integrated research

Integrated Research Limited › ABN 76 003 588 449

Annual Report 2008

Performance monitoring software for business-critical systems

ir PROGNOSIS®

Contents

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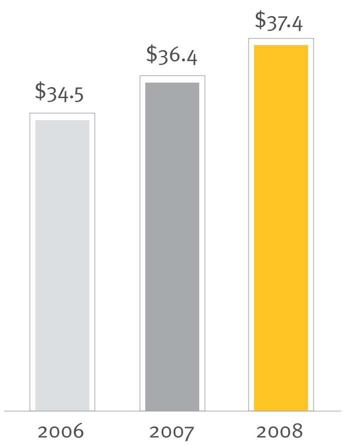
2008 Highlights

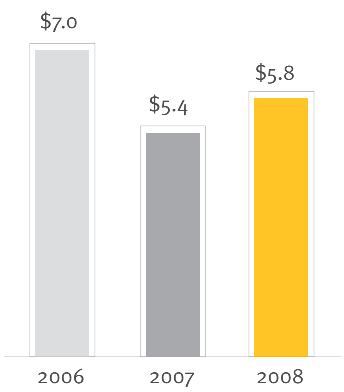
Financial summary: In millions of AUD (except earnings per share)

Year ended 30 June	2008	2007	% Change
Revenue from licence fees	19.6	19.5	↑ 1%
Total revenue	37.4	36.4	↑ 3%
Net profit after tax	5.8	5.4	↑ 6%
Net assets	23.8	24.2	↓ 2%
Cash at balance date	11.1	11.7	↓ 5%
Americas revenue	23.1	21.7	↑ 6%
Europe revenue	6.4	7.0	↓ 9%
Asia Pacific revenue	7.4	7.2	↑ 3%
Earnings per share (cents per share)	3.47¢	3.27¢	↑ 6%

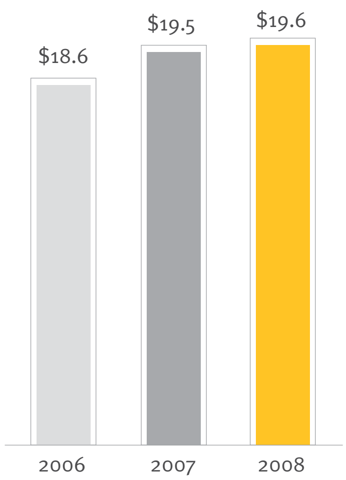
Total revenue
(Dollars in millons)



Net profit after tax
(Dollars in millons)



Revenue from licence fees
(Dollars in millons)



Letter from the chairman

Dear fellow shareholders,

I am pleased to report that, due mainly to a strong first half result, we experienced growth in both revenue and profit in the 2008 financial year. This is despite tough market conditions created by the global liquidity crisis. Profits after tax increased 6% over the previous financial year to $5.8 million. Total revenue for the company increased 3% over the prior year to $37.4 million.

Growth in revenue and profit would have been substantially higher except for the relative strength of the Australian dollar against both the US dollar and the UK Pound Sterling. The Company's currency hedging efforts during the course of the year partially offset the impact of the rising Australian dollar, however underlying revenue growth would have increased by approximately $3.9 million and after tax profits by approximately $1.8 million after taking into account the impact of currency exchange rates over the prior year.

Our traditional HP NonStop management market remained buoyant this year, and the strategy of promoting our other server management products into the existing HP NonStop customer base has proved successful, with an increase in revenue of 90%. Revenues from these Windows, UNIX and Linux management products were assisted by the decision of a major US credit card provider to standardize on PROGNOSIS. We will continue to cross-sell from our HP NonStop base and expect to have continued success into the future.

The IP telephony sales performance remains fragmented. We are, however, committed to maintaining and developing market leadership with our IP telephony products. The company achieved mixed success in the 2008 financial year: the IP telephony segment saw revenues grow in the US, but decline in Asia Pacific and Europe. This left the overall result relatively flat in comparison to the prior year.

The addition of PROGNOSIS support for Avaya and Nortel IP telephony platforms provides us with a strong base to grow our IP telephony revenues and market share in the 2009 financial year. Our support for the three largest IP telephony vendors now allows us to position PROGNOSIS strongly as a holistic, multi-vendor solution. As a result, we expect to engage more distribution partners, and to more effectively target large enterprise IP telephony deployments to broaden our market penetration.

The addition of PROGNOSIS support for Avaya and Nortel IP telephony platforms provides us with a strong base to grow our IP telephony revenues and market share in the 2009 financial year.

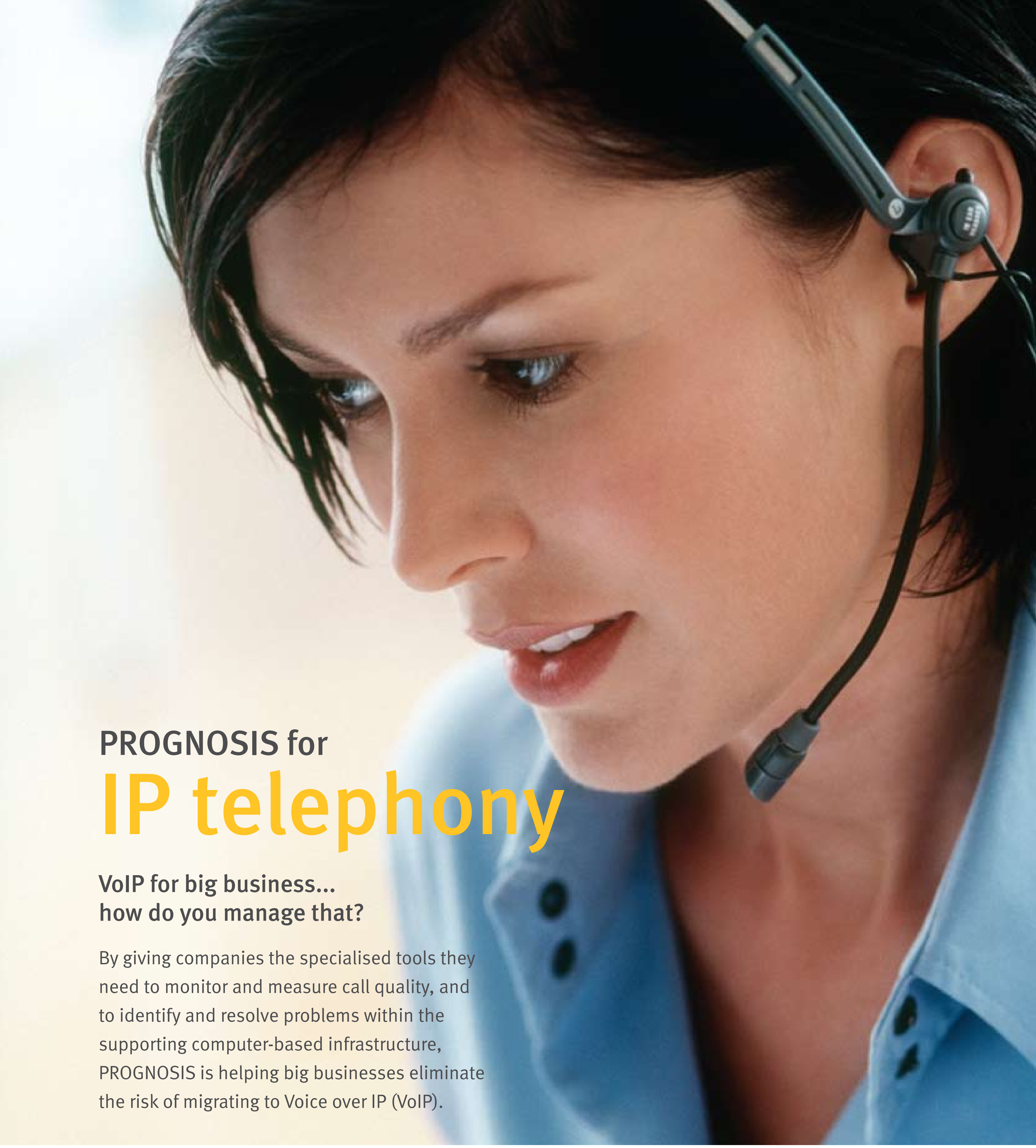
During the 2008 financial year we invested heavily in R&D to promote innovation and drive new product development and revenue growth. We will energetically seek to reap the reward from this investment and continue well-targeted R&D investment in the coming years.

Despite adverse economic conditions, the underlying business and strategic direction of the company remain robust. Our strong balance sheet leaves the company well positioned for the future. The Board is pleased to announce a final dividend of 1.5 cents per share, unfranked, bringing the total unfranked dividend for the year to 3.0 cents per share, which is unchanged from the prior year.

Thank you for your continued support.

Steve Killelea
Chairman

Our traditional HP NonStop management market remained buoyant this year, and the strategy of promoting our other server management products into the existing HP NonStop customer base has proved successful, with an increase in revenue of 90%.



PROGNOSIS for IP telephony

VoIP for big business... how do you manage that?

By giving companies the specialised tools they need to monitor and measure call quality, and to identify and resolve problems within the supporting computer-based infrastructure, PROGNOSIS is helping big businesses eliminate the risk of migrating to Voice over IP (VoIP).

"As more organisations adopt larger scale deployments, the ability for PROGNOSIS to manage highly distributed or very large environments will position the company as leading vendor for a variety of deployment sizes"

George Hamilton, Director, Yankee Group

Customers include ›› AT&T › Accenture › Airbus › Alpha West/Optus › ARUP › BAE Systems › BellSouth › Brigham Young University › British Airways › British Telecom › Del Monte › Dimension Data › Equant › Fannie Mae › France Telecom › General Motors › IBM › HSBC › Intel › NASDAQ › NCR › Salesforce.com › Singapore Polytechnic › Sprint › Standard Life › State of Arizona › TD Financial Corp. › Tecnologico de Monterey › Thiess › Time Warner Cable › Touchbase › Verizon › T-Systems

PROGNOSIS for

ATM/POS

Why do the world's financial institutions bank on PROGNOSIS?

From retail EFTPOS systems to automated teller machine networks, PROGNOSIS gives IT support teams the insight they need to identify and fix transaction problems, to uncover the details of cardholder issues in seconds, and to better manage ATM maintenance processes.

"When cardholders present their cards for payment, they expect them to work every time. PROGNOSIS helps us deliver that level of performance to our clients and their customers."

Phillip Patrick, Director of Technical Support, TSYS

Customers include ›› ANZ Bank › Arab National Bank › Bankserv South Africa › BNI Bank Indonesia › Burgan Bank Kuwait › Citibank › Emirates Bank UAE › Fiserv › Global Trust Bank India › HDFC Bank › ICICI Bank India › Kmart › KNET Kuwait › Kotak Mahindra Bank › Kuwait Finance House › Link UK › MasterCard › Qatar Central Bank › Royal Bank of Canada › Standard Bank South Africa › Target › Walgreens › Washington Mutual › Westpac Bank

PROGNOSIS for

IT Infrastructure

Ensuring the health of critical computer systems... it's in our DNA

When computer systems perform poorly it can either be a small inconvenience, a matter of life and death, or financial ruin. PROGNOSIS offers hospitals and healthcare providers, stock exchanges and insurers, power companies and telcos the tools they need to monitor, diagnose and troubleshoot critical computer systems that simply must keep running.

"The real benefit for us is the ability to deliver services to our patients and physicians as promised... even a short delay in returning test results to a physician or availing prescribed medication to a patient could have serious repercussions."

Barbara Baldwin, CIO,
University of Virginia's Medical Center

Customers include ›› AstraZeneca › AT&T › BT Syntegra › Bank of Tokyo › Bank Verlag › Charles Schwab › E-Funds › Exxon › France Telecom › First Data International › GE Healthcare (IDX) › Henry Ford Health Systems › Mayo Clinic › Mercy Health Plans › MasterCard › NASDAQ › Royal Bank of Canada › Optus › Sabre Systems › South Western Bell › SK Telecom › Sprint › Sungard › Toronto Stock Exchange › University of Virginia Health › Verizon › Vodacom

PROGNOSIS for

Web Applications

How can travel agencies know if their customers are able to book online?

While we're all becoming more reliant on the internet for booking flights and accommodation, for conducting internet banking, or for online shopping, we're quick to give up on a website that's slow or simply doesn't work. By measuring the quality of user experience, PROGNOSIS offers organisations unique insight into how well their revenue generating web-based applications are functioning for their customers.

"This is an innovative approach to measuring quality of service for online customers...another fine example of this company's ability to leverage its expertise in business-critical technology."

Senator Stephen Conroy, Australian Shadow Minister for Communications and Information Technology

Customers include » Duetsche Telecom › Swiss Federal Department of Justice and Police › GE Healthcare (IDX) › Minneapolis Public Housing Authority › Sungard Financial Services

Chief Executive Officer's Report

Dear shareholders,

I am pleased to report a solid result for you in my first year as CEO of Integrated Research. It has been a year characterised by change and challenge and one in which the resilience and innovative spirit of our business was tested. Foremost amongst these challenges was the strength of the Australian dollar. With the majority of our revenue being derived offshore in foreign currency, the strong Australian dollar reduced the value of nearly every sale relative to last year.

Despite this however, we managed to increase revenue and profit – and deliver a strong profit margin – for a number of reasons:

- Our largest region, the Americas, grew sales by 21%.
- 44% of our revenue was derived from maintenance fees that continue to provide a strong recurring revenue foundation.
- Our products show clear differentiation and value against major competitors, evidenced by the number of large, enterprise deals closed in the year.

Our wins against major competitors are particularly satisfying and demonstrate our advantage in our key markets. This advantage continues to be the unique architecture of our product, PROGNOSIS, and its ability to capture deeper, more meaningful data from mission critical systems and applications in real time.

The real time capabilities of PROGNOSIS address the growing need in businesses to operate constantly and consistently for their customers. Companies that connect to their customers via the internet, that operate 24x7 and that rely on split-second operation, all rely on real-time performance management.

IP Telephony and Unified Communications are the 'ultimate' real-time computing applications. Voice and video must operate in real time to be effective. Process and productivity demands are driving businesses to IP Telephony – directly or with managed services vendors – and we are well positioned in both these segments to benefit from this trend.

Our wins against major competitors are particularly satisfying and demonstrate our advantage in our key markets.

This market however continues to develop and our IPT sales this year were below our expectations. We are confident in the market though, and are investing in sales coverage, channels and capability for growth in FY09.

Overall though, we only see an increasing need from businesses for real-time management of their critical systems, so we will continue to invest in the development and sale of all of our products to benefit from this. I am encouraged by the demand for our products and although we anticipate further turbulence in global markets there is adequate opportunity for growth for Integrated Research.

I would like to thank our management team and hardworking staff for the results achieved in a difficult year and pass on their thanks to you for your continued support.

Mark Brayan
CEO

The real time capabilities of PROGNOSIS address the growing need in businesses to operate constantly and consistently for their customers.

Review of operations and activities

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. There were no significant changes in the nature of these activities during the year.

Group overview

Integrated Research has a twenty-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 the business applications that run on these computers.

Typical business environments where PROGNOSIS is used include automated teller machine (ATM) and Point Of Sale (POS) transaction systems, web applications such as online banking or online shopping, hospital systems, emergency services, stock trading applications, and telecommunications systems. PROGNOSIS also offers a suite of IP telephony performance monitoring products for the emerging, high-growth enterprise Voice over IP (VoIP) market.

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, Germany 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.

Revenue in 2008 was impacted by a strong Australian dollar, particularly in the second half of the financial year. In US dollar terms total revenue grew by 14%.

Review and results of operations

The Company achieved a 6% increase in net profit after tax over the previous financial year to $5.8 million. Total revenue for the Company increased 3% over the prior year to $37.4 million. The financial performance of the Company was impaired by a strong Australian dollar and difficult trading conditions in the second half created by the global liquidity crisis.

The Company continued its strong commitment to research and development by increasing its net expenditure by 37% to $8.7 million over the equivalent prior year. New products were released during the year and further innovative developments are in the pipeline to respond to customer needs and market demands.

Revenue

Revenue for the year was $37.4 million, an increase of 3% over 2007. Licence fees made up 52% of revenue, increased by 1% whilst maintenance fees increased by 3%.

Revenue in 2008 was impacted by a strong Australian dollar. In US dollar terms total revenue grew by 14%.

Both the Americas and Asia Pacific regions recorded growth on the prior year of 6% and 3% respectively. Revenue in Europe declined by 9% over the prior year.

The Windows, Unix and Linux products performed strongly in 2008. The Company achieved 90% growth over the equivalent prior year as key strategic accounts were won against much larger competitors on the quality and capabilities of PROGNOSIS and proved the value of PROGNOSIS in high performance environments.

Expenses

Total expenses for the year were $30.2 million, an increase of 3% over the prior year. Staff numbers increased from 134 at 30 June 2007 to 147 at 30 June 2008.

Gross spending on research and development for the year ended 30 June 2008 was $10.1 million which represents a 29% increase over the prior year. Amortisation expense increased by 47% to $5.9 million following the release of new products toward the end of calendar year 2007.

Net research and development expenses were $8.7 million, representing 23% of revenue, and are made up of:

In thousands of AUD	2008	2007
Gross research and development spending	10,098	7,831
Capitalisation of development expenses	(7,255)	(5,454)
Amortisation of capitalised expenses	5,874	3,992
Net research and development expenses	**8,717**	**6,369**

Shareholder returns

Returns to shareholders increased through the payment of unfranked dividends:

	2008	2007	2006
Net profit	$5,776,000	$5,433,000	$6,975,000
Basic EPS	3.47¢	3.27¢	4.22¢
Dividends per share	3.0¢	3.0¢	2.5¢
Return on equity	24.3%	22.5%	30.1%

Financial position

The consolidated entity continues to hold a strong financial position being free of debt and with cash at 30 June 2008 of $11.1 million, compared to $11.7 million at the same time last year. Net cash flow provided by operating activities was $5.9 million, compared to $7.6 million for the same period last year.

	2008	2007	2006
Net cash flow provided by operating activities	$5,946,000	$7,638,000	$5,085,000
Current ratio (current assets to current liabilities)	1.85	1.86	1.95
Net tangible asset backing per ordinary share	6.69¢	7.85¢	8.27¢

Outlook and Strategy for 2009

The company's products continue to deliver value for our customers by supporting the performance management of their mission-critical, high availability computing environments.

Our traditional (HP NonStop) business remains healthy. Many of our customers continue buying and upgrading their HP Servers for more processing capacity which in turn drives PROGNOSIS sales.

The Windows, Unix and Linux products performed strongly in 2008. The Company achieved 90% growth over the equivalent prior year as key strategic accounts were won against much larger competitors on the quality and capabilities of PROGNOSIS and proved the value of PROGNOSIS in high performance environments. We will continue to focus our efforts in this market on similar opportunities and are planning for comparable sales in 2009.

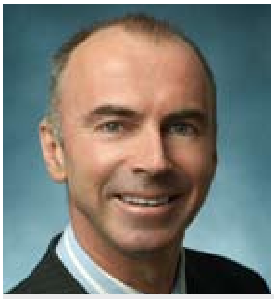
Our IP Telephony product's growth profile continues in spurts due to the lumpiness of sales. Whilst current year performance was relatively flat compared to the prior year, compound annual growth in new sales for the last four years remains at a healthy 44%. We have increased our IPT product lines with the addition of support for the Nortel platform and have other initiatives in the pipeline. IPT remains the growth opportunity for Integrated Research and additional sales investment in 2009 will drive growth.

We will continue to improve our critical operational processes for sales and software development, the latter of which drove greater innovation in 2008 than previous years.

Directors

Steve Killelea
MAICD
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's current term will expire no later than the close of the 2010 Annual General Meeting. Former listed companies directorships held in the past three years: None. Age 59 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. Former listed companies directorships held in the past three years: None. Age 44 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. Mr McConaghy 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. Former listed companies directorships held in the past three years: None. Age 46 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, LabTech Systems Ltd, and a number of other private companies. Kate's current term will expire no later than the close of the 2008 Annual General Meeting. Former listed companies directorships held in the past three years: None. Age 56 years.

John Brown
B Com, FCA, MAICD
Independent Non-Executive Director

John was appointed a Director in July 2007. John was a partner with KPMG for over 26 years, where previous roles included Partner in charge of the Information Risk Management practice in Australia, Chairman of the firm's IT Committee, and Australian firm's representative on KPMG's International IT and Information Risk Management Committees. John is a Director and Chair of the Audit Committee of Sydney Water Corporation. John's current term will expire no later than the close of the 2010 Annual General Meeting. Former listed companies directorships held in the past three years: None. Age 60 years.

David Boyles
BA, MA, MBA,MAICD
Independent Non-Executive Director and Deputy Chairman

David has been a Director since July 2003 and was appointed Deputy Chairman in September 2005. He has over twenty years senior management experience with US and Australian multinational companies. David's current term will expire no later than the close of the 2009 Annual General Meeting. Former listed companies directorships held in the past three years: director of ERG Group from December 2003 to June 2005, and was appointed a director of Infosys Technologies in July 2005. Age 59 years.

Keith Andrews, BBM, FAICD
Managing Director and Chief Executive Officer
(Resigned from office September 2007). Keith was appointed as Managing Director and Chief Executive Officer in November 2004. He has over twenty years experience at senior levels in the IT industry in Australia and overseas, having previously held senior corporate positions in Asia and the US. Former listed companies directorships held in the past three years: None. Age 48 years.

Alex Kennedy,
M.Mgt, Dip CM, FAICD
Independent Non-Executive Director
(Resigned from office September 2007). Alex had been a director since May 2003. He has nearly 35 years of specialist and executive management experience across a broad range of industries. Former listed companies directorships held in the past three years: None. Age 60 years.

David Leighton, MBA, FCPA, ACIS
David is a member of Chartered Secretaries Australia. He has been Company Secretary since October 2000.

Senior management

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 activities, overseeing the core development teams of more than 50 personnel. Alex has 20 years experience in the development, creation and management of high-technology hardware and software products for Honeywell and Siemens. For the past 6 years he was responsible for general management of the Siemens Access Control product line globally and for much of that time was based in Germany.

Rick Ferguson
Vice President Asia Pacific

Rick joined Integrated Research in April 2008 and is responsible for all business operations in the Asia Pacific region. Rick has over 20 years experience in the IT industry and has worked in Europe, Africa, Asia Pacific and Australia. Rick was previously Vice President of Sales and Marketing for Asia Pacific for Wyse Technology. Prior to Wyse, Rick held a number of senior management positions for Unisys and Cisco Systems. Rick has a wealth of IP networking experience, and has overseen the deployment of VoIP and IP Telephony solutions to enterprises and SMBs across the region.

Kurt Roscow
BA, MBA
Vice President Americas

Based in the company's American headquarters in Denver, Colorado, Kurt joined the company in October 2003. He is responsible for leading and developing the business operations in the Americas and is President of Integrated Research, Inc. Prior to joining Integrated Research his roles included senior sales and channel management positions with IBM, Oracle and JD Edwards.

Pierre Semaan
BEng, MBA
General Manager
Product Management

Pierre joined Integrated Research in June 2008 and is responsible for the management and strategic direction of all product lines. 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 organizations. Prior to Sage, Pierre worked at Citrix as the Chief of Operations & Director of the CTO Office and Advanced Products Group.

David Stark
BA, MBA
Vice President Europe

Based in the company's European headquarters in Windsor, England, David joined Integrated Research in March 2008. He is responsible for all business operations across Europe and the UK. David has previously held senior management and sales positions at NCR, ICL, AT&T, QAD, PeopleSoft, Siebel and Princeton Softech. He served as the Vice President and Managing Director of Siebel for the UK, South Africa and Ireland and Vice President for Northern EMEA with Princeton Softech. David has established and led highly successful teams that have achieved market-leading revenue and profit growth.

Belinda York
Vice President Marketing

Belinda York joined Integrated Research in October 2002 and is responsible for managing the company's global marketing strategy. Belinda draws on more than twenty years in the IT industry, including positions as Australian Managing Director for Borland International, Avid Technology, Onyx Software and FairMarket. She was responsible for launching and managing these subsidiary businesses and building their position and opportunity in fast-growing markets.

integrated research

Proud developers of PROGNOSIS performance monitoring software for business-critical computer systems

- Founded in 1988
- Customers in 50+ countries
- Clients include 35% of Global 1000 companies
- Dominant share of HP NonStop performance monitoring market
- Emerging as dominant performance monitoring solution for large-scale VoIP deployments

Financials

Directors' Report

The directors present their report together with the Financial Report of Integrated Research Limited ("the company") and of the consolidated entity, being the company and its controlled entities, for the year ended 30 June 2008 and the Auditor's Report thereon.

Results

The net profit of the consolidated entity for the 12 months ended 30 June 2008 after income tax expense was $5.8 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 2007 – Ordinary shares	Unfranked	2.0	3,326	14 Sep 2007
Interim 2008 – Ordinary shares	Unfranked	1.5	2,500	7 Mar 2008
Final 2008 – Ordinary shares	Unfranked	1.5	2,501	12 Sep 2008

Events subsequent to reporting date

For dividends declared after 30 June 2008 see Note 21 in the financial statements. The financial effect of dividends declared and paid after 30 June 2008 has not been brought to account in the financial statements for the year ended 30 June 2008 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 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 page 14. Details of the company secretary and his qualifications are set out on page 15.

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 2008, and the numbers of meetings attended by each director were:

	Board Meetings		Audit Committee Meetings		Nomination and Remuneration Committee Meetings		Strategy Committee Meetings	
	A	B	A	B	A	B	A	B
Keith Andrews	2	2	-	-	-	-	-	-
David Boyles	12	12	3	3	3	3	1	1
Mark Brayan	10	10	-	-	-	-	1	1
Kate Costello	12	12	1	2	3	3	1	1
Alex Kennedy	3	3	-	-	-	-	-	-
Steve Killelea	12	12	-	-	3	3	1	1
Clyde McConaghy	7	7	1	1	-	-	-	-
John Brown	12	12	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 committee during the year.

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

	Ordinary shares			Options
	Directly held	Beneficially held	Total	Number of Options
David Boyles	1,700,000	-	1,700,000	-
Mark Brayan	25,000	-	25,000	1,000,000
John Brown	-	50,000	50,000	-
Kate Costello	-	200,000	200,000	-
Steve Killelea	94,497,339	337,612	94,834,951	-
Clyde McConaghy	-	-	-	-

Share options

Options granted to directors and senior executives

During or since the end of the financial year, the company granted options for no consideration over unissued ordinary shares in Integrated Research Limited to the following named executive officers of the consolidated entity as part of their remuneration:

	Number of options granted	Exercise price	Expiry date
Peter Adams	350,000	$0.38	Feb 2013
Mark Brayan	1,000,000	$0.42	Sep 2012
Rick Ferguson	300,000	$0.38	Apr 2013
David Stark	350,000	$0.43	Mar 2013

No options were granted to any non-executive directors of the consolidated entity during or since the end of the financial year.

The options were granted under the Integrated Research Limited Employee Share Option Plan. 25% of options vest and may be exercised from each of the first to fourth anniversaries of the issue date. In addition, the ability to exercise options is conditional on the consolidated entity achieving certain performance hurdles. Unexercised options expire five years after the issue date or 3 months after termination of the employee's employment.

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	Expiry date	Exercise price	Number of shares
Aug 2008	$0.22	115,250	May 2011	$0.41	654,000
Feb 2009	$0.26	198,510	Aug 2011	$0.44	170,000
Apr 2009	$0.46	300,000	Jan 2012	$0.50	160,000
May 2009	$0.33	205,365	Jun 2012	$0.48	848,000
July 2009	$0.40	278,000	Sep 2012	$0.42	1,000,000
Nov 2009	$0.57	400,000	Feb 2013	$0.38	350,000
Feb 2010	$0.52	336,500	Mar 2013	$0.43	350,000
Apr 2010	$0.46	200,000	Apr 2013	$0.38	300,000
Sep 2010	$0.54	510,000			
Total unissued ordinary shares of Integrated Research Limited under option					**6,375,625**

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
192,855	0.24
131,125	0.12
117,250	0.22
65,750	0.26
20,625	0.33
5,000	0.40

Indemnification and insurance of officers

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 of $24,728 to insure the directors and 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 26 to 34.

Corporate governance

A statement describing the company's main corporate governance practices in place throughout the financial year is on pages 35 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 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 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 attached on page 88 of the annual report 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 Report 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	**Mark Brayan**
Chairman	Chief Executive Officer

Dated at North Sydney this 22nd day of September 2008

Remuneration report (Audited)

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 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 (KPI's) for the chief executive officer, and for approving the KPI's for the senior executives who report to him. The KPI's 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 KPI's 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 years' 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 KPI's 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:

	2008	2007	2006	2005	2004
New licences	$19,623,000	$19,517,000	$18,633,000	$17,790,000	$15,842,000
Net profit	$5,776,000	$5,433,000	$6,975,000	$6,238,000	$4,455,000
Dividends paid	$5,826,000	$4,152,000	$4,146,000	$3,310,000	$1,239,000
Change in share price	($0.23)	$0.185	($0.005)	$0.05	$0.23

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". Dividends and changes in share price are included in the TSR calculation for the LTI.

The nomination and remuneration committee considers that the above performance linked structure is generating the desired outcomes.

Currently, the Board has no specific policy governing how key management personnel minimise their exposure to risk associated with the share-based payments.

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:

Non-executive directors	Executive directors
Steve Killelea (Chairman)	Keith Andrews (CEO, resigned September 2007)
David Boyles	Mark Brayan (CEO, appointed September 2007)
John Brown (appointed July 2007)	
Kate Costello	
Alex Kennedy (resigned July 2007)	
Clyde McConaghy (appointed December 2007)	

Other key management personnel (full year)	Other key management personnel (part year)
David Leighton (Company Secretary)	Peter Adams (CFO, appointed March 2008)
Kurt Roscow (VP, Americas)	Nathan Brumby (CTO, resigned November 2007)
	Steve Douglas (VP, Europe, resigned December 2007)
	Rick Ferguson (GM, AsiaPac, appointed March 2008)
	Stephen Rorie (CFO, resigned November 2007)
	David Stark, (VP, Europe, appointed March 2008)
	David Taylor (GM AsiaPac, resigned October 2007)

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 understandings 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 understandings 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 Rick Ferguson, General Manager Asia Pacific, has a contract of employment with Integrated Research Limited dated 20 February 2008, which provides for specific notice and severance understandings 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 David Stark, Vice President Europe, has a contract of employment with Integrated Research Limited dated 22 January 2008, which provides for specific notice and severance understandings of up to three months compensation depending on the particular circumstances. Mr Stark can terminate his employment by giving three months 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.

Directors' base fees are presently $45,000 per annum plus compulsory superannuation. The chairman receives the base fee by a multiple of two and the deputy chairman receives the base fee by a multiple of 1.5. Directors' 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		Short Term: Salary & fees $	Short Term: Bonus $	Short Term: Non-cash benefits $	Post-employment: Super-annuation contribution* $	Share-based payments: Value of options (A) $	Other compen-sation: Termina-tion benefit $	Total $	Proportion of remuneration: Perfor-mance related	Proportion of remuneration: Value of options
Directors: Non-executive										
David Boyles	2008	-	-	-	73,575	-	-	73,575	-	-
	2007	67,500	-	-	6,075	-	-	73,575	-	-
John Brown (appointed July 2007)	2008	42,676	-	-	3,841	-	-	46,517	-	-
	2007	-	-	-	-	-	-	-	-	-
Kate Costello	2008	-	-	-	49,050	-	-	49,050	-	-
	2007	-	-	-	49,050	-	-	49,050	-	-
Alex Kennedy (resigned September 2007)	2008	-	-	-	9,997	-	-	9,997	-	-
	2007	-	-	-	49,050	-	-	49,050	-	-
Steve Killelea	2008	90,000	-	-	8,100	-	-	98,100	-	-
	2007	90,000	-	-	8,100	-	-	98,100	-	-
Clyde McConaghy (appointed December 2007)	2008	-	-	-	28,613	-	-	28,613		
	2007	-	-	-	-	-	-	-	-	-
Ian Winlaw (resigned December 2006)	2008	-	-	-	-	-	-	-	-	-
	2007	22,500	-	-	2,025	-	-	24,525	-	-
Directors: Executive										
Keith Andrews (resigned September 2007)	2008	86,886	-	12,136	5,444	-	250,000	354,466	-	-
	2007	369,565	50,000	58,541	32,662	7,500	-	518,268	11%	1%
Mark Brayan (appointed September 2007)	2008	329,556	85,000	2,833	13,149	6,216	-	436,754	21%	1%
	2007	-	-	-	-	-	-	-	-	-

* Superannuation contribution contain salary sacrifice.

In AUD		Short Term: Salary & fees $	Bonus $	Non-cash benefits $	Post-employment: Super-annuation contribution $	Share-based payments: Value of options (A) $	Other compen-sation: Termina-tion benefit $	Total $	Proportion of remuneration: Perfor-mance related	Value of options
Executive officers (excluding directors)										
The Company										
Peter Adams (appointed March 2008)	2008	58,221	11,250	-	5,240	754	-	75,465	15%	1%
	2007	-	-	-	-	-	-	-	-	-
Nathan Brumby (resigned November 2007)	2008	110,140	30,500	2,446	5,057	-	-	148,143	21%	-
	2007	209,944	74,754	-	9,104	1,777	-	295,579	25%	1%
Rick Ferguson (appointed March 2008)	2008	44,818	17,500	-	4,163	547	-	67,028	26%	1%
	2007	-	-	-	-	-	-	-	-	-
David Leighton	2008	102,500	-	-	4,050	1,020	-	107,570	-	1%
	2007	33,750	-	-	-	-	-	33,750	-	-
Stephen Rorie (resigned November 2007)	2008	124,817	20,000	19,229	5,287	-	-	169,333	12%	-
	2007	219,732	48,750	31,044	11,629	2,192	-	313,347	16%	1%
David Taylor (resigned October 2007)	2008	58,198	10,477	-	4,090	-	50,000	122,765	9%	-
	2007	121,127	59,712	4,088	13,646	1,433	-	200,006	30%	1%
Consolidated										
Steve Douglas (resigned December 2007)	2008	115,762	60,954	-	-	-	-	176,716	34%	-
	2007	210,488	130,693	-	-	513	-	341,694	38%	-
Kurt Roscow	2008	187,881	116,863	-	-	539	-	305,283	38%	-
	2007	192,771	173,039	-	-	540	-	366,350	47%	-
David Stark (appointed March 2008)	2008	91,386	33,708	-	-	953	-	126,047	27%	-
	2007	-	-	-	-	-	-	-	-	-
Total compensation: key management (consolidated)	2008	1,442,841	386,252	36,644	219,656	10,029	300,000	2,395,422		
	2007	1,537,377	536,948	93,673	181,341	13,955	-	2,363,294		
Total compensation: key management (company)	2008	1,047,812	174,727	36,644	219,656	8,537	300,000	1,787,376		
	2007	1,134,118	233,216	93,673	181,341	12,902	-	1,655,250		

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	85,000	43%	57%
Executives			
Peter Adams	11,250	90%	10%
Steve Douglas	60,954	62%	38%
Rick Ferguson	17,500	50%	50%
Stephen Rorie	20,000	80%	20%
Kurt Roscow	116,863	63%	37%
David Stark	33,708	63%	37%
David Taylor	10,477	32%	68%

(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 2008 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

Details of options over ordinary shares in the company that were granted as compensation to each key management person during the reporting period and details on options that were vested during the reporting period are as follows:

Executives	Number of options granted in 2008	Grant date	Number of options vested during 2008	Fair value of option at grant date	Exercise price per option	Expiry date
Peter Adams	350,000	Mar 2008	-	$0.17	$0.38	Feb 2013
Mark Brayan	1,000,000	Sep 2007	-	$0.14	$0.42	Sep 2012
Rick Ferguson	300,000	Apr 2008	-	$0.17	$0.38	Apr 2013
David Stark	350,000	Mar 2008	-	$0.17	$0.43	Mar 2013

No options have been granted to named executives since the end of the financial year. The above options were provided at no cost to the recipients.

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 profit after tax performance hurdles.

Further details, including grant dates and exercise dates regarding options granted to executives under the ESOP are in note 18 to the financial statements.

Exercise of options granted as compensation

During the reporting year the following shares were issued on the exercise of options previously granted as compensation:

Executive	Number of shares	Amount paid per share
Steve Douglas	11,250	$0.26

There were no amounts unpaid on the shares issued as a result of the exercise of the options.

Analysis of movement in options

The movement during the reporting period, by value, of options over ordinary shares in the company held by each company director and each of the named company executives and relevant group executives is detailed below:

	Value of options			
In AUD	Granted in year (A) $	Exercised in year (B) $	Forfeited in year (C) $	Total options value in year (D) $
Directors				
Mark Brayan	140,000	-	-	6,216
Executives				
Peter Adams	59,500	-	-	754
Steve Douglas	-	2,925	-	-
Rick Ferguson	51,000	-	-	547
Kurt Roscow	-	-	-	13,648
David Stark	59,500	-	-	953
	310,000	**2,925**	**-**	**22,118**

(A) The value of options granted in the year is the fair value of the options calculated at the grant date using a binomial option-pricing model. The total value of the options granted is included in the table above. This amount is allocated to remuneration over the vesting period, and is before adjusting the value for the probability the options will vest.

(B) The value of options exercised during the year is calculated as the market price of shares of the company on the Australian Stock Exchange as at the close of trading on the date the options were exercised after deducting the price paid to exercise the option.

(C) There were no options forfeited during the year, except for those held by executives whose employment was terminated during the year. No value has been assigned to those options as either the exercise price exceeded the market price of the company's shares, or had not vested.

(D) Total options value in year represents the fair value of options granted apportioned over the vesting period, adjusting the value for the probability the options will vest.

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 vests	Min (B)	Max (C)
Directors							
Mark Brayan	1,000,000	Sep 2007	-	-	2012	nil	$140,000
Keith Andrews	1,000,000	Aug 2006	-	100%	-	nil	n/a
Executives							
Peter Adams	350,000	Mar 2008	-	-	2013	nil	$59,500
Stephen Rorie	300,000	Aug 2006	-	100%	-	nil	n/a
Rick Ferguson	300,000	Apr 2008	-	-	2013	nil	$51,000
David Stark	350,000	Mar 2008	-	-	2013	nil	$59,500

(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 formulating 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 ensuring 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 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 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, plus strategy 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 the CEO's report, financial reports, strategic matters, governance and compliance. Submissions are circulated in advance. Executives are regularly involved in board discussions and directors have other opportunities, including visits to operations, for contact with a wider group of employees.

Corporate Governance Statement

During the 2008 financial year the board undertook a formal performance evaluation of itself and of individual directors and the Chairman to identify governance and performance strengths and areas for improvement. The Chairman discussed individual director results with each director agreeing appropriate development actions, and tabled his own results for discussion and agreement with the board. The board implemented changes to its governance practices as a consequence of the evaluation. The board increased the scheduling of executive presentation sessions at board meetings to ensure the board is continuously updated on operational and strategic issues and has the opportunity to meet and work with management in Australia from the company's overseas operations.

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 of 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 page 14 of this report.

The company's constitution provides for the board to consist of between three and twelve members. At 30 June 2008 the board members were comprised as follows:

- **Mr Steve Killelea –** non executive director (Chairman).
- **Mr David Boyles –** independent non executive director (Deputy Chairman).
- **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 Alex Kennedy retired from his position as an independent non executive director in September 2007. Mr John Brown was appointed as an independent non executive director in July 2007 and Mr Clyde McConaghy was appointed as a non executive director in December 2007. Mr McConaghy is Managing Director of Smarter Capital Pty Limited, another company associated with Mr Steve Killelea, Chairman of Integrated Research.

Mr Keith Andrews resigned from his position of executive director in September 2007 and Mr Mark Brayan was appointed as an executive director in September 2007.

Following the appointment of Mr McConaghy, the Board consists of three independent non executive directors, two non executive directors who are not independent (Mr McConaghy and Mr Killelea) and one executive director (Mr Brayan). This does not comply with the ASX Corporate Governance Council recommendation that the majority of directors be independent. However, the board considers the appointment of Mr McConaghy who has two decades of international strategic market development experience in the technology, media and online industries, to be beneficial to the company and that he will exercise independent judgement as a non executive director.

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 considers the appointment of Mr Killelea to be beneficial to the company and will enable it to continue to build on the experience and knowledge gained through his long involvement with Integrated Research and his associations throughout the information industry. Mr Killelea founded Integrated Research in 1988 and was the CEO and managing director of the company until his retirement in November 2004. The board recognises the need for directors to exercise unfettered and independent judgement and in September 2005 appointed Mr David Boyles as deputy chairman. In this role Mr Boyles acts as lead independent director.

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 chief executive officer 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 will, in conjunction with the board, determine the selection criteria for the position based on the skills deemed necessary for the board to best carry out its responsibilities. The committee would then select a panel of candidates and the board would then appoint 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:

- Kate Costello (Chairperson) – Independent Non-Executive
- David Boyles – Independent Non-Executive
- Steve Killelea – Non-Executive

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

Audit Committee

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

The members of the Audit Committee during the year were:

- David Boyles (Chairman until February 2008) – Independent Non-Executive
- John Brown (appointed in July 2007 and Chairman from February 2008) – Independent Non-Executive
- Kate Costello – Independent Non-Executive (until April 2008)
- Clyde McConnaghy (appointed April 2008)

The external auditor, chief executive officer and chief financial officer are invited to Audit 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 21.

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 2008 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 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 Committee include:

› Reviewing the annual and half-year financial reports and other financial information distributed externally, including new accounting policies to ensure compliance with Australian Accounting Standards and generally accepted accounting principles.

› Assessing whether non-audit services provided by the external auditor are consistent with maintaining the external auditor's independence. Each reporting period the external auditor provides a declaration of independence.

› Providing advice to the board in respect of whether provision of the non-audit services by the external auditor is compatible with the general standards of independence of auditors imposed by the Corporations Act 2001.

› Reviewing the nomination and performance of the external auditor.

› Monitoring the establishment of an appropriate internal control framework, and appropriate ethical standards.

› Monitoring the procedures to ensure compliance with the Corporations Act 2001 and ASX Listing Rules and all other regulatory requirements.

› Addressing any matters outstanding with auditors, Australian Tax Office, overseas tax authorities, Australian Securities and Investments Commission and financial institutions.

The Audit 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.

The full board has retained responsibility for monitoring the corporate risk assessment processes and fraud control.

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:

- Steve Killelea (Chairman) – Non-Executive
- Keith Andrews (resigned September 2007) – Executive
- Mark Brayan (appointed September 2007) – Executive
- David Boyles – Independent Non-Executive
- Kate Costello – Independent Non-Executive

The Strategy Committee is responsible for:

- Working with management on the articulation of any strategic plan for recommendation to the board.
- Assisting in identifying and assessing strategic opportunities including:
  - Mergers and acquisitions proposals
  - Intellectual property developments or acquisitions
  - Changes in business models
  - Partnering arrangements
  - Entry into new markets
- Staying close to business challenges and risks
- Recommending specific (eg product) strategies, including business cases and mechanisms to measure progress results, to the board.

The Committee met once during the year under review.

Risk management

The board reviews the status of business risks to the consolidated entity through integrated risk management programs ensuring risks are identified, assessed and appropriately managed. 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.
- Operating unit controls – Operating units are required to confirm compliance with financial controls and procedures including information systems controls detailed in procedures manuals.
- 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

Directors 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 company and consolidated entity are set out in Note 27.

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.

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Financial Report

Income statements

For the year ended 30 June 2008

		Consolidated		The Company	
In thousands of AUD	Notes	2008	2007	2008	2007
Revenue					
Revenue from licence fees		19,623	19,517	13,299	13,109
Revenue from maintenance fees		16,344	15,856	11,603	9,408
Revenue from consulting and other services		1,417	1,004	759	421
Total revenue		37,384	36,377	25,661	22,938
Research and development expenses		8,717	6,369	8,717	6,369
Sales and marketing expenses		17,114	18,923	7,874	8,145
General and administration expenses		4,345	4,103	2,958	2,693
Total expenses		30,176	29,395	19,549	17,207
Results from operating activities		7,208	6,982	6,112	5,731
Other income	3	462	471	1,613	280
Profit before tax		7,670	7,453	7,725	6,011
Income tax expense	7	1,894	2,020	1,362	1,319
Profit for the year		5,776	5,433	6,363	4,692
Basic earnings per share (AUD cents)	8	3.47¢	3.27¢		
Diluted earnings per share (AUD cents)	8	3.47¢	3.24¢		

The income statements are to be read in conjunction with the notes to the financial statements set out on pages 50 to 84.

Statements of recognised income and expense

For the year ended 30 June 2008

		Consolidated		The Company	
In thousands of AUD	**Notes**	**2008**	**2007**	**2008**	**2007**
Effective portion of changes in fair value of cash flow hedges	21	-	12	-	12
Foreign exchange translation differences	21	(520)	(523)	-	-
Net income recognised directly in equity		(520)	(511)	-	12
Profit for the year		5,776	5,433	6,363	4,692
Total recognised income and expense for the year		5,256	4,922	6,363	4,704

Other movements in equity arising from transactions with owners as owners are set out in note 21.

The amounts recognised directly in equity are disclosed net of tax – see note 15 for tax effect.

The statements of recognised income and expense are to be read in conjunction with the notes to the financial statements set out on pages 50 to 84.

Balance sheets

As at 30 June 2008

		Consolidated		The Company	
In thousands of AUD	Notes	2008	2007	2008	2007
Current assets					
Cash and cash equivalents	9	11,148	11,704	5,279	5,045
Trade and other receivables	10	10,157	11,300	10,833	10,954
Other current assets	11	1,926	2,014	1,204	1,605
Total current assets		23,231	25,018	17,316	17,604
Non-current assets					
Investments	12	-	-	54	54
Other financial assets	13	1,765	1,670	1,690	1,583
Property, plant and equipment	14	2,405	2,893	2,208	2,454
Deferred tax assets	15	284	249	-	-
Intangible assets	16	12,641	11,365	12,631	11,323
Total non-current assets		17,095	16,177	16,583	15,414
Total assets		40,326	41,195	33,899	33,018
Current liabilities					
Trade and other payables	17	2,448	2,165	1,669	1,255
Provisions	19	1,139	983	938	741
Other current liabilities	20	8,995	10,279	5,534	6,384
Total current liabilities		12,582	13,427	8,141	8,380
Non-current liabilities					
Deferred tax liabilities	15	3,141	2,656	3,141	2,656
Provisions	19	514	497	490	473
Other non-current liabilities	20	298	462	105	232
Total non-current liabilities		3,953	3,615	3,736	3,361
Total liabilities		16,535	17,042	11,877	11,741
Net assets		23,791	24,153	22,022	21,277
Equity					
Issued capital	21	794	680	794	680
Reserves	21	(482)	(570)	509	415
Retained earnings	21	23,479	24,043	20,719	20,182
Total equity		23,791	24,153	22,022	21,277

The balance sheets are to be read in conjunction with the notes to the financial statements set out on pages 50 to 84.

Statements of cash flows

For the year ended 30 June 2008

		Consolidated		The Company	
In thousands of AUD	**Notes**	**2008**	**2007**	**2008**	**2007**
Cash flows from operating activities					
Cash receipts from customers		38,420	40,073	23,541	24,733
Cash paid to suppliers and employees		(31,341)	(31,500)	(18,489)	(17,731)
Cash generated from operations		7,079	8,573	5,052	7,002
Income taxes paid		(1,133)	(935)	(425)	(812)
Net cash provided by operating activities	25	5,946	7,638	4,627	6,190
Cash flows from investing activities					
Payments for property, plant and equipment		(198)	(2,103)	(134)	(1,945)
Payments for intellectual property purchases		(160)	(361)	(160)	(327)
Interest received		462	471	231	280
Dividends received		-	-	1,382	-
Net cash used in investing activities		104	(1,993)	1,319	(1,992)
Cash flows from financing activities					
Proceeds from issuing of shares		114	85	114	85
Payment of dividend	21	(5,826)	(4,152)	(5,826)	(4,152)
Net cash used in financing activities		(5,712)	(4,067)	(5,712)	(4,067)
Net increase in cash and cash equivalents		338	1,578	234	131
Cash and cash equivalents at 1 July		11,704	10,736	5,045	4,914
Effects of exchange rate changes on cash		(894)	(610)	-	-
Cash and cash equivalents at 30 June	9	11,148	11,704	5,279	5,045

The statements of cash flows are to be read in conjunction with the notes to the financial statements set out on 50 to 84.

Notes to the Financial Statements

For the year ended 30 June 2008

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 2008 comprises the Company and its subsidiaries (together referred to as the "consolidated entity").

The financial report was authorised for issue by the directors on 22nd September 2008.

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 reports of the consolidated entity and the company 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 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.

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 a financial report 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.

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 report, but will change the disclosures presently made in relation to the consolidated entity and the company's financial report:

Standard	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 101 'Presentation of Financial Statements' (revised September 2007), AASB 2007-8 'Amendments to Australian Accounting Standards arising from AASB 101'	1 January 2009	30 June 2010
AASB 8 'Operating Segments', AASB 2007-3 'Amendments to Australian Accounting Standards arising from AASB 8'	1 January 2009	30 June 2010
AASB 123 'Borrowing Costs' (revised), AASB 2007-6 'Amendments to Australian Accounting Standards arising from AASB 123'	1 January 2009	30 June 2010
AASB 3 'Business Combinations' (2008), AASB 127 'Consolidated and Separate Financial Statements' and AASB 2008-3 'Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127'	AASB 3 (business combinations occurring after the beginning of annual reporting periods beginning 1 July 2009), AASB 127 and AASB 2008-3 (1 July 2009)	30 June 2010
AASB 2008-1 'Amendments to Australian Accounting Standard - Share-based Payments: Vesting Conditions and Cancellations'	1 January 2009	30 June 2010
AASB 2008-2 'Amendments to Australian Accounting Standards - Puttable Financial Instruments and Obligations arising on Liquidation'	1 January 2009	30 June 2010
AASB Interpretation 12 'Service Concession Arrangements', AASB Interpretation 4 'Determining whether an Arrangement contains a Lease' (revised), AASB Interpretation 129 'Service Concession Arrangements: Disclosure' (revised), AASB 2007-2 'Amendments to Australian Accounting Standards arising from AASB Interpretation 12'	1 January 2008	30 June 2009
AASB Interpretation 13 'Customer Loyalty Programmes'	1 July 2008	30 June 2009
AASB Interpretation 14 'AASB 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction'	1 January 2008	30 June 2009
Improvements to IFRSs (2008)	1 January 2009	30 June 2010
Amendments to IFRS 1 'First-time Adoption of International Financial Reporting Standards' and IAS 27 'Consolidated and Separate Financial Statements - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate'	1 January 2009	30 June 2010
IFRIC 15 'Agreements for the Construction of Real Estate'	1 January 2009	30 June 2010
IFRIC 16 'Hedges of a Net Investment in a Foreign Operation'	1 October 2008	30 June 2010

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial report. Where relevant, the accounting policies applied to the comparative period have been disclosed if they differ from the current period policy.

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.

Investments in subsidiaries are carried at their cost of acquisition in the company's financial statements.

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

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 balance sheet date are translated to Australian dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. 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.

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 balance sheet 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 a separate component of equity.

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 balance sheet 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 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 the income statement 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 income statement.

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 the income statement as an expense 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 the income statement 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 the income statement 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 depreciation on a straight-line basis over 2½ years.

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.

Provision 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 balance sheet 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 the income statement 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 the income statement.

Impairment of receivables is not recognised until objective evidence is available that a loss event has occurred. Significant receivables are individually assessed for impairment. Impairment testing is performed 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 balance date.

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 the income statement 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 balance sheet 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. The amount recognised as an expense is adjusted to reflect the actual number of share options that 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 reporting date, calculated at undiscounted amounts based on remuneration wage and salary rates that the consolidated entity expects to pay as at reporting date including related on-costs, such as, workers compensation insurance and payroll tax.

m) Provisions

A provision is recognised in the balance sheet 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 the income statement 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 the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense and spread over the lease term.

Net financing costs

Net financing costs comprise interest payable on borrowings calculated using the effective interest method, interest receivable on funds invested, dividend income, foreign exchange gains and losses, and gains and losses on hedging instruments that are recognised in the income statement (see accounting policy 1(f)).

q) Segment reporting

A segment is a distinguishable component of the consolidated entity that is engaged in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

r) Income tax

Income tax on the income statement for the periods presented comprises current and deferred tax. Income tax is recognised in the income statement 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 substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for 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 balance sheet 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 income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

s) 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 balance sheet.

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.

t) 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 economic 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.

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.

Note 2. Segment reporting

The consolidated entity operates predominantly in a single business segment, being computer software products business segment. Segment information is presented in respect of the consolidated entity's geographic segments, which are the primary basis of segment reporting. The geographic segment reporting format reflects the consolidated entity's management and internal reporting structure.

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

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise inter segment revenue less unallocated head office expenses, corporate and inter segment assets and liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one period.

The consolidated entity is managed on a worldwide basis, but operates in the following three geographical segments:

- 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, including Head Office revenue and expenses.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

Geographic segments	Americas		Europe		Asia Pacific		Corporate Australia*		Eliminations		Consolidated	
In thousands of AUD	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Sales to customers outside the consolidated entity	23,050	21,672	6,428	6,975	7,358	7,198	548	259	-	273	37,384	36,377
Inter-segment sales	-	-	-	-	-	-	17,555	15,481	(17,555)	(15,481)	-	-
Total segment revenue	23,050	21,672	6,428	6,975	7,358	7,198	18,103	15,740	(17,555)	(15,208)	37,384	36,377
Total revenue											37,384	36,377
Segment results	918	774	202	204	796	326	5,292	5,405	-	273	7,208	6,982
Results from operating activities											7,208	6,982
Financing income											462	471
Income tax expense											(1,894)	(2,020)
Profit for the period											5,776	5,433
Segment assets	15,981	15,351	4,302	5,126	5,473	4,742	28,426	28,276	(13,856)	(12,300)	40,326	41,195
Total assets											40,326	41,195
Segment liabilities	15,121	13,363	3,393	4,207	5,747	4,550	6,130	7,192	(13,856)	(12,270)	16,535	17,042
Total liabilities											16,535	17,042
Capital expenditure	52	53	12	139	29	24	265	2,248	-	-	358	2,464
Total capital expenditure											358	2,464
Depreciation and amortisation expenditure	133	154	54	40	51	40	6,436	4,526	-	-	6,674	4,760
Total depreciation and amortisation expenditure											6,674	4,760

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

Note 3. Other income

In thousands of AUD	Consolidated 2008	Consolidated 2007	The Company 2008	The Company 2007
Interest income	462	471	231	280
Dividends received	-	-	1,382	-
	462	471	1,613	280

Note 4. Expenses

Total expenses include:

In thousands of AUD	Notes	Consolidated 2008	Consolidated 2007	The Company 2008	The Company 2007
Depreciation and amortisation		6,674	4,760	6,487	4,566
Operating lease rental expenses		1,304	1,316	940	919
Net foreign exchange (gain)/loss		273	63	(32)	150

Note 5. Personnel expenses

In thousands of AUD	Notes	Consolidated 2008	Consolidated 2007	The Company 2008	The Company 2007
Wages and salaries		21,666	19,165	13,705	11,069
Other associated personnel expenses		1,226	1,972	1,005	1,504
Superannuation contributions		837	818	837	818
Employee options and share grant	18	174	85	174	85
Increase in liability for annual leave		167	35	208	86
Increase in liability for long service leave		6	71	6	71
		24,076	22,146	15,935	13,633

Personnel expenses are shown before the capitalisation of development costs.

Note 6. Auditors' remuneration

2008 – Deloitte Touche Tohmatsu

2007 – DTT NSW

	Consolidated		The Company	
In thousands of AUD	**2008**	**2007**	**2008**	**2007**
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	129,335	129,000	86,654	87,000
Other auditors	25,521	-	-	-
Remuneration for other services by the auditors of the Company or any entity in the consolidated entity:				
Taxation services:				
Auditors of the company	47,544	27,500	47,544	12,000
Other auditors	2,813	-	-	-
Other services:				
Auditors of the company (sundry accounting advice)	9,495	5,000	9,495	5,000

Note 7. Income tax expense

Recognised in the income statement

		Consolidated		The Company	
In thousands of AUD	**Note**	**2008**	**2007**	**2008**	**2007**
Current tax expense:					
Current year		1,388	1,071	806	768
Prior year adjustments		56	353	71	156
		1,444	1,424	877	924
Deferred tax expense:					
Origination and reversal of temporary differences	15	450	596	485	395
Total income tax expense in income statement		1,894	2,020	1,362	1,319

Note 7. Income tax expense (continued)

Numerical reconciliation between income tax expense and profit before tax

In thousands of AUD	Consolidated 2008	Consolidated 2007	The Company 2008	The Company 2007
Profit before tax	7,670	7,453	7,725	6,011
Income tax using the domestic corporate tax rate of 30%	2,301	2,236	2,318	1,804
Increase in income tax expense due to:				
Non-deductible expenses	98	84	46	41
Effect of tax rates in foreign jurisdictions	97	29	-	-
Decrease in income tax expense due to:				
R&D tax incentive	(658)	(682)	(658)	(682)
Foreign sourced income (net of expense)	-	-	(415)	-
Prior year adjustments	56	353	71	156
Income tax expense	1,894	2,020	1,362	1,319

Note 8. Earnings per share

The calculation of basic and diluted earnings per share at 30 June 2008 was based on the profit attributable to ordinary shareholders of $5,776,000 (2007: $5,433,000); a weighted number of ordinary shares outstanding during the year ended 30 June 2008 of 166,504,416 (2007: 166,020,868); and a weighted number of ordinary shares (diluted) outstanding during the year ended 30 June 2008 of 166,600,781(2007:167,401,517), calculated as follows:

In thousands of AUD	Consolidated 2008	Consolidated 2007
Profit for the year	5,776	5,433

Weighted average number of shares used as the denominator

(Number)	Consolidated 2008	Consolidated 2007
Number for basic earnings per share:		
Ordinary shares	166,504,416	166,020,868
Effect of employee share options on issue	96,365	1,380,649
Number for diluted earnings per share	166,600,781	167,401,517
Basic earnings per share (AUD cents)	3.47¢	3.27¢
Diluted earnings per share (AUD cents)	3.47¢	3.24¢

Note 9. Cash and cash equivalents

	Consolidated		The Company	
In thousands of AUD	**2008**	**2007**	**2008**	**2007**
Cash at bank and on hand	11,148	11,704	5,279	5,045

Note 10. Trade and other receivables

	Consolidated		The Company	
In thousands of AUD	**2008**	**2007**	**2008**	**2007**
Trade debtors	10,576	11,606	1,508	3,628
Less: Allowance for doubtful debts	(187)	-	(80)	-
Less: Provision for returns	(333)	(402)	(41)	(97)
	10,056	11,204	1,387	3,531
GST receivable	101	96	101	96
Receivable from controlled entities	-	-	9,345	7,327
	10,157	11,300	10,833	10,954

The credit period on sales ranges from 30 to 90 days. No interest is charged on trade debtors.

Ageing of past due but not impaired:

	Consolidated		The Company	
In thousands of AUD	**2008**	**2007**	**2008**	**2007**
Past due 90 days	2,047	1,912	87	666

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

	Consolidated		The Company	
In thousands of AUD	**2008**	**2007**	**2008**	**2007**
Balance at beginning of year	-	-	-	-
Amounts written off during the year	-	-	-	-
Increase/(decrease) in provision	187	-	80	-
Balance end of year	187	-	80	-

The allowance for doubtful debts has been estimated based upon specific debtor accounts where the estimated future cashflow is less than the carrying amount. For all other accounts that are greater than 90 days past due, no further provisioning has been made as a result of historical collection patterns.

Note 11. Other current assets

	Consolidated		The Company	
In thousands of AUD	2008	2007	2008	2007
Franking deficit tax offset benefit	292	788	292	789
Income taxes receivable	1,006	744	570	525
Other prepayments	628	482	342	291
	1,926	2,014	1,204	1,605

Note 12. Investments

	Consolidated		The Company	
In thousands of AUD	2008	2007	2008	2007
Shares in controlled entities at cost (refer Note 24)	-	-	54	54

Note 13. Other financial assets

	Consolidated		The Company	
In thousands of AUD	2008	2007	2008	2007
Deposits	1,765	1,670	1,690	1,583

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 14. Property, plant and equipment

Plant and Equipment	Consolidated		The Company	
In thousands of AUD	2008	2007	2008	2007
Carrying amount at start of year	835	869	682	624
Additions	193	453	129	369
Depreciation expense	(341)	(487)	(250)	(311)
Carrying amount at end of year	687	835	561	682

Leasehold Improvements	Consolidated		The Company	
In thousands of AUD	2008	2007	2008	2007
Carrying amount at start of year	2,058	268	1,772	48
Additions	5	2,017	5	1,945
Disposals	(151)	(21)	-	(21)
Depreciation expense	(194)	(206)	(130)	(200)
Carrying amount at end of year	1,718	2,058	1,647	1,772

Carrying amounts	Consolidated			The Company		
In thousands of AUD	Plant and Equipment	Leasehold Improvements	Total	Plant and Equipment	Leasehold Improvements	Total
Balance at 30 June 2007	835	2,058	2,893	682	1,772	2,454
Balance at 30 June 2008	687	1,718	2,405	561	1,647	2,208

Note 15. Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Consolidated	Assets		Liabilities		Net	
In thousands of AUD	2008	2007	2008	2007	2008	2007
Property, plant and equipment	50	86	-	-	50	86
Intangible assets	-	67	3,754	3,280	(3,754)	(3,214)
Trade and other payables	67	23	-	-	67	23
Employee benefits	372	315	-	-	372	315
Provisions	281	259	-	-	281	259
Other current liabilities	40	18	13	10	27	9
Unrealised foreign exchange loss	100	115	-	-	100	115
Deferred tax assets/liabilities	910	883	3,767	3,290	(2,857)	(2,407)
Set off of deferred tax asset	(626)	(634)	(626)	(634)	-	-
Net deferred tax assets/liabilities	284	249	3,141	2,656	(2,857)	(2,407)

The Company	Assets		Liabilities		Net	
In thousands of AUD	2008	2007	2008	2007	2008	2007
Property, plant and equipment	37	29	-	-	37	29
Intangible assets	-	66	3,754	3,280	(3,754)	(3,214)
Trade and other payables	26	23	-	-	26	23
Employee benefits	318	256	-	-	318	256
Provisions	145	145	-	-	145	145
Other current liabilities	-	-	13	10	(13)	(10)
Unrealised foreign exchange loss	100	115	-	-	100	115
Deferred tax assets/liabilities	626	634	3,767	3,290	(3,141)	(2,656)
Set off of deferred tax asset	(626)	(634)	(626)	(634)	-	-
Net deferred tax assets/liabilities	-	-	3,141	2,656	(3,141)	(2,656)

Note 15. Deferred tax assets and liabilities (continued)

Movement in temporary differences during the year:

For year ended 30 June 2008	Consolidated			The Company		
In thousands of AUD	Balance 1 Jul 07	Recognised in income	Balance 30 Jun 08	Balance 1 Jul 07	Recognised in income	Balance 30 Jun 08
Property, plant and equipment	86	(36)	50	29	8	37
Intangible assets	(3,214)	(540)	(3,754)	(3,214)	(540)	(3,754)
Trade and other payables	23	44	67	23	3	26
Employee benefits	315	57	372	256	62	318
Provisions	259	22	281	145	-	145
Other current liabilities	9	18	27	(10)	(3)	(13)
Unrealised foreign exchange loss	115	(15)	100	115	(15)	100
	(2,407)	(450)	(2,857)	(2,656)	(485)	(3,141)

For year ended 30 June 2007	Consolidated			The Company		
In thousands of AUD	Balance 1 Jul 06	Recognised in income	Balance 30 Jun 07	Balance 1 Jul 06	Recognised in income	Balance 30 Jun 07
Trade and other receivables	4	(4)	-	4	(4)	-
Property, plant and equipment	56	30	86	-	29	29
Intangible assets	(2,654)	(560)	(3,214)	(2,654)	(560)	(3,214)
Trade and other payables	257	(234)	23	-	23	23
Employee benefits	370	(55)	315	272	(16)	256
Provisions	105	154	259	96	49	145
Other current liabilities	51	(42)	9	21	(31)	(10)
Unrealised foreign exchange loss	-	115	115	-	115	115
	(1,811)	(596)	(2,407)	(2,261)	(395)	(2,656)

There were no deferred tax adjustments recognised directly in equity (2007: $ nil).

Note 16. Intangible assets

The amortisation and impairment charge is recognised in the following line item in the income statement:

	Consolidated		The Company	
In thousands of AUD	2008	2007	2008	2007
Research and development expenses	6,138	4,067	6,107	4,055
	6,138	4,067	6,107	4,055

Cost	Consolidated				The Company			
In thousands of AUD	Software development	Patents & trade-marks	Third party software	Total	Software development	Patents & trade-marks	Third party software	Total
Balance at 1 July 2006	13,916	33	546	14,495	13,916	-	484	14,400
Fully amortised & offset	(23)	-	-	(23)	(23)	-	-	(23)
Internally developed	5,454	-	-	5,454	5,454	-	-	5,454
Acquired	16	-	395	411	16	-	350	366
Balance at 30 June 2007	19,363	33	941	20,337	19,363	-	834	20,197
Balance at 1 July 2007	19,363	33	941	20,337	19,363	-	834	20,197
Internally developed	7,255	-	-	7,255	7,255	-	-	7,255
Acquired	-	-	160	160	-	-	160	160
Balance at 30 June 2008	26,618	33	1,101	27,752	26,618	-	994	27,612

Amortisation	Consolidated				The Company			
In thousands of AUD	Software development	Patents & trade-marks	Third party software	Total	Software development	Patents & trade-marks	Third party software	Total
Balance at 1 July 2006	4,358	24	546	4,928	4,358	-	484	4,842
Fully amortised & offset	(23)	-	-	(23)	(23)	-	-	(23)
Amortisation for year	3,992	1	74	4,067	3,992	-	63	4,055
Balance at 30 June 2007	8,327	25	620	8,972	8,327	-	547	8,874
Balance at 1 July 2007	8,327	25	620	8,972	8,327	-	547	8,874
Fully amortised & offset								
Amortisation for year	5,874	8	257	6,139	5,874	-	233	6,107
Balance at 30 June 2008	14,201	33	877	15,111	14,201	-	780	14,981

Note 16. Intangible assets (continued)

Carrying amounts	Consolidated				The Company			
In thousands of AUD	Software develop-ment	Patents & trade-marks	Third party software	Total	Software develop-ment	Patents & trade-marks	Third party software	Total
Balance at 30 June 2007	11,036	8	321	11,365	11,036	-	287	11,323
Balance at 30 June 2008	12,417	-	224	12,641	12,417	-	214	12,631

Note 17. Trade and other payables

	Consolidated		The Company	
In thousands of AUD	2008	2007	2008	2007
Payable to controlled entities	-	-	-	68
Trade and other creditors	2,448	2,165	1,669	1,187
	2,448	2,165	1,669	1,255

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

Note 18. Employee benefits

Current

	Consolidated		The Company	
In thousands of AUD	2008	2007	2008	2007
Liability for untaken annual leave	983	816	782	574
Liability for long service leave	156	167	156	167
	1,139	983	938	741

Non-current

	Consolidated		The Company	
In thousands of AUD	2008	2007	2008	2007
Liability for long service leave	130	113	130	113

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.

The terms and conditions of the grants made and number outstanding at 30 June 2008 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
Aug 2003	$0.22	115,250	May 2006	$0.41	654,000
Feb 2004	$0.26	198,510	Aug 2006 (*)	$0.44	170,000
Apr 2004 (*)	$0.46	300,000	Jan 2007 (*)	$0.50	160,000
May 2004	$0.33	205,365	Jun 2007	$0.48	848,000
Jul 2004	$0.40	278,000	Sep 2007 (*)	$0.42	1,000,000
Nov 2004	$0.57	400,000	Mar 2008 (*)	$0.38	350,000
Feb 2005	$0.52	336,500	Mar 2008 (*)	$0.43	350,000
Apr 2005 (*)	$0.46	200,000	Apr 2008 (*)	$0.38	300,000
Sep 2005	$0.54	510,000			

Note 18. Employee benefits (continued)

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

	Weighted Average exercise price	Number of options	Weighted Average exercise price	Number of options
In thousands of AUD	**2008**	**2008**	**2007**	**2007**
Outstanding at the beginning of the year	$0.44	7,280	$0.45	7,824
Forfeited during the year	$0.48	(2,371)	$0.51	(2,960)
Exercised during the year	$0.21	(533)	$0.28	(298)
Granted during the year	$0.41	2,000	$0.47	2,714
Outstanding at the end of the year	$0.44	6,376	$0.44	7,280
Exercisable at the end of the year (vested)	$0.44	2,607	$0.48	3,349

The options outstanding at 30 June 2008 have an exercise price in the range of $0.22 to $0.57 and a weighted average contractual life of five years.

During the year ended 30 June 2008, 532,605 options were exercised (2007: 298,020).

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.

Fair value of share options and assumptions

For year ended 30 June 2008				
Grant date	9 Sept 07	3 Mar 08	31 Mar 08	14 Apr 08
Fair value at measurement date	$0.14	$0.16	$0.13	$0.16
Share price	$0.42	$0.38	$0.43	$0.38
Exercise price	$0.42	$0.38	$0.43	$0.38
Expected volatility (expressed as weighted average volatility used in the modelling under the Binomial formula)	65%	64%	64%	64%
Option life (expressed as weighted average life used in the modelling under the Binomial formula)	5 years	5 years	5 years	5 years
Expected dividends	5%	5%	5%	5%
Risk-free interest rate (based on national government bonds)	7.25%	7.25%	7.25%	7.25%

Fair value of share options and assumptions

For year ended 30 June 2007					
Grant date	7 Aug 2006	15 Aug 2006	1 Nov 2006	23 Jan 2007	23 Jan 2007
Fair value at measurement date	$0.14	$0.16	$0.19	$0.18	$0.17
Share price	$0.44	$0.46	$0.57	$0.50	$0.48
Exercise price	$0.44	$0.46	$0.57	$0.50	$0.48
Expected volatility (expressed as weighted average volatility used in the modelling under the Binomial formula)	47%	47%	46%	46%	46%
Option life (expressed as weighted average life used in the modelling under the Binomial formula)	5 years	5 years	5 years	5 years	5 years
Expected dividends	5%	5%	5%	5%	5%
Risk-free interest rate (based on national government bonds)	5%	5%	5%	5%	5%

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 2008, the company and consolidated entity recognised expense of $174,000 related to the fair value of options granted (2007: $85,000 in company and consolidated entity).

Note 19. Provisions

Current

In thousands of AUD	Consolidated 2008	Consolidated 2007	The Company 2008	The Company 2007
Employee benefits	1,139	983	938	741

Non-current

In thousands of AUD	Consolidated 2008	Consolidated 2007	The Company 2008	The Company 2007
Employee benefits	130	113	130	113
Lease make good	360	360	360	360
Other	24	24	-	-
	514	497	490	473

Note 20. Other liabilities

Current

In thousands of AUD	Consolidated 2008	Consolidated 2007	The Company 2008	The Company 2007
Deferred revenue	8,995	10,279	5,534	6,384

Non-current

In thousands of AUD	Consolidated 2008	Consolidated 2007	The Company 2008	The Company 2007
Deferred revenue	298	462	105	232

Note 21. Capital and reserves

Reconciliation of movement in capital and reserves attributed to equity holders in the parent:

Consolidated In thousands of AUD	Share capital	Hedging reserve	Translation reserve	Employee benefit reserve	Retained earnings	Total
Balance at 1 July 2006	538	(12)	(462)	482	22,662	23,208
Total recognised income and expense	-	12	(523)	-	5,433	4,922
Expensed employee options	-	-	-	85	-	85
Lapsed employee options	-	-	-	(100)	100	-
Shares issued	142	-	-	(52)	-	90
Dividends to shareholders	-	-	-	-	(4,152)	(4,152)
Balance at 30 June 2007	680	-	(985)	415	24,043	24,153
Balance at 1 July 2007	680	-	(985)	415	24,043	24,153
Total recognised income and expense	-	-	(520)	-	5,776	5,256
Transfer from translation reserve to retained earnings	-	-	514	-	(514)	-
Expensed employee options	-	-	-	174	-	174
Shares issued	114	-	-	(80)	-	34
Dividends to shareholders	-	-	-	-	(5,826)	(5,826)
Balance at 30 June 2008	794	-	(991)	509	23,479	23,791

The Company In thousands of AUD	Share capital	Hedging reserve	Translation reserve	Employee benefit reserve	Retained earnings	Total
Balance at 1 July 2006	538	(12)	-	482	19,542	20,550
Total recognised income and expense	-	12	-	-	4,692	4,704
Expensed employee options	-	-	-	85	-	85
Lapsed employee options	-	-	-	(100)	100	-
Shares issued	142	-	-	(52)	-	90
Dividends to shareholders	-	-	-	-	(4,152)	(4,152)
Balance at 30 June 2007	680	-	-	415	20,182	21,277
Balance at 1 July 2007	680	-	-	415	20,182	21,277
Total recognised income and expense	-	-	-	-	6,363	6,363
Expensed employee options	-	-	-	174	-	174
Shares issued	114	-	-	(80)	-	34
Dividends to shareholders	-	-	-	-	(5,826)	(5,826)
Balance at 30 June 2008	794	-	-	509	20,719	22,022

Note 21. Capital and reserves (continued)

Share capital

In thousands of shares	Ordinary shares 2008	2007
On issue 1 July	166,203	165,905
Issued for cash against employee options exercised under ESOP	532	298
On issue 30 June	166,735	166,203

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 Company'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 18 for further detail.

Dividends

Dividends paid in the current year by the company are:

In thousands of AUD	Cents per share	Total amount	Franked/unfranked	Date of payment
2008				
Final 2007	2.0¢	3,326	Unfranked	14 Sep 07
Interim 2008	1.5¢	2,500	Unfranked	7 Mar 08
Total amount		5,826		
2007				
Final 2006	1.5¢	2,490	Unfranked	15 Sep 06
Interim 2007	1.0¢	1,662	Unfranked	16 Mar 07
Total amount		4,152		

After the balance sheet date, 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 2008 and will be recognised in subsequent financial reports:

In thousands of AUD	Cents per share	Total amount	Franked/ unfranked	Date of payment
Final 2008	1.5	2,501	Unfranked	12 Sep 08

Note 22. Financial instruments

Capital risk management

The company and 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 company and 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 9 and 21 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 company and consolidated entity's financial management framework. The Board has an established Audit 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.

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

The company and 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 company and 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 company and consolidated entity does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Note 22. Financial instruments (continued)

Market risk

The company and consolidated entity's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. The company and 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 company and 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 company and 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 its functional currency are as follows:

In thousands of AUD	Consolidated				The Company			
	Liabilities		Assets		Liabilities		Assets	
	2008	2007	2008	2007	2008	2007	2008	2007
US Dollar	-	-	1,201	2,662	-	-	9,108	8,258
UK Sterling	-	-	-	-	-	-	1,437	1,730

(i) Foreign currency sensitivity

At 30 June 2008, if the US Dollar 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:

In thousands of AUD	USD Impact				UK Sterling Impact			
	Consolidated		The Company		Consolidated		The Company	
	2008	2007	2008	2007	2008	2007	2008	2007
Net profit	133	295	1,012	918	158	193	158	193
Retained earnings	133	295	1,012	918	158	193	158	193

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 2008 and 30 June 2007.

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. These entities transact primarily in their functional currency and do not have significant foreign currency exposures due to outstanding foreign currency denominated items. As stated in the company and 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 balance sheet 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 company and consolidated entity's future reported profits could therefore be impacted by changes in rates of exchange between the Australian Dollar and the United States Dollar and the Australian Dollar and the UK Sterling.

(ii) Forward foreign exchange contracts

The company and 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 and UK Sterling.

The company and consolidated entity uses forward exchange contracts to hedge its foreign currency risk. The forward exchange contracts have maturities of less than one year after the balance sheet date. Where necessary, the forward exchange contracts are rolled over at maturity.

The company and consolidated entity classifies its forward exchange contracts hedging forecasted transactions as cash flow hedges and measures them at fair value. The fair value of hedge contracts at 30 June 2008 is $nil (30 June 2007: fair value: $Nil). The company and consolidated entity did not have any forward exchange contracts at either 30 June 2008 or 30 June 2007.

Interest rate risk management

The company and the consolidated entity are not exposed to interest rate risk due to the absence of interest bearing debt, other than cash in bank.

Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the company and consolidated entity. The company and 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.

The company and 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.

Note 22. Financial instruments (continued)

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 company and consolidated entity's short, medium and long-term funding and liquidity management requirements.

The company and 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 17 for both 2008 and 2007 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 company and consolidated entity is a reasonable approximation of their fair value.

Note 23. Operating leases

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

	Consolidated		The Company	
In thousands of AUD	2008	2007	2008	2007
Less than one year	1,016	1,120	813	813
Between one and five years	3,371	4,072	2,983	3,254
Greater than five years	-	542	-	542
	4,387	5,374	3,796	4,609

Note 24. Consolidated entities

	Country of incorporation	Ownership interest	
		2008	2007
Parent entity:			
Integrated Research Limited	Australia		
Subsidiaries:			
Integrated Research, Inc	USA	100%	100%
Integrated Research UK Limited	UK	100%	100%

In the financial statements of the company, investments in controlled entities are measured at cost.

Note 25. Reconciliation of cash flows from operating activities

	Consolidated		The Company	
In thousands of AUD	2008	2007	2008	2007
Profit for the year	5,776	5,433	6,363	4,692
Depreciation and amortisation	6,674	4,760	6,487	4,566
Provision for doubtful debts	187	112	80	59
Allowance for returns	(69)	-	(56)	-
Interest received	(462)	(471)	(231)	(280)
Dividend received	-	-	(1,382)	-
Net exchange differences	894	(62)	-	(150)
Change in operating assets and liabilities:				
(Increase)/decrease in trade debtors	1,030	4,308	2,120	2,977
(Increase)/decrease in future income tax benefit	(35)	395	-	-
(Increase)/decrease in other operating assets	(7,086)	(5,923)	(8,984)	(5,877)
Increase/(decrease) in trade creditors	253	(213)	414	426
Increase/(decrease) in other operating liabilities	(1,448)	436	(977)	492
Increase/(decrease) in provision for income taxes payable	-	(926)	-	(429)
Increase/(decrease) in provision for deferred income taxes	485	201	485	(395)
Increase/(decrease) in other provisions	173	72	214	70
Increase/(decrease) in reserves	(426)	(484)	94	39
Net cash from operating activities	5,946	7,638	4,627	6,190

Note 26. 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:

Non-executive directors	Executive directors
Steve Killelea (Chairman)	Keith Andrews (CEO, resigned September 2007)
David Boyles	Mark Brayan (CEO, appointed September 2007)
John Brown (appointed July 2007)	
Kate Costello	
Alex Kennedy (resigned July 2007)	
Clyde McConaghy (appointed December 2007)	

Other key management personnel (full year)	Other key management personnel (part year)
David Leighton (Company Secretary)	Peter Adams (CFO, appointed March 2008)
Kurt Roscow (VP, Americas)	Nathan Brumby (CTO, resigned November 2007)
	Steve Douglas (VP, Europe, resigned December 2007)
	Rick Ferguson (GM, AsiaPac, appointed March 2008)
	Stephen Rorie (CFO, resigned November 2007)
	David Stark, (VP, Europe, appointed March 2008)
	David Taylor (GM AsiaPac, resigned October 2007)

Key management personnel compensation

The key management personnel compensation included in “personnel expenses” (see note 5) are as follows:

	Consolidated		The Company	
In AUD	2008	2007	2008	2007
Short-term benefits	1,865,737	2,167,998	1,259,183	1,461,007
Post-employment benefits	219,656	181,341	219,656	181,341
Termination benefits	300,000	-	300,000	-
Equity compensation benefits	10,029	13,955	8,537	12,902
	2,395,422	2,363,294	1,787,376	1,655,250

Individual directors and executives compensation disclosures

Information regarding individual directors and executives compensation is provided in the remuneration report on pages 26 to 34.

Apart from the details disclosed in this note, no director has entered into a material contract with the company or 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 company or its controlled entities

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 on one month's notice and that the consolidated entity retains the right to terminate the contract immediately by payment in lieu of notice or a severance payment equal to three months remuneration or up to 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 26 to 34.

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

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 2007	Granted as compensation	Exercised	Other changes*	Held at 30 June 2008	Vested during the year	Vested and exercisable at 30 June 2008
Directors							
Keith Andrews	1,000,000		-	(1,000,000)	-	-	-
Mark Brayan	-	1,000,000	-	-	1,000,000	-	-
Executives							
Peter Adams	-	350,000	-	-	350,000	-	-
Nathan Brumby	200,000	-	-	(200,000)	-	-	-
Steve Douglas	300,000	-	(11,250)	(288,750)	-	-	-
Rick Ferguson	-	300,000	-	-	300,000	-	-
Stephen Rorie	300,000	-	-	(300,000)	-	-	-
Kurt Roscow	300,000	-	-	-	300,000	-	75,000
David Stark	-	350,000	-	-	350,000	-	-
David Taylor	200,000	-	-	(200,000)	-	-	-

Note 26. Key management personnel disclosures (continued)

Prior Year	Held at 1 July 2006	Granted as compensation	Exercised	Other changes*	Held at 30 June 2007	Vested during the year	Vested and exercisable at 30 June 2007
Directors							
Keith Andrews	1,000,000	1,000,000	-	(1,000,000)	1,000,000	-	-
Executives							
Nathan Brumby	200,000	-	-	-	200,000	-	-
Steve Douglas	300,000	-	-	-	300,000	75,000	75,000
Stephen Rorie	-	300,000	-	-	300,000	-	-
Kurt Roscow	300,000	-	-	-	300,000	75,000	75,000
David Taylor	-	200,000	-	-	200,000	-	-

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

Options granted as compensation in the current year were:

	Options Granted	Grant Date	Expiration Date	Expiration Date Exercise Price per Share $	Market Value per Share $	Earliest Exercise Date
Peter Adams	350,000	Mar 2008	Feb 2013	$0.38	$0.38	Mar 2009
Mark Brayan	1,000,000	Sep 2007	Sep 2012	$0.42	$0.42	Sep 2008
Rick Ferguson	300,000	Apr 2008	Apr 2013	$0.38	$0.38	Apr 2009
David Stark	350,000	Mar 2008	Mar 2013	$0.43	$0.43	Mar 2009

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 granted as compensation.

There are no amounts unpaid on the shares issued as a result of the exercise of the options.

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 2007	Purchases	Received on exercise of options	Received as compensation	Sales	Held at 30 June 2008
Directors						
Non-executive						
David Boyles	1,700,000	-	-	-	-	1,700,000
John Brown	-	50,000	-	-	-	50,000
Kate Costello	200,000	-	-	-	-	200,000
Alex Kennedy	350,000	-	-	-	-	350,000
Steve Killelea	94,834,951	-	-	-	-	94,834,951
Clyde McConaghy	-	-	-	-	-	-
Executive						
Mark Brayan	-	25,000	-	-	-	25,000

Prior Year	Held at 1 July 2006	Purchases	Received on exercise of options	Received as compensation	Sales	Held at 30 June 2007
Directors						
Non-executive						
David Boyles	1,600,000	100,000	-	-	-	1,700,000
Kate Costello	200,000	-	-	-	-	200,000
Alex Kennedy	350,000	-	-	-	-	350,000
Steve Killelea	94,834,951	-	-	-	-	94,834,951
Executive						
Keith Andrews	145,000	-	-	-	-	145,000

Shareholdings at the date of the Directors' Report remain unchanged.

Other transactions with the company or its controlled entities

There were no other transactions between the key management personnel, or their personally-related entities, and the company or its controlled entities.

Note 27. Related parties

The company has a related party relationship with its subsidiaries (see note 24) and its key management personnel (see note 26).

During the financial year ended 30 June 2008, subsidiaries purchased goods from the Company in the amount of $17,555,000 (2007: $15,481,000) and at 30 June 2008 subsidiaries owed the consolidated entity $9,345,000 (2007: $7,259,000) Refer notes 10 and 17. The net amounts owed are non interest bearing and repayable at call. Transactions with subsidiaries are priced on an arm's length basis.

At 30 June 2008 Mr Steve Killelea, the Chairman of the Company, owned either directly or indirectly 56.88% of the Company (2007: 57.06%).

Note 28. Subsequent events

For dividends declared after 30 June 2008 see Note 21 in the financial statements. The financial effect of dividends declared and paid after 30 June 2008 have not been brought to account in the financial statements for the year ended 30 June 2008 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, 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

In the opinion of the directors of Integrated Research Limited ("the Company"):

a) the financial statements and notes, set out in pages 46 to 84, are in accordance with the Corporations Act 2001, including:

   (i) giving a true and fair view of the financial position of the Company and consolidated entity as at 30 June 2008 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date; and

   (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

c) The directors have been given the declarations required under Section 295(5) of the Corporations Act 2001 from the chief executive officer and the chief financial officer for the financial year ended 30 June 2008.

Dated at North Sydney this 22nd day of September 2008.

Signed in accordance with a resolution of the directors:

Steve Killelea
Chairman

Mark Brayan
Chief Executive Officer

Independent Auditor's Report

Deloitte.

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

Deloitte Touche Tohmatsu
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Report on the Financial Report

We have audited the accompanying financial report of Integrated Research Limited which comprises the balance sheet as at 30 June 2008, and the income statement, cash flow statement and statement of recognised income and expense for the year ended on that date, a summary of significant accounting policies, other explanatory notes 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 46 to 85.

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 company and consolidated entity's financial position as at 30 June 2008 and of their 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 26 to 34 of the directors' report for the year ended 30 June 2008. 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 2008, complies with section 300A of the Corporations Act 2001.

DELOITTE TOUCHE TOHMATSU

Michael Kaplan
Partner
Chartered Accountants
Sydney, 22 September 2008

Lead Auditor's Independence Declaration

Deloitte.

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

22 September 2008

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 audit of the financial statements of Integrated Research Limited for the financial year ended 30 June 2008, 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
Sydney, 22 September 2008

Liability limited by a scheme approved under Professional Standards Legislation.

ASX Additional Information

Shareholder information

Analysis of numbers of equity security holders by size of holding at 31 August 2008

	Class of equity security	
	Ordinary shares	
	Shares	Options
1 - 1,000	86	-
1,001 - 5,000	873	2
5,001 - 10,000	516	13
10,001 - 100,000	772	51
100,001 and over	70	13
	2,317	79

Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest holders of quoted equity securities as at 31 August 2008 are listed below:

		Ordinary Shares	
		Number held	Percentage of issued shares
1	Stephen John Killelea	94,497,339	56.66
2	Andrew Rhys Rutherford	5,486,589	3.29
3	UBS Nominees Pty Ltd	4,983,327	2.99
4	JP Morgan Nominees Australia Limited	4,082,412	2.45
5	HSBC Custody Nominees	2,813,500	1.69
6	ANZ Nominees Limited	2,284,833	1.37
7	Vicki Maree Lewis and David William Lewis	2,265,000	1.36
8	B&R James Investments Pty Limited	2,235,162	1.34
9	David Leroy Boyles	1,700,000	1.02
10	Citicorp Nominees Pty Ltd	658,139	0.39
11	Five Talents Limited	595,000	0.36
12	Bell Potter Nominees Ltd	500,000	0.30
13	Howard Securities Pty Ltd	500,000	0.30
14	Ralph Chiarella	492,563	0.30
15	Richard Ewan Bromley Mews and Wee Khoon Mews	463,460	0.28
16	Belinda York and Hugh Webster	404,594	0.24
17	Forbar Custodians Limited	381,500	0.23
18	Sporran Lean Pty Ltd	366,641	0.22
19	Carlos Gil	364,261	0.22
20	Bipeta Pty Ltd	337,612	0.20

Unquoted equity securities

	Number on issue *	Number of holders
Options issued under the Integrated Research Limited Employee Option Plan to take up ordinary shares	6,375,625	79

*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	56.66

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 David Boyles Independent Non-Executive Director and Deputy Chairman John Brown Independent Non-Executive Director Kate Costello 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 Investor Services Pty Limited
Auditors	Deloitte Touche Tohmatsu 225 George Street Sydney, NSW, 2000
Solicitors	Dibbs Abbott Stillman Level 8, Angel Place 123 Pitt Street Sydney, NSW, 2000
Bankers	Westpac Banking Corporation
Stock Exchange Listing	Australian Stock 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 Tuesday, 11th November 2008, at the Museum of Sydney, Corner of Phillip and Bridge Streets, Sydney.

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Office locations

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