)	465
Increase/(decrease) in other operating liabilities	(482)	2,170
Increase/(decrease) in provision for income taxes payable	211	-
Increase/(decrease) in provision for deferred income taxes	(329)	661
Increase/(decrease) in other provisions	233	114
Increase/(decrease) in reserves	(652)	581
Net cash from operating activities	8,339	13,434

Note 24. 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:

Directors	Other key management personnel
Steve Killelea – Chairman	Peter Adams – Chief Financial Officer
Mark Brayan – Chief Executive Officer	Alex Baburin – General Manager, Research & Development
Alan Baxter	Geoff Bryant – Vice President Consulting
John Brown	Andre Cuenin – Global Head Of Sales
Kate Costello	Rick Ferguson – Vice President Asia Pacific
Clyde McConaghy	David Leighton – Company Secretary
	Pierre Semaan – General Manager, Product Management & Marketing
	David Stark – Vice President Europe *(resigned Nov 2009)*

Key management personnel disclosures (continued)

Key management personnel compensation

The key management personnel compensation are as follows:

	Consolidated	
In AUD	2010	2009
Short-term benefits	2,757,482	2,563,785
Post-employment benefits	141,197	192,233
Equity compensation benefits	(74,688)	176,491
	2,823,991	2,932,509

Individual directors and executives compensation disclosures

Information regarding individual directors and executives compensation is provided in the remuneration report on pages 29 to 36.

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

Key management personnel transactions with the consolidated entity

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 between one to three 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 or 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 29 to 36.

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).

Key management personnel disclosures (continued)

Options and rights over equity instruments granted as compensation

The movement during the reporting year 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:

Current Year	Held at 1 July 2009	Granted as compensation	Exer-cised	Other changes*	Held at 30 June 2010	Vested during the year	Vested and exercisable at 30 June 2010
Directors							
Mark Brayan	1,000,000	-	-	-	1,000,000	-	250,000
Executives							
Peter Adams	350,000	-	-	-	350,000	-	-
Alex Baburin	200,000	-	-	-	200,000	-	-
Andre Cuenin	300,000	-	-	-	300,000	-	-
Rick Ferguson	300,000	-	-	-	300,000	-	-
Pierre Semaan	200,000	-	-	-	200,000	-	-
David Stark	350,000	-	-	(350,000)	-	-	-

Prior Year	Held at 1 July 2008	Granted as compensation	Exer-cised	Other changes*	Held at 30 June 2009	Vested during the year	Vested and exercisable at 30 June 2009
Directors							
Mark Brayan	1,000,000	-	-	-	1,000,000	250,000	250,000
Executives							
Peter Adams	350,000	-	-	-	350,000	-	-
Alex Baburin	160,000	40,000	-	-	200,000	-	-
Andre Cuenin	-	300,000	-	-	300,000	-	-
Rick Ferguson	300,000	-	-	-	300,000	-	-
Kurt Roscow	300,000	-	-	(300,000)	-	-	-
Pierre Semaan	-	200,000	-	-	200,000	-	-
David Stark	350,000	-	-	-	350,000	-	-

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

There were no options granted as compensation during the current year.

Key management personnel disclosures (continued)

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 or granted as compensation.

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:

Current Year	Held at 1 July 2009	Purchases	Received on exercise of options	Received as compensa-tion	Sales	Held at 30 June 2010
Directors						
Non-executive						
John Brown	50,000	51,000	-	-	-	101,000
Kate Costello	200,000	-	-	-	-	200,000
Steve Killelea	94,834,951	-	-	-	-	94,834,951
Executive						
Mark Brayan	25,000	-	-	-	-	25,000

Prior Year	Held at 1 July 2008	Purchases	Received on exercise of options	Received as compensa-tion	Sales	Held at 30 June 2009
Directors						
Non-executive						
David Boyles**	1,700,000	-	-	-	-	1,700,000
John Brown	50,000	-	-	-	-	50,000
Kate Costello	200,000	-	-	-	-	200,000
Steve Killelea	94,834,951	-	-	-	-	94,834,951
Executive						
Mark Brayan	25,000	-	-	-	-	25,000

** - resigned November 2008

Shareholdings at the date of the Directors' Report for existing Key Management Personnel remain unchanged.

Key management personnel disclosures (continued)

Other transactions with the consolidated entity

There were no other transactions between the key management personnel, or their personally-related entities, and the consolidated entity.

Note 25. Related parties

The consolidated entity has a related party relationship with its key management personnel (see note 24).

At 30 June 2010 Mr Steve Killelea, the Chairman of the Company, owned either directly or indirectly 56.85% of the Company (2009: 56.86%).

Note 26. Parent entity disclosures

Financial Position	**Parent Entity**	
In thousands of AUD	**2010**	**2009**
Assets		
Current assets	18,463	22,091
Non-current assets	17,626	17,272
Total Assets	36,089	39,363
Liabilities		
Current Liabilities	10,058	9,705
Non-current liabilities	4,073	4,505
Total Liabilities	14,131	14,210
Net Assets	21,958	25,153
Equity		
Issued Capital	835	816
Employee benefits Reserve	544	649
Hedging reserve	(98)	460
Retained Earnings	20,677	23,228
Total Equity	21,958	25,153

Note 26. Parent entity disclosures (continued)

Financial Performance

	Parent Entity	
In thousands of AUD	**2010**	**2009**
Profit for the year	4,798	7,377
Other comprehensive income	(558)	460
Total comprehensive income	4,240	7,837

Note 27. Contingent liabilities

Integrated Research Inc (the group's USA based subsidiary) is subject to a tax audit by the United States Internal Revenue Service (IRS). The audit covers the financial years ending 30 June 2007, 30 June 2008 and 30 June 2009. The company is in the process of responding to issues raised by the IRS relating to its US withholding tax obligations. The Board of Directors has received advice from its US subsidiary tax advisors confirming their position that Integrated Research Inc has complied with its US withholding tax obligations.

Note 28. Subsequent events

For dividends declared after 30 June 2010 see Note 19 in the financial statements. The financial effect of dividends declared and paid after 30 June 2010 have not been brought to account in the financial statements for the year ended 30 June 2010 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, 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.

Directors' declaration

The directors declare that:

(a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;

(b) the financial statements are in compliance with International Financial Reporting Standards, as stated in note 1 to the financial statements;

(c) in the directors' opinion, the financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity; and

(d) the directors have been given the declarations required by Section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of the directors made pursuant to Section 295(5) of the Corporations Act 2001.

Dated at North Sydney this 16th day of August 2010.

Steve Killelea
Chairman

Mark Brayan
Chief Executive Officer

Deloitte.

Deloitte Touche Tohmatsu
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Independent Auditor's Report to the Members of Integrated Research Limited

Report on the Financial Report

We have audited the accompanying financial report of Integrated Research Limited, which comprises the consolidated statement of financial position as at 30 June 2010, and the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 45 to 82.

Directors' Responsibility for the Financial 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. 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, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial 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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial 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 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.

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

Auditor's Independence Declaration

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

Auditor's Opinion

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 consolidated entity's financial position as at 30 June 2010 and of its 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.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 29 to 36 of the directors' report for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Integrated Research Limited for the year ended 30 June 2010, complies with section 300A of the *Corporations Act 2001*.

DELOITTE TOUCHE TOHMATSU

Michael Kaplan
Partner
Chartered Accountants
Sydney, 16 August 2010

Deloitte.

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

16 August 2010

Dear Board Members

Auditor's Independence Declaration to 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 2010, 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

DELOITTE TOUCHE TOHMATSU

Michael Kaplan
Partner
Chartered Accountants

ASX Additional Information

Shareholder information

Analysis of numbers of equity security holders by size of holding at 31 August 2010:

	Class of equity security	
	Ordinary shares	
	Shares	Options
1 - 1,000	102	-
1,001 - 5,000	888	1
5,001 - 10,000	522	14
10,001 - 100,000	921	67
100,001 and over	79	7
	2,512	89

Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest holders of quoted equity securities as at 31 August 2010 are listed below:

		Ordinary Shares	
		Number held	**Percentage of issued shares**
1	Stephen John Killelea	94,497,339	56.64
2	Andrew Rhys Rutherford	5,426,589	3.25
3	B&R James Investments Pty Limited	3,000,000	1.80
4	JP Morgan Nominees Australia Limited	2,778,268	1.67
5	National Australia Trustees Limited	2,517,735	1.51
6	David Leroy Boyles	2,000,000	1.20
7	Spectrok Pty Ltd	1,270,472	0.76
8	Ralph Chiarella	932,000	0.56
9	Forbar Custodians Limited	893,368	0.54
10	Custodial Services Limited	822,550	0.49
11	Citicorp Nominees Pty Ltd	770,800	0.46
12	Five Talents Limited	655,000	0.39
13	Howard Securities Pty Ltd	600,000	0.36
14	Mr Philip Julian Eriksen + Mr Julian Hans Eriksen	563,155	0.34
15	Bell Potter Nominees Ltd	532,000	0.32
16	Mr Kevin John Cairns	400,000	0.24
17	Mr Rodney Walter Ross	385,000	0.23
18	Fergfam Nominees Pty Ltd	375,263	0.22
19	Mr Richard Ewan Bromley Mews + Mrs Wee Khoon Mews	363,460	0.22
20	Mr Brenton Alan Scott + Ms Eleanor Joy Nurton	350,000	0.21

Unquoted equity securities	Number on issue *	Number of holders
Options issued under the Integrated Research Limited Employee Option Plan to take up ordinary shares	5,415,000	89

*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	56.64

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 Managing Director and CEO Alan Baxter Independent Non-Executive Director John Brown Independent Non-Executive Director Kate Costello Independent Non-Executive Director Peter Lloyd Independent Non-Executive Director Clyde McConaghy 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
Auditors	Deloitte Touche Tohmatsu 225 George Street Sydney, NSW, 2000
Solicitors	Blake Dawson Level 36, Grosvenor Place 225 George Street Sydney, NSW, 2000
Bankers	Westpac Banking Corporation
Securites Exchange Listing	Australian Securities 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 Friday, 26th November 2010, at the Museum of Sydney, Corner of Phillip and Bridge Streets, Sydney.

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