

Integrated Research Limited

Chairman's Address

Ladies and gentlemen I would like to welcome you to the 11th Annual General Meeting of Integrated Research. I am pleased to present my summary of the year to 30th June 2011, and to comment on the current reporting period.

Although trading conditions were tough during 2011 financial year with an appreciating dollar and subdued economic growth in our major markets I am happy to report that the company achieved record revenue and admirable profit growth.

Last year saw NPAT increase by 38% to \$7.5 million compared to \$5.4 million in the prior financial year of 2010. The company also experienced an increase in revenue of 17% to \$44.6 million. The IP Telephony business continued to build on its solid track record with new license sales growth of 52%, while our traditional HP-nonstop business reported new license sales growth of 26%. I will comment on the excellent performance of both the IP telephony and HP-Nonstop businesses in more detail later in the report. The company's consulting business continued to grow and increased by 32% to \$2.6 million and, although still small, the company will be aiming at continuing this strong growth trajectory in its consulting business in 2012 and beyond.

Although the economies have recovered from the worst financial crisis since the 1930's the economic conditions are still sluggish and a severe recession still cannot be ruled out.

Last financial year, the Australian dollar continued to appreciate which had the effect of softening both profit and revenue. The average exchange rate to USD for the year was 0.98c which was 11% higher than the prior year. In light of this the company's result can only be described as exceptional.

In underlying natural currencies the Americas reported 31% growth in revenue, Europe increased by 50% and the Asia Pacific region grew by 15% over the prior year.

The strategic partnership with AVAYA continues to go well and forms a good basis for continued growth for the IPT product range. Some of the key IPT contracts signed in the financial year to include: DiData, Bell Canada, AT&T, JPMC & HSBC.

I would like to take some time and comment on the HP-Nonstop market. After the poor performance of this product line in the 2010 financial year I am pleased to announce that there was a strong rebound in sales in the 2011 financial year. This has mainly been due to the reallocation of sales resources and better account alignment combined with a pickup in global economic activity. Overall the future for the Hewlett Packard -Nonstop product line is good with annual high single digit growth expected in financial transactions for the next five years and HP-Nonstop will maintain its pivotal role in transaction processing. Although the strong growth in the company's HP Non-Stop product line of last year is unlikely to be repeated the company is expecting similar revenue levels in the future to what was achieved in the 2011 financial year. Our customer retention rate for HP-Nonstop remains high at 95%.

The company's focus on financial payments software is proving to be successful with growth of 142% in this product range over the equivalent prior year. The company will continue its emphasis on its ACI relationship to use it as a channel to market. ACI is the world's leading supplier of POS, ATM and financial switching software and has entered into a strategic relationship with Integrated Research to manage their infrastructures.

The IP Telephony range of products exceeded its historic growth and Prognosis is now the leading independent systems management vendor in this field when measured by number of phones managed. The number of phones that are under management by Prognosis was 4.5 million at mid November 2011. The company is maintaining its significant investment in this product line with support for a much broader suite of Unified Communications management tools including Microsoft Lync that will enable the company to greatly increase the size of its addressable market. These products are leading edge and create a major competitive advantage for the company.

Looking forward, the current year will have its challenges with the global economies remaining weak. This may be further compounded by uncertainty with the European and US banking system stemming from an unorderly default of some European governments debts. The Australian dollar is tightly linked to the commodity cycle and along with a softening of commodity prices it is now off its historical highs. The Australian dollar, compared to the US dollar is expected to trade at current to slightly lower levels for the rest of the financial year. However it should be pointed out that the Australian currency is tied to the Chinese economy through commodities and there are signs of some strain within their economy. If these effects magnify there could be a sustained slowdown in the Chinese economy leading to a lower exchange rate which is favorable for the company.

In the 2011 financial year, the company's cost base remained relatively steady with staff numbers of 162 at the end of the financial year compared to 161 at the end of the 2010 financial year. Integrated Research maintains a healthy cash position of \$11.6 million at the end of the financial year compared to \$8.4 million at the end of the prior financial year.

The company paid a final dividend of 2.5c per share, which was 75% franked. This brought the total dividend for the year to 4.0c per share. The company expects future dividends to be partly franked at similar levels to the 2011 financial year if the company's profits were similar or higher. A lower profit would result in a lower franking credit.

The company is not providing market guidance on revenue or profit projections.

The company has no plans for major acquisitions and will continue to focus on organic growth; however some small acquisitions of complementary products may be considered if appropriate.

I would like to thank all of the employees of Integrated Research and especially the senior management team and the CEO for their outstanding contributions to the excellent results that I have presented today.

I would also like to thank the shareholders for their support of the company and re-enforce the board's commitment to work hard to create future shareholder value.