

Appendix 4D

Half year report

Name of entity

INTEGRATED RESEARCH LIMITED		
ABN	Reporting period (year ended)	Previous corresponding period (year ended)
76 003 588 449	31 December 2010	31 December 2009

For announcement to the market

Extracts from this report for announcement to the market

					A\$000
Revenues from ordinary activities	Up	11%	to	20,506	
Profit after tax attributable to members	Down	12%	to	2,374	
Net profit for the period attributable to members	Down	12%	to	2,374	

	Amount per security	Franked amount per security
Dividends (distributions)		
Interim dividend	1.5¢	50%
Previous corresponding period	1.5¢	8%
Previous corresponding Special dividend	0.5¢	-

Record date for determining entitlements to the dividend

25 February 2011

Date the dividend is payable

11 March 2011

This half-yearly report is to be read in conjunction with the most recent annual financial report.

Brief explanation of any of the figures reported above necessary to enable the figures to be understood:

Refer to Half Year Financial Report attached.

	Reporting Period	Previous Corresponding period
NTA backing		
Net tangible asset backing per ordinary security	6.85¢	7.12¢

	Reporting Period	Previous Corresponding period
Dividends \$'000		
50% Franked interim dividend of 1.5 cents per share payable on 11 March 2011 (8% franked dividend of 1.5 cent per share paid on 12 March 2010)	2,502	2,502
There was no payment of a special dividend in 2011 (Unfranked special dividend of 0.5 cents per share paid on 12 March 2010)	-	834
Total dividends provided for or paid	2,502	3,336

Independent Auditor's Review Report

The Independent Auditor's Review Report is attached.



Integrated Research Limited

ABN: 76 003 588 449

Half-Year Report - 31 December 2010

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17 February 2011

Directors' Report

The directors present their report together with the consolidated financial report for the half-year ended 31 December 2010 and the review report thereon.

Directors

The directors of the company at any time during or since the end of the half-year are:

Name:	Date appointed as a Director:
Non-executive:	
Stephen Killelea (Chairman)	August 1988 (appointed Chairman July 2005)
Kate Costello	August 2005
John Brown	July 2007
Clyde McConaghy	December 2007
Alan Baxter	June 2009
Peter Lloyd	July 2010
Executive:	
Mark Brayan	September 2007

Principal Activities

The Company's principal activities are the design, development and sale of systems and applications management computer software to provide precise performance management solutions for high-reliability computer systems.

The Company continues to increase its investments in and revenue from Prognosis-based consulting services during the half-year and expects to increase this in future periods.

Half-Year Results

The following table summarises the key revenue, expense and profit results for the consolidated entity for the half-year ended 31 December 2010 compared to the previous corresponding period:

In thousands of AUD	2010	2009	% Incr/ (Decr)
Revenue from licence fees	10,581	9,118	16%
Revenue from maintenance fees	8,583	8,718	(2%)
Revenue from consulting	1,342	696	93%
Total revenue	20,506	18,532	11%
Total expenses	16,833	15,196	11%
Other gains and losses (currency exchange)	(1,005)	(428)	(135%)
Profit before tax	2,842	3,092	(8%)
Net profit after income tax	2,374	2,703	(12%)

The Company achieved first half profit after tax of \$2.4 million compared to the equivalent prior period of \$2.7 million. Revenue for the first half was \$20.5 million representing an 11% increase over the prior period.

The Company continues to benefit from its investment in research and development activities and the associated tax benefits. These tax benefits assisted the Company to achieve an overall income tax rate of 16%.

For the financial year ended 30 June 2010, as detailed in the Directors' Report for that financial year, a final dividend of 1.0 cents per share franked at 45% was paid to the holders of fully paid ordinary shares in September 2010.

Review of Operations

Revenue

The Company experienced licence sales growth for both its HP NonStop and IP Telephony (IPT) product lines. In local currency, the US achieved overall revenue growth of 29% and Europe 40% (refer segmental note in accounts). Asia Pacific experienced a 2% decline in revenue. Revenue from consulting services was \$1.3 million, representing an increase of 93% over the equivalent prior period.

Expenses

Total expenses were \$16.8 million, up 11% against the six months to December 2009. The Company has significantly increased its investment in consulting services with a 60% increase in solution consultant personnel. Overall staff numbers at 31 December 2010 were 164 compared to 157 at 31 December 2009.

The following table represents an analysis of research and development.

In thousands of AUD	2010	2009
Gross research and development spending	4,286	3,975
Capitalisation of development expenses	(2,996)	(2,874)
Amortisation of capitalised expenses	3,139	2,979
Net research and development expenses	4,429	4,080

Statement of Financial Position

The company continues to maintain a strong financial position and remains debt free with \$8.7 million cash at bank as at 31 December 2010. Cash flows from operating activities improved by 59% over the equivalent prior period to \$5.7 million.

Outlook

The Company anticipates continuing growth in underlying operational performance but reported financial performance will be influenced by fluctuations in currency exchange rates.

Interim Dividends

Directors have declared an interim dividend of 1.5 cents per share franked to 50% per share, payable on 11 March 2011 to shareholders registered at the end of trading on 25 February 2011.

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

The lead auditor's independence declaration is set out on page 15 and forms part of the Directors' Report for the half-year ended 31 December 2010.

Rounding off

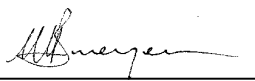
The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with the Class Order, amounts in the financial report and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated

Dated at North Sydney this 17th day of February 2011.

Signed in accordance with a resolution of the Directors:



Steve Killelea
Chairman



Mark Brayan
Chief Executive Officer

Condensed consolidated statement of Comprehensive Income

For the half-year ended 31 December 2010

In thousands of AUD

	Note	31 December 2010	31 December 2009
Continuing Operations			
<i>Revenue:</i>			
Revenue from licence fees		10,581	9,118
Revenue from maintenance fees		8,583	8,718
Revenue from consulting		1,342	696
Total Revenue		20,506	18,532
<i>Expenses:</i>			
Research and Development		(4,429)	(4,080)
Sales, consulting and marketing expenses		(10,415)	(9,259)
General and administration expenses		(1,989)	(1,857)
Total expenses		(16,833)	(15,196)
<i>Other gains and losses</i>			
Currency exchange gains/(losses)		(1,005)	(428)
Operating profit before financing income		2,668	2,908
Financing income (interest received)		174	184
Profit before tax		2,842	3,092
Income tax expense		(468)	(389)
Profit for the period		2,374	2,703
Other comprehensive income			
Gain/(loss) on cash flow hedges taken to equity		736	(96)
Foreign exchange translation differences		(478)	(249)
Income tax relating to components of other comprehensive income		(182)	29
Other comprehensive income for the period (net of tax)		76	(316)
Total comprehensive income for the period		2,450	2,387
<i>Profit attributable to:</i>			
Owners of the parent		2,374	2,703
<i>Total comprehensive income attributable to:</i>			
Owners of the parent		2,450	2,387
Earnings per share			
From continuing operations			
Basic earnings per share attributed to ordinary equity holders (AUD cents per share)	3	1.42c	1.62c
Diluted earnings per share attributed to ordinary equity holders (AUD cents per share)	3	1.42c	1.61c

The condensed consolidated statement of comprehensive income is to be read in conjunction with the accompanying notes to the interim financial statements set out on pages 9 to 12.

Condensed consolidated statement of Financial Position

For the half-year ended 31 December 2010

In thousands of AUD

	Note	31 December 2010	30 June 2010
Current assets			
Cash and cash equivalents	5	8,660	8,396
Trade and other receivables		13,159	14,548
Current tax assets		100	336
Other current assets		1,507	879
Total current assets		23,426	24,159
Non-current assets			
Trade and other receivables		607	1,514
Other financial assets		1,802	1,818
Property, plant and equipment		1,903	2,064
Deferred tax assets		612	742
Intangible assets		13,801	13,957
Total non-current assets		18,725	20,095
Total assets		42,151	44,254
Current liabilities			
Trade and other payables		2,704	3,088
Employee benefits		1,454	1,445
Income tax liabilities		494	211
Deferred revenue		8,234	10,383
Other current liabilities		1	232
Total current liabilities		12,887	15,359
Non-current liabilities			
Deferred tax liabilities		2,866	3,473
Provisions		571	555
Deferred revenue		593	365
Total non-current liabilities		4,030	4,393
Total liabilities		16,917	19,752
Net assets		25,234	24,502
Equity			
Issued capital		839	835
Reserves		(944)	(860)
Retained profits		25,339	24,527
Total equity attributable to equity holders of the parent		25,234	24,502

The condensed consolidated statement of financial position is to be read in conjunction with the accompanying notes to the interim financial statements set out on pages 9 to 12.

Condensed consolidated statement of Financial Position

For the half-year ended 31 December 2010

In thousands of AUD

	Share Capital	Hedging Reserve	Translation Reserve	Employee benefits Reserve	Retained Earnings	Total
Balance as at 1 July 2010	835	(98)	(1,306)	544	24,527	24,502
Profit for the period					2,374	2,374
Other comprehensive income		554	(478)			76
Total comprehensive income for the period	-	554	(478)	-	2,374	2,450
Shares issued	4			(1)		3
Recognition of share based payments				(53)		(53)
Lapsed employee options				(106)	106	-
Payment of dividends					(1,668)	(1,668)
Balance at 31 December 2010	839	456	(1,784)	384	25,339	25,234

	Share Capital	Hedging Reserve	Translation Reserve	Employee benefits Reserve	Retained Earnings	Total
Balance as at 1 July 2009	816	460	(1,153)	649	26,474	27,246
Profit for the period					2,703	2,703
Other comprehensive income		(67)	(249)			(316)
Total comprehensive income for the period	-	(67)	(249)	-	2,703	2,387
Shares issued	11					11
Recognition of share based payments				(1)		(1)
Payment of dividends					(4,170)	(4,170)
Balance at 31 December 2009	827	393	(1,402)	648	25,007	25,473

The condensed consolidated statement of changes in equity is to be read in conjunction with the accompanying notes to the interim financial statements set out on pages 9 to 12.

Condensed consolidated statement of Cash Flows

For the half-year ended 31 December 2010

In thousands of AUD

	Note	31 December 2010	31 December 2009
Cash flows from operating activities			
Cash receipts from customers		20,881	17,201
Cash paid to suppliers and employees		(14,122)	(13,171)
Cash generated from operations		6,759	4,030
Income taxes paid		(1,047)	(448)
Net cash from operating activities		5,712	3,582
Cash flows from investing activities			
Payments for capitalised development		(2,996)	(2,874)
Payments for property, plant and equipment		(88)	(251)
Payments for intangible assets		(83)	(362)
Interest received		174	169
Net cash from investing activities		(2,993)	(3,318)
Cash flows from financing activities			
Proceeds from issuing of shares		3	11
Payment of dividend		(1,668)	(4,170)
Net cash from financing activities		(1,665)	(4,159)
Net increase/(decrease) in cash and cash equivalents		1,054	(3,895)
Cash and cash equivalents at 1 July		8,396	14,459
Effects of exchange rate changes on cash		(790)	(499)
Cash and cash equivalents at 31 December		8,660	10,065

This condensed consolidated statement of cash flows is to be read in conjunction with the accompanying notes to the interim financial statements set out on pages 9 to 12.

Notes to the condensed consolidated financial statements

Note 1. Significant accounting policies

a) Statement of Compliance

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 Interim Financial Reporting. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 Interim Financial Reporting. The half-year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

b) Basis of Preparation

The condensed financial report is presented in Australian dollars and is prepared on the historical cost basis, with the exception of cash flow hedges, which are at fair value. All amounts are presented in Australian dollars unless otherwise stated.

The Company is of a kind referred to in ASIC Class Order (CO) 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and Directors' Report and the half year financial report have been rounded off to the nearest thousand dollars, unless otherwise indicated.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's 2010 annual financial report for the financial year ended 30 June 2010. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

Note 2. Segment information

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 corporate head office and development 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 central administration costs and Directors' salaries, investment revenue and finance costs and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

Information regarding these segments is presented below. The accounting policies of the reportable segments are the same as the Group's accounting policies.

Note 2. Segment Information (continued)

For the half-year ended 31 December 2010

In thousands of AUD

The following is an analysis of the Group's revenue and results by reportable operating segment for the periods under review.

	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
Continuing operations												
Sales to customers outside the consolidated entity	12,418	10,342	3,625	2,986	3,787	3,858	676	1,346	-	-	20,506	18,532
Inter-segment revenue	-	-	-	-	-	-	10,005	9,081	(10,005)	(9,081)	-	-
Total segment revenue	12,418	10,342	3,625	2,986	3,787	3,858	10,681	10,427	(10,005)	(9,081)	20,506	18,532
Segment results	1,097	392	51	(100)	(50)	545	1,570	2,071	-	-	2,668	2,908
Financing income (interest received)											174	184
Income tax expense											(468)	(389)
Profit for the half year											2,374	2,703

In thousands of local currency**	Americas (USD)		Europe (UK Sterling)	
	2010	2009	2010	2009
Sales to customers outside the consolidated entity	11,550	8,976	2,186	1,564
Inter-segment sales	-	-	-	-
Total segment revenue	11,550	8,976	2,186	1,564
Segment results	1,038	329	36	(48)

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

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

Note 3. Earnings per Share

For the half-year ended 31 December 2010

In thousands of AUD

Basic earnings per share

The calculation of basic earnings per share for the six months ended 31 December 2010 was based on the profit attributable to ordinary shareholders of \$2,374,000 (six months ended 31 December 2009: \$2,703,000) and a weighted average number of ordinary shares outstanding during the six months ended 31 December 2010 of 166,817,430 (six months ended 31 December 2009 of 166,799,000).

Diluted earnings per share

The calculation of diluted earnings per share for the six months ended 31 December 2010 was based on the profit attributable to ordinary shareholders of \$2,374,000 (six months ended 31 December 2009: \$2,703,000) and a weighted average number of ordinary shares outstanding during the six months ended 31 December 2010 of 167,192,221 (six months ended 31 December 2009: 167,785,000).

Note 4. Employee Equity benefits

Share-based payments

On 4 October 2000, the consolidated entity established a share option programme that entitles employees to purchase shares in the entity. The terms and conditions of the share option programme and grants made during the year ended 30 June 2010 are disclosed in the most recent annual financial report. In accordance with these programmes options are exercisable at the market price of the shares at the date of grant.

The terms and conditions of the grants made and number outstanding at 31 December 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.

The following options were outstanding as at 31 December 2010.

Grant Date	Exercise Price	Number of Options	Grant Date	Exercise Price	Number of Options
May 2006	\$0.41	451,000	Apr 2008 (*)	\$0.38	300,000
Jan 2007 (*)	\$0.50	160,000	Jul 2008 (*)	\$0.35	200,000
Jun 2007	\$0.48	593,000	Oct 2008 (*)	\$0.31	340,000
Sep 2007 (*)	\$0.42	1,000,000	May 2009	\$0.28	1,420,000
Mar 2008 (*)	\$0.38	350,000			

During the half-year reporting period, the company issued 10,000 ordinary shares for \$2,800 on exercise of 10,000 share options issued under its share option plan. There were no other movements in the ordinary share capital or other issued share capital of the company in the current or prior half-year reporting period.

There were no share options issued during the half-year reporting period.

Note 5. Cash and cash equivalents

For the half-year ended 31 December 2010

In thousands of AUD

	31 December 2010	30 June 2010
Cash at bank and on hand	8,660	8,396

Note 6. Subsequent events

On 17 February 2011 the Directors declared an interim dividend of 1.5 cents per share franked to 50%, payable on 11 March 2011 to shareholders registered at the end of trading on 26 February 2010.

There have been no other events subsequent to the interim balance sheet date, which are expected to have a material effect on the consolidated entity's financial position.

Note 7. Contingencies

Integrated Research Inc (the group's USA based subsidiary) is subject to a tax audit by the United States Internal Revenue Service (IRS) concerning its withholding tax obligations. The audit covers the financial years ending 30 June 2007, 30 June 2008 and 30 June 2009. The Board of Directors is disputing the IRS's position and is proceeding to an Appeals process. The Board of Directors has received independent advice confirming the company's position.

Directors' Declaration

The directors declare that:

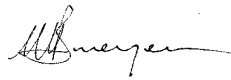
- (a) In the Directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- (b) In the Directors' opinion the attached financial statements and noted thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of the Directors made pursuant to s.303(5) of the Corporations Act 2001.

Dated at North Sydney this 17th day of February 2011.
On behalf of the Directors



Steve Killelea
Chairman



Mark Brayan
Chief Executive Officer

Independent Auditor's Review Report to the Members of Integrated Research Limited

We have reviewed the accompanying half-year financial report of Integrated Research Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2010, and the condensed consolidated statement of comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 5 to 13.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Integrated Research Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Auditor's Independence Declaration

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Integrated Research Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



DELOITTE TOUCHE TOHMATSU



Michael Kaplan
Partner
Chartered Accountants
Sydney, 17 February 2011

The Board of Directors
Integrated Research Limited
Level 9, 100 Pacific Highway,
NORTH SYDNEY, NSW 2060

17 February 2011

Dear Board Members


Integrated Research Limited

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

As lead audit partner for the review of the financial statements of Integrated Research Limited for the financial half-year ended 31 December 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 review;
and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Michael Kaplan
Partner
Chartered Accountants