Appendix 4D

Half year report

Name of entity

INTEGRATED RESEARCH LIMITED

ABN	Reporting period (half-year ended)	Previous corresponding period (half-year ended)
76 003 588 449	31 December 2018	31 December 2017

For announcement to the market
Extracts from this report for announcement to the market

				A$000
Revenues from ordinary activities	Up	10%	to	50,335
Profit after tax attributable to members	Up	26%	to	11,717
Net profit for the period attributable to members	Up	26%	to	11,717

Dividends (distributions)	Amount per security	Franked amount per security
Interim dividend	3.5¢	100%
Previous corresponding period	3.0¢	100%

Record date for determining entitlements to the dividend	28 February 2019
Date the dividend is payable	16 April 2019

Dividends consist of no conduit foreign income

Brief explanation of results

Please refer to page 2 ‘Review of Operations’ for an explanation of the results.
This information should be read in conjunction with Integrated Research Limited 2018 Annual Report.

The information provided in this report contains all the information required by ASX Listing Rule 4.2A.

NTA backing	**December 2018 cents**	December 2017 cents
Net tangible asset backing per ordinary security	24.81	18.26

Dividends	**December 2018 $’000**	December 2017 $’000
Fully franked interim dividend of 3.5 cents per share payable on 16 April 2019 (prior period: 100% franked dividend of 3.0 cent per share).	6,014	5,150
Total dividends provided for or paid	6,014	5,150

INTEGRATED RESEARCH LIMITED AND CONTROLLED ENTITIES

FOR THE HALF-YEAR ENDED

31 DECEMBER 2018

ABN: 76 003 588 449

ASX CODE: IRI

Table of Contents

Directors' Report

The Directors present their report together with the consolidated financial report for the half-year ended 31 December 2018 and the review report thereon.

Directors

The Directors of Integrated Research Limited at any time during or since the end of the half-year are:

Name	**Date appointed as a Director**
Non-executive:	
Paul Brandling (Chairman)	August 2015 (appointed Chairman November 2018)
Steve Killelea	August 1988 (retired November 2018)
Peter Lloyd	July 2010
Garry Dinnie	February 2013
Nick Abrahams	September 2014
Anne Myers	July 2018
Executive:	
John Merakovsky	September 2017

Principal Activities

Integrated Research Limited's principal activities are the design, development, implementation and sale of systems and applications management computer software for business-critical computing, Unified Communication networks and Payment networks.

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 2018 compared to the previous corresponding period:

In thousands of AUD	2018	2017	Change %
Revenue from licence fees	31,305	25,576	22%
Revenue from maintenance fees	12,859	13,522	(5%)
Revenue from SaaS fees[1]	286	11	2500%
Revenue from testing solution services	2,604	2,815	(7%)
Revenue from consulting services	3,281	3,778	(13%)
Total revenue	**50,335**	**45,702**	**10%**
Total expenses	**(36,237)**	**(32,350)**	**12%**
Other gains and losses	1,211	(500)	342%
Profit before tax	**15,682**	**13,062**	**20%**
Net profit after income tax	**11,717**	**9,266**	**26%**

[1] *Refer to Note 1 for Software as a Service ("SaaS")*

The Company achieved a 26% increase in profit after tax to $11.7 million when compared to the prior corresponding period and is at the top end of the guidance provided to the Australian Stock Exchange on 10 January 2019. The Company's European operation saw a return to growth with a significant contribution from the Payments product line.

For the financial year ended 30 June 2018, as detailed in the Directors' Report for that financial year, a final dividend of 3.5 cents per share franked at 100% was paid to the holders of fully paid ordinary shares on 16 October 2018.

Directors' Report (continued)

Review of Operations

Revenue

The Company achieved a 10% increase in revenue over the previous corresponding period to $50.3 million. The following table presents Company revenue for each of the relevant product groups:

In thousands of AUD	2018	2017	Change %
Unified Communications	26,977	27,796	(3%)
Infrastructure	11,048	10,435	6%
Payments	9,029	3,693	144%
Consulting	3,281	3,778	(13%)
Total revenue	**50,335**	**45,702**	**10%**

The following table presents revenue growth in natural currency by geographic segment:

	2018	2017	Change %
Americas (USD'000)	**26,012**	24,173	8%
Europe (£'000)	**5,082**	4,475	14%
Asia Pacific (A$'000)	**5,737**	6,699	(14%)

Expenses

The Company's operating cost base increased by 12% to $36.2 million. The Company continues to invest for growth including a 17% increase in net research and development costs and the recruitment of three senior leadership positions. Staff numbers at 31 December 2018 were 262 compared to 256 at 31 December 2017.

The following table represents an analysis of research and development.

In thousands of AUD	2018	2017
Gross research and development spending	9,121	8,328
Capitalisation of development expenses	(5,386)	(5,956)
Amortisation of capitalised expenses	4,880	5,004
Net research and development expenses	**8,615**	**7,376**

Statement of Financial Position

Integrated Research Limited maintains a strong financial position with $9.6 million cash at bank as at 31 December 2018 (31 December 2017: $9.6 million) and no debt (31 December 2017: $nil).

Outlook

The Company anticipates profit growth for the 2019 financial year in underlying operational performance but reported financial performance will be influenced by fluctuations in currency exchange rates.

Interim Dividend

Directors have declared an interim dividend of 3.5 cents per share franked to 100% per share (31 December 2017: 3.0 cents per share franked to 100% per share). The dividend will be payable on 16 April 2019 to shareholders registered at the end of trading on 28 February 2019.

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

The lead auditor’s independence declaration is set out on page 17 and forms part of the Directors' Report for the half-year ended 31 December 2018.

Rounding off

Integrated Research Limited is of a kind referred to in ASIC Legislative instrument 2016/191 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.

Signed in accordance with a resolution of the Directors:

Dated at North Sydney this the 14th day of February 2019.

Paul Brandling	John Merakovsky
Chairman	Chief Executive Officer

Condensed Consolidated Statement of Comprehensive Income
For the half-year ended 31 December 2018
In thousands of AUD

	Note	December 2018	December 2017
Continuing Operations			
Revenue from contracts with customers:			
Licence fees		**31,305**	25,576
Maintenance fees		**12,859**	13,522
SaaS fees		**286**	11
Testing solution services		**2,604**	2,815
Consulting services		**3,281**	3,778
Total Revenue		**50,335**	45,702
Expenditure:			
Research and development		**(8,615)**	(7,376)
Sales, consulting and marketing expenses		**(24,274)**	(22,138)
General and administration expenses		**(3,348)**	(2,836)
Total expenditure		**(36,237)**	(32,350)
Other gains and losses		**1,211**	(500)
Profit before interest and tax		**15,309**	12,852
Interest income		**373**	210
Profit before tax		**15,682**	13,062
Income tax expense		**(3,965)**	(3,796)
Profit for the period		**11,717**	9,266
Other comprehensive income			
Items that may be reclassified subsequently to profit			
Gain/(Loss) on cash flow hedges taken to equity		**(45)**	26
Foreign exchange translation differences		**551**	(85)
Other comprehensive income/(loss) for the period (net of tax)		**506**	(59)
Total comprehensive income for the period		**12,223**	9,207
Profit attributable to:			
Members of Integrated Research		**11,717**	9,266
Total comprehensive income attributable to:			
Members of Integrated Research		**12,223**	9,207
Earnings per share attributable to members of Integrated Research			
Basic earnings per share to ordinary equity holders (AUD cents)	4	**6.82**	5.41
Diluted earnings per share to ordinary equity holders (AUD cents)	4	**6.79**	5.40

The Condensed Consolidated Statement of Comprehensive Income is to be read in conjunction with the accompanying notes set out on pages 8 to 15.

Condensed Consolidated Statement of Financial Position
For the half-year ended 31 December 2018
In thousands of AUD

	December 2018	June 2018
Current assets		
Cash and cash equivalents	**9,601**	11,238
Trade and other receivables	**46,346**	44,186
Current tax assets	**435**	1,037
Other current assets	**2,792**	1,792
Total current assets	**59,174**	58,253
Non-current assets		
Trade and other receivables	**24,296**	26,892
Other financial assets	**232**	255
Property, plant and equipment	**2,683**	2,547
Deferred tax assets	**1,140**	687
Intangible assets	**22,545**	21,938
Other non-current assets	**784**	-
Total non-current assets	**51,680**	52,319
Total assets	**110,854**	110,572
Current liabilities		
Trade and other payables	**10,802**	10,140
Provisions	**3,053**	3,085
Income tax liabilities	**2,594**	1,986
Deferred revenue	**21,793**	22,643
Other financial liabilities	**433**	329
Total current liabilities	**38,675**	38,183
Non-current liabilities		
Deferred tax liabilities	**5,011**	4,281
Provisions	**838**	829
Deferred revenue	**1,157**	9,371
Other financial liabilities	**20**	70
Total non-current liabilities	**7,026**	14,551
Total liabilities	**45,701**	52,734
Net assets	**65,153**	57,838
Equity		
Issued capital	**1,667**	1,667
Reserves	**3,423**	3,043
Retained earnings	**60,063**	53,128
Total equity attributable to members of Integrated Research	**65,153**	57,838

The condensed consolidated statement of financial position is to be read in conjunction with the accompanying notes set out on pages 8 to 15.

Condensed Consolidated Statement of Changes in Equity
For the half-year ended 31 December 2018
In thousands of AUD

	Share Capital	Hedging Reserve	Translation Reserve	Employee Benefits Reserve	Retained Earnings	Total
Balance as at 1 July 2018	**1,667**	**(146)**	**(256)**	**3,445**	**53,128**	**57,838**
Effect of adoption of new accounting standards[1]	-	-	-	-	1,230	1,230
Balance as at 1 July 2018 (restated)	**1,667**	**(146)**	**(256)**	**3,445**	**54,358**	**59,068**
Profit for the period	-	-	-	-	11,717	11,717
Other comprehensive income	-	(45)	551	-	-	506
Total comprehensive income for the period	**-**	**(45)**	**551**	**-**	**11,717**	**12,223**
Expensed employee options and performance rights	-	-	-	(126)	-	(126)
Payment of dividends	-	-	-	-	(6,012)	(6,012)
Balance at 31 December 2018	**1,667**	**(191)**	**295**	**3,319**	**60,063**	**65,153**

	Share Capital	Hedging Reserve	Translation Reserve	Employee Benefits Reserve	Retained Earnings	Total
Balance as at 1 July 2017	**1,667**	**30**	**(754)**	**2492**	**45,085**	**48,520**
Profit for the period	-	-	-	-	9,266	9,266
Other comprehensive income	-	26	(85)	-	-	(59)
Total comprehensive income for the period	**-**	**26**	**(85)**	**-**	**9,266**	**9,207**
Expensed employee options and performance rights	-	-	-	355	-	355
Payment of dividends	-	-	-	-	(5,987)	(5,987)
Balance at 31 December 2017	**1,667**	**56**	**(839)**	**2,847**	**48,364**	**52,095**

[1] *Refer to Note 1 Significant Accounting Policies*

The condensed consolidated statement of changes in equity is to be read in conjunction with the accompanying notes set out on pages 8 to 15.

Condensed Consolidated Statement of Cash Flows
For the half-year ended 31 December 2018
In thousands of AUD

	Note	December 2018	December 2017
Cash flows from operating activities			
Cash receipts from customers		41,616	39,054
Cash paid to suppliers and employees		(29,231)	(26,053)
Cash generated from operations		12,385	13,001
Income taxes paid		(2,832)	(4,987)
Net cash from operating activities		**9,553**	**8,014**
Cash flows from investing activities			
Payments for capitalised development		(5,386)	(5,956)
Payments for property, plant and equipment		(665)	(207)
Payments for intangible assets		(28)	(5)
Interest received		373	210
Net cash used in investing activities		**(5,706)**	**(5,958)**
Cash flows from financing activities			
Proceeds from borrowings		-	1,500
Repayment of borrowings		-	(1,500)
Payment of dividend		(6,012)	(5,987)
Net cash used in financing activities		**(6,012)**	**(5,987)**
Net increase/(decrease) in cash and cash equivalents		**(2,165)**	**(3,931)**
Cash and cash equivalents at 1 July		11,238	14,113
Effects of exchange rate changes on cash		528	(577)
Cash and cash equivalents at 31 December		**9,601**	**9,605**

The condensed consolidated statement of cash flows is to be read in conjunction with the accompanying notes set out on pages 8 to 15.

Notes to the Condensed Consolidated Financial Statements
For the half-year ended 31 December 2018
In thousands of AUD

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 should 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 financial instruments for the purposes of cash flow hedges, which are at fair value. All amounts are presented in Australian dollars unless otherwise stated.

Integrated Research Limited is a for-profit Company limited by ordinary shares.

Integrated Research Limited is of a kind referred to in ASIC Legislative instrument 2016/191. 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.

New accounting standards and interpretations

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 Integrated Research Limited's 2018 annual financial report, except for the adoption of new standards for the 2019 financial year. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

AASB 15 'Revenue from Contracts with Customers'

The standard is applicable to the half-year ended 31 December 2018 and has superseded all current revenue recognition requirements under Australian Accounting Standards.

The Company adopted AASB 15 using the modified retrospective method of adoption and has elected to apply the process to contracts that were not completed at the date of initial application (1 July 2018) only. The cumulative effect of initially applying AASB 15 is recognised at the date of initial application as an adjustment to the opening balance of retained earnings. Therefore, the comparative information was not restated and continues to be reported under AASB 118 and related Interpretations.

The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under AASB 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. It requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The application of the new standard did not impact the Company's revenue recognition for contracts not completed at the date of initial application. The revenue recognition accounting policy as disclosed within the 2018 annual financial report is consistent with the requirements of AASB 15. The adoption of the standard does impact items other than revenue which are detailed below.

The adoption of AASB 15 did not have a material impact on Other Comprehensive Income or the Company's cash flows in the period.

Note 1. Significant accounting policies (continued)

The effect of adopting AASB 15 as at 1 July 2018 was, as follows:

		Increase/ (decrease)
Current assets		
Other current assets - Contract assets	(i)	**951**
Total current assets		**951**
Non-current assets		
Trade and other receivables	(ii)	**(7,915)**
Other non-current assets - Contract assets	(i)	**590**
Total non-current assets		**(7,325)**
Total assets		**(6,374)**
Non-current liabilities		
Deferred tax liabilities	(i)	**311**
Deferred revenue	(ii)	**(7,915)**
Total non-current liabilities		**(7,604)**
Total liabilities		**(7,604)**
Net assets		**1,230**
Equity		
Retained earnings		**1,230**
Total equity attributable to members of Integrated Research		**1,230**

The information below sets out the amounts by which each financial statement line item is affected as at and for the half-year ended 31 December 2018 as a result of the adoption of AASB 15. The first column shows amounts prepared under AASB 15 and the second column shows what the amounts would have been had AASB 15 not been adopted:

Condensed Consolidated Statement of Comprehensive Income

For the half-year ended 31 December 2018		**AASB 15**	**AASB 118**	**Increase/ (decrease)**
Continuing Operations				
Expenditure:				
Sales, consulting and marketing expenses	(i)	**(24,274)**	(24,567)	(293)
Total expenditure		**(36,237)**	(36,530)	(293)
Profit before interest and tax		**15,309**	15,016	293
Profit before tax		**15,682**	15,389	293
Income tax expense		**(3,965)**	(3,891)	(74)
Profit for the period		**11,717**	11,498	219
Profit attributable to:				
Members of Integrated Research		**11,717**	11,498	219
Total comprehensive income attributable to:				
Members of Integrated Research		**12,223**	12,004	219
Earnings per share attributable to members of Integrated Research				
Basic earnings per share to ordinary equity holders (AUD cents)		**6.82**	6.70	0.12
Diluted earnings per share to ordinary equity holders (AUD cents)		**6.79**	6.67	0.12

Note 1. Significant accounting policies (continued)

Condensed Consolidated Statement of Financial Position

As at 31 December 2018		**AASB 15**	**AASB 118**	**Increase/ (decrease)**
Current assets				
Other current asset - contract assets	(i)	**1,077**	-	1,077
Total current assets		**59,174**	58,097	1,077
Non-current assets				
Trade and other receivables	(ii)	**24,296**	36,176	(11,880)
Other non-current assets - contract assets	(i)	**784**	-	784
Total non-current assets		**51,680**	62,776	(11,096)
Total assets		**110,854**	120,873	(10,019)
Non-current liabilities				
Deferred tax liabilities	(i)	**5,011**	4,691	320
Deferred revenue	(ii)	**1,157**	13,037	(11,880)
Total non-current liabilities		**7,026**	18,586	(11,560)
Total liabilities		**45,701**	57,261	(11,560)
Net assets		**65,153**	63,612	1,541
Equity				
Retained earnings		**60,063**	58,522	1,541
Total equity attributable to members of Integrated Research		**65,153**	**63,612**	**1,541**

The nature of the adjustments as at 1 July 2018 and the reasons for the changes in the statement of financial position as at 31 December 2018 and the statement of comprehensive income for the half-year ended 31 December 2018 are described below:

i) Accounting for costs to fulfil a contract

The Company remunerates employees who actively participate in the sales process with commissions calculated based on revenues where they have been involved in the successful contract execution. This typically includes revenues that will be recognised in subsequent financial reporting periods. Under the accounting policy applied prior to 1 July 2018, commissions related to sales are recognised as an expense on contract execution, which is the point at which a constructive obligation arises for the Company. Under AASB 15, these costs have been recognised as an asset on contract execution with the amortisation period being consistent with the period over which the associated revenue will be recognised on a straight-line basis.

As at 1 July 2018 there were $1,541,000 in commissions costs relating to on-going contracts with customers for which revenue was yet to be recognised. These amounts were capitalised as costs to fulfil a contract on adoption of AASB 15 with a corresponding increase to retained earnings. In addition, deferred tax liabilities were recognised, at the local regional tax rates, of $311,000. For the half-year ended 31 December 2018 the net impact of the capitalisation and amortisation of costs to fulfil a contract for the current and previous periods (to the extent the contracts were not completed on adoption of AASB 15) was an increase of profit for the period of $219,000.

Note 1. Significant accounting policies (continued)

ii) Accounting for contract assets and contract liabilities

On adoption of AASB 15, a contract asset (including trade and other receivables) is only recognised where the Company has an unconditional right of payment in accordance with AASB 15, which is determined by the Company as having both a contractual right to invoice and receive payment as well as having satisfied or expecting to satisfy the performance obligation within twelve months. Where the company has recognised a trade receivable and services are being provided currently or will be provided within twelve months, a contract liability is recognised. Where the Company has satisfied a performance obligation but does not have an unconditional right of payment, a contract asset is recognised.

The contractually committed consideration for performance obligations which are not expected to be satisfied within twelve months are not recognised as a trade receivable or contract asset by the Company. Correspondingly, a contract liability is not recognised for performance obligations which will not be satisfied within twelve months. This specifically applies to maintenance fees and testing solutions services where the Company, as part of a contract, has a multiyear non-cancellable contractual commitment, but does not yet meet the requirements to recognise an asset or liability under AASB 15.

As at 31 December 2018, the above resulted in the decrease in both trade and other receivables and deferred revenue of $11,880,000.

iii) Accounting for SaaS ("Software as a Service") fees

The Company has expanded its products into hosted services with the migration of IT environments into the cloud. As a small quantum of revenue was recognised in the prior comparative period, amounts were classified under revenues from maintenance fees. With the expansion of customer adoption and products, SaaS fees have been restated to facilitate disclosure requirements under AASB 15 relating to disaggregated revenues.

The Company considers that the term contracts relating to products hosted on the Company's cloud environment represents a right of access to its licenced intellectual property for the duration of the term of the contract. As a result, under AASB 15, revenue from SaaS fees (where licences are hosted on the Company's cloud environment) will be recognised rateably throughout the subscription term.

AASB 9 'Financial Instruments'

The standard is applicable to the half-year ended 31 December 2018. AASB 9 replaces the requirements of AASB 139 Financial Instruments: Recognition and Measurement and bring together the classification, measurement, impairment and hedge accounting requirements for financial instruments.

AASB 9 was adopted retrospectively, with the exception of hedge accounting, which was adopted prospectively. There is no impact on adoption of AASB 9 on the opening balance sheet at 1 July 2018. The adoption of the standard resulted in the changes in the accounting policies described below.

iv) Hedge accounting

At the date of the initial application, all of the Company's existing hedging relationships were eligible to be treated as continuing hedging relationships. Consistent with prior periods, the Company has continued to designate the change in fair value of the entire forward contract in the Company's cash flow hedge relationships and, as such, the adoption of the hedge accounting requirements of AASB 9 had no significant impact on the Company's financial statements.

v) Trade receivables and contract assets

The Company has applied the simplified approach to measuring the expected credit losses, which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses the Company has stratified trade receivables and contract assets based on the days past due and established a provision matrix based on the group historical credit loss experience adjusted for forward looking factors.

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery.

Note 2. Segment information

The Chief Operating Decision Maker, "CODM", (being the Chief Executive Officer) reviews a variety of information on the performance of Prognosis across the group for the purpose of resource allocation. The CODM monitors profit at a group level for the Prognosis group.

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 and Germany with responsibility for the countries in Europe, Asia Pacific – operating from Australia and Singapore with responsibility for the countries in the rest of the world and Corporate Australia – with responsibility 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.

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

	Americas		Europe		Asia Pacific		Corporate Australia[1]		Eliminations		Consolidated	
In thousands of AUD	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	**2017**
Continuing operations												
Sales to customers outside the consolidated entity	**35,830**	31,197	**9,063**	7,782	**5,737**	6,699	**(295)**	24	**-**	-	**50,335**	45,702
Inter-segment revenue	**-**	-	**-**	-	**-**	-	**25,847**	23,592	**(25,847)**	(23,592)	**-**	-
Total segment revenue	**35,830**	31,197	**9,063**	7,782	**5,737**	6,699	**25,552**	23,616	**(25,847)**	(23,592)	**50,335**	45,702
Segment profit (before finance income and tax)	**1,275**	938	**282**	193	**131**	184	**13,621**	11,537	**-**	-	**15,309**	12,852
Financing income (interest received)											**373**	210
Income tax expense											**(3,965)**	(3,796)
Profit for the half year											**11,717**	9,266
Capital additions[2]	**94**	56	**61**	53	**99**	44	**312**	58	**-**	-	**566**	211
Depreciation and amortisation expenditure	**225**	219	**45**	43	**35**	9	**5,152**	5,151	**-**	-	**5,457**	5,422

	Americas (USD)		Europe (UK Sterling)	
In local currency[3]	**2018**	2017	**2018**	2017
Sales to customers outside the consolidated entity	**26,012**	24,173	**5,082**	4,475
Inter-segment sales	**-**	-		-
Total segment revenue	**26,012**	24,173	**5,082**	4,475
Segment Profit	**926**	729	**159**	112

[1] Corporate Australia includes research and development, hedging and corporate head office functions of Integrated Research Limited.

[2] Excludes internal development costs capitalised but includes third party assets acquired. Addition also includes assets acquired through purchase of business.

[3] Segment results represented in local currencies.

Note 3. Revenue from contracts with customers

Information regarding the disaggregation of the Company's revenues from contracts with customers is presented below.

	Consolidated
In thousands of AUD	**December 2018**
Timing of revenue recognition	
At a point in time	**31,305**
Over time	**19,030**
Total Revenue from contracts with customers	**50,335**
Type of product group	
Unified Communications	**26,977**
Infrastructure	**11,048**
Payments	**9,029**
Consulting	**3,281**
Total revenue	**50,335**

Note 4. Earnings per Share

Basic earnings per share
The calculation of basic earnings per share for the six months ended 31 December 2018 was based on the profit attributable to ordinary shareholders of $11,717,000 (six months ended 31 December 2017: $9,266,000) and a weighted average number of ordinary shares outstanding during the six months ended 31 December 2018 of 171,740,820 (six months ended 31 December 2017 of 171,193,767).

Diluted earnings per share
The calculation of diluted earnings per share for the six months ended 31 December 2018 was based on the profit attributable to ordinary shareholders of $11,717,000 (six months ended 31 December 2017: $9,266,000) and a weighted average number of ordinary shares outstanding during the six months ended 31 December 2018 of 172,439,484 (six months ended 31 December 2017: 171,501,983).

Note 5. Employee Equity benefits

Performance Rights and Options Plan – November 2011

On 21 November 2011, the consolidated entity established performance rights and options plan. The plan enables Integrated Research Limited to offer performance rights to eligible employees to obtain shares in Integrated Research Limited at no cost contingent upon performance conditions being met. The performance conditions include either a service period or a service period with a net profit after tax hurdle. The performance rights are automatically exercised into shares upon the performance conditions being met. The following performance rights were granted during the period:

Grant Date	Number of Rights	Expiry date
September 2018	120,000	August 2021
December 2018	194,750	October 2021

The following performance rights were outstanding as at 31 December 2018:

Grant Date	Number of Rights	Expiry date
December 2015	90,000	March 2019
September 2017	110,000	September 2020
October 2017	366,000	October 2020
November 2017	210,000	September 2020
September 2018	120,000	August 2021
December 2018	194,750	October 2021

During the period, 89,800 performance rights were exercised into ordinary shares for nil consideration.

Note 6. Financial Instruments

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 the Euro.

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 reporting 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:

Outstanding contracts	Average Exchange Rate		Foreign Currency		Contract Value		Fair Value	
	2018	2017	2018 FC'000	2017 FC'000	2018 A$'000	2017 A$'000	2018 A$'000	2017 A$'000
Consolidated								
Sell US Dollar								
Less than 3 months	**0.74**	0.76	**4,250**	1,700	**5,778**	2,229	**(236)**	52
3 to 6 months	**0.73**	0.76	**2,500**	1,400	**3,414**	1,836	**(120)**	41
6 to 9 months	**0.72**	0.77	**2,000**	1,400	**2,787**	1,808	**(37)**	14
9 to 12 months	**0.73**	0.78	**750**	750	**1,034**	966	**(24)**	5
Sell Euros								
Less than 3 months	**0.62**	0.69	**100**	50	**161**	73	**(1)**	(4)
3 to 6 months	**0.63**	0.65	**100**	50	**159**	76	**(6)**	(1)
6 to 9 months	**-**	0.65	**-**	50	**-**	77	**-**	(1)
9 to 12 months	**-**	-	**-**	-	**-**	-	**-**	-
Sell Sterling								
Less than 3 months	**0.56**	0.60	**150**	50	**267**	83	**(3)**	(4)
3 to 6 months	**0.57**	0.58	**100**	50	**177**	86	**(5)**	(1)
6 to 9 months	**-**	0.58	**-**	70	**-**	120	**-**	(2)
9 to 12 months	**-**	-	**-**	-	**-**	-	**-**	-
							(432)	99

These hedge assets and liabilities are classified as a level 2 fair value measurement, being derived from inputs provided from financial institutes, rather than quoted prices that are observable for the asset either directly (i.e. as prices) or indirectly (i.e. derived from prices). The fair value measurement of the OTC forward contact would not qualify as Level 1 as there is not a quoted price for the actual contract, even though data used to value the contract may be derived entirely from active foreign-exchange and interest-rate market.

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.

Financial assets

For non-current trade debtors Integrated Research Limited has considered a discount rate to recognise the net present value of the debtors. Level 3 inputs have been considered including corporate borrowing rates, size of the customer and jurisdiction of the customer. A discounted cashflow model was used to derive the fair value. The range of discount rates was between 3.5% to 6.5%.

Note 6. Financial Instruments (continued)

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. The largest single counterparty balance with any one customer at 31 December 2018 was $5.4 million (June 2018: $4.5 million). Ongoing credit evaluation is performed on the financial condition of accounts.

The Company continued its program to sell selected account receivable balances to a third party without recourse. The purpose of the program is to manage credit risk and improve working capital. During the half-year ended 31 December 2018 a total of $2.8 million (December 2017: $6.8 million) debtors were sold at a cost of $185,000 (December 2017: $270,000). The Company continues to bear maintenance support obligations to the end customers which are carried as a liability in the deferred revenue account of the Company's balance sheet of $2.9 million (June 2017: $3.0 million).

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.

Note 7. Subsequent events

On 14 February 2019 the Directors declared an interim dividend of 3.5 cents per share franked to 100%, payable on 16 April 2019 to shareholders registered at the end of trading on 28 February 2019.

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.

Directors' Declaration

In accordance with a resolution of the directors of Integrated Research Limited:

In the opinion of the directors:

a) The financial statements and notes of Integrated Research Limited for the half-year ended 31 December 2018 are in accordance with the Corporations Act 2001, including:

   (i) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and

   (ii) Complying with Accounting Standards and the Corporations Regulations 2001.

b) There are reasonable grounds to believe that Integrated Research Limited will be able to pay its debts as and when they become due and payable.

Dated at North Sydney this 14th day of February 2019.

On behalf of the Directors

Paul Brandling Chairman	John Merakovsky Chief Executive Officer

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Auditor's Independence Declaration to the Directors of Integrated Research Limited

As lead auditor for the review of Integrated Research Limited for the half-year ended 31 December 2018, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review*;* and

b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Integrated Research Limited and the entities it controlled during the financial period.

Ernst + Young

Ernst & Young

John Robinson
Partner
14 February 2019

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

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Integrated Research Limited (the Company) and its subsidiaries (collectively the Group), which comprises the condensed consolidated statement of financial position as at 31 December 2018, the condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2018 and of its consolidated financial 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*.

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 a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to 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 Group's consolidated financial position as at 31 December 2018 and its consolidated financial 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 the Group, 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.

Independence

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

Ernst & Young

John Robinson
Partner
Sydney
14 February 2019