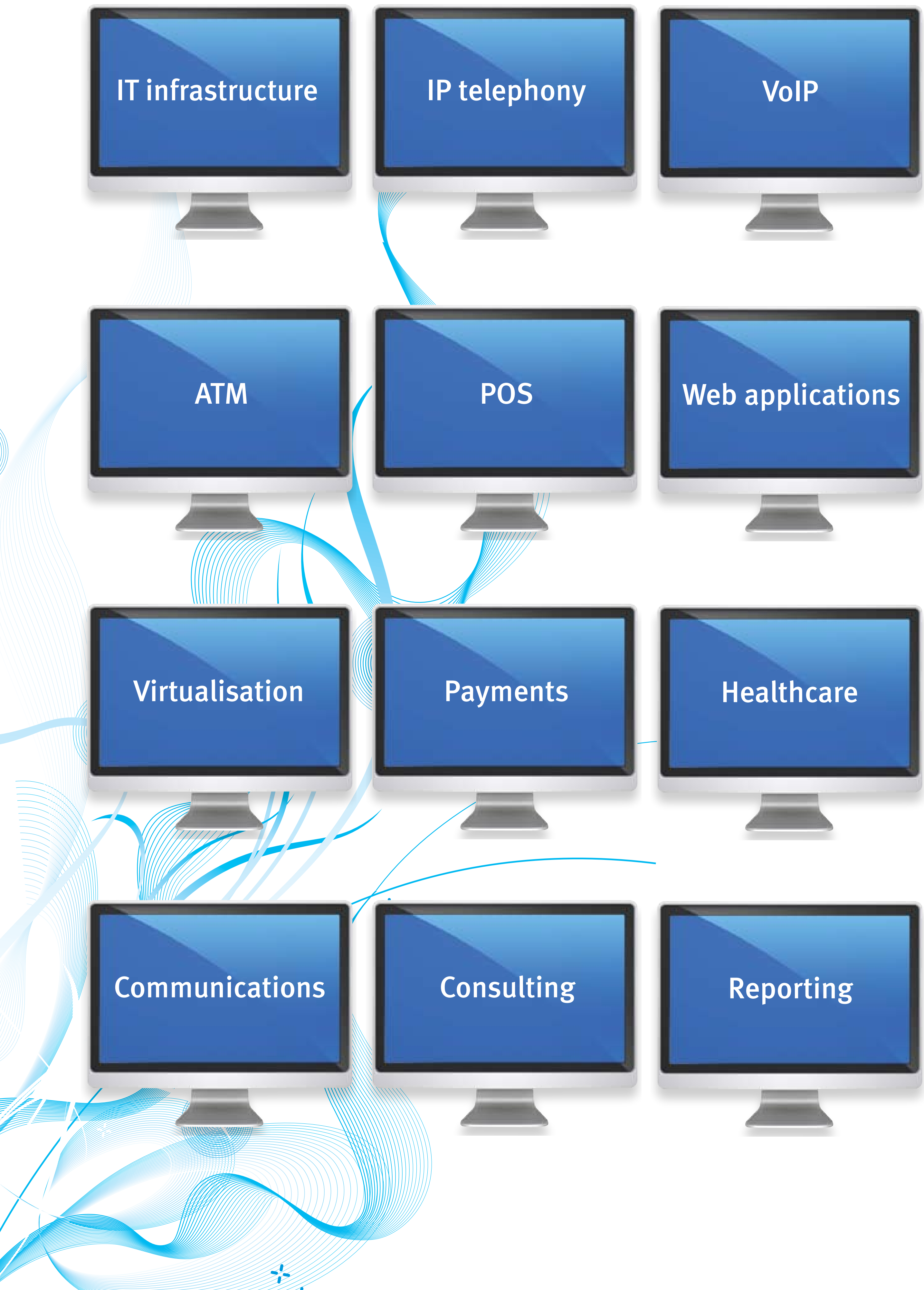
Integrated Research

Annual Report 2009

Performance monitoring software for business-critical systems

ir PROGNOSIS®


IT infrastructure
IP telephony
VoIP
ATM
POS
Web applications
Virtualisation
Payments
Healthcare
Communications
Consulting
Reporting

Innovation, customer engagement and teamwork

These are the core values that drive everyday life at Integrated Research. They infuse the way we work together, and the way that we work with customers, day in, day out, to produce the solutions that they need to run their business.

Our strategy is simple: to continually improve and extend PROGNOSIS to provide real-time monitoring for high-performance systems, and to use Consulting Services to create and deliver unique solutions that provide valuable business insight for our customers. That makes us more competitive, and it makes our customers more competitive too.

Contents

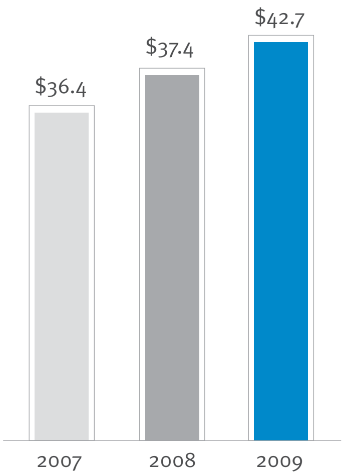
This report is printed on Impact 100% recycled paper and produced carbon neutral. It's made entirely from post consumer waste reducing land fill.

2009 highlights

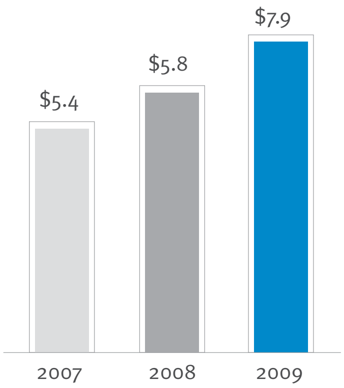
Financial summary: In millions of AUD (except earnings per share)

Year ended 30 June	2009	2008	% Change
Revenue from licence fees	21.7	19.6	↑ 11%
Total revenue	42.7	37.4	↑ 14%
Net profit after tax	7.9	5.8	↑ 36%
Net assets	27.2	23.8	↑ 14%
Cash at balance date	14.5	11.1	↑ 31%
Americas revenue	27.0	23.1	↑ 17%
Europe revenue	7.3	6.4	↑ 13%
Asia Pacific revenue	7.3	7.4	↓ 1%
Earnings per share (cents per share)	4.72	3.47¢	↑ 36%

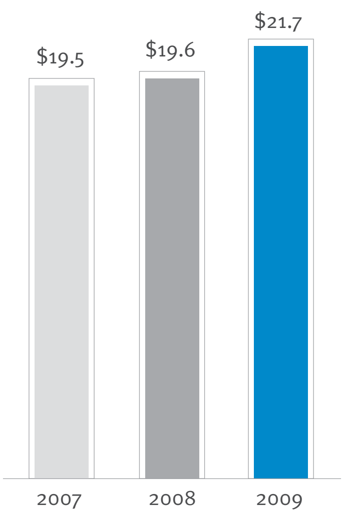
Total revenue
(Dollars in millons)



Net profit after tax
(Dollars in millons)



Revenue from licence fees
(Dollars in millons)




This way to real time business insight

Letter from the Chairman

Dear fellow shareholders,

It is my pleasure to report on the record performance of Integrated Research for the financial year to 30th June 2009. The Company's performance can be described as highly satisfying especially given the extremely difficult trading conditions that have been experienced over the past twelve months. The Company saw total revenue exceed $40 million for the first time. Net profit after tax increased by 36% to a record profit of $7.9 million over the previous financial year; new sales increased by 11% to $21.7 million and total revenue also increased by 14% to $42.7 million. The results were buoyed by a strong fourth quarter which coincided with a mild rebound in the global economy.

Underpinning the result was strong growth in new licence sales for both the IP Telephony and HP-Nonstop product lines at 47% and 14% respectively on the previous year. The revenue and profit results were also aided by a weaker Australian dollar against both the US dollar and the UK pound sterling. Total expenses grew at a slower pace than revenue.

Our traditional HP NonStop management market remained buoyant despite the Company's strong position in the financial services market which was one of the market segments most affected by the economic downturn. This can largely be explained by the critical nature of the management services that we provide and the importance that is placed on the essential services that we manage.

The Company's consulting services grew by 23% to $1.7 million. Although this is still a modest proportion of revenue this proportion is expected to increase in future years as the Company places more emphasis on providing consulting services.

The IP telephony sales performance gained momentum this year. The Company signed a major partnership agreement with Avaya during the year whereby Avaya is now shipping a copy of our voice management product with every PBX that it sells. The first 250 phones are free and thereafter the customer must buy our product if they wish to have systems management facilities. The Company also continued to make significant gains with the major Managed Services Providers. The Company is committed to maintaining and developing market leadership with our IP telephony products and will be investing in the expectation of growth.

The only area that did not perform well was the Distributed Systems (Windows, UNIX and Linux) product line whose revenue fell mainly due to a large one off sale in the prior financial year.

During the course of the year the board initiated a strategic review of the Company. The review was carried out by Boston Consulting Group with the aim of validating the Company's strategy, understanding the capabilities that are needed to execute on the strategy and to identify gaps between the Company's requirements and capabilities. The review has now resulted in a clearer direction for the Company and improved management processes.

We invested heavily in R&D in the 2008 financial year to promote innovation and drive new product development and revenue growth. Subsequently R&D expenditure dropped by 5.4% in the 2009 financial year. Expenditure in R&D was still 19% of total revenue and in line with our historical average. There has also been a significant improvement in our R&D

processes during the year which has resulted in better product quality and improved customer satisfaction. The Company will maintain its historical levels of investment in R&D going forward.

Despite adverse economic conditions, the underlying business has performed very well and the Company has managed not only to maintain its strategy but to enhance it. Future prospects for the Company remain strong with a cash position of $14.5 million compared to $11.1 million in the prior financial year and the Company remains free of debt. Our solid balance sheet leaves the Company well positioned for the future.

The Board is pleased to announce a final dividend of 2.5 cents per share, 5% franked, bringing the total dividend for the year to 4.0 cents per share, which is a 33% improvement on the prior year.

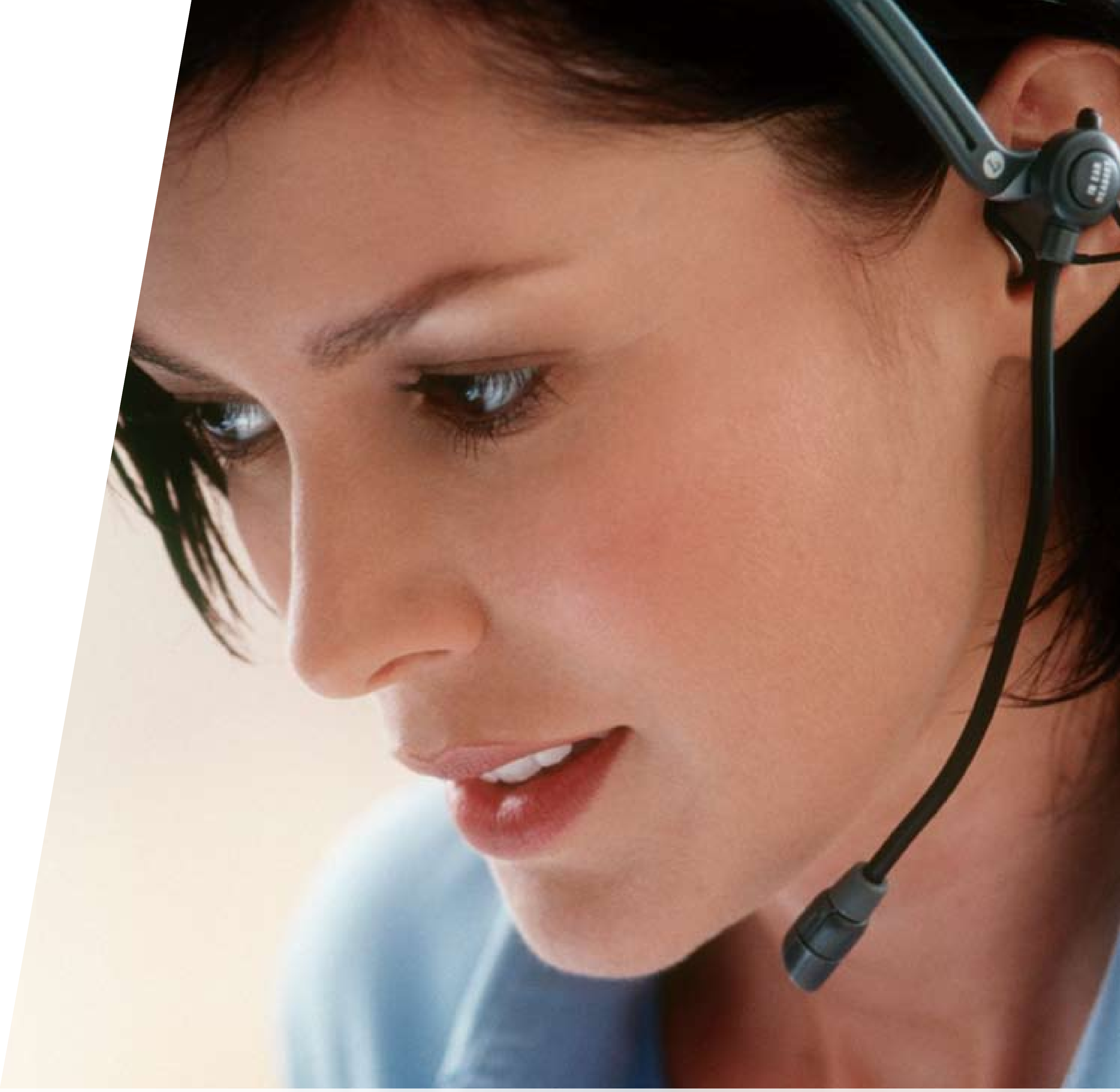
Thank you for your continued support.

"Net profit after tax increased by 36% to a record profit of $7.9 million..."

Steve Killelea
Chairman

VoIP for big business…
how do you manage that?

By giving companies the specialised tools they need to monitor and measure voice and call quality, and to identify and resolve the problems within the supporting IT infrastructure, PROGNOSIS is helping businesses reduce operating costs, protect revenue and improve the performance of Voice over IP (VoIP).

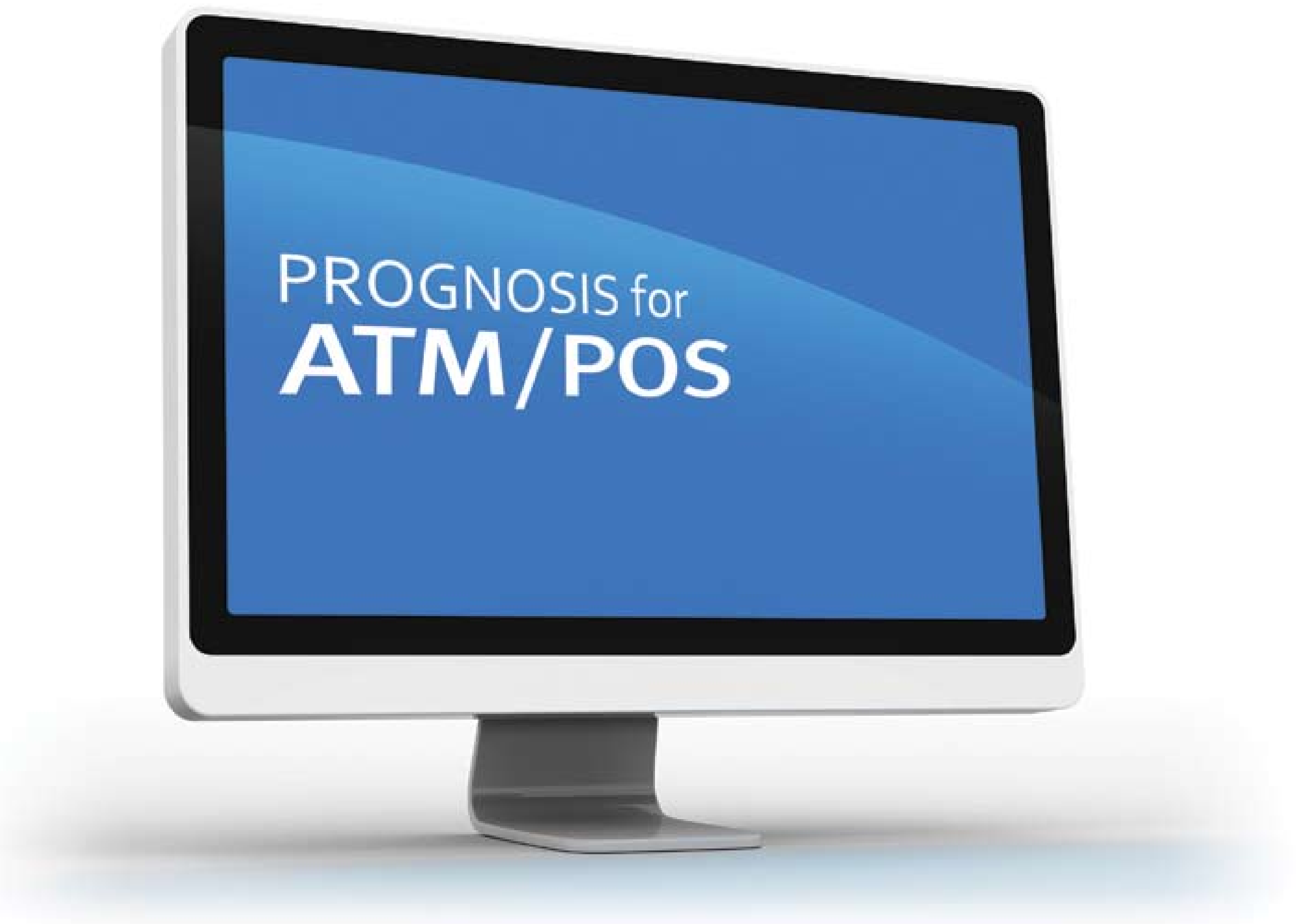


"As more organisations adopt larger scale deployments, the ability for PROGNOSIS to manage highly distributed or very large environments will position the company as leading vendor for a variety of deployment sizes."

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 • Getronics • 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



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

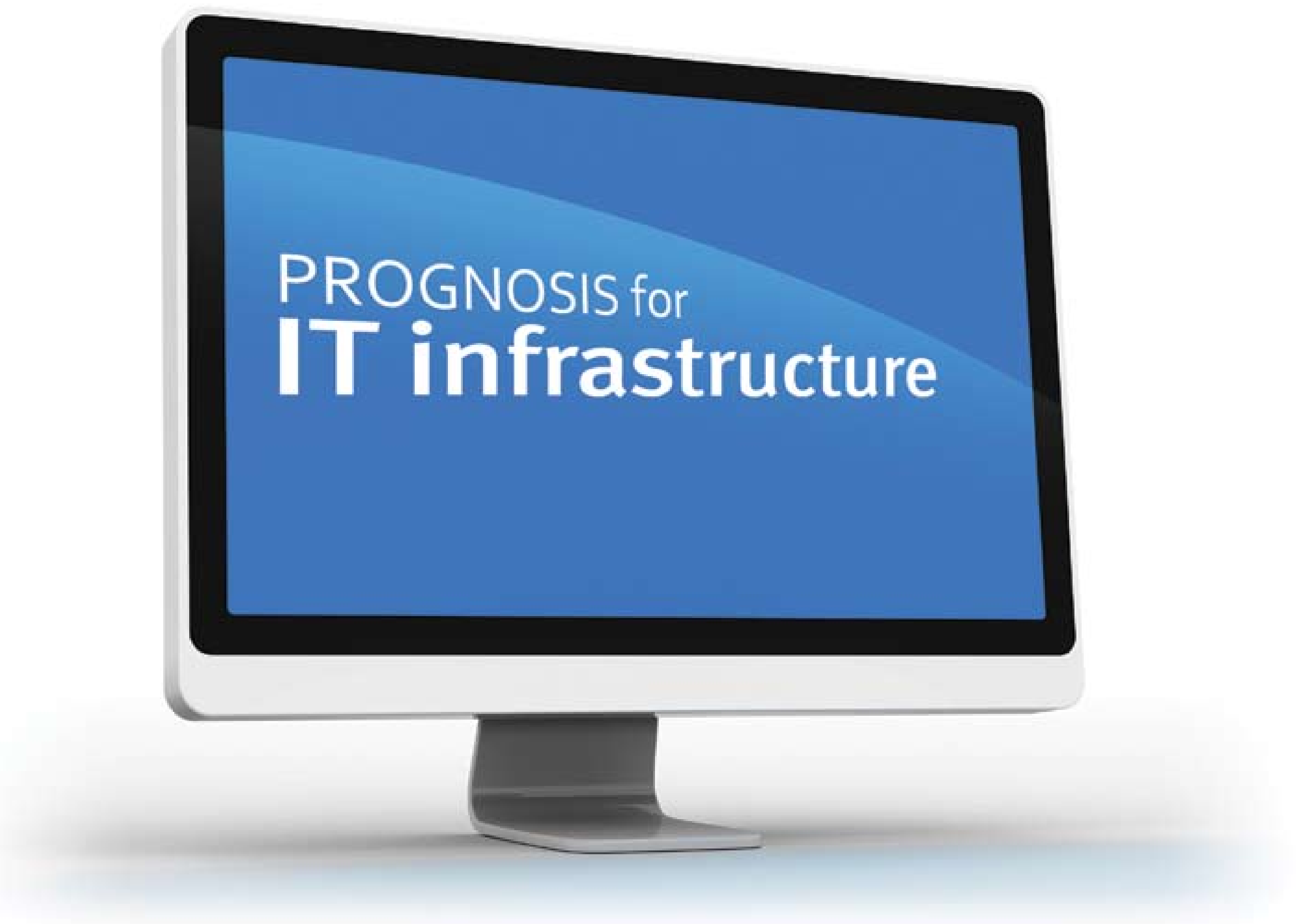
Whether it is EFTPOS systems, ATM networks, phone and internet banking, or any other transaction processing application, PROGNOSIS gives retailers and financial institutions the insight they need to identify and fix transaction problems, to uncover the details of cardholder issues in seconds, and to improve customer satisfaction.

"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



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 aviation companies, 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

For every problem there is a possible solution. Let PROGNOSIS help you find yours.

Sometimes problems require specialist solutions. Our Consulting Services team builds unique solutions for previously unsolveable problems by extending and building upon the power of PROGNOSIS. We assess requirements, build, integrate and deploy solutions, train staff, and help customers maximise their PROGNOSIS investment to gain the critical business insight needed to drive their business forward.

“Now we know how to check application consumption on heavily utilized UNIX servers running several applications. It’s become much easier to distribute precise costs to applications.”

Fabian Kroll, Head of UNIX System Services, Bank Verlag

Chief Executive Officer's report

Dear shareholders,

I am very pleased to report another year of growth for Integrated Research. New licence sales grew 11% on last year to $21.7 million, total revenue grew 14% to $42.7 million and net profit after tax increased 36% on FY2008 to $7.9 million.

Our results this year are particularly pleasing after the many management and personnel changes in FY2008 and the poor trading conditions of FY2009. Our performance is a testimony to the strength of our products, the quality of our customer service and the hard work and innovative spirit of our staff.

- New licence sales of our Non-Stop product line increased 14% on FY2008.
- We invested in the development of new features for the NonStop product line including support for HP's Blade architecture. This ensures that Non-Stop users who migrate to Blade technology can continue to benefit from PROGNOSIS and also means that we extend the usability of this important product line.
- Our maintenance renewal rate for our NonStop products was 92% this year, which is a solid result in a year when many of our customers have been questioning all IT expenses.
- New licence sales of our growth platform, our IP Telephony products, grew 47% on last year. This reinforces the value of our products and our strong position in this market. This result was very satisfying given IP Telephony line shipments dropped on a global basis this year. Analysts predict that growth will return to this market in 2010 and we are very well positioned to exploit that.
- Our IP Telephony sales were supported by our partnership with Avaya which will help grow our customer base and drive future sales. PROGNOSIS is shipped with every new Avaya PBX and is available to every Avaya customer. The potential scale of this partnership is substantial. We have deployed web-based customer services and are building a reseller network to support the potential growth.
- We benefitted from a trend by businesses to outsource the installation and management of their IP Telephony requirements to specialist Managed Service Providers (MSPs). We signed up new MSPs in FY2009, and sold more licences to existing MSP customers as they grew their business.
- We invested heavily in new features as well as the scalability and quality of our IP Telephony products this year. Scalability tests satisfied our most demanding customers and positions PROGNOSIS to support extremely large IP Telephony deployments.
- Although new licence sales of our Distributed Systems (Windows, UNIX and Linux) product line were generally in line with historic results, they were not as strong as last year due to a very large sale in FY2008. We continue to invest in this product line to ensure we offer a migration path for our NonStop customers that move to distributed systems.

- We have provided more PROGNOSIS Consulting Services this year and have increased our services revenue by 23% to $1.7 million in response to customer demand. Growing our Consulting business is part of our strategy to help our customers derive more value from PROGNOSIS, it includes the creation of customised solutions that, in many cases, can be replicated and re-sold to similar customers. This strategy introduces another point of value to our customers and Company.
- We have implemented new processes in R&D and Support that have improved the efficiency of our R&D and increased customer satisfaction.
- We were not immune to the impact of the global financial crisis. Our first-half sales were down on last year, but we delivered a strong second half to record overall growth for the year.
- The fluctuating Australian dollar provided both benefits and challenges for us in FY2009. The average exchange rate against the US dollar declined 17% over last year which increased revenue, but also increased costs form the US. We're pleased to report however that we delivered real growth in local currencies in key segments.

Our success in FY2010 will continue to be underpinned by the ability of our products to deliver real-time monitoring to mission critical computing platforms in key segments such as communications and payments. It will also rely on our ability to develop and sell valuable and high-quality products and services based on our core PROGNOSIS architecture. Integrated Research remains committed to these goals.

I would like to thank our customers for the business they provide us, and our employees for their hard work and dedication to the strength and future of Integrated Research.

Thank you for your support.

"New licence sales of our NonStop product line increased 14% on FY2008."

Mark Brayan
CEO

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.

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

Group overview

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

Since its establishment in 1988, the Company has provided its core PROGNOSIS products to a cross section of large organisations requiring high levels of computing performance and reliability.

The PROGNOSIS product range is an integrated suite of monitoring and management software, designed to give an organisation's technical personnel operational insight into their HP NonStop, Windows, UNIX and Linux servers, and IP Telephony environments and the business applications that run on these platforms.

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

The Company has developed its PROGNOSIS products around a fault-tolerant, highly distributed software architecture, designed to achieve high levels of functionality, scalability and reliability with a low total cost of ownership.

Integrated Research services customers in more than 50 countries through direct sales offices in the USA, UK, 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.

Review and results of operations

The Company achieved a 36% increase in net profit after tax over the previous financial year to $7.9 million. Total revenue for the Company increased 14% over the prior year to $42.7 million. The strong growth in profit was brought about by strong second half new licence sales in both the IP Telephony and HP NonStop product lines as well as favourable movements in currency between the Australian dollar and US dollar.

The Company continued its strong commitment to research and development with a net investment of $8.2 million. 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 $42.7 million, an increase of 14% over 2008. Licence fees made up 51% of revenue, increased by 11% whilst maintenance fees increased by 18%.

Currency exchange rates were volatile over the course of the 2009 financial year but our consolidated revenues generally benefited from the translation of our overseas operations from a lower Australian dollar. The average US exchange rate for the 2009 financial year was 17% lower than the equivalent prior year.

Both the Americas and Europe regions reported strong revenue growth over the prior year of 17% and 13% respectively. Revenue in Asia Pacific was flat between years.

IP Telephony new licence sales grew strongly in the second half of the year. IP Telephony new licence sales in the Americas grew by 25% in the second half over the equivalent prior half while Asia Pacific grew by 369% over the same period. The first half results were reasonably subdued as a result of the global financial crisis.

Many analysts have described the last eighteen months as the toughest economic conditions since the Second World War. Our major business segment is finance and the economic downturn affected this sector more than any other part of the economy. However, our sales into our traditional market, HP NonStop, have stood up well. This can be mainly attributed to the critical nature of the systems that we manage. Expenditure on these systems was deemed too critical not to be maintained.

Revenue for the year was $42.7 million, an increase of 14% over 2008. Licence fees made up 51% of revenue, increased by 11% whilst maintenance fees increased by 18%.

Expenses

Total expenses for the year were $33.3 million, an increase of 10% over the prior year. The increase in costs can be attributed to three factors. Firstly, costs increased as a result of translating the Company's American operations at lower currency exchange rates into Australian dollars compared to the prior year. Secondly, the Company experienced higher bad debt expense directly attributed to some corporate failures in the United States as a consequence of the global financial crisis. Thirdly, the Company incurred higher professional fees associated with a thorough review of the Company's corporate strategy (refer to the Chairman's report).

Staff numbers declined from 147 at 30 June 2008 to 142 at 30 June 2009.

Net research and development expenses are represented as follows:

In thousands of AUD	2009	2008
Gross research and development spending	9,001	10,098
Capitalisation of development expenses	(5,790)	(7,255)
Amortisation of capitalised expenses	5,033	5,874
Net research and development expenses	**8,244**	**8,717**

Shareholder returns

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

	2009	2008	2007
Net profit	7,863,000	$5,776,000	$5,433,000
Basic EPS	4.72¢	3.47¢	3.27¢
Dividends per share	4.0¢	3.0¢	3.0¢
Return on equity	28.9%	24.3%	22.5%

Financial position

The consolidated entity continues to hold a strong financial position being free of debt and with cash at 30 June 2009 of $14.5 million, compared to $11.1 million at the same time last year. Net cash flow provided by operating activities was $7.6 million, compared to $5.9 million for the same period last year.

	2009	2008	2007
Net cash flow provided by operating activities	$7,644,000	$5,946,000	$7,638,000
Current ratio (current assets to current liabilities)	1.98	1.85	1.86
Net tangible asset backing per ordinary share	8.35¢	6.69¢	7.85¢

Outlook and Strategy for 2010

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

In FY2009 the Company undertook an extensive review of its strategy. This review validated our longstanding strategy of maximising the core features of PROGNOSIS, and underlined the importance of continuing to improve and extend our products to deliver real time insight into critical business processes and transactions. The review also highlighted the value of investing in our Consulting Services business which allows us to work together with customers to find, build and deliver unique solutions that solve real problems and deliver additional value to our clients.

Our HP NonStop business remains healthy. Despite the economic downturn and its impact on the financial segment, we received regular orders as customers continued to rely on PROGNOSIS to drive more operational efficiency and improve the performance of their existing infrastructure. We expect no changes to these conditions and will maintain our ongoing investment in new features for this product line.

Our Distributed Systems (Windows, UNIX and Linux) products are often sold alongside our NonStop products as customers seek a common monitoring interface for all platforms, or as they convert applications from one platform to another. We will exploit this ongoing trend and invest to extend our Distributed Systems platform coverage in 2010.

IP telephony is central to our growth in 2010. Our relationship with Avaya has served to validate the quality and features of our IP Telephony products and will drive sales this year. We also anticipate continued growth from our Managed Service Provider customer base as businesses outsource the installation and management of their IP telephony environments to specialist providers. Investing in our IP Telephony products to add features and improve performance is key to capitalising on these opportunities.

The payments segment is also an exciting growth area for Integrated Research and we are investing in R&D, Marketing and Sales this year to exploit this opportunity. Payments technology and processes are becoming increasingly important for banks, card providers, retailers, service providers and other businesses to support the growing trend to cashless payments. PROGNOSIS is ideally suited to the large-scale, real-time monitoring demands of payments infrastructures.

Consulting Services around PROGNOSIS, such as implementation, customisation and training, are a small but rapidly growing part of our business. Our customers tell us often that they have difficult problems and face challenges that no off-the-shelf product has been able to solve. We will invest in personnel and processes to use Consulting Services to build unique solutions to solve these real problems, and to increase our customers' use of PROGNOSIS. This combination of software and services can then be replicated and resold to similar clients, increasing both our, and our customers', competitive advantage.

Lastly, we are looking to continually improve our strategic capabilities and critical operational processes in order to drive greater productivity and performance throughout the Company.

Directors

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

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 60 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 45 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 2011 Annual General Meeting. Former listed companies directorships held in the past three years: None. Age 57 years.

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

John was appointed a Director in July 2007. He was a partner with KPMG for over 26 years and since retiring in 2006 has been appointed to be the chair or member of the audit committee of a number of NSW and Federal public sector entities. John is also a Director and Chair of the Audit Committee of Sydney Water Corporation and a Director of The Gift Of Life Foundation. John's current term will expire no later than the close of the 2010 Annual General Meeting. Former listed companies directorships held in the past three years: None. Age 61 years.

Alan Baxter, BSc, Dip Ed
Independent Non-Executive Director

Alan was appointed as a Director in June 2009. Alan has nearly forty years experience in Information Technology covering a broad range of the industry's activities. These include many years in a variety of roles with IBM Australia, CEO of DMR Consulting in Australia and COO of Fujitsu Consulting's global operations from London. He was Non-Executive Chairman of Fujitsu Australia & New Zealand, a director of Mincom Ltd and is currently Chairman of Konekt Limited and also of Innogence Limited. Konekt Ltd is a publicly listed company. Alan's current term will expire no later than the close of the 2011 Annual General Meeting. Former listed company directorships held in the past three years: None. Age 64 years.

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

Clyde was appointed a Director in December 2007. He has two decades of international strategic market development experience in the technology, media and online industries. Clyde 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: 47 years.

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

(Resigned from office November 2008)

David had been a Director since July 2003 and was Deputy Chairman since September 2005. He has over twenty years senior management experience with US and Australian multinational companies.

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 60 years.

David Leighton, MBA, FCPA, ACIS
Company Secretary

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

Senior 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 and global support activities. Alex has 20 years experience in the development, creation and management of high-technology hardware and software products for Honeywell and Siemens. Before joining Integrated Research he was responsible for general management of the Siemens Access Control product line globally and for much of that time was based in Germany.

Rick Ferguson, Dip T
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.

Pierre Semaan, BEng, MBA
General Manager, Product Management and Marketing

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

Geoff Bryant, M.Mgt, MAICD
Vice President Consulting

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

Andre Cuenin, BSc, MBA
President Americas

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

Julie Skinner, BEd (Hons)
Human Resource Manager

Julie Skinner joined Integrated Research in June 2009 and is responsible for the overall implementation and delivery of the HR strategy and policies to support the execution of the corporate vision. Julie has over 20 years experience in HR Consulting and Business Development positions amassed in IT Software development houses (DACA Software, Timewise Systems), HR Consulting firms (Lyncroft, Carter & Stone, Leadership Management Australia) and in IT multi-national companies, IBM and Lenovo. Most recently Julie was the Human Resource Business Partner for Lenovo's 'Centre of Excellence' across Asia Pacific.

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.

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 2009 and the Auditor's Report thereon.

Results

The net profit of the consolidated entity for the 12 months ended 30 June 2009 after income tax expense was $7.9 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 2008 – Ordinary shares	Unfranked	1.5	2,501	12 Sep 2008
Interim 2009 – Ordinary shares	Unfranked	1.5	2,502	9 Mar 2009
Final 2009 – Ordinary shares	5% franked	2.5	4,170	18 Sep 2009

Principal activities and review of operations

Detail of the principal activities and review of operations of the consolidated entity are set out on pages 16 to 19.

Events subsequent to reporting date

For dividends declared after 30 June 2009 see Note 21 in the financial statements. The financial effect of dividends declared and paid after 30 June 2009 has not been brought to account in the financial statements for the year ended 30 June 2009 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 20. Details of the company secretary and his qualifications are set out on page 21.

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 2009, and the numbers of meetings attended by each director were:

	Board Meetings		Audit and Risk Committee Meetings		Nomination and Remuneration Committee Meetings		Strategy Committee Meetings	
	A	B	A	B	A	B	A	B
Alan Baxter	1	1	-	-	-	-	-	-
David Boyles	5	5	1	1	2	2	-	-
John Brown	12	12	3	3	-	-	-	-
Mark Brayan	12	12	-	-	-	-	9	9
Kate Costello	11	12	-	-	3	3	9	9
Steve Killelea	12	12	-	-	3	3	9	9
Clyde McConaghy	12	12	3	3	-	-	8	9

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

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
Alan Baxter	-	-	-	-
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
Alex Baburin	40,000	$0.31	Oct 2013
Andre Cuenin	300,000	$0.31	Oct 2013
Pierre Semaan	200,000	$0.35	Jul 2013

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.

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

Unissued shares under option

Unissued ordinary shares of Integrated Research Limited under option at the date of this report are as follows:

Expiry date	Exercise price	Number of shares	Expiry date	Exercise price	Number of shares
July 2009	$0.40	246,000	Sep 2012	$0.42	1,000,000
Nov 2009	$0.57	400,000	Feb 2013	$0.38	350,000
Feb 2010	$0.52	293,000	Mar 2013	$0.43	350,000
Sep 2010	$0.54	430,000	Apr 2013	$0.38	300,000
May 2011	$0.41	546,000	July 2013	$0.35	200,000
Jan 2012	$0.50	160,000	Oct 2013	$0.31	340,000
Jun 2012	$0.48	721,000	May 2014	$0.28	1,660,000
Total unissued ordinary shares of Integrated Research Limited under option					**6,996,000**

Options do not entitle the holder to participate in any share issue of the company or any other body corporate.

Shares issued on the exercise of options

During or since the end of the financial year, the company issued ordinary shares as a result of the exercise of options as follows (there were no amounts unpaid on the shares issued):

Number of shares	Amount paid on each share
47,250	0.22
10,000	0.26

Indemnification and insurance of officers and auditors

Indemnification

The company has agreed to indemnify the directors of the company on a full indemnity basis to the full extent permitted by law, for all losses or liabilities incurred by the director as an officer of the company including, but not limited to, liability for negligence or for reasonable costs and expenses incurred, except where the liability arises out of conduct involving a lack of good faith.

Insurance

During the financial year Integrated Research Limited paid a premium to insure the directors and executive officers of the consolidated entity and related bodies corporate.

The liabilities insured include costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against officers in their capacity as officers of the consolidated entity.

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

Remuneration report

The company's Remuneration Report, which forms part of this Directors' Report, is on pages 31 to 39.

Corporate governance

A statement describing the company's main corporate governance practices in place throughout the financial year is on pages 40 to 47 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 & Risk Committee, is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- All non-audit services were subject to the corporate governance procedures adopted by the company and have been reviewed by the Audit & Risk Committee to ensure they do not impact the integrity and objectivity of the auditor, and
- The non-audit services provided do not undermine the general principles relating to auditor independence as set out in *Professional Statement F1 Professional independence*, as they did not involve reviewing or auditing the auditor's own work, acting in management or decision making capacity for the company, acting as an advocate for the company or jointly sharing risks and rewards.

A copy of the auditors' independence declaration as required under Section 307C of the Corporations Act is attached on page 94 on 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
Chairman

Mark Brayan
Chief Executive Officer

Dated at North Sydney this 7th day of September 2009

Remuneration report

Remuneration policies

Remuneration levels for key management personnel and secretaries of the Company, and relevant key management personnel of the consolidated entity are competitively set to attract and retain appropriately qualified and experienced directors and senior executives. The Nomination and Remuneration Committee obtains independent advice on the appropriateness of remuneration packages given trends in comparative companies both locally and internationally and the objectives of the Company's remuneration strategy.

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

The remuneration structures explained below are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. The remuneration structure takes into account:

- The capability and experience of the directors and senior executives
- The directors' and senior executives' ability to control the relevant segment's performance
- The consolidated entity's performance including:
  - The consolidated entity's earnings
  - The growth in share price and returns on shareholder wealth

Remuneration packages include a mix of fixed and variable remuneration and short and long-term performance based incentives.

Fixed remuneration

Fixed remuneration consists of base remuneration (which is calculated on a total cost basis and includes any FBT charges related to employee benefits including motor vehicles), as well as employer contributions to superannuation funds.

Remuneration levels are reviewed annually through a process that considers individual, segment and overall performance of the consolidated entity. In addition, external consultants provide periodic analysis and advice to ensure the directors' and senior executives' remuneration is competitive in the market place. A senior executive's remuneration is also reviewed on promotion.

Performance-linked remuneration

Performance-linked remuneration includes both short-term and long-term incentives and is designed to reward executive directors and senior executives for exceeding their financial and personal objectives. The short-term incentive (STI) is an "at risk" bonus provided in the form of cash, while the long-term incentive (LTI) is provided as options over ordinary shares of Integrated Research Limited under the rules of the Employee Share Option Plan (ESOP).

Short-term incentive bonus

The Nomination and Remuneration Committee is responsible for setting the key performance indicators (KPIs) for the Chief Executive Officer, and for approving the KPIs for the senior executives who report to him. The KPIs generally include measures relating to the consolidated entity, the relevant segment, and the individual, and include financial, people, customer, strategy and risk measures. The measures are chosen as they directly align the individual's reward to the KPIs of the consolidated entity and to its strategy and performance.

The financial performance objectives vary with position and responsibility and are aligned with each respective year's budget. The non-financial objectives vary with position and responsibility and include measures such as achieving strategic outcomes and staff development.

At the end of the financial year the Nomination and Remuneration Committee assesses the actual performance of the CEO against the KPIs set at the beginning of the financial year. A percentage of the predetermined maximum amounts for each KPI is awarded depending on results. The committee recommends the cash incentive to be paid to the CEO for approval by the board.

Long-term incentive

Options are issued to executive directors and other senior executives under the ESOP. 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:

	2009	2008	2007	2006	2005
New licences	$21,723,000	$19,623,000	$19,517,000	$18,633,000	$17,790,000
Net profit	$7,863,000	$5,776,000	$5,433,000	$6,975,000	$6,238,000
Dividends paid	$5,003,000	$5,826,000	$4,152,000	$4,146,000	$3,310,000
Change in share price	($0.06)	($0.23)	$0.185	($0.005)	$0.05

Net profit and new licence sales are considered in setting the STI, as two of the financial performance targets are "profit after tax" and "new sales".

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

Key Management Personnel

The following were key management personnel of the consolidated entity at any time during the reporting period and unless otherwise indicated were key management personnel for the entire period:

Directors (full year)	Directors (part year)
Steve Killelea (Chairman)	Alan Baxter (appointed June 2009)
Mark Brayan (Chief Executive Officer)	David Boyles (resigned November 2008)
John Brown	
Kate Costello	
Clyde McConaghy	

Other key management personnel (full year)	Other key management personnel (part year)
Peter Adams (Chief Financial Officer)	Andre Cuenin (President, Americas, appointed October 2008)
Alex Baburin (GM, Research & Development)	Kurt Roscow (Vice President, Americas, resigned July 2008)
Rick Ferguson (Vice President, Asia Pacific)	
David Leighton (Company Secretary)	
Pierre Semaan (GM, Product Management & Marketing)	
David Stark (Vice President, Europe)	

Service agreements

Service contracts for executive directors and senior executives are unlimited in term but capable of termination by either party according to a period specified in the employment contract, and the consolidated entity retains the right to terminate the contract immediately by payment in lieu of notice or a severance payment or an amount for redundancy equal to the scale of payments prescribed in the NSW Employment Protection Act.

Mr Mark Brayan, Chief Executive Officer, has a contract of employment with Integrated Research Limited dated 29 August 2007, which provides for specific notice and severance undertakings of up to four months compensation depending on the particular circumstances. Mr Brayan can terminate his employment by giving four months prior notice in writing.

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

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

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

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

Mr Pierre Semaan, General Manager Product Management & Marketing, has a contract of employment with Integrated Research Limited dated 22 May 2008, which provides for specific notice and severance undertakings of one month's compensation depending on the particular circumstances. Mr Semaan can terminate his employment by giving one month 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 undertakings 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 in FY2009 were $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.

		Short Term			Post-employment	Share-based payments	Other compen-sation		Proportion of remuneration	
In AUD		Salary & fees $	Bonus $	Non-cash benefits $	Super-annuation contribution $	Value of options (A) $	Termina-tion benefit $	Total $	Perfor-mance related	Value of options
Directors: Non-executive										
Alan Baxter (appointed June 2009)	2009	1,603	-	-	144	-	-	1,747	-	-
	2008	-	-	-	-	-	-	-	-	-
David Boyles (resigned November 2008)	2009	-	-	-	26,773	-	-	26,773	-	-
	2008	-	-	-	73,575	-	-	73,575	-	-
John Brown (appointed July 2007)	2009	45,000	-	-	4,050	-	-	49,050	-	-
	2008	42,676	-	-	3,841	-	-	46,517	-	-
Alex Kennedy (resigned September 2007)	2009	-	-	-	-	-	-	-	-	-
	2008	-	-	-	9,997	-	-	9,997	-	-
Kate Costello	2009	-	-	-	49,050	-	-	49,050	-	-
	2008	-	-	-	49,050	-	-	49,050	-	-
Steve Killelea	2009	90,000	-	-	8,100	-	-	98,100	-	-
	2008	90,000	-	-	8,100	-	-	98,100	-	-
Clyde McConaghy (appointed December 2007)	2009	33,750	-	-	15,300	-	-	49,050	-	-
	2008	-	-	-	28,613	-	-	28,613	-	-
Directors: Executive										
Keith Andrews (resigned September 2007)	2009	-	-	-	-	-	-	-	-	-
	2008	86,886	-	12,136	5,444	-	250,000	354,466	-	-
Mark Brayan (appointed September 2007)	2009	395,468	149,870	4,532	13,334	85,956	-	649,160	23%	13%
	2008	329,556	85,000	2,833	13,149	6,216	-	436,754	19%	1%

In AUD		Short Term: Salary & fees $	Short Term: Bonus $	Short Term: Non-cash benefits $	Post-employment: Super-annuation contribution $	Share-based payments: Value of options $	Other compen-sation: Termina-tion benefit $	Total $	Proportion of remuneration: Perfor-mance related	Proportion of remuneration: Value of options
Executive officers (excluding directors)										
The Company										
Peter Adams (appointed March 2008)	2009	229,950	49,330	1,133	18,918	20,306	-	319,637	15%	6%
	2008	58,221	11,250	-	5,240	754	-	75,465	15%	1%
Alex Baburin	2009	188,503	41,870	4,532	16,965	13,068	-	264,938	16%	5%
	2008	185,445	35,800	4,532	16,690	1,644	-	244,111	15%	1%
Nathan Brumby (resigned November 2007)	2009	-	-	-	-	-	-	-	-	-
	2008	110,140	30,500	2,446	5,057	-	-	148,143	21%	-
Rick Ferguson (appointed March 2008)	2009	206,851	115,725	4,532	18,617	17,178	-	362,903	32%	5%
	2008	44,818	17,500	-	4,163	547	-	67,028	26%	1%
David Leighton	2009	45,000	-	-	4,050	-	-	49,050	-	-
	2008	102,500	-	-	4,050	1,020	-	107,570	-	1%
Stephen Rorie (resigned November 2007)	2009	-	-	-	-	-	-	-	-	-
	2008	124,817	20,000	19,229	5,287	-	-	169,333	12%	-
Pierre Semaan (appointed June 2008)	2009	207,436	41,889	4,532	16,932	8,831	-	279,620	15%	3%
	2008	17,154	-	378	1,544	-	-	19,076	-	-
David Taylor (resigned October 2007)	2009	-	-	-	-	-	-	-	-	-
	2008	58,198	10,477	-	4,090	-	50,000	122,765	9%	-
Consolidated										
Andre Cuenin (appointed October 2008)	2009	162,847	143,965	-	-	8,689	-	315,501	46%	3%
	2008	-	-	-	-	-	-	-	-	-
Steve Douglas (resigned December 2007)	2009	-	-	-	-	-	-	-	-	-
	2008	115,762	60,954	-	-	-	-	176,716	34%	-
Kurt Roscow (resigned July 2008)	2009	11,691	-	-	-	-	-	11,691	-	-
	2008	187,881	116,863	-	-	539	-	305,283	38%	-
David Stark (appointed March 2008)	2009	265,217	118,559	-	-	22,463	-	406,239	29%	6%
	2008	91,386	33,708	-	-	953	-	126,047	27%	1%
Total compensation: key management (consolidated)	2009	1,883,316	661,208	19,261	192,233	176,491	-	2,932,509		
	2008	1,645,440	422,052	41,554	237,890	11,673	300,000	2,658,609		
Total compensation: key management (company)	2009	1,443,561	398,684	19,261	192,233	145,339	-	2,199,078		
	2008	1,250,411	210,527	41,554	237,890	10,181	300,000	2,050,563		

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	149,870	75%	25%
Executives			
Peter Adams	49,330	99%	1%
Alex Baburin	41,870	105%	-
Andre Cuenin	143,965	79%	21%
Rick Ferguson	115,725	83%	17%
Pierre Semaan	41,889	84%	16%
David Stark	118,559	47%	53%

(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 2009 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 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 2009	Grant date	Number of options vested during 2008	Fair value of option at grant date	Exercise price per option	Expiry date
Alex Baburin	40,000	Oct 2008	-	$0.13	$0.31	Oct 2013
Andre Cuenin	300,000	Oct 2008	-	$0.13	$0.31	Oct 2013
Pierre Semaan	200,000	Jul 2008	-	$0.15	$0.35	Jul 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 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 no shares were issued to executives on the exercise of options previously granted as compensation.

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) $
Executives				
Alex Baburin	5,191	-	-	4,597
Andre Cuenin	38,933	-	-	8,689
Pierre Semaan	29,305	-	-	8,831
	73,429	-	-	22,117

(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 expires	Min (B)	Max (C)
Directors							
Mark Brayan	1,000,000	Sep 2007	25%	-	2012	nil	$108,075
Executives							
Peter Adams	350,000	Mar 2008	-	-	2013	nil	$58,861
Alex Baburin	160,000	Aug 2006	-	-	2012	nil	$25,748
	40,000	Oct 2008	-	-	2013	nil	$5,191
Andre Cuenin	300,000	Oct 2008	-	-	2013	nil	$38,933
Rick Ferguson	300,000	Apr 2008	-	-	2013	nil	$50,453
Kurt Roscow	300,000	Apr 2004	-	100%	-	nil	n/a
Pierre Semaan	200,000	Jul 2008	-	-	2013	nil	$29,305
David Stark	350,000	Mar 2008	-	-	2013	nil	$63,000

(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 and Risk Committee and a Strategy Committee. These committees have written mandates and operating procedures, which are reviewed on a regular basis. The board has also established a framework for the management of the consolidated entity including board-endorsed policies, a system of internal control, a business risk management process and the establishment of appropriate ethical standards.

The full board currently holds twelve scheduled meetings each year and any extraordinary meetings at such other times as may be necessary to address any specific matters that may arise.

The agenda for its meetings is prepared in conjunction with the chairman, chief executive officer and company secretary. Standing items include strategic matters for discussion, the CEO's report, financial reports, key performance indicator reports and presentations by key executives and external industry experts. Board papers are circulated in advance. Directors have other opportunities, including visits to operations, for contact with a wider group of employees.

During the 2009 financial year the board undertook an evaluation of its performance. The evaluation resulted in the board reordering its standing agenda, expanding its annual calendar to include all prior-known activities, agreeing to schedule some presentations/meetings with industry experts and major partners/customers and scheduling regular reviews of all board-endorsed policies.

Director education

The consolidated entity follows an induction process to educate new directors about the nature of the business, current issues, the corporate strategy and expectations of the consolidated entity concerning performance of directors. Directors also have the opportunity to visit consolidated entity facilities and meet with management to gain a better understanding of business operations. In addition executives make regular presentations to the board to ensure its familiarity with operational matters. Directors are expected to access external continuing education opportunities to update and enhance their skills and knowledge.

Independent advice and access to company information

Each director has the right of access to all relevant company information and to the company's executives and, subject to prior consultation with the chairman, may seek independent professional advice from a suitably qualified adviser at the consolidated entity's expense. A copy of the advice received by the director is made available to all other members of the board.

Composition of the board

The names of the directors of the company in office at the date of this report are set out on page 20 of this report.

The company's constitution provides for the board to consist of between three and twelve members. At 30 June 2009 the board members were comprised as follows:

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

Mr David Boyles retired from his position as an independent non executive director in November 2008.

Mr Alan Baxter was appointed as an independent non executive director in June 2009.

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). Mr McConaghy is Managing Director of Smarter Capital Pty Limited, another company associated with Mr Steve Killelea, Chairman of Integrated Research. This does not comply with the ASX Corporate Governance Council recommendation that the majority of directors be independent. However, the board considers the directorship 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 is satisfied 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 is satisfied that the company benefits from Mr Killelea's experience and knowledge gained through his long involvement with Integrated Research and his associations throughout the information industry. Mr Killelea founded Integrated Research in 1988 and was the CEO and managing director of the company until his retirement in November 2004.

At each Annual General Meeting one-third of directors, any director who has held office for three years and any director appointed by directors in the preceding year must retire, then being eligible for re-election. The CEO is not required to retire by rotation.

The composition of the board is reviewed on a regular basis to ensure that the board has the appropriate mix of expertise and experience. When a vacancy exists, through whatever cause, or where it is considered that the board would benefit from the services of a new director with particular skills, the Nomination and Remuneration Committee, in conjunction with the board, determines the selection criteria for the position based on the skills deemed necessary for the board to best carry out its responsibilities. The committee then selects a panel of candidates and the board appoints the most suitable candidate who must stand for election at the next general meeting of shareholders.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee is a committee of the board of directors and is empowered by the board to assist it in fulfilling its duties to shareholders and other stakeholders. In general, the committee has responsibility to: 1) ensure the company has appropriate remuneration policies designed to meet the needs of the company and to enhance corporate and individual performance and 2) review board performance, select and recommend new directors to the board and implement actions for the retirement and re-election of directors.

Responsibilities regarding remuneration

The Committee reviews and makes recommendations to the board on:

- The appointment, remuneration, performance objectives and evaluation of the chief executive officer
- The remuneration packages for senior executives
- The company's recruitment, retention and termination policies and procedures for senior executives
- Executive remuneration and incentive policies
- Policies on employee incentive plans, including equity incentive plans
- Superannuation arrangements
- The remuneration framework and policy for non-executive directors.

Remuneration levels are competitively set to attract and retain the most qualified and experienced directors and senior executives. The Remuneration Committee obtains independent advice on the appropriateness of remuneration packages, given trends in comparative companies and industry surveys. Remuneration packages include a mix of fixed remuneration, performance-based remuneration and equity-based remuneration.

Responsibilities regarding nomination

The Committee develops and makes recommendations to the board on:

- The CEO and senior executive succession planning
- The range of skills, experience and expertise needed on the board and the identification of the particular skills, experience and expertise that will best complement board effectiveness
- A plan for identifying, reviewing, assessing and enhancing director competencies
- Board succession plans to maintain a balance of skills, experience and expertise on the board

- Evaluation of the board's performance
- Appointment and removal of directors
- Appropriate composition of committees.

The terms and conditions of the appointment of non-executive directors are set out in a letter of appointment, including expectations for attendance and preparation for all board meetings, expected time commitments, procedures when dealing with conflicts of interest, and the availability of independent professional advice.

The members of the Nomination and Remuneration Committee during the year were:

- Ms Kate Costello (Chairperson) – Independent Non-Executive
- Mr David Boyles – Independent Non-Executive (to November 2008)
- Mr Alan Baxter – Independent Non-Executive (from June 2009)
- Mr Steve Killelea – Non-Executive

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

Audit and Risk Committee

In November 2008, the Board endorsed changes to the Audit Charter to incorporate risk management and consequentially the Committee was reconstituted to become the Audit and Risk Committee.

The Audit and Risk Committee has a documented charter, approved by the board. All members must be non-executive directors with a majority being independent. The chairman may not be the chairman of the board. The committee advises on the establishment and maintenance of a framework of risk management, internal control and appropriate ethical standards for the management of the consolidated entity.

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

- Mr John Brown (Chairman) – Independent Non-Executive
- Mr David Boyles – Independent Non-Executive (to November 2008)
- Mr Alan Baxter – Independent Non-Executive (from June 2009)
- Mr Clyde McConaghy – Non-Executive

During the year, the Audit and Risk Committee provided the Board with updates to the Company's risk management policy, risk management register and risk management plan (with the Board approving each of these documents).

The external auditor, chief executive officer and chief financial officer are invited to Audit and Risk Committee meetings at the discretion of the committee. The committee met three times during the year and committee members' attendance record is disclosed in the table of directors' meetings on page 26.

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 2009 comply with accounting standards and present a true and fair view, in all material respects, of the company's financial condition and operational results. This statement is required annually.

The Audit and Risk Committee's charter is available on the Company's website and includes information on procedures for selection and appointment of the external auditor, and for rotation of external audit engagement partners.

The main responsibilities of the Audit and Risk Committee include:

- Serve as an independent party to monitor the financial reporting process and internal control systems
- Review the performance and independence of the external auditors and make recommendations to the board regarding the appointment or termination of the auditors
- Review the scope and cost of the annual audit, negotiating and recommending the fee for the annual audit to the board
- Review the external auditor's management letter and responses by management
- Provide an avenue of communication between the auditors, management and the board
- Monitor compliance with all financial statutory requirements and regulations
- Review financial reports and other financial information distributed to shareholders so that they provide an accurate reflection of the financial health of the company
- Monitor corporate risk management and assessment processes, and the identification and management of strategic and operational risks
- Enquire of the auditors of any difficulties encountered during the audit, including any restrictions on the scope of their work, access to information or changes to the planned scope of the audit.

The Audit and Risk Committee reviews the performance of the external auditors on an annual basis and normally meets with them during the year as follows:

- To discuss the external audit plans, identifying any significant changes in structure, operations, internal controls or accounting policies likely to impact the financial statements and to review the fees proposed for the audit work to be performed
- Prior to announcement of results:
  - To review the half-year and preliminary final report prior to lodgement with the ASX, and any significant adjustments required as a result of the auditor's findings
  - To recommend the Board approval of these documents
- To finalise half-year and annual reporting:
  - Review the results and findings of the auditor, the adequacy of accounting and financial controls, and to monitor the implementation of any recommendations made
  - Review the draft financial report and recommend board approval of the financial report
- As required, to organise, review and report on any special reviews or investigations deemed necessary by the board.

Strategy Committee

The Strategy Committee has a documented charter, approved by the board, and is responsible for reviewing strategy and recommending strategies to the board to enhance the company's long-term performance. The committee is comprised of at least three members, including the chairman of the board and the Chief Executive Officer. The board appoints a member of the committee to be chairman.

The members of the Strategy Committee during the year were:

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

The Strategy Committee is responsible for:

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

The Committee met nine times during the year under review.

At the commencement of the 2009 financial year, the board approved the services of The Boston Consulting Group ("BCG") who worked with the Strategy Committee in developing a detailed revision of the Company's strategy including review of the Company's vision statement, analysis of opportunities in the market including growth initiatives, review of the Company's core capabilities (including "gap" analysis) and identification of appropriate key performance indicators to measure delivery on the strategy.

Risk management

Under the November 2008 revised Audit and Risk Charter, the Audit and Risk Committee reviews the status of business risks to the consolidated entity through integrated risk management programs ensuring risks are identified, assessed and appropriately managed and communicated to the board. Major business risks arise from such matters as actions by competitors, government policy changes and the impact of exchange rate movements.

Comprehensive policies and procedures are established such that:

- Capital expenditure above a certain size requires board approval
- Financial exposures are controlled, including the use of forward exchange contracts
- Risks are identified and managed, including internal audit, privacy, insurances, business continuity and compliance
- Business transactions are properly authorised and executed.

The Chief Executive Officer and the Chief Financial Officer have declared in writing to the board that the company's financial reports are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board.

Internal control framework

The board is responsible for the overall internal control framework, but recognises that no cost-effective internal control system will preclude all errors and irregularities. The board has instigated the following internal control framework:

- Financial reporting – Monthly actual results are reported against budgets approved by the directors and revised forecasts for the year are prepared monthly
- Continuous disclosure – Identify matters that may have a material effect on the price of the Company's securities, notify them to the ASX and post them to the Company's website
- Quality and integrity of personnel – Formal appraisals are conducted at least annually for all employees
- Investment appraisals – Guidelines for capital expenditure include annual budgets, detailed appraisal and review procedures and levels of authority.

Internal Audit

The Company does not have an internal audit function but utilises its financial resources as needed to assist the board in ensuring compliance with internal controls.

Ethical standards

All directors, managers and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the consolidated entity. Every employee has a nominated supervisor to whom they may refer any issues arising from their employment.

Conflict of interest

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.

Financial Report

Income statements

For the year ended 30 June 2009

In thousands of AUD	Notes	Consolidated 2009	Consolidated 2008	The Company 2009	The Company 2008
Revenue					
Revenue from licence fees		21,723	19,623	15,052	13,299
Revenue from maintenance fees		19,217	16,344	12,281	11,603
Revenue from consulting and other services		1,744	1,417	285	759
Total revenue		42,684	37,384	27,618	25,661
Research and development expenses		8,244	8,717	8,244	8,717
Sales, consulting and marketing expenses		18,932	17,114	7,936	7,874
General and administration expenses		6,142	4,345	3,102	2,958
Total expenses	4	33,318	30,176	19,282	19,549
Results from operating activities		9,366	7,208	8,336	6,112
Other income	3	454	462	370	1,613
Profit before tax		9,820	7,670	8,706	7,725
Income tax expense	7	1,957	1,894	1,329	1,362
Profit for the year		7,863	5,776	7,377	6,363
Basic earnings per share (AUD cents)	8	4.72¢	3.47¢		
Diluted earnings per share (AUD cents)	8	4.71¢	3.47¢		

The income statements are to be read in conjunction with the notes to the financial statements set out on pages 54 to 90.

Statements of recognised income and expense

For the year ended 30 June 2009

		Consolidated		The Company	
In thousands of AUD	Notes	2009	2008	2009	2008
Effective portion of changes in fair value of cash flow hedges	21	460	-	460	-
Foreign exchange translation differences	21	(162)	(520)	-	-
Net income recognised directly in equity		298	(520)	460	-
Profit for the year		7,863	5,776	7,377	6,363
Total recognised income and expense for the year		8,161	5,256	7,837	6,363

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 54 to 90.

Balance sheets

As at 30 June 2009

In thousands of AUD	Notes	Consolidated 2009	Consolidated 2008	The Company 2009	The Company 2008
Current assets					
Cash and cash equivalents	9	14,459	11,148	9,608	5,279
Trade and other receivables	10	11,012	10,157	9,942	10,833
Current tax assets		1,683	1,006	942	570
Other current assets	11	2,142	920	1,599	634
Total current assets		29,296	23,231	22,091	17,316
Non-current assets					
Investments	12	-	-	54	54
Other financial assets	13	1,823	1,765	1,744	1,690
Property, plant and equipment	14	2,355	2,405	2,162	2,208
Deferred tax assets	15	394	284	-	-
Intangible assets	16	13,323	12,641	13,312	12,631
Total non-current assets		17,895	17,095	17,272	16,583
Total assets		47,191	40,326	39,363	33,899
Current liabilities					
Trade and other payables	17	2,913	2,448	1,860	1,669
Provisions	19	1,132	1,139	882	938
Other current liabilities	20	10,740	8,995	6,963	5,534
Total current liabilities		14,785	12,582	9,705	8,141
Non-current liabilities					
Deferred tax liabilities	15	3,802	3,141	3,802	3,141
Provisions	19	635	514	615	490
Other non-current liabilities	20	723	298	88	105
Total non-current liabilities		5,160	3,953	4,505	3,736
Total liabilities		19,945	16,535	14,210	11,877
Net assets		27,246	23,791	25,153	22,022
Equity					
Issued capital	21	816	794	816	794
Reserves	21	(44)	(482)	1,109	509
Retained earnings	21	26,474	23,479	23,228	20,719
Total equity		27,246	23,791	25,153	22,022

The balance sheets are to be read in conjunction with the notes to the financial statements set out on pages 54 to 90.

Statements of cash flows

For the year ended 30 June 2009

		Consolidated		The Company	
In thousands of AUD	**Notes**	**2009**	**2008**	**2009**	**2008**
Cash flows from operating activities					
Cash receipts from customers		41,513	38,420	28,570	23,541
Cash paid to suppliers and employees		(32,284)	(31,341)	(18,493)	(18,489)
Cash generated from operations		9,229	7,079	10,077	5,052
Income taxes paid		(1,585)	(1,133)	(693)	(425)
Net cash provided by operating activities	25	7,644	5,946	9,384	4,627
Cash flows from investing activities					
Payments for property, plant and equipment		(501)	(198)	(416)	(134)
Payments for intellectual property purchases		(24)	(160)	(19)	(160)
Interest received		454	462	370	231
Dividends received		-	-	-	1,382
Net cash used in investing activities		(71)	104	(65)	1,319
Cash flows from financing activities					
Proceeds from issuing of shares		13	114	13	114
Payment of dividend	21	(5,003)	(5,826)	(5,003)	(5,826)
Net cash used in financing activities		(4,990)	(5,712)	(4,990)	(5,712)
Net increase in cash and cash equivalents		2,583	338	4,329	234
Cash and cash equivalents at 1 July		11,148	11,704	5,279	5,045
Effects of exchange rate changes on cash		728	(894)	-	-
Cash and cash equivalents at 30 June	9	14,459	11,148	9,608	5,279

The statements of cash flows are to be read in conjunction with the notes to the financial statements set out on pages 54 to 90.

Notes to the Financial Statements

For the year ended 30 June 2009

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 2009 comprises the Company and its subsidiaries (together referred to as the "consolidated entity").

The financial report was authorised for issue by the directors on 7 September 2009.

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
Initial application of the following Standards and Interpretations is not expected to have any material impact on the financial report of the company:		
AASB 2007-10 'Further Amendments to Australian Accounting Standards arising from AASB 101'	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'	Business combinations occurring after the beginning of annual reporting periods beginning 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 2008-5 'Amendments to Australian Accounting Standards arising from the Annual Improvements Process'	1 January 2009	30 June 2010
AASB 2008-6 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process'	1 July 2009	30 June 2010
AASB 2008-7 'Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate'	1 January 2009	30 June 2010
AASB 2008-8 'Amendments to Australian Accounting Standards – Eligible Hedged Items'	1 July 2009	30 June 2010
AASB 2009-2 'Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments'	1 January 2009	30 June 2010
AASB – 2009-4 'Amendments to Australian Accounting Standards arising from the annual improvements process'	1 July 2009	30 June 2010
AASB – 2009-5 'Further Amendments to Australian Accounting Standards arising from the annual improvements process'	1 January 2010	30 June 2011
AASB – 2009-6 'Amendments to Australian Accounting Standards arising from the annual improvements process'	1 January 2009	30 June 2010
AASB – 2009-7 'Amendments to Australian Accounting Standards arising from the annual improvements process'	1 July 2009	30 June 2010
AASB Interpretation 15 'Agreements for the Construction of Real Estate'	1 January 2009	30 June 2010
AASB Interpretation 16 'Hedges of a Net Investment in a Foreign Operation'	1 October 2008	30 June 2010
AASB Interpretation 17 'Distributions of Non-Cash Assets to Owners and AASB 2008-13 Amendments to Australian Accounting Standards arising from AASB Interpretation 17 Distributions of Non-Cash Assets to Owners'	1 July 2009	30 June 2010
AASB Interpretation 18 'Transfer of Assets from Customers'	1 July 2009	30 June 2010

Note 1: Significant accounting policies (continued)

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

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

In preparing the financial statements of the individual entities transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the 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.

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

Note 1: Significant accounting policies (continued)

Intellectual property

Intellectual property acquired from third parties is amortised over its estimated useful life.

Computer software

Computer software is stated at cost and depreciated on a straight-line basis over 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.

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

j) Cash and cash equivalents

Cash and cash equivalents comprises cash balances and call deposits with an original maturity of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the consolidated entity's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

k) Impairment

The carrying amounts of the consolidated entity's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For intangible assets that are not yet available for use, the recoverable amount is estimated at each 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 are expected to vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

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

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

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.

Note 1: Significant accounting policies (continued)

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.

Financing income

Financing income comprises interest receivable on funds invested, dividend income, foreign exchange gains and losses, and gains and losses on hedging instruments that are recognised in 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 substantively 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 dividend franking deficit tax that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

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

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 is 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.

Note 2. Segment reporting (continued)

Geographic segments	Americas		Europe		Asia Pacific		Corporate Australia*		Eliminations		Consolidated	
In thousands of AUD	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Sales to customers outside the consolidated entity	26,988	23,050	7,276	6,428	7,317	7,358	1,103	548	-	-	42,684	37,384
Inter-segment sales	-	-	-	-	-	-	19,659	17,555	(19,659)	(17,555)	-	-
Total segment revenue	26,988	23,050	7,276	6,428	7,317	7,358	20,762	18,103	(19,659)	(17,555)	42,684	37,384
Total revenue											42,684	37,384
Segment results	829	918	201	202	687	796	7,649	5,292	-	-	9,366	7,208
Results from operating activities											9,366	7,208
Financing income											454	462
Income tax expense											(1,957)	(1,894)
Profit for the year											7,863	5,776
Segment assets	16,844	15,981	3,579	4,302	6,750	5,473	32,613	28,426	(12,595)	(13,856)	47,191	40,326
Total assets											47,191	40,326
Segment liabilities	15,752	15,121	2,578	3,393	6,499	5,747	7,711	6,130	(12,595)	(13,856)	19,945	16,535
Total liabilities											19,945	16,535
Capital expenditure**	52	52	38	12	-	29	435	265	-	-	525	358
Depreciation and amortisation expenditure	56	133	38	54	41	51	5,548	6,436	-	-	5,683	6,674

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

** Excludes internal development costs capitalised.

Note 3. Other income

In thousands of AUD	Consolidated 2009	Consolidated 2008	The Company 2009	The Company 2008
Interest income	454	462	370	231
Dividends received	-	-	-	1,382
	454	462	370	1,613

Note 4. Expenses

Total expenses include:

In thousands of AUD	Consolidated 2009	Consolidated 2008	The Company 2009	The Company 2008
Depreciation and amortisation	5,683	6,674	5,589	6,487
Operating lease rental expenses	1,266	1,304	843	940

Note 5. Personnel expenses

In thousands of AUD	Notes	Consolidated 2009	Consolidated 2008	The Company 2009	The Company 2008
Wages and salaries		21,270	21,666	11,754	13,705
Other associated personnel expenses		1,314	1,226	991	1,005
Superannuation contributions		881	837	881	837
Employee options and share grant	18	284	174	284	174
Increase in liability for annual leave		19	167	(30)	208
Increase in liability for long service leave		99	6	99	6
		23,867	24,076	13,979	15,935

Personnel expenses are shown before deduction of the capitalisation of development costs.

Note 6. Auditors' remuneration

2009 and 2008 – Deloitte Touche Tohmatsu

	Consolidated		The Company	
In AUD	2009	2008	2009	2008
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	126,796	129,335	84,953	86,654
Other auditors	23,333	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	44,604	47,544	44,604	47,544
Other auditors	3,229	2,813	-	-
Other services				
Auditors of the company (sundry accounting advice)	10,900	9,495	10,900	9,495

Note 7. Income tax expense

Recognised in the income statement

		Consolidated		The Company	
In thousands of AUD	Notes	2009	2008	2009	2008
Current tax expense					
Current year		1,743	1,388	1,153	806
Prior year adjustments		(140)	56	(288)	71
		1,603	1,444	865	877
Deferred tax expense					
Origination and reversal of temporary differences	15	354	450	464	485
Total income tax expense in income statement		1,957	1,894	1,329	1,362

Numerical reconciliation between income tax expense and profit before tax

	Consolidated		The Company	
In thousands of AUD	2009	2008	2009	2008
Profit before tax	9,820	7,670	8,706	7,725
Income tax using the domestic corporate tax rate of 30%	2,946	2,301	2,612	2,318
Increase in income tax expense due to:				
Non-deductible expenses	176	98	102	46
Effect of tax rates in foreign jurisdictions	102	97	-	-
Decrease in income tax expense due to:				
R&D tax incentive	(1,065)	(658)	(1,065)	(658)
Foreign sourced income (net of expense)	-	-	-	(415)
Other	(63)		(32)	-
Prior year adjustments	(139)	56	(288)	71
Income tax expense	1,957	1,894	1,329	1,362

Note 8. Earnings per share

The calculation of basic and diluted earnings per share at 30 June 2009 was based on the profit attributable to ordinary shareholders of $7,863,000 (2008: $5,766,000); a weighted number of ordinary shares outstanding during the year ended 30 June 2009 of 166,778,141 (2008: 166,504,416); and a weighted number of ordinary shares (diluted) outstanding during the year ended 30 June 2009 of 166,938,786 (2008:166,600,781), calculated as follows:

	Consolidated	
In thousands of AUD	**2009**	**2008**
Profit for the year	7,863	5,776

Weighted average number of shares used as the denominator

	Consolidated	
(Number)	**2009**	**2008**
Number for basic earnings per share:		
Ordinary shares	166,778,141	166,504,416
Effect of employee share options on issue	160,645	96,365
Number for diluted earnings per share	166,938,786	166,600,781
Basic earnings per share (AUD cents)	4.72¢	3.47¢
Diluted earnings per share (AUD cents)	4.71¢	3.47¢

Note 9. Cash and cash equivalents

	Consolidated		The Company	
In thousands of AUD	2009	2008	2009	2008
Cash at bank and on hand	14,459	11,148	9,608	5,279

Note 10. Trade and other receivables

	Consolidated		The Company	
In thousands of AUD	2009	2008	2009	2008
Trade debtors	11,749	10,576	2,460	1,508
Less: Allowance for doubtful debts	(521)	(187)	(79)	(80)
Less: Allowance for returns	(320)	(333)	(76)	(41)
	10,908	10,056	2,305	1,387
GST receivable	104	101	104	101
Receivable from controlled entities	-	-	7,533	9,345
	11,012	10,157	9,942	10,833

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	2009	2008	2009	2008
Past due 90 days	1,523	2,047	128	87

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

	Consolidated		The Company	
In thousands of AUD	2009	2008	2009	2008
Balance at beginning of year	187	-	80	-
Amounts written off during the year	(810)	-	(80)	-
Increase/(decrease) in provision	1,144	187	79	80
Balance end of year	521	187	79	80

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

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

Included in the consolidated entity's trade receivable balance are debtors with a carrying amount of $682,000 (2008: $1,527,000) which are past due at the reporting date which the consolidated entity has not provided for as there has been no significant change in credit quality and the consolidated entity believes that the amounts are still considered recoverable. The consolidated entity does not hold any collateral over these balances.

Note 11. Other current assets

	Consolidated		The Company	
In thousands of AUD	2009	2008	2009	2008
Franking deficit tax offset benefit	-	292	-	292
Other prepayments	887	628	344	342
Fair value of hedge asset	1,255	-	1,255	-
	2,142	920	1,599	634

Note 12. Investments

	Consolidated		The Company	
In thousands of AUD	2009	2008	2009	2008
Shares in controlled entities at cost (refer Note 24)	-	-	54	54

Note 13. Other financial assets

	Consolidated		The Company	
In thousands of AUD	2009	2008	2009	2008
Deposits	1,823	1,765	1,744	1,690

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	2009	2008	2009	2008
At cost	4,303	3,802	3,443	3,027
Accumulated depreciation	(3,448)	(3,115)	(2,738)	(2,466)
	855	687	705	561

Leasehold Improvements	Consolidated		The Company	
In thousands of AUD	2009	2008	2009	2008
At cost	2,026	2,026	1,900	1,900
Accumulated depreciation	(526)	(308)	(443)	(253)
	1,500	1,718	1,457	1,647

Total property, plant and equipment	Consolidated		The Company	
In thousands of AUD	2009	2008	2009	2008
At cost	6,329	5,828	5,343	4,927
Accumulated depreciation	(3,974)	(3,423)	(3,181)	(2,719)
Total written down amount	2,355	2,405	2,162	2,208

Plant and Equipment	Consolidated		The Company	
In thousands of AUD	2009	2008	2009	2008
Carrying amount at start of year	687	835	561	682
Additions	501	193	416	129
Depreciation expense	(333)	(341)	(272)	(250)
Carrying amount at end of year	855	687	705	561

Leasehold Improvements	Consolidated		The Company	
In thousands of AUD	2009	2008	2009	2008
Carrying amount at start of year	1,718	2,058	1,647	1,772
Additions	-	5	-	5
Disposals	-	(151)	-	-
Depreciation expense	(218)	(194)	(190)	(130)
Carrying amount at end of year	1,500	1,718	1,457	1,647

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	2009	2008	2009	2008	2009	2008
Property, plant and equipment	34	50	-	-	34	50
Intangible assets	-	-	3,993	3,754	(3,993)	(3,754)
Trade and other payables	148	67	-	-	148	67
Employee benefits	381	372	-	-	381	372
Provisions	351	281	-	-	351	281
Other current liabilities	40	40	-	13	40	27
Unrealised foreign exchange gain	-	-	398	-	(398)	-
Unrealised foreign exchange loss	29	100	-	-	29	100
Deferred tax assets/liabilities	983	910	4,391	3,767	(3,408)	(2,857)
Set off of deferred tax asset	(589)	(626)	(589)	(626)	-	-
Net deferred tax assets/liabilities	394	284	3,802	3,141	(3,408)	(2,857)

The Company	Assets		Liabilities		Net	
In thousands of AUD	2009	2008	2009	2008	2009	2008
Property, plant and equipment	18	37	-	-	18	37
Intangible assets	-	-	3,993	3,754	(3,993)	(3,754)
Trade and other payables	48	26	-	-	48	26
Employee benefits	340	318	-	-	340	318
Provisions	154	145	-	-	154	145
Other current liabilities	-	-	-	13	-	(13)
Unrealised foreign exchange gain	-	-	398	-	(398)	-
Unrealised foreign exchange loss	29	100	-	-	29	100
Deferred tax assets/liabilities	589	626	4,391	3,767	(3,802)	(3,141)
Set off of deferred tax asset	(589)	(626)	(589)	(626)	-	-
Net deferred tax assets/liabilities	-	-	3,802	3,141	(3,802)	(3,141)

Note 15. Deferred tax assets and liabilities (continued)

Movement in temporary differences during the year:

For year ended 30 June 2009	Consolidated				The Company			
In thousands of AUD	Balance 1 Jul 08	Recognised in income	Recognised in equity	Balance 30 Jun 09	Balance 1 Jul 08	Recognised in income	Recognised in equity	Balance 30 Jun 09
Property, plant and equipment	50	(16)	-	34	37	(19)	-	18
Intangible assets	(3,754)	(239)	-	(3,993)	(3,754)	(239)	-	(3,993)
Trade and other payables	67	81	-	148	26	22	-	48
Employee benefits	372	9	-	381	318	22	-	340
Provisions	281	70	-	351	145	9	-	154
Other current liabilities	27	13	-	40	(13)	13	-	-
Unrealised foreign exchange gain	-	(201)	(197)	(398)	-	(201)	(197)	(398)
Unrealised foreign exchange loss	100	(71)	-	29	100	(71)	-	29
	(2,857)	(354)	(197)	(3,408)	(3,141)	(464)	(197)	(3,802)

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)

There were no deferred tax adjustments recognised directly in equity in 2008.

Note 16. Intangible assets

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

	Consolidated		The Company	
In thousands of AUD	2009	2008	2009	2008
Research and development expenses	5,132	6,139	5,128	6,107
	5,132	6,139	5,128	6,107

Cost	Consolidated				The Company			
In thousands of AUD	Software development	Patents & trademarks	Third party software	Total	Software development	Patents & trademarks	Third party software	Total
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
Balance at 1 July 2008	26,618	33	1,101	27,752	26,618	-	994	27,612
Internally developed	5,790	-	-	5,790	5,790	-	-	5,790
Acquired	-	-	24	24	-	-	19	19
Balance at 30 June 2009	32,408	33	1,125	33,566	32,408	-	1,013	33,421

Amortisation	Consolidated				The Company			
In thousands of AUD	Software development	Patents & trademarks	Third party software	Total	Software development	Patents & trademarks	Third party software	Total
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
Balance at 1 July 2008	14,201	33	877	15,111	14,201	-	780	14,981
Fully amortised & offset	-	-	-	-	-	-	-	-
Amortisation for year	5,033	-	99	5,132	5,033	-	95	5,128
Balance at 30 June 2009	19,234	33	976	20,243	19,234	-	875	20,109

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 2008	12,417	-	224	12,641	12,417	-	214	12,631
Balance at 30 June 2009	13,174	-	149	13,323	13,174	-	138	13,312

Note 17. Trade and other payables

	Consolidated		The Company	
In thousands of AUD	2009	2008	2009	2008
Payable to controlled entities	-	-	-	-
Trade and other creditors	2,913	2,448	1,860	1,669
	2,913	2,448	1,860	1,669

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

Note 18. Employee benefits

Current

	Consolidated		The Company	
In thousands of AUD	2009	2008	2009	2008
Liability for untaken annual leave	1,002	983	752	782
Liability for long service leave	130	156	130	156
	1,132	1,139	882	938

Non-current

	Consolidated		The Company	
In thousands of AUD	2009	2008	2009	2008
Liability for long service leave	255	130	255	130

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 2009 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
Jul 2004	$0.40	246,000	Sep 2007 (*)	$0.42	1,000,000
Nov 2004 (*)	$0.57	400,000	Mar 2008 (*)	$0.38	350,000
Feb 2005	$0.52	293,000	Mar 2008 (*)	$0.43	350,000
Sep 2005	$0.54	430,000	Apr 2008 (*)	$0.38	300,000
May 2006	$0.41	546,000	Jul 2008 (*)	$0.35	200,000
Jan 2007 (*)	$0.50	160,000	Oct 2008 (*)	$0.31	340,000
Jun 2007	$0.48	721,000	May 2009	$0.28	1,660,000

Note 18. Employee benefits (continued)

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

In thousands of AUD	Weighted Average exercise price 2009	Number of options 2009	Weighted Average exercise price 2008	Number of options 2008
Outstanding at the beginning of the year	$0.44	6,376	$0.44	7,280
Forfeited during the year	$0.41	(1,523)	$0.48	(2,371)
Exercised during the year	$0.23	(57)	$0.21	(533)
Granted during the year	$0.29	2,200	$0.41	2,000
Outstanding at the end of the year	$0.40	6,996	$0.44	6,376
Exercisable at the end of the year (vested)	$0.47	2,082	$0.44	2,607

The options outstanding at 30 June 2009 have a weighted average exercise price of $0.40 and a weighted average of contractual life of five years.

During the year ended 30 June 2009, 57,250 options were exercised (2008: 532,605).

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 2009			
Grant date	18 Jul 08	16 Oct 08	5 May 09
Fair value at measurement date	$0.15	$0.13	$0.12
Share price	$0.35	$0.31	$0.28
Exercise price	$0.35	$0.31	$0.28
Expected volatility (expressed as weighted average volatility used in the modelling under the Binomial formula)	63%	63%	63%
Option life (expressed as weighted average life used in the modelling under the Binomial formula)	5 years	5 years	5 years
Expected dividends	5%	5%	5%
Risk-free interest rate (based on national government bonds)	5.3%	5.3%	5.3%

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	$0.14
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%

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 2009, the company and consolidated entity recognised expense of $284,000 related to the fair value of options granted (2008: $174,000 in company and consolidated entity).

Note 19. Provisions

Current

	Consolidated		The Company	
In thousands of AUD	2009	2008	2009	2008
Employee benefits	1,132	1,139	882	938

Non-current

	Consolidated		The Company	
In thousands of AUD	2009	2008	2009	2008
Employee benefits	255	130	255	130
Lease make good	360	360	360	360
Other	20	24	-	-
	635	514	615	490

Note 20. Other liabilities

Current

	Consolidated		The Company	
In thousands of AUD	2009	2008	2009	2008
Deferred revenue	10,740	8,995	6,963	5,534

Non-current

	Consolidated		The Company	
In thousands of AUD	2009	2008	2009	2008
Deferred revenue	723	298	88	105

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 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
Balance at 1 July 2008	794	-	(991)	509	23,479	23,791
Total recognised income and expense	-	460	(162)	-	7,863	8,161
Lapsed employee options	-	-	-	(135)	135	-
Expensed employee options	-	-	-	284	-	284
Shares issued	22	-	-	(9)	-	13
Dividends to shareholders	-	-	-	-	(5,003)	(5,003)
Balance at 30 June 2009	816	460	(1,153)	649	26,474	27,246

The Company In thousands of AUD	Share capital	Hedging reserve	Translation reserve	Employee benefit reserve	Retained earnings	Total
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
Lapsed employee options	-	-	-	-	-	-
Shares issued	114	-	-	(80)	-	34
Dividends to shareholders	-	-	-	-	(5,826)	(5,826)
Balance at 30 June 2008	794	-	-	509	20,719	22,022
Balance at 1 July 2008	794	-	-	509	20,719	22,022
Total recognised income and expense	-	460	-	-	7,377	7,837
Expensed employee options	-	-	-	284	-	284
Lapsed employee options	-	-	-	(135)	135	-
Shares issued	22	-	-	(9)	-	13
Dividends to shareholders	-	-	-	-	(5,003)	(5,003)
Balance at 30 June 2009	816	460	-	649	23,228	25,153

Note 21. Capital and reserves (continued)

Share capital

In thousands of shares	Ordinary shares 2009	2008
On issue 1 July	166,735	166,203
Issued for cash against employee options exercised under ESOP	57	532
On issue 30 June	166,792	166,735

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 recognised in the current year by the company are:

In thousands of AUD	Cents per share	Total amount	Franked/unfranked	Date of payment
2009				
Final 2008	1.5¢	2,501	Unfranked	12 Sep 08
Interim 2009	1.5¢	2,502	Unfranked	9 Mar 09
Total amount		5,003		
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		

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 2009 and will be recognised in subsequent financial reports:

In thousands of AUD	Cents per share	Total amount	Franked/ unfranked	Date of payment
Final 2009	2.5¢	4,170	5% franked	18 Sep 09

The final dividend declared of 2.5 cents together with the interim dividend paid in March 2009 of 1.5 cents takes total dividends for the 2009 financial year to 4.0 cents.

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 and Risk Committee, which is responsible for developing and monitoring the consolidated entity's financial management policies. The Committee provides regular reports to the Board of Directors on its activities.

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

The main 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 and cash flow interest rate risks. 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 the functional currency of the respective entities undertaking the transactions is as follows:

In thousands of AUD	Consolidated				The Company			
	Liabilities		Assets		Liabilities		Assets	
	2009	2008	2009	2008	2009	2008	2009	2008
US Dollar	-	-	1,388	1,201	-	-	8,374	9,108
Euro	-	-	720	-	-	-	9	-
UK Sterling	-	-	61	-	-	-	599	1,437

(i) Foreign currency sensitivity

At 30 June 2009, if the US Dollar, Euro and UK sterling weakened against the Australian dollar by the percentage shown, with all other variables held constant, net profit for the year would increase (decrease) by:

In thousands of AUD	Consolidated					
2009	USD Impact		Euro Impact		Sterling Impact	
	2009	2008	2009	2008	2009	2008
Net profit	154	133	80	-	7	158
Retained earnings	154	133	80	-	7	158

Change in currency (i) – 10% decrease

In thousands of AUD	The Company					
2009	USD Impact		Euro Impact		Sterling Impact	
	2009	2008	2009	2008	2009	2008
Net profit	930	1012	1	-	67	158
Retained earnings	930	1012	1	-	67	158

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 2009 and 30 June 2008.

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

In management's opinion, the sensitivity analysis is not fully representative of the inherent foreign exchange risk as the year end exposure does not necessarily reflect the exposure during the course of the year. The consolidated entity includes certain subsidiaries whose functional currencies are different to the consolidated entity presentation currency. The main operating entities outside of Australia are based in the United States and the United Kingdom. As stated in the 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.

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 two years after the balance sheet date.

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

Note 22. Financial instruments (continued)

Outstanding contracts	Average exchange rate		Foreign Currency		Contract Value		Fair Value	
Consolidated	**2009**	**2008**	**2009 FC'000**	**2008 FC'000**	**2009 A$'000**	**2008 A$'000**	**2009 A$'000**	**2008 A$'000**
Sell US Dollar								
Less than 3 months	0.64	-	1,675	-	2,622	-	549	-
3 to 6 months	0.72	-	1,600	-	2,230	-	238	-
6 to 9 months	0.72	-	2,050	-	2,830	-	260	-
9 to 12 months	0.71	-	750	-	1,058	-	110	-
12 to 15 months	0.71	-	250	-	354	-	36	-
Sell UK Sterling								
Less than 3 months	0.40	-	100	-	254	-	47	-
Sell Euros								
Less than 3 months	0.56	-	50	-	90	-	2	-
3 to 6 months	0.55	-	100	-	181	-	5	-
6 to 9 months	0.55	-	100	-	182	-	4	-
9 to 12 months	0.55	-	100	-	182	-	4	-
							1,255	-

Outstanding contracts	Average exchange rate		Foreign Currency		Contract Value		Fair Value	
The Company	**2009**	**2008**	**2009 FC'000**	**2008 FC'000**	**2009 A$'000**	**2008 A$'000**	**2009 A$'000**	**2008 A$'000**
Sell US Dollar								
Less than 3 months	0.64	-	1,675	-	2,622	-	549	-
3 to 6 months	0.72	-	1,600	-	2,230	-	238	-
6 to 9 months	0.72	-	2,050	-	2,830	-	260	-
9 to 12 months	0.71	-	750	-	1,058	-	110	-
12 to 15 months	0.71	-	250	-	354	-	36	-
Sell UK Sterling								
Less than 3 months	0.40	-	100	-	254	-	47	-
Sell Euros								
Less than 3 months	0.56	-	50	-	90	-	2	-
3 to 6 months	0.55	-	100	-	181	-	5	-
6 to 9 months	0.55	-	100	-	182	-	4	-
9 to 12 months	0.55	-	100	-	182	-	4	-
							1,255	-

Interest rate risk management

The consolidated and parent are exposed to interest rate risk on the cash held in bank deposits. Cash deposits of $16,282,000 and $11,352,000 were held by the consolidated entity and parent entity respectively at the reporting date, attracting an average interest rate of consolidated entity: 2.79%, parent entity: 3.26% (2008: Consolidated Entity:3.45%, parent entity 3.31%). If interest rates had been 50 basis points higher or lower and all other variables were held constant, the consolidated entity's net profit would increase by $57,000 (2008: $47,000) and the parent's net profit would increase by $39,000 (2008: $24,000).

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.

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 2009 and 2008 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	2009	2008	2009	2008
Less than one year	1,136	1,016	813	813
Between one and five years	2,406	3,371	2,169	2,983
Greater than five years	-	-	-	-
	3,542	4,387	2,982	3,796

Note 24. Consolidated entities

	Country of incorporation	Ownership interest	
		2009	2008
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	2009	2008	2009	2008
Profit for the year	7,863	5,776	7,377	6,363
Depreciation and amortisation	5,683	6,674	5,589	6,487
Provision for doubtful debts	334	187	(1)	80
Allowance for returns	(13)	(69)	35	(56)
Interest received	(454)	(462)	(370)	(231)
Dividend received	-	-	-	(1,382)
Net exchange differences	(729)	894	-	-
Change in operating assets and liabilities				
(Increase)/decrease in trade debtors	(1,172)	1,030	(952)	2,120
(Increase)/decrease in future income tax benefit	(110)	(35)	-	-
(Increase)/decrease in other operating assets	(7,749)	(7,086)	(5,371)	(8,984)
Increase/(decrease) in trade creditors	465	253	192	414
Increase/(decrease) in other operating liabilities	2,170	(1,448)	1,412	(977)
Increase/(decrease) in provision for income taxes payable	-	-	-	-
Increase/(decrease) in provision for deferred income taxes	661	485	661	485
Increase/(decrease) in other provisions	114	173	69	214
Increase/(decrease) in reserves	581	(426)	743	94
Net cash from operating activities	7,644	5,946	9,384	4,627

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:

Directors (full year)	Directors (part year)
Steve Killelea – Chairman	Alan Baxter (appointed June 2009)
Mark Brayan – Chief Executive Officer	David Boyles (resigned November 2008)
John Brown	
Kate Costello	
Clyde McConaghy	

Other key management personnel (full year)	Other key management personnel (part year)
Peter Adams – Chief Financial Officer	Andre Cuenin – President, Americas (appointed October 2008)
Alex Baburin – (GM, Research & Development)	Kurt Roscow – VP, Americas (resigned July 2008)
Rick Ferguson – (Vice President, Asia Pacific)	
David Leighton – Company Secretary	
Pierre Semaan – (GM, Product Management & Marketing)	
David Stark – (Vice President, Europe)	

Key management personnel compensation

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

	Consolidated		The Company	
In AUD	2009	2008	2009	2008
Short-term benefits	2,563,785	2,109,046	1,861,506	1,502,492
Post-employment benefits	192,233	237,890	192,233	237,890
Termination benefits	-	300,000	-	300,000
Equity compensation benefits	176,491	11,673	145,339	10,181
	2,932,509	2,658,609	2,199,078	2,050,563

Individual directors and executives compensation disclosures

Information regarding individual directors and executives compensation is provided in the remuneration report on pages 31 to 39.

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 months notice and that the consolidated entity retains the right to terminate the contract immediately by payment in lieu of notice or a severance payment within two to four 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 31 to 39.

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

Note 26. Key management personnel disclosures (continued)

Prior 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)	-	-	-

* 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	Exercise Price per Share $	Market Value per Share $	Earliest Exercise Date
Alex Baburin	40,000	Oct 2008	Oct 2013	$0.31	$0.31	Oct 2009
Andre Cuenin	300,000	Oct 2008	Oct 2013	$0.31	$0.31	Oct 2009
Pierre Semaan	200,000	Jul 2008	Jul 2013	$0.35	$0.35	Jul 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 2008	Purchases	Received on exercise of options	Received as compensation	Sales	Held at 30 June 2009
Directors						
Non-executive						
David Boyles*	1,700,000	-	-	-	-	1,700,000
John Brown	50,000	-	-	-	-	50,000
Kate Costello	200,000	-	-	-	-	200,000
Steve Killelea	94,834,951	-	-	-	-	94,834,951
Executive						
Mark Brayan	25,000	-	-	-	-	25,000

* resigned November 2008.

Prior 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
Executive						
Mark Brayan	-	25,000	-	-	-	25,000

** resigned September 2007

Shareholdings at the date of the Directors' Report for existing Key Management Personnel 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 2009, subsidiaries purchased goods from the Company in the amount of $19,659,000 (2008: $17,555,000) and at 30 June 2009 subsidiaries owed the consolidated entity $7,533,000 (2008: $9,345,000) 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 2009 Mr Steve Killelea, the Chairman of the Company, owned either directly or indirectly 56.86% of the Company (2008: 56.88%).

Note 28. Subsequent events

For dividends declared after 30 June 2009 see Note 21 in the financial statements. The financial effect of dividends declared and paid after 30 June 2009 have not been brought to account in the financial statements for the year ended 30 June 2009 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 50 to 90, 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 2009 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 2009.

Dated at North Sydney this 7th day of September 2009.

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
ABN 74 490 121 060

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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 2009, 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 50 to 91.

Auditor's Opinion

In our opinion the Remuneration Report of Integrated Research Limited for the year ended 30 June 2009, complies with section 300A of the Corporations Act 2001.

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's and consolidated entity's financial position as at 30 June 2009 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 31 to 39 of the directors' report for the year ended 30 June 2009. 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 2009, complies with section 300A of the Corporations Act 2001.

DELOITTE TOUCHE TOHMATSU

Michael Kaplan
Partner
Chartered Accountants
Sydney, 7 September 2009

Lead Auditor's Independence Declaration

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

7 September 2009

Dear Board Members

Auditor's Independence Declaration to Integrated Research Limited

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

As lead audit partner for the audit of the financial statements of Integrated Research Limited for the financial year ended 30 June 2009, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

DELOITTE TOUCHE TOHMATSU

Michael Kaplan
Partner
Chartered Accountants

ASX Additional Information

Shareholder information

Analysis of numbers of equity security holders by size of holding at 31 August 2009:

			Class of equity security	
			Ordinary shares	
			Shares	Options
1	-	1,000	87	-
1,001	-	5,000	848	-
5,001	-	10,000	527	15
10,001	-	100,000	832	72
100,001	and over		82	15
			2,376	102

Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest holders of quoted equity securities as at 31 August 2009 are listed below:

		Ordinary Shares	
		Number held	Percentage of issued shares
1	Stephen John Killelea	94,497,339	56.66
2	Andrew Rhys Rutherford	5,426,589	3.25
3	JP Morgan Nominees Australia Limited	5,034,138	3.02
4	UBS Nominees Pty Ltd	3,141,357	1.88
5	B&R James Investments Pty Limited	2,500,000	1.50
6	National Australia Trustees Limited	2,409,398	1.44
7	David Leroy Boyles	2,000,000	1.20
8	ANZ Nominees Limited	889,843	0.53
9	Ralph Chiarella	761,000	0.46
10	Citicorp Nominees Pty Ltd	679,939	0.41
11	Five Talents Limited	655,000	0.39
12	Forbar Custodians Limited	642,620	0.39
13	Howard Securities Pty Ltd	600,000	0.36
14	HSBC Custody Nominees	577,412	0.35
15	Mr. Philip Julian Eriksen and Mr. Julian Hans Eriksen	563,155	0.34
16	Bell Potter Nominees Ltd	500,000	0.30
17	Mr. Richard Ewan Bromley Mews and Mrs. Wee Khoon Mews	463,460	0.28
18	Carlos Gil	373,012	0.22
19	Sporran Lean Pty Ltd	364,261	0.22
20	Caratel Pty Ltd	350,000	0.21

Unquoted equity securities

	Number on issue *	Number of holders
Options issued under the Integrated Research Limited Employee Share Option Plan to take up ordinary shares	6,996,000	102

* 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 Alan Baxter Independent Non-Executive Director 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	Blake Dawson Level 36, Grosvenor Place 225 George 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 Thursday, 12th November 2009, at the Museum of Sydney, Corner of Phillip and Bridge Streets, Sydney.

For more information visit our website at www.prognosis.com or email info@prognosis.com

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