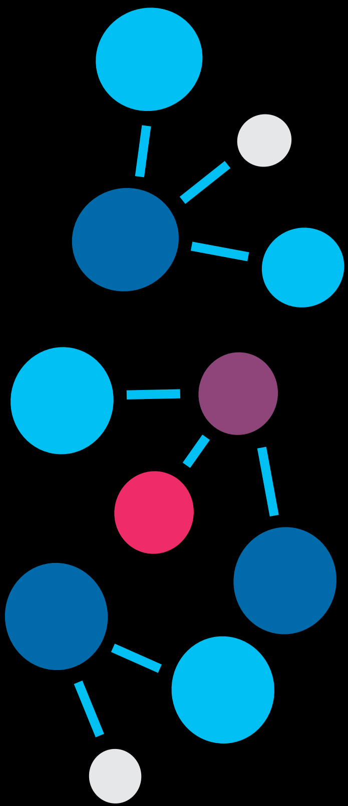
Integrated Research

Annual Report 2017

ABN 76 003 588 449



A unique Australian company - IR has a strong international footprint and a track record of leveraging our IP and know-how into new global markets.

A record result in 2017 provides a solid foundation from which to explore new strategic growth opportunities while continuing to outperform in core markets.

FOREST MANAGEMENT | ECF ELEMENTAL CHLORINE FREE | EMS ENVIRONMENTAL MANAGEMENT SYSTEMS | ISO CERTIFICATION | ECO BLEACHING PROCESS

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Achievements

PAT
↑ 16%

Licence sales
↑ 17%

$14.1 million cash
(no debt)

Payments Revenue
↑ 58%

Global recognition
by Nemertes

Global recognition
by IDC

Financial highlights

IN MILLIONS OF AUD (EXCEPT EARNINGS PER SHARE)

Year ended 30 June	2017	2016	% Change
Revenue from licence fees	53.4	45.7	17%
Total revenue	91.2	84.5	8%
Net profit after tax	18.5	16.0	16%
Net assets	48.5	41.0	18%
Cash at balance date	14.1	8.5	66%
Americas revenue	64.3	58.0	11%
Europe revenue	14.9	17.2	-13%
Asia Pacific revenue	11.6	10.3	13%
Earnings per share (cents per share)	10.9	9.4	16%

Year ended 30 June	2017	2016	% Change
Americas revenue (USD)	48.2	42.0	15%
Europe revenue (UK Sterling)	8.8	8.4	4%
Asia Pacific revenue (AUD)	11.6	10.3	13%

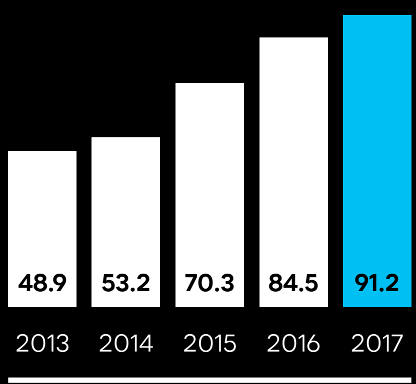
10/10
Top US Banks

6/10
Top Fin Services Companies Globally

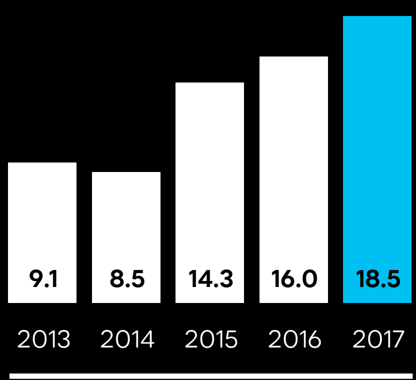
6/10
Top Automotive Companies

7/10
Biggest Telcos

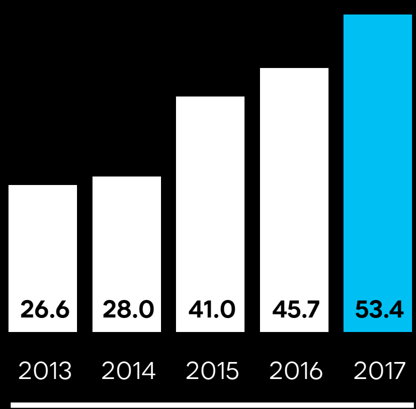
Total revenue
(AUD millions)



Net profit after tax
(AUD millions)



Revenue from licence sales
(AUD millions)



Letter from the Chairman

I am pleased to report another record result for Integrated Research for the financial year to 30 June 2017. The result was mainly driven by strong licence sales growth in - Payments, Infrastructure and Unified Communications management of Microsoft Skype for Business environments.

Dear fellow shareholders,

The Company achieved an increase of 16% in net profit after tax over the prior year to $18.5 million; new licence sales increased by 17% to $53.4 million and total revenue increased by 8% to $91.2 million. Revenue came from a wide range of customers, products and regions.

Over 95% of the Company's revenue continues to be sourced from outside Australia underscoring the strength of the Company's global business. Adjusting the reported results to constant currency, licence fees would have increased by 22% and profit after tax by 28% over the prior year.

The Americas delivered a solid performance with revenue of US$48.2 million increasing by 15% over the prior year with the closure of four large licence renewals. European revenues grew by 4% to £8.7 million and Asia Pacific revenue increased by 13% to $11.6 million.

The Company once again cemented its leadership position in Unified Communications and Collaboration (UC&C) achieving recognition by International Data Corporation (IDC) as an IDC Innovator. Integrated Research was chosen because of its competitive advantage derived from its unique intellectual property and 100% software-based 'probe-less' design.

Additionally, after surveying IT leaders in over 700 organisations about their UC&C plans, costs, and providers - advisory and strategic consulting firm Nemertes placed IR as the leading performance management vendor, providing superior value for money and quality than its competitors. Nemertes also recognised Integrated Research for delivering value by reducing the cost of managing highly complex UC environments across multiple vendors.

Annual revenue ↑ 8%

$91.2M

Prognosis sales to customers using Skype for Business doubled from the prior year and now represents close to a third of overall Unified Communications license sales.

IR has been a trusted Microsoft Unified Communications partner since 2010, helping customers and partners successfully plan, deploy, test, operate and optimise Skype for Business environments. In September 2016 IR launched the world's first Microsoft Certified Network Assessment Solution for Skype for Business Online.

This solution has enabled IR to engage with customers and partners earlier in the lifecycle of their deployments, thereby increasing revenue opportunities.

To ensure this growth continues IR has more than doubled the number of Microsoft certified partners in our global partner programme with the number being 64 at 30th June 2017.

The strength in Unified Communications license sales from Microsoft Skype for Business customers was offset by lower sales from Avaya customers. This was driven by the uncertainty about Avaya's Chapter 11 status. There have been a number of positive developments since the end of the 2017 financial year, and it is expected that Avaya will exit Chapter 11 shortly. It is anticipated that this will result in a rebound in licence fees for IR.

Avaya recognised IR in 2017 as one of only two outstanding global channel partners with an excellence award for successful partnering with Avaya channels and sales teams and driving strategic value in the market place.

IR recently entered into an agreement with Cisco to join its SolutionsPlus Program. Under the program, Cisco will include Prognosis for Unified Communications, Video and Contact Centre in the Cisco global price list and provides sales compensation for the Cisco channel partners and sales teams. The agreement opens up a new sales channel for IR as well as further validation of the value that Prognosis delivers to enterprises and service providers.

The Company continues to maintain certification with all the major Unified Communications platforms, the only vendor with this capability, providing a strategic advantage for global Fortune 500 companies.

Payments revenue increased by 58% over the previous year with strong licence sales growth recorded globally. The Infrastructure product line performed strongly delivering $24.4 million in revenue, an increase of 17% on the previous year with the result highly correlated to the underlying licence renewal profile. Licence transactions closed during the year were closed on a multi-year term basis with maturities broadly ranging from three to five years.

The Company's diversified portfolio underpins IR's sustained outperformance and the Company remains focused on sustaining its competitive advantage through continuing innovation based on its research and development program.

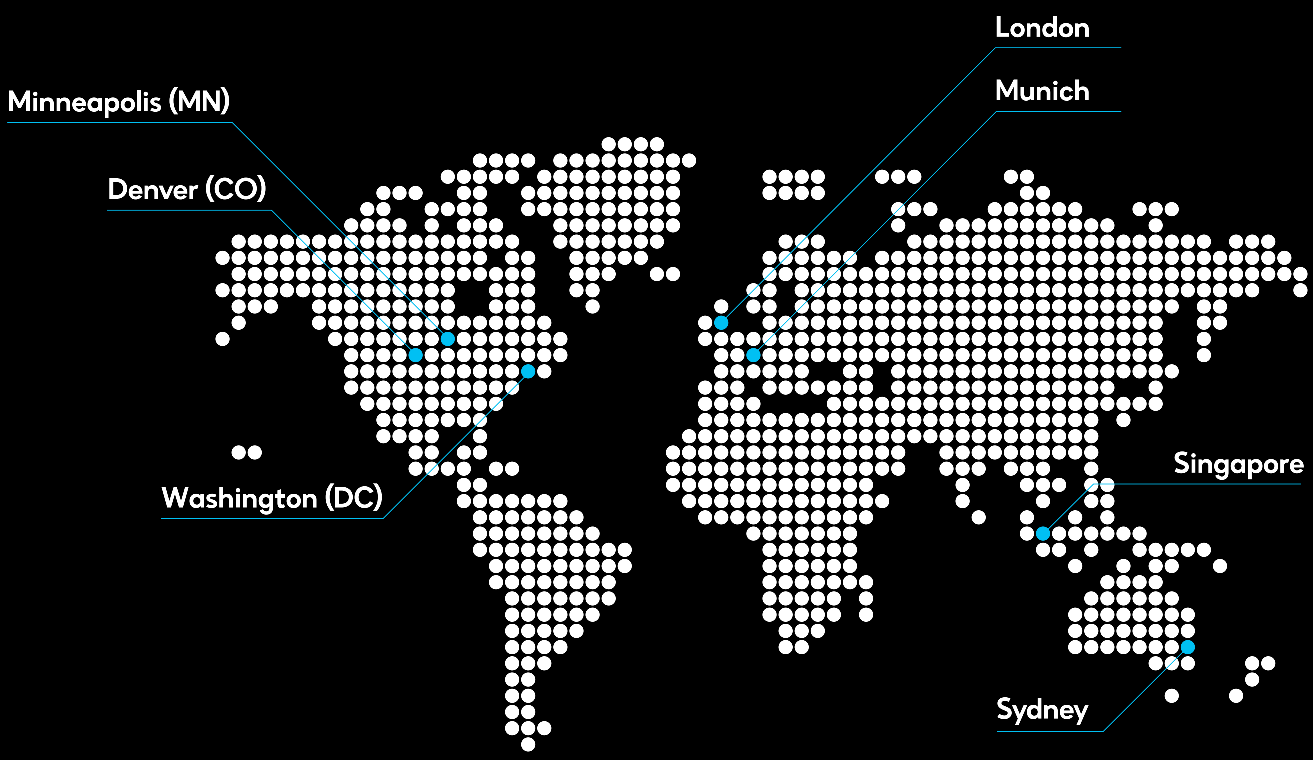
Research and development expenditure of $14.9 million was 16% of total revenue, which underlines the company's commitment to technical excellence. The release of Prognosis 11.1 and 11.2 has provided the Company with growth opportunities this year, together with the acquisition of 79 new name logos including Deloitte, Starbucks and Stanley Black & Decker.

The Company's balance sheet remains strong with $14.1 million of cash at 30 June 2017 and no debt.

The Board is pleased to announce a final dividend of 3.5 cents per share franked to 100% bringing the total dividend for the year to 6.5 cents per share franked at 85%. This compares with total dividends of 6.5 cents per share franked at 58% for the prior financial year.

I would especially like to thank you, our valued shareholders, customers and employees for your continued support.

Steve Killelea
Chairman



IR is a truly global company

About IR

IR is the corporate brand name of Integrated Research Limited, the leading global provider of experience management solutions for unified communications, contact centres and critical IT infrastructure.

What we do

IR designs, develops, markets, sells and implements IR Prognosis solutions to a cross section of the world's largest organisations.

For almost 3 decades we have provided real-time, fault-tolerant management for business-critical computer systems and applications.

Why customers buy

Digital transformation is changing the way our customers do business and to be successful they rely on a new generation of technology, operating in real time.

IR Prognosis provides this assurance by recognizing issues, predicting disruption and providing prescriptive guidance so customers can solve problems fast.

Why we succeed

We help organisations replace reactive, hands-on systems and procedures with proactive, automated systems for performance management.

Our customers, who include some of the largest organisations in the world, rely on us to guarantee that hundreds of millions of transactions and interactions occur without issue, every day.

Our vision

To make the world a smarter, easier place to live and work in, where people and technology interact in a frictionless way.

Our mission

To create innovative technology that optimises operations, predicts business disruption and automates the steps to improve the experience of every interaction.

Our brand

The IR brand uses dots and dashes to convey ideas in simple and engaging ways.

We focus on the challenges our customers face and the solutions we provide. We don't over complicate things because simplicity is key and less is more.

Our momentum

IR continues to be an industry pioneer with innovations in predictive and prescriptive analytics as well as advances in automation, allowing IT to stop a problem even before it happens.

Over the past 12 months our R&D team has delivered breakthrough innovations such as using machine learning to detect speech in contact centre call recordings. We have also commenced customer previews of a new generation of cloud-delivered solutions that will reduce the time to market for new innovations and open new opportunities for revenue growth.

Marketing Highlights

IR is a business that continues to outperform as a result of our diversified product portfolio, our innovative technology and the value we deliver to our global customer base.

Diversity

Because digital transformation is changing the way our customers work, they rely on a new generation of real-time technology.

A small outage can have a big impact.

Customers rely on Prognosis to predict potential disruption and automate recovery by delivering very deep visibility into the diversity of systems and applications that it manages.

Prognosis is ideally suited to complex, high transaction volume, mission critical and high traffic environments. Whether it's ensuring a high quality Unified Communications and Collaboration (UC&C) experience, cutting-edge payments or non-stop critical infrastructure performance, IR's diversified product portfolio provides the foundation businesses need to ensure their digital transformation is successful.

And for IR this means that as events unfold that affect our customers, our business has continued to outperform as a result of a diversified product portfolio, multiple routes to market and multiple applications of IT.

Whether it's delivering communications and customer experience management, risk mitigation, regulatory compliance or data analytics for business intelligence, Prognosis provides market and technology leadership to over 1,200 customers worldwide.

Prognosis for Unified Communications

Prognosis is the best experience management solution for unified communications on premises, as a hybrid or in the cloud.

It enables our customers to deliver the best user experience possible for collaboration, meetings, and voice/video calls across Microsoft Skype for Business, Cisco, and Avaya UC solutions.

Prognosis for Payments

We help our customers de-risk deployments of new technology and help them realise the benefits from their investment sooner.

Prognosis performance management is specifically designed to give complete real-time visibility into payments processors like ACI, FIS, other vendors and in-house developed systems.

Prognosis for Contact Center

Prognosis ensures the quality of customer interactions across multiple channels like voice, video, web, app sharing and web chat.

Specialist initiatives around call recording assurance, stress and heartbeat testing ensure compliance, performance under load and day to day functionality.

Prognosis for Infrastructure

Prognosis IT infrastructure performance management spots patterns in data so customers can stop problems in their tracks.

This means they can make systems work better, respond to issues faster, prevent outages and get back to doing what they do best.

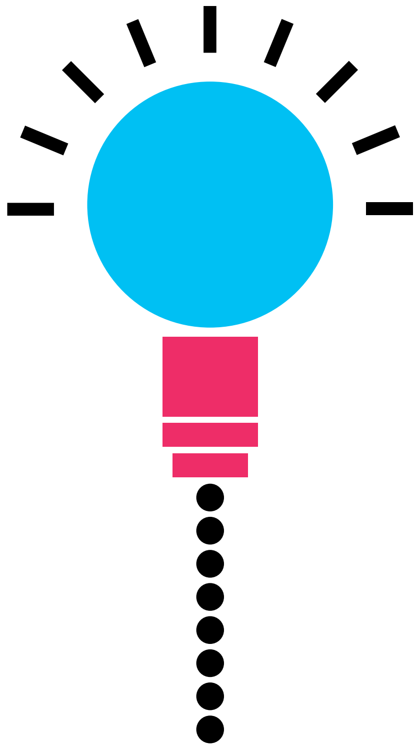
Innovation

As IT decision-makers grapple with ensuring their existing infrastructure is ready for modern UC productivity and collaboration, they must invest in management solutions that can assess network readiness and optimize ongoing operations to deliver a great user experience.

IR's Prognosis technology for Enterprises and Service Providers delivers an innovative ground-breaking approach to these issues by bringing real-time visibility, insight and control to complex, multi-vendor UC&C environments and contact centres.

And as the core Prognosis platform enables quick product line expansion it supports innovations in future growth like cloud-based management of UC&C and machine learning to detect speech in recordings and support regulatory compliance in contact centres.

In 2016 IR was named an IDC Innovator by leading analyst firm IDC. It recognized IR Prognosis for the competitive advantage we derive from our unique intellectual property and 100% software-based probe-less design.



Value

As the complexity of UC systems grows due to digital transformation, especially in cloud and hybrid environments, so can operational costs.

This means businesses are paying more attention to operational efficiency so their spending goes further.

The 2017 UCC Total Cost of Operations study by independent global research advisory and consulting firm Nemertes Research, identified that performance management tools reduce operational costs by more than 50%.

It found IR Prognosis delivers the lowest operational costs for enterprise organizations among UCC management providers and identified that IR customers spend 33% less on ongoing operations than the next competitor's customers.

And because UC&C works better, user adoption increases by 30 percent.

IR, as an innovator and optimizer has developed Prognosis to predict disruption and improve the experience of every interaction.

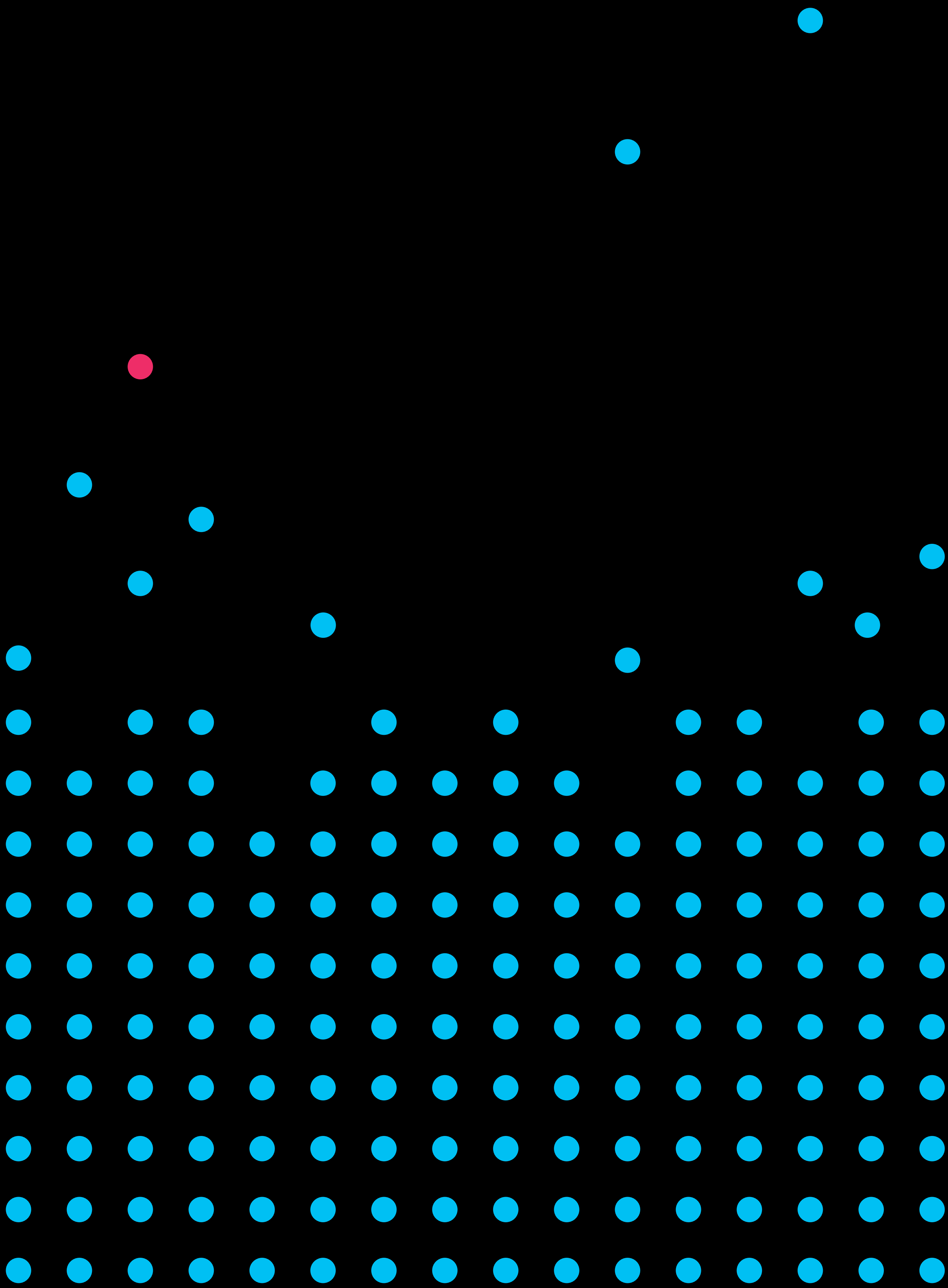
This enables our customers to drive digital transformation forward in a cost-effective manner ensuring that UC&C is reliable, reduces operating costs and improves efficiency.

In 2017 Avaya recognised IR as one of only two outstanding channel partners with an excellent award for driving strategic value in the market place by successfully partnering with its channels and sales teams.

Factors in Avaya's selection of IR for this award also included recent customer wins of a Fortune 500 manufacturer, a major power company and other joint customers that illustrate the value of IR Prognosis for UC on Avaya platforms, in addition to its innovation and ability to address customers' business challenges.

"Consistently, our research documents without a doubt that performance management reduces UCC operational costs by more than 50 percent. And because UCC works better, user adoption increases by 30 percent".

Robin Gareiss, President, Nemertes Research.



Directors' Report

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Directors' Report

Annual revenue ↑ 8%	Licence Fees ↑ 17%	Annual after tax profit ↑ 16%
$91.2M	**$53.4M**	**$18.5M**

Review of operations and activities

Principal activities

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

Group overview

Integrated Research has a twenty-nine year heritage of providing performance monitoring, diagnostics and management 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 for mission critical business operations.

The Prognosis product range is an integrated suite of monitoring and management software, designed to give an organisation's management and technical personnel operational insight into and optimise the operation of their HP NonStop, distributed system servers, Unified Communications ("UC"), and Payment environments and the business applications that run on these platforms.

Integrated Research 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, Singapore and Australia, and via a global, channel-driven distribution network. Integrated Research'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, service providers and manufacturing companies.

The Company generates its revenue from licence fees, recurring maintenance, testing solutions and consulting services. Revenue from the sale of licences where there is no post-delivery obligations is recognised in profit at the date of the delivery of the licence key. Revenue from maintenance contracts is recognised rateably over the service agreement. Revenue from consulting services and testing solution services is recognised over the period the services are delivered.

Review and results of operations

Overview

The Company achieved a 16% increase in annual after tax profit over the prior year to $18.5 million, which is within the guidance provided to the Australian Stock Exchange on July 13, 2017. The strong result was driven through licence sale growth in the Company's Payments and Infrastructure product lines. Strong Unified Communications licence sales growth from Microsoft Skype for Business customers was offset by lower licences sales in the Avaya channel as customers delayed purchasing decisions as a result of the uncertainty that came about from Avaya's Chapter 11 Re-organisation proposals. It is anticipated that once Avaya's reorganisation plans are affirmed that a rebound in licence fees will ensue.

Revenue

Revenue for the year was $91.2 million, an increase of 8% over 2016 with all product lines and geographic regions achieving revenue growth. Licence fees increased by 17% to $53.4 million with strong growth from Payments and Infrastructure product lines. Using prior year exchange rates, the Company's revenue would have increased by 13% to $95.1 million.

The following table presents Company revenues for each of the relevant product groups:

In thousands of AUD	2017	2016	% Change
Unified Communications	**51,132**	50,778	1%
Infrastructure	**24,449**	20,812	17%
Payments	**8,804**	5,576	58%
Consulting	**6,784**	7,366	(8%)
Total revenue	**91,169**	**84,532**	**8%**

Unified Communications (UC) revenue rose 1% over the previous year with strong growth from Microsoft Skype for Business customers offset by lower sales in the Avaya channel. The Company's recent investment into the Skype for Business solution has paid off with Microsoft platform licence sales now representing close to a third of overall Unified Communications licence sales.

Infrastructure revenue increased by 17% over the previous year with the result highly correlated to the underlying licence renewal profile. Licence transactions closed during the year were closed on a multi-year term basis with maturities broadly ranging from three to five years.

Payments revenue rose 58% over the previous year with strong licence sale growth experienced globally. The Company has expanded its suite of Payments products by adding new products for additional platforms, vendors and applications, including fraud management, payments analytics and wholesale money transfer applications.

The following table presents Company revenues for each of the relevant geographic segments in underlying natural currencies:

	2017	2016	% Change
Americas (USD'000)	**48,207**	41,997	15%
Europe (£'000)	**8,752**	8,438	4%
Asia Pacific (A$'000)	**11,596**	10,271	13%

The Americas revenue grew by 15% over the prior year with the closure of four large licence renewals and increasing success from the Microsoft Skype for Business platform. European growth of 4% was hampered by deal slippage into 2018 whilst Asia Pacific growth of 13% was built on strong payments and infrastructure licence sales closed during the year.

Expenses

The Company's focus in 2017 was on improving productivity. Total expenses were held flat compared to the prior year at $64.6 million. The number of staff at the end of the current year was 224 (2016: 231). The following table presents the Company's cost base compared to the preceding year:

In thousands of AUD	2017	2016	% Change
Research and development expenses	**14,862**	13,582	9%
Sales, consulting and marketing expenses	**43,605**	44,983	(3%)
General and administration expenses	**6,086**	5,962	2%
Total expenses	**64,553**	**64,527**	**0%**

Research and development expenditure of $14.9 million was 16% of total revenue (2016: 16%). Product enhancements during 2017 included Call Recording Assurance, Skype for Business and Unified Communications for service providers. The Company continues to maintain certification with all the major Unified Communications platforms, the only vendor to do so.

Net research and development expenses are represented as follows:

In thousands of AUD	2017	2016	% Change
Gross research and development spending	**13,430**	14,007	(4%)
Capitalisation of development expenses	**(8,588)**	(9,565)	(10%)
Amortisation of capitalised expenses	**10,020**	9,140	10%
Net research and development expenses	**14,862**	**13,582**	**9%**

Shareholder returns

Returns to shareholders remain strong through the payment of partly franked dividends:

	2017	2016	2015
Net profit ($'000)	**$18,520**	$16,029	$14,251
Basic EPS	**10.86¢**	9.42¢	8.41¢
Dividends per share	**6.5¢**	6.5¢	7.5¢
Dividend franking percentage	**85%**	58%	35%
Return on equity	**38%**	39%	39%

Financial position

The following table presents key items from the consolidated statement of financial position:

In thousands of AUD	2017	2016
Assets:		
Cash and cash equivalents (current)	**14,113**	8,544
Trade and other receivables (current and non-current)	**59,297**	52,390
Intangible assets (non-current)	**19,934**	21,972
Liabilities:		
Deferred revenue (current and non-current)	**28,488**	25,946
Equity	**48,520**	41,046

The Company's end of year cash position was $14.1 million, 65% higher compared to the prior year. The higher cash balance was achieved by stronger cash generation from operations. The increase in trade and other receivables is a result of higher licence fees toward the end of the financial year and the continued offering of deferred payment terms to customers. The reduction in intangible assets is due to higher amortisation charges relative to the capitalisation of development spend. The increase in deferred revenue is driven in part by higher maintenance billings and in part by higher testing solutions for the heartbeat service.

The consolidated statement of financial position presented at page 43 together with the accompanying notes provides further details.

Outlook and Strategy for 2018

Hundreds of thousands of businesses rely on billions of Unified Communications interactions everyday through which they conduct business; IR Prognosis optimises these mission critical internal and external customer interactions to ensure the highest quality of experience possible.

On the Payments side of the business, hundreds of millions of people rely on billions of payments transactions daily. IR Prognosis oils the smooth operation of their daily lives and of the business economy on which we all depend.

Prognosis derives its competitive advantage from its unique intellectual property (IP) and design that enables real time insight, monitoring, fault root-cause analysis, business and operational analytics, performance management and optimisation. The solution is highly scalable, extremely flexible and delivers very deep visibility into the diversity of systems and applications that it manages. As such, Prognosis is ideally suited to complex, high transaction volume, mission critical and high traffic environments.

Competition exists in each of the markets in various forms. Firstly, some of the large telephony and payment vendors provide their own performance management software, although this is generally inferior to the capability of Prognosis and does not solve the problem where heterogeneous multi-vendor environments exist, as is most often the case. Secondly, some of the large solution software vendors also provide performance management capabilities, but this is not their core specialisation. Lastly, the Company from time to time competes with smaller, start-up niche vendors. The Company remains focused on sustaining its competitive advantage through continuing innovation that comes from its research and development program.

Through deep visibility, forensic analysis into the root cause of problems, extensive analytics at multiple levels and new automation capabilities, Prognosis enables proactive and rapid resolution of issues, capacity management as well as operational, cost and user experience optimisation.

The solutions provide insight into potential issues before they become business-critical. Prognosis helps users improve their operational maturity by proactively minimising expensive outages, lowering costs, improving user satisfaction, retaining and growing customers and optimising IT operations and resources. Prognosis is progressively using its real-time access to big data to generate and deliver insights into a customer's business that goes beyond improving and optimising operational efficiency. Through real-time access and analysis Prognosis Business Insights reveals business and customer trends that are leveraged for economic, fraud management and competitive advantage.

The Company's growth strategy is to create, sell and support Prognosis-based products and services that deliver profitable growth from existing markets and customers, as well as creating new products that open new markets.

The Company currently focuses on three core markets: Infrastructure, Communications and Payments. The Company is actively building a fourth core market in the Contact Centre space. While growth in the Contact Centre solutions has been strong, this has not yet become a material part of the business.

The Infrastructure market for Integrated Research includes users of high-end computing systems such as the HP NonStop platform for financial, telecommunication, trading, manufacturing and other high-volume, high-value mission critical transaction environments. NonStop is an important part of HP's server strategy and remains at the operational core of many of the world's largest companies. The Company continues to invest in Prognosis for Nonstop to be aligned with HP and its customers.

Prognosis for Distributed Systems (Windows, Unix and Linux) is mostly sold alongside the Company's NonStop and Unified Communications products as customers seek a common monitoring interface for all platforms, or convert applications from one platform to another.

The Communications segment includes users of IP Telephony and Unified Communications (UC) applications such as audio communication, video, messaging, collaboration, mobility and presence. The Company anticipates growth in this segment through the ongoing shipment of IP based video, telephony and other endpoints as well as the increasing value per endpoint through the use of UC applications. UC networks are becoming more pervasive, more mission critical and more complex and as such they require effective performance and user experience management. Prognosis is strongly positioned to benefit from this need. The company will continue to invest in R&D to expand the suite of Prognosis for UC products to cover more platforms, vendors and applications, and by doing so increase the Company's addressable market and revenue potential.

IR has been a trusted Microsoft Unified Communications partner since 2010, helping customers and partners successfully plan, deploy, test, operate and optimize Skype for Business. In September 2016 IR launched the world's first Microsoft Certified Network Assessment Solution for Skype for Business Online in Office 365. Prognosis UC Assessor provides a comprehensive, end-to-end assessment and troubleshooting solution for customers migrating to Skype for Business, be that in the cloud, hybrid or on-premises. This new Microsoft certified solution has enabled IR to engage with customers and partners earlier in the lifecycle of new communications infrastructure deployment, thereby increasing revenue opportunities. It has also contributed to the successful recruitment of 39 new Microsoft certified partners to the IR global partner program.

Prognosis sales to customers using Skype for Business more than doubled over the prior year and is now a significant contributor to the Company's Unified Communications product line revenue. Microsoft Skype for Business is the fastest growing Unified Communications solution in the market today and IR is well positioned to support customers regardless of which major UC vendor they choose.

Prognosis has ensured voice and video quality and performance for Cisco Unified Communications solutions since 2000 and manages many of the largest and most complex Cisco implementations across the globe. Compliance with both the US Government Federal Information Processing Standards (FIPS 140-2) and the Federal Risk and Authorization Management Program (FedRAMP) provides significant future revenue opportunities for IR.

In May 2017, Nemertes Research, a global research-advisory and strategic-consulting firm published the results of its 2017 Unified Communications and Collaboration (UCC) Total Cost of Operations survey. The survey discovered that performance management tools reduces UCC operational costs by more than 50%. Furthermore, it identified that IR customers spend 33% less on ongoing operations than the next competitor.

The Company has expanded its suite of Payments solutions by adding new products for additional platforms, vendors and applications, including new technology for roll-outs such as Apple Pay. This expands the company's addressable market in the Payments segment and increases revenue potential. The Company will maintain this strategy in the Payments market. The strategic alliance with ACI, a global leader in the payments market, continues to support the Company's Payments business.

IR Consulting Services provide Prognosis customers with implementation, customisation and training services to ensure that they get the most out of their investment in Prognosis. Consulting Services also help IR configure unique and repeatable solutions that extend the use and value of Prognosis. The Company will continue to invest in people and processes to grow consulting revenue and margin.

Prognosis has proven to be a sticky solution, with historical renewal rates above 90%. To maximize the benefit of compounding recurring term renewals the Company will focus on activities that will secure those renewals. These activities will include account management focus to ensure customer adoption and satisfaction as well as expansion of share of wallet. Analysis of the Company's customer base of over 1,200 enterprise customers shows significant potential to expand the number of IR solutions sold to each customer. Prognosis is a modular solution and customers will typically purchase only a small subset of those modules on their initial purchase. Subsequent purchases may include additional solutions such as Reporting and Analytics, Video Management, Testing solutions, Contact Centre and Call Recording Assurance to name some of the most commonly applicable.

The Company has also proven its capability to acquire new customers, adding 79 new logos in FY2017. The compounding impact of recurring term renewals, expansion of share of wallet and continued focus on new customer acquisition are three significant factors that management expects to support growth through FY2018 and beyond.

Directors

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

Steve Killelea

AM

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 is also Chairman of the Institute for Economics and Peace, Smarter Capital and The Charitable Foundation and for activities involved with these he has received a number of international awards including the Order of Australia, Luxemburg Peace Prize. Steve's current term will expire no later than the close of the 2018 Annual General Meeting.

Listed company directorships held in the past three years: None.

Age: 68 years.

Nick Abrahams

B Comm, LLB (Hons), MFA

Non-Executive Director

Nick was appointed as a Director in September 2014. Mr. Abrahams is highly experienced in corporate, intellectual property and international law pertaining to the technology industry, with over 20 years' experience as a private practice lawyer. He has worked extensively internationally representing Australian high-tech companies as well as working for three years with a law firm in Japan. Mr Abrahams also spent time working in the United States in the late nineties and was an executive with Warner Brothers in Los Angeles, followed by a period as a senior executive at listed technology company, Spike Networks, also in Los Angeles. Mr Abrahams returned to legal practice in 2002 and is a partner of and leads the Asian technology practice of a global law firm. Nick's current term will expire no later than the close of the 2017 Annual General Meeting.

Listed company directorships held in the past three years other than listed above: None.

Age: 51 years.

Paul Brandling

BSc Hons, MAICD

Independent Non-Executive Director

Paul was appointed a Director in August 2015. He has worked in the information technology industry for over 30 years and has broad experience in hardware, services and software. He has previously held the positions of Vice President and Managing Director of Hewlett-Packard South Pacific plus Vice President and Managing Director of Compaq South Pacific. From 2001 to 2012, Paul was a member of the International CEO Forum (Australia) and served as a Director of the Australian Information Industry Association (AIIA) from 2002 to 2011. Mr Brandling was a Director of Amcom Telecommunications Limited until its acquisition and was a Director of Vocus Communications Limited until February 2016. He currently serves as a Non Executive Director of Tesserent Limited (ASX:TNT), Infomedia Ltd (ASX: IFM) and Avoka Technologies Pty Ltd. Paul's current term will expire no later than the close of the 2018 Annual General Meeting.

Listed company directorships held in the past three years other than listed above: None.

Age: 59 years.

Garry Dinnie

BCom, FCA, FAICD, FAIM, MIIA(Aust)

Independent Non-Executive Director

Garry was appointed a Director in February 2013. He is a Director & Chair of the Audit & Risk Committee of CareFlight Limited, Australian Settlements Limited and a Director of a number of private companies. He is also the Chair or member of a number of Audit & Risk Committees of NSW public sector and private sector entities. He was previously a partner with Ernst & Young for 25 years specialising in audit, advisory and IT services. Garry's current term will expire no later than the close of the 2019 Annual General Meeting.

Listed company directorships held in the past three years other than listed above: Inabox Group Limited

Age: 65 years.

Peter Lloyd

MAICD

Non-Executive Director

Peter was appointed director in July 2010. He has over 40 years' experience on computing technology, and in the sales and marketing of computer software products and services. For the past 35 years, Peter has been specifically involved in the provision of payments solutions for banks and financial institutions. He is currently the proprietor of The Grayrock Group Pty Ltd, a management consultancy company focusing on the payments industry, and a Non-Executive Director of Taggle Pty Ltd. Peter's current term will expire no later than the close of the 2019 Annual General Meeting.

Listed companies directorships held in the past three years: None.

Age: 63 years.

Company Secretary

David Purdue

BEc, MBA, Grad Dip CSP, FCA, FGIA, FCIS, GAICD

David was appointed Company Secretary in July 2012. David was also the Company's Global Commercial Manager until his retirement in July 2016. Prior to this, David spent three years at Integrated Research's Colorado office to manage the Americas finance operations. David is a Chartered Accountant and Chartered Secretary with over 25 years experience in both professional practice and industry.

Resigning Directors during the year

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

Alan retired as Director of Integrated Research in December 2016. Allan served on the Board for eight years. Allan's contribution to Integrated Research has been immense and was greatly appreciated by Directors past and present. During his time as a Director, Allan served as Chair of the Nomination & Remuneration Committee plus had been a member of both the Strategy and Audit & Risk Committees.

Listed company directorships held in the past three years other than listed above: None. **Age:** 72 years.

Darc Dencker-Rasmussen *MAICD,* **Managing Director and Chief Executive Officer**

Darc was Managing Director and Chief Executive Officer between October 2013 and February 2017. During his time with IR, Darc made a significant contribution to the growth of the organisation and led significant change in the capability and structure of the business.

Listed company directorships held in the past three years: None. **Age:** 57 years.

Senior management

John Merakovsky

B.Sc (Hons) PhD

Chief Executive Officer

John joined IR in July 2017 as the Company's Chief Executive Officer. John is a veteran of the digital industry with 25 years of experience working in technology and digital companies. This includes extensive experience in commercialising technologies as an entrepreneur, consultant, Managing Director, CEO and General Manager of various companies. Prior to joining IR, John was the General Manager of Seek Learning (the education arm of Seek Ltd) and was previously the Managing Director of Experian ANZ, having served as its Managing Director of Marketing Services Asia-Pacific for 5 years.

Peter Adams

B.Com, CA

Chief Financial Officer

Peter joined IR in March 2008 and is responsible for overseeing the Company's finance and administration, including regulatory compliance and investor relations. Peter is a Chartered Accountant with over 25 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

Chief Operations Officer

Alex Baburin joined IR in November 2006 and is responsible for the Company's software development and global support activities. Alex has over 25 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.

Jason Barker

BA (hons)

Senior Vice President, Asia Pacific, Middle East & Africa

Jason joined IR in October 2014 and is responsible for all business operations across the Asia Pacific, Middle East & Africa regions. Jason joins with 20 years' experience in Technology, Media & Telecommunications most recently as Vice President Sales, Asia Pacific at Acision where, based out of Singapore, he was responsible for leadership of the Sales team across the region. Prior to this Jason spent 5 years in Australia leading Asia Pacific teams with Subex and Surfkitchen and before this held several European focussed roles, based out of the UK.

Andre Cuenin

BSc, MBA

President Americas & VP European Field Operations

Andre joined IR in October 2008 and is responsible for all business operations in both the Americas and Europe region. Andre has over 25 years experience in IT sales, including 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.

Kevin Ryder

M.Mgt, MBA

Chief Marketing Officer, Global Marketing

Kevin joined IR in October 2013 and as Chief Marketing Officer is responsible for product marketing, strategic alliances, partner programs and marketing communications. Kevin has over 25 years sales and marketing experience in the ICT industry, including leadership roles in Europe, North America, Asia and Australia. Most recently he was the Enterprise Marketing Director at Microsoft and prior to that, GM of Marketing at KAZ Group (now owned by Fujitsu). Kevin was also GM for Eicon Technology and in that role was responsible for establishing the Asia Pacific regional office in Sydney and successfully growing the business.

The directors present their report together with the Financial Statements of Integrated Research Limited ("the consolidated entity"), being the Company and its controlled entities, for the year ended 30 June 2017 and the Auditor's Report thereon.

Results

The net profit of the consolidated entity for the 12 months ended 30 June 2017 after income tax expense was $18.5 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 2016 - Ordinary shares	60% franked	3.5	5,970	13 Oct 2016
Interim 2017 - Ordinary shares	70% franked	3.0	5,118	19 Apr 2017
Final 2017 - Ordinary shares	100% franked	3.5	5,987	26 Sep 2017

Events subsequent to reporting date

For dividends declared after 30 June 2017 see Note 23 in the financial statements. The financial effect of dividends declared and paid after 30 June 2017 has not been brought to account in the financial statements for the year ended 30 June 2017 and will be recognised in subsequent financial statements.

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 be 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 pages 18 to 19. Details of the company secretary and his qualifications are set out on page 19.

Officers who were previously partners of the audit firm

No officers of the Company were partners of the current audit firm during the financial year.

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 2017, 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	5	5	-	-	1	1	-	-
Paul Brandling	12	12	4	4	-	-	1	1
Nick Abrahams	12	12	4	4	-	-	-	-
Garry Dinnie	12	12	4	4	3	3	-	-
Peter Lloyd	12	12	-	-	-	-	1	1
Steve Killelea	10	12	-	-	3	3	1	1
Darc Rasmussen	7	8	-	-	-	-	-	-

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, options or performance rights over ordinary shares issued by the companies in the consolidated entity and other relevant bodies corporate, as notified by the directors to the Australian Securities Exchange in accordance with S205G(1) of the Corporations Act 2001, at the date of this report is as follows:

	Ordinary shares in Integrated Research			Options	Performance rights
	Directly held	Beneficially held	Total	Number of options	Number of rights
Garry Dinnie	-	2,000	2,000	-	-
Steve Killelea	89,497,339	337,612	89,834,951	-	-
Nick Abrahams	-	5,042	5,042	-	-
Paul Brandling	10,202	-	10,202	-	-
Peter Lloyd	-	2,000	2,000	-	-

Share options and performance rights

Options and performance rights granted to directors and senior executives

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

	Number of performance rights granted	Performance hurdle	Exercise price	Expiry date
Directors				
Darc Rasmussen	350,000	Yes	Nil	Sep 2018
Executive Officers				
Peter Adams	150,000	Yes	Nil	Jul 2017
Alex Baburin	150,000	Yes	Nil	Jul 2017
Andre Cuenin	150,000	Yes	Nil	Jul 2017

The performance rights were granted under the Integrated Research Performance Rights and Option Plan (established November 2011).

Unissued shares under performance rights

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

	Performance rights	
Expiry date	**Exercise price**	**Number of shares**
Sep 2017	Nil	465,000
Oct 2017	Nil	645,000
Sep 2018	Nil	90,900
Dec 2018	Nil	60,000
Mar 2019	Nil	90,000
July 2017	Nil	450,000
Total performance rights		**1,800,900**

Performance rights do not entitle the holder to participate in any share issue of the Company or any other body corporate.

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.

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst &Young Australia, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecific amount). No payment of this type has been made to Ernst & Young during or since the financial year.

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.

Remuneration report

The Company's Remuneration Report, which forms part of this Directors' Report, is on pages 25 to 34.

Corporate governance

A statement describing the Company's main corporate governance practices in place throughout the financial year is on pages 35 to 39.

Non-audit services

During the year Ernst and Young, 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 a 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 on page 82 and forms part of the Directors' Report.

Rounding of amounts to nearest thousand dollars

The Company is of a kind referred to in ASIC Corporations Instrument 2016/191 and in accordance with that Class order, amounts in the Financial Statements 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

North Sydney, 17 August 2017

Garry Dinnie
Non-Executive Director

North Sydney, 17 August 2017

Remuneration report (audited)

Remuneration policies

Remuneration levels for key management personnel and secretaries of the Company, and relevant key management personnel of the consolidated entity are competitively set to attract and retain appropriately qualified and experienced directors and senior executives. The 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 remuneration surveys provide periodic analysis 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 either options or performance rights over ordinary shares of Integrated Research Limited under the rules of the share plans.

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

Prior to the 2012 financial year, options were issued to executive directors and other senior executives under the Employee Share Option Plan. In November 2011, the Company established a new plan titled Integrated Research Performance Rights and Options Plan ("IRPROP"). Performance rights are issued to executive directors and other senior executives under the IRPROP. The ability of executive directors to exercise either options or performance rights 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. Performance hurdles are tested at each vesting date.

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:

	2017	2016	2015	2014	2013
Licences ($'000)	53,441	45,725	41,031	28,048	26,632
Net profit ($'000)	18,520	16,029	14,251	8,489	9,078
Dividends paid ($'000)	11,088	11,906	10,162	9,278	8,413
Closing share price	$3.220	$2.250	$1.690	$0.995	$1.035
Change in share price	$0.970	$0.560	$0.695	($0.04)	$0.37

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

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	Steve Killelea	Chairman
	Nick Abrahams	
	Paul Brandling	
	Peter Lloyd	
	Garry Dinnie	
Part year	Darc Rasmussen	Chief Executive Officer (resigned February 2017)
	Alan Baxter	(retired December 2016)
Other key management personnel		
Full year	Peter Adams	Chief Financial Officer
	Alex Baburin	Chief Operations Officer
	Jason Barker	Senior Vice President Asia Pacific
	Andre Cuenin	President Americas & VP European Field Operations
	Kevin Ryder	Chief Marketing Officer
	David Purdue	Company Secretary
Part year	Andrew Dutton	Interim Chief Executive Officer (February 2017 to July 2017)

Service agreements

Service contracts for current executive directors and current 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 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, Chief Operations Officer, 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 Jason Barker - Vice President, APAC, has a contract of employment with Integrated Research Singapore Pte Limited dated 21 August 2014 which provides for specific notice and severance undertakings of one month compensation depending on the particular circumstances. Mr Barker can terminate his employment by giving one month prior notice in writing.

Mr Andre Cuenin, President Americas & VP European Field Operations, has a contract of employment with Integrated Research Inc 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's prior notice in writing.

Mr Andrew Dutton, Interim Chief Executive Officer, provided services via a contractual agreement between Integrated Research and Odgers Interim Pty Ltd. The contractual agreement commenced in February 2017 through to July 2017.

Mr David Purdue, Company Secretary and Global Commercial Manager, had a contract of employment with Integrated Research Limited dated 27 May 2008. Mr Purdue retired in July 2016 from the position of Global Commercial Manager. Mr Purdue continues in the role of Company Secretary.

Mr Kevin Ryder - Chief Marketing Officer, Global Marketing, has a contract of employment with Integrated Research Limited dated 14 October 2013, which provides for specific notice and severance undertakings of one month compensation depending on the particular circumstances. Mr Ryder can terminate his employment by giving one month prior notice in writing.

Non-executive directors

Total remuneration for all non-executive directors last voted upon at the Annual General Meeting in November 2013 is not to exceed $750,000 per annum.

Director's base fees in FY2017 was between $70,000 to $95,000 per annum inclusive of compulsory superannuation. The chairman receives the base fee by a multiple of two. Director's 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 of the key management personnel director of the Company and each of the executives and relevant group key management executives are reported below.

The estimated value of options and performance rights 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 and performance rights granted during the year are set out below.

"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.

2017 In AUD	Short term			Post-employment	Long term	Share-based payments	Other compensation		Proportion of remuneration	
	Salary & fees $	Bonus $	Non-cash benefits $	Superannuation contribution $	Long service leave $	Value of options and rights $	Termination benefit $	Total $	Performance related	Value of options and rights
Non-executive Directors										
Nick Abrahams	63,927	-	-	6,073	-	-	-	70,000	-	-
Alan Baxter (retired December 2016)	27,374	-	-	2,601				29,975	-	-
Paul Brandling	63,927	-	-	6,073	-	-	-	70,000	-	-
Garry Dinnie	86,758	-	-	8,242	-	-	-	95,000	-	-
Peter Lloyd	63,927	-	-	6,073	-	-	-	70,000	-	-
Steve Killelea (Chairman)	127,854	-	-	12,146	-	-	-	140,000	-	-
Executive Directors										
Darc Rasmussen (resigned February 2017)	551,746	72,500	2,644	19,616	6,737	(201,669)	-	451,574	16%	(45%)
Executive officers (excluding directors)										
Peter Adams	292,916	54,817	4,532	19,616	6,200	78,298	-	456,379	12%	17%
Alex Baburin	286,707	42,695	-	32,431	6,033	81,424	-	449,290	10%	18%
Jason Barker	346,000	211,717	2,779	22,437	-	51,695	-	634,628	33%	8%
Andre Cuenin	334,515	429,080	12,001	9,888	-	106,706	-	892,190	48%	12%
Andrew Dutton* (from February 2017)	323,400	-	-	-	-	-	-	323,400	-	-
David Purdue	69,002	-	-	7,202	-	15,312	-	91,516	0%	17%
Kevin Ryder	252,165	52,813	4,560	31,618	5,688	18,280	-	365,124	14%	5%
Total compensation: key management (consolidated, including directors)	2,890,218	863,622	26,516	184,016	24,658	150,046	-	4,139,076		

* Mr Andrew Dutton was appointed as the Company's interim CEO. The amounts disclosed above reflect the cost to the Company for services rendered that were billed through an independent third party agent. The amounts disclosed therefore do not necessarily reflect the amounts received by Mr Dutton.

2016 In AUD	Short term			Post-employment	Long term	Share-based payments	Other compensation		Proportion of remuneration	
	Salary & fees $	Bonus $	Non-cash benefits $	Superannuation contribution $	Long service leave $	Value of options and rights $	Termination benefit $	Total $	Performance related	Value of options and rights
Non-executive Directors										
Nick Abrahams	63,927	-	-	6,073	-	-	-	70,000	-	-
Alan Baxter	63,927	-	-	6,073	-	-	-	70,000	-	-
Paul Brandling (appointed August 2015)	55,239	-	-	5,248	-	-	-	60,487	-	-
Garry Dinnie	63,927	-	-	6,073	-	-	-	70,000	-	-
Peter Lloyd	63,927	-	-	6,073	-	-	-	70,000	-	-
Steve Killelea (Chairman)	127,854			12,146				140,000	-	-
Executive Directors										
Darc Rasmussen	500,000	102,662	4,532	19,308	10,446	105,936	-	742,884	14%	14%
Executive officers (excluding directors)										
Peter Adams	291,797	49,385	4,532	19,308	6,086	40,842	-	411,950	12%	10%
Alex Baburin	278,953	27,410	-	32,572	5,651	37,718	-	382,304	7%	10%
Jason Barker	346,535	210,662	-	23,104	-	38,707	-	619,008	34%	6%
Andre Cuenin	342,998	343,350	16,707	10,159	-	23,774	-	736,988	47%	3%
David Purdue	199,613	15,000	4,532	19,308	3,976	16,904		259,333	6%	6%
Kevin Ryder	244,242	48,013	380	31,380	5,402	27,716	-	357,133	13%	8%
Total compensation: key management (consolidated, including directors)	2,642,939	796,482	30,683	196,825	31,561	291,597	-	3,990,087		

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			
Darc Rasmussen	72,500	30%	70%
Executives			
Peter Adams	54,817	86%	14%
Alex Baburin	42,695	80%	20%
Jason Barker	211,717	96%	4%
Andre Cuenin	429,080	99%	1%
Kevin Ryder	52,813	79%	21%

(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 2017 financial year.

(B) The amounts forfeited are due to the performance or service criteria not being met in relation to the current financial year.

Equity instruments

All options refer to options over ordinary shares of Integrated Research Limited, which are exercisable on a one-for-one basis under the Employee Share Option Plan (ESOP).

Options and rights over equity instruments granted as compensation

No options have been granted to named executives either during or since the end of the financial year. Performance rights granted as compensation are listed in the table below.

Analysis of rights over equity instruments granted as compensation

	Performance rights granted					Value yet to vest ($)	
	Number	Date	Percent vested in year	Percent forfeited in year (A)	Financial year in which grant expires	Min (B)	Max (C)
Directors							
Darc Rasmussen	250,000	Oct-15	-	100%	2017	-	-
	350,000	Aug-16	-	100%	2019	-	-
Executives							
Peter Adams	100,000	Nov-14	-	-	2018	nil	84,470
	25,000	Dec-15	-	100%	2020	-	-
	150,000	Sep-16	-	100%	2018	-	-
Alex Baburin	100,000	Nov-14	-	-	2018	nil	84,470
	15,000	Dec-15	-	100%	2020	-	-
	150,000	Sep-16	-	100%	2018	-	-
Jason Barker	40,000	Nov-14	-	-	2018	nil	33,788
	60,000	Nov-14	-	-	2019	nil	46,494
	30,000	Dec-15	-	-	2020	nil	55,377
Andre Cuenin	85,000	Apr-14	-	100%	2018	-	-
	100,000	Nov-14	-	-	2018	nil	84,470
	50,000	Dec-15	-	-	2020	nil	92,294
	35,000	Dec-15	-	100%	2020	-	-
	150,000	Sep-16	-	100%	2018	-	-
David Purdue	50,000	Nov-14	-	-	2018	nil	42,235
Kevin Ryder	75,000	Nov-14	-	-	2018	nil	63,353
	15,000	Dec-15	-	100%	2020	-	-

(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 performance rights 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 performance rights for employee benefit expense purposes.

Other Transactions with Key Management Personnel

The Company received consulting services totalling $38,896 for the year ended 30 June 2017 from TMDP Pty Limited, a company in which David Purdue is a director. There were no services received for the year ended 30 June 2016.

Apart from the details disclosed in this note, no director has entered into a material contract with the consolidated entity since the end of the previous financial year and there were no material contracts involving directors' interests existing at year-end.

Equity instruments

All performance rights refer to performance rights over ordinary shares of Integrated Research Limited, which are exercisable on a one-for-one basis under the Integrated Research Performance Rights and Option Plan (IRPROP).

Performance rights over equity instruments granted as compensation

The movement during the reporting year in the number of performance rights 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 2016	Granted as compensation	Exercised	Other changes*	Held at 30 June 2017	Vested during the year	Vested and exercised at 30 June 2017
Directors							
Darc Rasmussen	**250,000**	**350,000**	**-**	**(600,000)**	**-**	**-**	**-**
Executives							
Peter Adams	**125,000**	**150,000**	**-**	**(175,000)**	**100,000**	**-**	**-**
Alex Baburin	**115,000**	**150,000**	**-**	**(165,000)**	**100,000**	**-**	**-**
Jason Barker	**130,000**	**-**	**-**	**-**	**130,000**	**-**	**-**
Andre Cuenin	**270,000**	**150,000**	**-**	**(270,000)**	**150,000**	**-**	**-**
David Purdue	**50,000**	**-**	**-**	**-**	**50,000**	**-**	**-**
Kevin Ryder	**90,000**	**-**	**-**	**(15,000)**	**75,000**	**-**	**-**

Prior Year	Held at 1 July 2015	Granted as compensation	Exercised	Other changes*	Held at 30 June 2016	Vested during the year	Vested and exercised at 30 June 2016
Directors							
Darc Rasmussen	600,000	250,000	(600,000)	-	250,000	600,000	600,000
Executives							
Peter Adams	130,000	25,000	(30,000)	-	125,000	30,000	30,000
Alex Baburin	130,000	15,000	(30,000)	-	115,000	30,000	30,000
Jason Barker	100,000	30,000	-	-	130,000	-	-
Andre Cuenin	235,000	85,000	(50,000)	-	270,000	50,000	50,000
David Purdue	70,000	-	(20,000)	-	50,000	20,000	20,000
Kevin Ryder	75,000	15,000	-	-	90,000	-	-

* Other changes represent performance rights that expired or were forfeited during the year.

Performance rights expire on the earlier of their expiry date or termination of the individual's employment.
No performance rights have been granted since the end of the financial year. The performance rights were provided at no cost to the recipients.

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 2016	Purchases	Received on exercise of performance rights	Other changes*	Sales	Held at 30 June 2017
Non-executive Directors						
Nick Abrahams	2,000	3,042	-	-	-	5,042
Alan Baxter	197,000	-	-	(197,000)	-	-
Paul Brandling	10,202	-	-	-	-	10,202
Garry Dinnie	-	2,000	-	-	-	2,000
Steve Killelea	89,834,951	-	-	-	-	89,834,951
Peter Lloyd	-	2,000	-	-	-	2,000
Executive Directors						
Darc Rasmussen	335,624	-	-	(335,624)	-	-
Executive officers (excluding directors)						
Peter Adams	20,000	-	-	-	(5,000)	15,000
Alex Baburin	40,000	-	-	-	(12,000)	27,800
Andre Cuenin	50,000	-	-	-	-	50,000
David Purdue	53,250	-	-	-	-	53,250

Prior Year	Held at 1 July 2015	Purchases	Received on exercise of options	Other changes*	Sales	Held at 30 June 2016
Non-executive Directors						
Nick Abrahams	-	2,000	-	-	-	2,000
Alan Baxter	197,000	-	-	-	-	197,000
Paul Brandling	-	10,202	-	-	-	10,202
Steve Killelea	94,834,951	-	-	-	(5,000,000)	89,834,951
Executive Directors						
Darc Rasmussen	38,700	17,651	600,000	-	(320,727)	335,624
Executive officers (excluding directors)						
Peter Adams	5,000	-	30,000	-	(15,000)	20,000
Alex Baburin	10,000	-	30,000	-	-	40,000
Andre Cuenin	-	-	50,000	-	-	50,000
David Purdue	33,250	-	20,000	-	-	53,250

* Other changes represent net movement post ceasing to hold office.

Shareholdings at the date of the Directors' Report for existing Key Management Personnel remain unchanged.

Other transactions with the consolidated entity

There were no other transactions between the key management personnel, or their personally-related entities, and the consolidated entity.

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 evaluating and approving 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 assessing the integrity of internal control and management information systems. It is also responsible for approving and monitoring financial and other reporting.

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.

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. 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 pages 18 to 19 of this report.

The company's constitution provides for the board to consist of between three and twelve members. At 30 June 2017 the board members were comprised as follows:

- Mr Steve Killelea - Non Executive Director (Chairman)
- Mr Nick Abrahams - Non-Executive Director
- Mr Paul Brandling - Independent Non Executive Director
- Mr Garry Dinnie - Independent Non Executive Director
- Mr Peter Lloyd - 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 technology industry. Mr Killelea founded Integrated Research in 1988 and was the CEO and managing director of the company until his retirement in November 2004.

Mr Abrahams was appointed as a Non-Executive Director in September 2014. While there are good arguments that Mr Abrahams is in fact independent, he has been classified as not independent due to a pre-existing business relationship between Mr Abrahams and Mr Killelea. The board is satisfied that the company benefits from Mr Abrahams' experience and knowledge gained through his more than 20 year career as a lawyer assisting technology companies in Australia and overseas.

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.

The composition of the board during the year ended 30 June 2017 did not comply with the ASX Corporate Governance Council recommendation that the majority of the board should be independent directors. The Company is preparing to recruit additional independent non-executive directors.

The company secretary is accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee has a documented charter, approved by the board.

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 performance of the Chief Executive Officer and the board was undertaken in the reporting period identifying both strengths and development actions.
The performance of other senior management was conducted by the Chief Executive Officer.

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

- Mr Alan Baxter - Independent Non-Executive (Chairman until retirement in December 2016)
- Mr Garry Dinnie - Independent Non-Executive Director (Chairman from December 2016)
- Mr Steve Killelea - Non-Executive

Since the retirement of Mr. Alan Baxter, the Nomination and Remuneration Committee has consisted of two members being Messrs Dinnie and Killelea. As a result, the company does not comply with the ASX Corporate Governance Council recommendation that the committee consist of three members, a majority of whom should be independent directors. During this period of non-compliance, the Company utilised the skills and experience of the other independent and non-executive Directors of the Board. The Company is preparing to recruit additional independent non-executive directors.

A matrix of skills and diversity of the board as required by the ASX corporate governance recommendations is available on the Company's website at www.ir.com.

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

The Audit and Risk Committee has a documented charter, approved by the board. The charter states that 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 and internal control of the consolidated entity.

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

- Mr Nick Abrahams - Non-Executive Director
- Mr Garry Dinnie - Independent Non-Executive (Chairman)
- Mr Paul Brandling - Independent Non Executive Director

During the year, the Audit and Risk Committee provided the Board with updates to the Company's risk management register (with the Board approving this document).

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 four times during the year and committee members' attendance record is disclosed in the table of directors' meetings on page 22.

The external auditor met with the audit committee/board four 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 2017 comply with accounting standards and present a true and fair view, in all material respects, of the company's financial condition and operational results.

The main responsibilities of the Audit and Risk Committee as set out in the charter 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.
  - Review the results and findings of the auditor, the adequacy of accounting and financial controls, and to monitor the implementation of any recommendations made.
- To finalise half-year and annual reporting:
  - 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 Darc Rasmussen - Executive (resigned February 2017)
- Mr Peter Lloyd - Non-Executive
- Mr Paul Brandling - 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 once during the year under review.

Risk management

Under the 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 has 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.

Material Exposure to economic, environmental and social sustainability risks

By the nature of the industry that the Company participates in, exposures to economic, environmental and social sustainability risks are not considered material.

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

Each Director 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 consolidated entity are set out in Remuneration report page 25 to 34.

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.

Equal Employment Opportunity

The Company has a policy on Equal Employment Opportunity with the provision that commits to a workplace that is free of discrimination of all types. It is Company policy to hire, develop and promote individuals solely on the basis of merit and their ability to perform without prejudice to race, colour, creed, national origin, religion, gender, age, disability, sexual orientation, marital status, membership or non-membership of a trade union, status of employment (whether full or part-time) or any other factors prohibited by law. The board is satisfied that the Equal Employment Opportunity policy is sufficient without the need to further establish a separate policy on gender diversity as required by the ASX Corporate Governance Council recommendation.

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 42 days after the release of the company's half-yearly results announcement.
- From 24 hours to 56 days after release of the company's annual results announcement.

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.

Participants in the Company's Performance Rights program are specifically prohibited to hedge the exposure to the Integrated Research share price during the vesting period in respect of the unvested performance rights.

Communication with shareholders

The board provides shareholders with information using a comprehensive continuous disclosure policy which includes identifying matters that may have a material effect on the price of the company's securities, notifying them to the ASX, posting them on the Company's website (www.ir.com), and issuing media releases. Disclosures under this policy are in addition to the periodic and other disclosures required under the ASX Listing Rules and the Corporations Act. More details of the policy are available on the Company's website.

The Chief Executive Officer and the Chief Financial Officer are responsible for interpreting the Company's policy and where necessary informing the board. The Company Secretary is responsible for all communication with the ASX.

The board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the consolidated entity's strategy and goals. Important issues are presented to the shareholders as single resolutions. The external auditor is requested to attend the Annual General Meetings to answer any questions concerning the audit and the content of the auditor's report.

The shareholders are requested to vote on the appointment and aggregate remuneration of directors, the granting of options and shares to directors, the Remuneration Report and changes to the Constitution. Copies of the Constitution are available to any shareholder who requests it.

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Consolidated statement of comprehensive income

For the year ended 30 June 2017

		Consolidated	
In thousands of AUD	**Notes**	**2017**	**2016**
Revenue			
Revenue from licence fees		**53,441**	45,725
Revenue from maintenance fees		**26,871**	27,153
Revenue from testing solution services		**4,073**	4,288
Revenue from consulting		**6,784**	7,366
Total revenue		**91,169**	84,532
Expenditure			
Research and development expenses		**(14,862)**	(13,582)
Sales, consulting and marketing expenses		**(43,605)**	(44,983)
General and administration expenses		**(6,086)**	(5,962)
Total expenditure	4	**(64,553)**	(64,527)
Other gains and (losses)	5	**(908)**	1,347
Profit before finance income and tax		**25,708**	21,352
Finance income	6	**173**	34
Profit before tax		**25,881**	21,386
Income tax expense	8	**(7,361)**	(5,357)
Profit for the year		**18,520**	16,029
Other comprehensive income			
Items that may be reclassified subsequently to profit			
Gain/(loss) on cash flow hedge taken to equity		**(20)**	247
Foreign exchange translation differences		**(269)**	(46)
Other comprehensive income		**(289)**	201
Total comprehensive income for the year		**18,231**	16,230
Profit attributable to:			
Members of Integrated Research		**18,520**	16,029
Total comprehensive income attributable to:			
Members of Integrated Research		**18,231**	16,230
Earnings per share attributable to members of Integrated Research:			
Basic earnings per share (AUD cents)	9	**10.86**	9.42
Diluted earnings per share (AUD cents)	9	**10.78**	9.34

The consolidated statement of comprehensive income is to be read in conjunction with the notes to the financial statements set out on pages 46 to 74.

Consolidated statement of financial position

As at 30 June 2017

In thousands of AUD	Notes	Consolidated 2017	2016
Current assets			
Cash and cash equivalents	10	**14,113**	8,544
Trade and other receivables	11	**35,998**	29,017
Current tax assets		**1,156**	164
Other current assets	12	**1,860**	1,781
Total current assets		**53,127**	39,506
Non-current assets			
Trade and other receivables	11	**23,299**	23,373
Other financial assets	13	**171**	824
Property, plant and equipment	14	**1,872**	1,793
Deferred tax assets	15	**1,147**	1,492
Intangible assets	16	**19,934**	21,972
Total non-current assets		**46,423**	49,454
Total assets		**99,550**	88,960
Current liabilities			
Trade and other payables	18	**9,620**	8,513
Provisions	21	**2,607**	2,618
Income tax liabilities		**4,302**	3,385
Deferred revenue		**20,077**	20,363
Other current liabilities	22	**11**	42
Total current liabilities		**36,617**	34,921
Non-current liabilities			
Deferred consideration for acquisition	20	**1,476**	2,036
Deferred tax liabilities	15	**3,440**	3,916
Provisions	21	**882**	981
Deferred revenue		**8,411**	5,583
Other non-current liabilities	22	**204**	477
Total non-current liabilities		**14,413**	12,993
Total liabilities		**51,030**	47,914
Net assets		**48,520**	41,046
Equity			
Issued capital	23	**1,667**	1,667
Reserves	23	**1,768**	1,726
Retained earnings		**45,085**	37,653
Total equity		**48,520**	41,046

The consolidated statement of financial position is to be read in conjunction with the notes to the financial statements set out on pages 46 to 74.

Consolidated statement of changes in equity

For the year ended 30 June 2017

Consolidated **In thousands of AUD**	**Share capital**	**Hedging reserve**	**Translation reserve**	**Employee benefit reserve**	**Retained earnings**	**Total**
Balance at 1 July 2016	**1,667**	**50**	**(485)**	**2,161**	**37,653**	**41,046**
Profit for the year	**-**	**-**	**-**	**-**	**18,520**	**18,520**
Other comprehensive income for the year (net of tax)	**-**	**(20)**	**(269)**	**-**	**-**	**(289)**
Total comprehensive income for the year	**-**	**(20)**	**(269)**	**-**	**18,520**	**18,231**
Share based payments expense	**-**	**-**	**-**	**331**	**-**	**331**
Dividends to shareholders	**-**	**-**	**-**	**-**	**(11,088)**	**(11,088)**
Balance at 30 June 2017	**1,667**	**30**	**(754)**	**2,492**	**45,085**	**48,520**

Consolidated **In thousands of AUD**	**Share capital**	**Hedging reserve**	**Translation reserve**	**Employee benefit reserve**	**Retained earnings**	**Total**
Balance at 1 July 2015	1,667	(197)	(439)	1,571	33,530	36,132
Profit for the year	-	-	-	-	16,029	16,029
Other comprehensive income for the year (net of tax)	-	247	(46)	-	-	201
Total comprehensive income for the year	-	247	(46)	-	16,029	16,230
Share based payments expense	-	-	-	590	-	590
Dividends to shareholders	-	-	-	-	(11,906)	(11,906)
Balance at 30 June 2016	1,667	50	(485)	2,161	37,653	41,046

The consolidated statement of changes in equity is to be read in conjunction with the notes to the financial statements set out on pages 46 to 74.

Consolidated statement of cash flows

For the year ended 30 June 2017

In thousands of AUD	Notes	Consolidated 2017	Consolidated 2016
Cash flows from operating activities			
Cash receipts from customers		**88,897**	74,354
Cash paid to suppliers and employees		**(54,983)**	(54,446)
Cash generated from operations		**33,914**	19,908
Income taxes paid		**(7,752)**	(3,690)
Net cash provided by operating activities	27	**26,162**	16,218
Cash flows from investing activities			
Payments for capitalised development		**(8,588)**	(9,565)
Payments for property, plant and equipment		**(803)**	(311)
Payments for purchase of business	3	**-**	(1,211)
Payments for intangible asset		**(80)**	(152)
Interest received		**289**	154
Interest paid		**(116)**	(120)
Net cash used in investing activities		**(9,298)**	(11,205)
Cash flows from financing activities			
Proceeds from borrowings		**6,250**	1,500
Repayment of borrowings		**(6,250)**	(1,500)
Payment of dividend	23	**(11,088)**	(11,906)
Net cash used in financing activities		**(11,088)**	(11,906)
Net (decrease)/ increase in cash and cash equivalents		**5,776**	(6,893)
Cash and cash equivalents at 1 July		**8,544**	15,323
Effects of exchange rate changes on cash		**(207)**	114
Cash and cash equivalents at 30 June	10	**14,113**	8,544

The consolidated statement of cash flows is to be read in conjunction with the notes to the financial statements set out on pages 46 to 74.

Notes to the Financial Statements

For the year ended 30 June 2017

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 2017 comprises the Company and its subsidiaries (together referred to as the "consolidated entity").

The financial report was authorised for issue by the directors on 17 August 2017.

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

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. Financial statements of the consolidated entity comply with International Financial Reporting Standards and interpretations adopted by the International Accounting Standards Board.

b) Basis of Preparation

The financial statements are presented in Australian dollars and are prepared on the historical cost basis, with the exception of derivatives, which are at fair value.

The company is of a kind referred to in ASIC Legislative Instrument 2016/191 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 financial statements 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.

New accounting standards and Interpretations

The Company has applied the following standards and amendments for the first time for the annual reporting period commencing 1 July 2016 and have not had any material effect on its financial position or performance:

- AASB 2014-4 'Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to AASB 116 and AASB 138)'
- AASB 2015-1 'Amendments to Australian Accounting Standards - Annual Improvements 2012-2014 Cycle'
- AASB 2015-3 'Amendments to Australian Accounting Standards arising from the Withdrawal of AASB1031 Materiality'

Note 1: Significant accounting policies (cont.)

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 is not expected to materially affect any of the amounts recognised in the financial statements, but may change the disclosures presently made in relation to the consolidated entity's financial statements:

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 2016-1 Amendments to Australian Accounting Standards - Recognition of Deferred Tax Assets for Unrealised Losses'	1 January 2017	30 June 2018
AASB 2016-2 'Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107'	1 January 2017	30 June 2018
AASB Interpretation 22 'Foreign Currency Transactions and Advance Consideration'	1 January 2018	30 June 2019
AASB 9 'Financial Instruments'	1 January 2018	30 June 2018

Initial application of the following Standards is likely to impact the amounts recognised in the future financial statements. The Company is still assessing the impact of these standards.

AASB15 'Revenue from Contracts with Customers'

The standard is expected to apply for the financial year ended 30 June 2019.

The Company has continued to advance its assessment of adopting AASB15 and has not reached a determination as to the financial reporting impact. The assessment to date has been focused on reviewing the contractual terms of the Company's various revenue streams under the five-step model, and highlighting expected differences in the recognition and disclosure of revenue. Whilst any accounting policy change resulting from adoption of this standard have yet to be confirmed, the Company plans to adopt AASB15 in FY2019 using the modified retrospective approach. The Company will continue to work during FY2018 to design, implement and refine procedures to apply the new requirements of AASB15 and to finalise accounting policy choices.

AASB16 'Leases'

The standard is expected to apply for the financial year ended 30 June 2020.

The Company has not yet commenced its assessment of this accounting standard.

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

Note 1: Significant accounting policies (cont.)

c) Basis of consolidation

Subsidiaries are entities controlled by the Company. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if and only if the Company has power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee). Exposure, or rights, to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect its returns.

When the Company has less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee including: the contractual arrangement with the other vote holders of the investee; rights arising from other contractual arrangements and the Company's voting rights and potential voting rights.

The Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Company gains control until the date the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Company's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Company are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Company loses control over a subsidiary, it: de-recognises the assets (including goodwill) and liabilities of the subsidiary; de-recognises the carrying amount of any non-controlling interests; de-recognises the cumulative translation differences recorded in equity; recognises the fair value of the consideration received; recognises the fair value of any investment retained; recognises any surplus or deficit in profit or loss; reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Company had directly disposed of the related assets or liabilities.

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 year-end date are translated to Australian dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in profit or loss. 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 year end 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 other comprehensive income and accumulated in the translation reserve.

e) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

i) in the principal market for the assets or liability; or

ii) in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

Note 1: Significant accounting policies (cont.)

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as whole:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

f) 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.

Derivative financial instruments are recognised initially at fair value. 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 year end date, being the present value of the quoted forward price.

g) 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 includes 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 in 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 profit or loss 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 profit or loss.

h) 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 (l)). 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

Note 1: Significant accounting policies (cont.)

i) 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 profit or loss 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 useful lives of the capitalised assets are assessed as finite.

The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in profit or loss as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses (see accounting policy (l)).

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful life, but no more than three years.

Intellectual property

Intellectual property acquired from third parties is amortised over its estimated useful life, but no more than three years.

Computer software

Computer software is stated at cost and amortised on a straight-line basis over a 2½ to 3 year period.

Customer Relationships

Customer relationships are initially measured at fair value and amortised over the estimated useful life, but no more than five years.

j) 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.

For the trade receivables with extended payment terms beyond twelve months, the receivable is initially recognised at fair value calculated by applying a discount to the contracted cash flows. The discount rate applied is based upon the corporate borrowing rate that would apply to the type of customer, taking into account the customers' credit worthiness based on its size and jurisdiction.

k) Cash and cash equivalents

Cash and cash equivalents comprises cash balances and call deposits with an original maturity of three months or less.

l) 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 year end 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 profit or loss 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 profit or loss.

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 their risk 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.

m) Employee benefits

Superannuation

Obligations for contributions to defined contribution pension plans are recognised as an expense in profit or loss 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 high quality corporate bond rate at the year end date which have maturity dates approximating to the terms of the consolidated entity's obligations.

Share-based payment transactions

The performance rights programmes allow the consolidated entity's employees to acquire shares of the Company. The fair value of performance rights granted are 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 performance rights.

Note 1: Significant accounting policies (cont.)

The fair value of the instrument 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 or performance rights that are expected to vest.

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 the year end date, calculated at undiscounted amounts based on remuneration wage and salary rates that the consolidated entity expects to pay as at the year end date.

n) Provisions

A provision is recognised in the statement of financial position 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.

Employee benefits

Provisions for employee benefits include liabilities for annual leave and long service leave and are measured at the amounts expected to be paid when the liabilities are settled.

Make good

The make good provision is for leases undertaken by the Company. For each provision raised a corresponding asset has been recognised and is amortised over the shorter of the term of the lease or the useful life of the asset.

o) Trade and other payables

Trade and other payables are stated at their amortised cost.

p) 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 generally 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 profit or loss 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.

The Company introduced a new line of revenue (testing solutions services) following the acquisition of the IQ Services business. Revenue from testing solutions services is recognised over the period the 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.

q) Expenses

Operating lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense and spread over the lease term.

r) Financing income

Financing income comprises interest receivable on funds invested.

s) Income tax

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognised in profit or loss 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 year end date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised on 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 year end 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 arises from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

Note 1: Significant accounting policies (cont.)

t) 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 statement of financial position.

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.

u) 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 - Development

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.

Intangible assets - Goodwill

Goodwill acquired from business acquisitions is initially measured at cost. Goodwill is tested annually for impairment or earlier if changes in circumstances indicate a potential impairment, the impairment policy is explained in note 1(l). The impairment testing requires judgements over future cashflow streams and assumptions used in the calculations.

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.

Receivables

The consolidated entity assesses impairment of receivables based on objective evidence for significant receivables and 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 reporting date. This assessment includes judgements and estimates of future outcomes the actual results of which may differ from the estimates at the reporting date.

v) Business Combination and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred at acquisition date measured at fair value. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Changes in the fair value of the contingent consideration are recognised in the Statement of Comprehensive Income.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred over the net identifiable assets acquired and liabilities assumed. Goodwill is tested annually for impairment. Acquisition-related costs are expensed as incurred and included in administrative expenses.

Note 2. Segment reporting

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

The principal geographical regions are The Americas - Operating from the United States with responsibility for the countries in North, Central and South America, Europe - operating from the United Kingdom and Germany with responsibility for the countries in Europe, Asia Pacific - operating from Australia and Singapore with responsibility for the countries in the rest of the world and Corporate Australia - with responsibility for research and development and corporate head office functions of the Company.

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

Segment profit represents the profit earned by each segment without allocation of investment revenue and income tax expense.

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

	Americas		Europe		Asia Pacific		Corporate Australia[1]		Eliminations		Consolidated	
In thousands of AUD	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Sales to customers outside the consolidated entity	64,314	57,956	14,867	17,208	11,596	10,271	392	(903)		-	91,169	84,532
Inter-segment revenue							48,013	41,006	(48,013)	(41,006)	-	-
Total segment revenue	64,314	57,956	14,867	17,208	11,596	10,271	48,405	40,103	(48,013)	(41,006)	91,169	84,532
Total revenue											**91,169**	**84,532**
Segment results	1,929	3,160	327	426	313	359	23,139	17,407		-	25,708	21,352
Results from operating activities											25,708	21,352
Financing income											173	34
Income tax expense											(7,361)	(5,357)
Profit for the year											**18,520**	**16,029**
Capital additions[2]	96	1,354	94	49	17	8	676	1,124	-	-	883	2,535
Depreciation and amortisation expenditure	475	555	70	86	9	7	10,745	9,988	-	-	11,299	10,636

	Americas (USD)		Europe (GBP)	
In local currency[3]	**2017**	**2016**	**2017**	**2016**
Sales to customers outside the consolidated entity	48,207	41,997	8,752	8,438
Inter-segment sales	-	-		-
Total segment revenue	48,207	41,997	8,752	8,438
Segment results	1,446	2,276	219	209

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

2 Excludes internal development costs capitalised but includes third party assets acquired. Additions also include assets acquired through the purchase of businesses.

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

Note 3. Business combinations

On 1st July 2015, the Company acquired the operational assets of the US based IQ Services business. The acquisition provides the Company with a number of strategically significant growth opportunities in its existing markets and into new allied markets. The business combination is anticipated to provide the world's most complete view of cloud, hybrid and traditional on premises operations for unified communications and contact centre solutions.

The acquisition has been accounted for using the acquisition method.

The fair values of the identifiable assets and liabilities of the acquired business on 1 July 2015 were as follows:

In thousands of AUD	Notes	Fair value recognised on acquisition
Assets		
Prepayments		52
Property, plant and equipment		335
Capitalised Development	16	844
Customer relationships	16	779
Third party software	16	94
Total assets		2,104
Liabilities		
Provisions		159
Deferred revenue		752
Total liabilities		911
Total identifiable net assets at fair value		1,193
Goodwill arising on acquisition	16	3,204
Total Net Assets Acquired		4,397
Represented by:		
Payment due on acquisition date		325
Deferred consideration within one year		845
Deferred consideration beyond one year		3,227
Purchase consideration		4,397

The goodwill recognised at acquisition is primarily attributed to the expected synergies and other benefits from combining the assets and activities of IQ Services with those of the Company. The goodwill has been tested for impairment at 30 June 2017 (refer note 17).

At 30 June 2017, the Company revised its fair value of the deferred consideration liability to $1,476,000 resulting in a credit to profit of $528,000. The write-back reflects the fair value of the deferred consideration based on the current year actual results and revised forecast EBITDA for the 2018 financial year. The deferred consideration is based upon IQ Services achieving EBITDA milestones over the three years between 1 July 2015 and 30 June 2018. There are catch-up mechanisms over the three year period with the potential final payment ranging between $nil and $3.5 million.

The table below provides the movement of the deferred consideration during the year:

In thousands of AUD	Purchase consideration at acquisition	Cash paid during the period	Currency revaluation	Finance charges (note 6)	Prior year writeback of liability (note 5)	Current year writeback of liability (note 5)	Deferred consideration at end of year (note 20)
Payment at acquisition	325	(325)	-	-	-	-	-
Deferred consideration	4,072	(886)	150	81	(1,413)	(528)	1,476
	4,397	(1,211)	150	81	(1,413)	(528)	1,476

Note 4. Expenditure

Total expenditure includes:

	Consolidated	
In thousands of AUD	**2017**	**2016**
Employee benefits expense:		
Defined contribution plans	**1,998**	2,218
Equity settled share-based payments	**363**	655
Other employee benefits	**41,904**	43,562
	44,265	46,435
Depreciation and amortisation	**11,299**	10,636
Bad and doubtful debt expense	**527**	1,463
Operating lease rental expenses	**1,930**	1,912

Note 5. Other gains and (losses)

		Consolidated	
In thousands of AUD	**Note**	**2017**	**2016**
Writeback of deferred consideration for acquisition	3	**528**	1,413
Loss on sale of financial assets	24	**(676)**	-
Currency exchange gains/(losses)		**(760)**	(66)
		(908)	1,347

Note 6. Finance income

	Consolidated	
In thousands of AUD	**2017**	**2016**
Interest income	**289**	154
Finance charges on earn out liability	**-**	(81)
Interest on borrowings	**(116)**	(39)
	173	34

Note 7. Auditors' remuneration

	Consolidated	
In AUD	**2017**	**2016**
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	**211,250**	200,850
Remuneration for other services by the auditors of the Company or any entity in the consolidated entity:	**24,926**	12,448
Taxation services:		
Auditors of the Company	**130,926**	216,800

Note 8. Income tax expense

Recognised in profit for the year

In thousands of AUD	Note	Consolidated 2017	2016
Current tax expense:			
Current year		**6,915**	4,589
Prior year adjustments		**315**	126
		7,230	4,715
Deferred tax expense:			
Origination and reversal of temporary differences	15	**131**	642
Total income tax expense in profit and loss		**7,361**	5,357

Numerical reconciliation between income tax expense and profit before tax

In thousands of AUD	Consolidated 2017	2016
Profit before tax	**25,881**	21,386
Income tax using the domestic corporate tax rate of 30%	**7,768**	6,416
Increase in income tax expense due to:		
Non-deductible expenses	**250**	257
Effect of tax rates in foreign jurisdictions	**201**	192
Other	**(126)**	158
Prior year adjustments	**315**	126
Decrease in income tax expense due to:		
R&D tax incentive	**(855)**	(1,273)
Write-back of deferred consideration for acquisition	**(192)**	(519)
Income tax expense	**7,361**	5,357

Note 9. Earnings per share

The calculation of basic and diluted earnings per share at 30 June 2017 was based on the profit attributable to ordinary shareholders of $18,520,000 (2016: $16,029,000); a weighted number of ordinary shares outstanding during the year ended 30 June 2017 of 170,550,871 (2016: 170,239,391); and a weighted number of ordinary shares (diluted) outstanding during the year ended 30 June 2017 of 171,755,729 (2016: 171,653,017), calculated as follows:

	Consolidated	
In thousands of AUD	**2017**	**2016**
Profit for the year	**18,520**	16,029

Weighted average number of shares used as the denominator	Consolidated	
(Number)	**2017**	**2016**
Number for basic earnings per share:		
Ordinary shares	**170,550,871**	170,239,391
Effect of employee share plans on issue	**1,204,858**	1,413,626
Number for diluted earnings per share	**171,755,729**	171,653,017
Basic earnings per share (AUD cents)	**10.86**	9.42
Diluted earnings per share (AUD cents)	**10.78**	9.34

Note 10. Cash and cash equivalents

	Consolidated	
In thousands of AUD	**2017**	**2016**
Cash at bank and on hand	**14,113**	8,544

Note 11. Trade and other receivables

Current

In thousands of AUD	Consolidated 2017	Consolidated 2016
Trade debtors	**37,234**	30,763
Less: Allowance for doubtful debts	**(1,454)**	(1,860)
	35,780	28,903
GST receivable	**218**	114
	35,998	29,017

Non-current

In thousands of AUD	Consolidated 2017	Consolidated 2016
Trade debtors	**23,299**	23,373

The credit period on sales ranges from 30 to 90 days. Customers of good credit worthiness can request for extended payment plans over the committed term of the licence contract which typically is up to three years.

Ageing of past due but not impaired:

In thousands of AUD	Consolidated 2017	Consolidated 2016
Past due 30 days	**1,988**	832
Past due 60 days	**305**	1,200
Past due 90 days	**244**	374
Total	**2,537**	2,406

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

In thousands of AUD	Consolidated 2017	Consolidated 2016
Balance at beginning of year	**1,860**	852
Amounts written off during the year	**(933)**	(455)
Increase in provision	**527**	1,463
Balance end of year	**1,454**	1,860

The Company has used the following criteria to assess the allowance loss for trade receivables shown above:

- 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 Company's trade receivable balance are debtors which are 90 days past due at the reporting date which the Company 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 Company does not hold any collateral over these balances.

Note 12. Other current assets

In thousands of AUD	Consolidated 2017	2016
Other prepayments	**1,763**	1,607
Fair value of hedge asset - forward foreign exchange contracts	**97**	174
	1,860	1,781

Note 13. Other financial assets

In thousands of AUD	Consolidated 2017	2016
Deposits	**171**	824

The carrying amount of other financial assets is a reasonable approximation of their fair value.

Note 14. Property, plant and equipment

Plant and Equipment

In thousands of AUD	Consolidated 2017	2016
At cost	**4,350**	3,887
Accumulated depreciation	**(3,046)**	(2,579)
	1,304	1,308

Leasehold Improvements

In thousands of AUD	Consolidated 2017	2016
At cost	**2,642**	2,368
Accumulated depreciation	**(2,073)**	(1,883)
	569	485

Total property, plant and equipment

In thousands of AUD	Consolidated 2017	2016
At cost	**6,992**	6,255
Accumulated depreciation	**(5,120)**	(4,462)
Total written down amount	**1,872**	1,793

Note 14: Property, plant and equipment (cont.)

Plant and Equipment	Consolidated	
In thousands of AUD	**2017**	**2016**
Carrying amount at start of year	**1,308**	1,316
Additions	**512**	308
Acquired through business acquisition	**-**	231
Disposals	**-**	(6)
Effects of foreign currency exchange	**(20)**	28
Depreciation expense	**(496)**	(569)
Carrying amount at end of year	**1,304**	1,308

Leasehold Improvements	Consolidated	
In thousands of AUD	**2017**	**2016**
Carrying amount at start of year	**485**	653
Additions	**290**	3
Acquired through business acquisition	**-**	104
Disposals	**-**	-
Effects of foreign currency exchange	**(11)**	(11)
Depreciation expense	**(195)**	(264)
Carrying amount at end of year	**569**	485

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	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Intangible assets	**-**	-	**4,746**	5,183	**(4,746)**	(5,183)
Trade and other payables	**321**	355	**-**	-	**321**	355
Employee benefits	**1,260**	1,051	**-**	-	**1,260**	1,051
Provisions	**553**	774	**-**	-	**553**	774
Other current liabilities	**77**	437	**-**	-	**77**	437
Unrealised foreign exchange gain	**-**	-	**-**	-	**-**	-
Unrealised foreign exchange loss	**242**	142	**-**	-	**242**	142
Deferred tax assets/(liabilities)	**2,453**	2,759	**4,746**	5,183	**(2,293)**	(2,424)
Set off of deferred tax asset	**(1,306)**	(1,267)	**(1,306)**	(1,267)	**-**	-
Net deferred tax assets/(liabilities)	**1,147**	1,492	**3,440**	3,916	**(2,293)**	(2,424)

Note 15: Deferred tax assets and liabilities (cont.)

Movement in temporary differences during the year:

For year ended 30 June 2017	Consolidated			
In thousands of AUD	Balance 1 July 16	Recognised in income	Recognised in equity	Balance 30 June 17
Intangible assets	(5,183)	437	-	(4,746)
Trade and other payables	355	(34)	-	321
Employee benefits	1,051	209	-	1,260
Provisions	774	(221)	-	553
Other current liabilities	437	(360)	-	77
Unrealised foreign exchange gain	-	-	-	-
Unrealised foreign exchange loss	142	100	-	242
	(2,424)	131	-	(2,293)

For year ended 30 June 2016	Consolidated			
In thousands of AUD	Balance 1 July 15	Recognised in income	Recognised in equity	Balance 30 June 16
Intangible assets	(5,067)	(116)	-	(5,183)
Trade and other payables	273	82	-	355
Employee benefits	1,117	(66)	-	1,051
Provisions	428	346	-	774
Other current liabilities	670	(233)	-	437
Unrealised foreign exchange gain	(487)	487	-	-
Unrealised foreign exchange loss	-	142	-	142
	(3,066)	642	-	(2,424)

Note 16. Intangible assets

The balance of capitalised intangible assets comprises:

Cost

In thousands of AUD	Software development	Third party software	Goodwill	Customer Relationship	Total
	Consolidated				
Balance at 1 July 2015	30,264	1,057	-	-	31,321
Fully amortised & offset	(8,127)	-	-	-	(8,127)
Acquired through business acquisition	844	94	3,204	779	4,921
Internally developed	9,565	-	-	-	9,565
Purchased	-	152	-	-	152
Effects of foreign currency exchange	-	-	85	21	106
Balance at 30 June 2016	32,546	1,303	3,289	800	37,938
Balance at 1 July 2016	**32,546**	**1,303**	**3,289**	**800**	**37,938**
Fully amortised & offset	**(12,326)**	**-**	**-**	**-**	**(12,326)**
Acquired through business acquisition	**-**	**-**	**-**	**-**	**-**
Internally developed	**8,588**	**-**	**-**	**-**	**8,588**
Purchased	**-**	**80**	**-**	**-**	**80**
Effects of foreign currency exchange	**-**	**(5)**	**(86)**	**(20)**	**(111)**
Balance at 30 June 2017	**28,808**	**1,378**	**3,203**	**780**	**34,169**

Amortisation

In thousands of AUD	Software development	Third party software	Goodwill	Customer Relationship	Total
	Consolidated				
Balance at 1 July 2015	13,436	865	-	-	14,301
Fully amortised & offset	(8,127)	-	-	-	(8,127)
Amortisation for year	9,421	216	-	165	9,802
Effects of foreign currency exchange	-	(5)	-	(5)	(10)
Balance at 30 June 2016	14,730	1,076	-	160	15,966
Balance at 1 July 2016	**14,730**	**1,076**	**-**	**160**	**15,966**
Fully amortised & offset	**(12,326)**	**-**	**-**	**-**	**(12,326)**
Amortisation for year	**10,301**	**147**	**-**	**160**	**10,608**
Effects of foreign currency exchange	**-**	**(5)**	**-**	**(8)**	**(13)**
Balance at 30 June 2017	**12,705**	**1,218**	**-**	**312**	**14,235**

Carrying amounts

In thousands of AUD	Software development	Third party software	Goodwill	Customer Relationship	Total
	Consolidated				
Balance at 30 June 2016	17,816	227	3,289	640	21,972
Balance at 30 June 2017	**16,103**	**160**	**3,203**	**468**	**19,934**

Note 17. Goodwill

Goodwill arose on the acquisition of IQ Services, in the year ending 30 June 2016 with IQ Services products now being bundled with the sale of Prognosis software globally. Management has identified the Group as the cash generating unit (the Prognosis CGU) to which goodwill is allocated for impairment testing. Management performs its annual impairment testing at least annually. The carrying value of goodwill at 30 June 2017 is $3,203,000 (2016: $3,289,000). A reconciliation of the movement in goodwill is included in note 16.

The recoverable amount of the Prognosis CGU has been determined using a value in use approach. The value in use has been based on the following key assumptions:

1. Cash flow forecasts

The cash flow forecasts are based upon a Board approved 2018 budget and management projections for the subsequent four years of the Prognosis CGU.

2. Discount rate

Discount rate of 11% (2016: 11%) applied for value in use calculation is based on the post-tax weighted average of capital cost applicable to the Prognosis CGU.

3. Terminal value

The terminal growth rate after the five year projection period has been calculated using a growth rate of 3% (2016: 3%) which is determined by Management based on their assessment of expected long term annual growth for the software industry.

The value in use does not indicate any impairment is required at 30 June 2017.

Management believe that a reasonable change in any of the above key assumptions would not cause the carrying values to materially exceed their recoverable amounts.

Note 18. Trade and other payables

	Consolidated	
In thousands of AUD	**2017**	**2016**
Trade and other creditors	**9,620**	8,513
	9,620	8,513

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

Note 19. Employee benefits

In thousands of AUD	Consolidated	
Current	**2017**	**2016**
Liability for annual leave	**1,765**	1,889
Liability for long service leave	**842**	729
	2,607	2,618
Non-current		
Liability for long service leave	**316**	408

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.

Note 19. Employee benefits (cont.)

Share based payments

Performance Rights

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

Grant Date	Number of Rights	Earliest Vesting Date	Expiry date
Aug-16	350,000	Aug 2018	Sep 2018
Sep-16	450,000	Jun 2017	Jul 2017

The fair value of the performance rights including assumptions used are as follows:

Grant date	Aug 2016	Sep 2016
Fair value at measurement date	$2.149	$0.370
Share price	$2.180	$3.500
Exercise price	nil	nil
Expected volatility	50%	40%
Contractual life (expressed in days)	735	296
Expected dividends	2.40%	2.70%
Risk-free interest rate (based on 3 year treasury bonds)	1.53%	1.53%
Model Used	Binomial	Monte Carlo

The fair values of services received in return for performance rights granted to employees is measured by reference to the fair value of share options granted.

During the year ended 30 June 2017, the consolidated entity recognised an expense through profit of $363,000 related to the fair value of performance rights (2016: $655,000).

The following table provides the movement in performance rights during the year:

In thousands of performance rights	2017	2016
Outstanding at the beginning of the year	**1,999**	2,405
Forfeited during the year	**(848)**	(186)
Exercised during the year	**(150)**	(760)
Granted during the year	**800**	540
Outstanding at the end of the year	**1,801**	1,999
Exercisable at the end of the year (vested)	**-**	-

Note 20. Deferred consideration for acquisition

Non-Current		Consolidated	
In thousands of AUD	Note	2017	2016
Deferred consideration for acquisition	3	**1,476**	2,036
		1,476	2,036

Note 21. Provisions

In thousands of AUD		Consolidated	
Current	Note	2017	2016
Employee benefits	19	**2,607**	2,618
		2,607	2,618
Non-current			
Employee benefits	19	**316**	408
Lease make good		**566**	573
		882	981

Note 22. Other liabilities

	Consolidated	
In thousands of AUD	2017	2016
Current		
Fair value of hedge liabilities - forward foreign exchange contracts	**11**	42
Non-current		
Other creditors	**204**	477

Note 23. Capital and reserves

Share capital	Ordinary shares	
In thousands of shares	**2017**	**2016**
On issue 1 July	**170,431**	169,671
Issued against employee performance right exercised	**150**	760
On issue 30 June	**170,581**	170,431

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 consolidated entity, as well as from the translation of liabilities that hedge the consolidated entity's net investment in a foreign subsidiary.

Employee benefit reserve

The employee benefit reserve arises on the grant of either share options or performance rights to employees under the Integrated Research Performance Rights and Option Plan (established November 2011) or the Employee Share Option Plan (established October 2000). Refer to note 19 for further details.

Note 23. Capital and reserves (cont.)

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
2017				
Final 2016	**3.5**	**5,970**	**60% franked**	**13 Oct 16**
Interim 2017	**3.0**	**5,118**	**70% franked**	**19 Apr 17**
Total amount		**11,088**		
2016				
Final 2015	4.0	6,793	35% franked	22 Sep 2015
Interim 2016	3.0	5,113	55% franked	20 Apr 2016
Total amount		11,906		

After the end of the financial year, the following dividend was proposed by the directors. The financial effect of this dividend has not been brought to account in the financial statements for the year ended 30 June 2017 and will be recognised in subsequent financial statements:

In thousands of AUD	Cents per share	Total amount	Franked/ unfranked	Date of payment
Final 2017	3.5	5,987	100% franked	26 Sep 17

The final dividend declared of 3.5 cents together with the interim dividend paid in April 2017 of 3.0 cents takes total dividends for the 2017 financial year to 6.5 cents.

Franking account disclosure:	Company	
In thousands of AUD	**2017**	**2016**
Adjusted franking account balance	**4,643**	1,613
Impact on franking account balance of dividends not recognised	**(2,566)**	(1,535)

Note 24. Financial instruments

Capital risk management

The 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 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 10 and 23 respectively.

Borrowing Facility

On 21 December 2015, the Company established an AUD 10 million multicurrency revolving cash advance facility. The purpose of the facility is to fund working capital requirements and the deferred consideration for the IQ Services business acquisition.

The facility is secured by a General Security Agreement with a deed of cross guarantee including the parent entity, Integrated Research UK Limited, and Integrated Research Inc. The facility is also subject to certain debt covenants including a leverage ratio, interest cover ratio and capitalisation ratio. The Company met all the covenant requirements during the year.

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

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

Market risk

The 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 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.

Note 24. Financial instruments (cont.)

Foreign currency risk management

The 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 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:

	Consolidated			
	Liabilities		Assets	
In thousands of AUD	**2017**	**2016**	**2017**	**2016**
US Dollar	**707**	62	**4,345**	5,380
Euro	**-**	-	**1,249**	689
UK Sterling	**-**	-	**1**	1

Foreign currency sensitivity

At 30 June 2017, if the US Dollar, Euro and UK sterling weakened or strengthened against the Australian dollar by the percentage shown, with all other variables held constant, net profit for the year would increase (decrease) by:

	Consolidated			
	Net profit		Retained earnings	
In thousands of AUD	**2017**	**2016**	**2017**	**2016**
US Dollar Impact	**404**	591	**404**	591
Euro Impact	**139**	77	**139**	77
UK Sterling Impact	**-**	-	**-**	-
Change in currency (i) - 10% decrease				
US Dollar Impact	**(331)**	(483)	**(331)**	(483)
Euro Impact	**(114)**	(63)	**(114)**	(63)
UK Sterling Impact	**-**	-	**-**	-
Change in currency (i) - 10% increase				

(i) This has been based on the change in the exchange rate against the Australian dollar in the financial years ended 30 June 2017 and 30 June 2016.

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, the United Kingdom and Singapore. As stated in the 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 at the year end 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 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.

Note 24. Financial instruments (cont.)

Forward foreign exchange contracts

The consolidated entity is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the AUD. The currencies giving rise to this risk are primarily United States Dollar, UK Sterling and the Euro.

The consolidated entity uses forward exchange contracts to hedge its foreign currency risk. The forward exchange contracts have maturities of less than two years after the year end date.

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

	Average Exchange Rate		Foreign Currency		Contract Value		Fair Value	
Outstanding contracts	**2017**	**2016**	**2017 FC'000**	**2016 FC'000**	**2017 A$'000**	**2016 A$'000**	**2017 A$'000**	**2016 A$'000**
Consolidated								
Sell US Dollar								
Less than 3 months	**0.75**	0.72	**1,850**	1,650	**2,454**	2,287	**46**	61
3 to 6 months	**0.75**	0.73	**450**	1,400	**596**	1,914	**10**	20
6 to 9 months	**0.76**	0.73	**1,150**	1,150	**1,515**	1,581	**15**	21
9 to 12 months	**0.75**	0.74	**750**	1,050	**995**	1,419	**15**	(10)
Sell Euros								
Less than 3 months	**0.67**	0.65	**100**	240	**150**	370	**1**	10
3 to 6 months	**0.69**	0.64	**50**	50	**73**	78	**(2)**	2
6 to 9 months	**0.69**	0.65	**50**	125	**73**	192	**(3)**	1
9 to 12 months	**-**	0.66	**-**	130	**-**	198	**-**	(2)
Sell Sterling								
Less than 3 months	**0.57**	0.52	**150**	100	**263**	192	**10**	11
3 to 6 months	**0.61**	0.53	**50**	25	**82**	47	**(3)**	2
6 to 9 months	**0.60**	0.53	**50**	50	**83**	95	**(3)**	3
9 to 12 months	**0.58**	0.51	**50**	100	**86**	196	**1**	13
							87	132

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

Interest rate risk management

The consolidated entity is exposed to interest rate risk on the cash held in bank deposits. Cash in bank and term deposits of $14,113,000 were held by the consolidated entity at the reporting date, attracting an average interest rate of 1.21% (2016: 1.70%). 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/(decrease) by +/-$70,565 (2016: +/- $45,960).

Note 24. Financial instruments (cont.)

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. The largest single counterparty exposure with any one customer is with Avaya with a receivable balance at 30 June 2017 of $3.9 million (2016: $7.0 million). Ongoing credit evaluation is performed on the financial condition of accounts.

During the year the Company entered into a program with a third party to sell selected account receivable balances without recourse. The purpose of the program is to manage credit risk and working capital. During the year ended 30 June 2017 a total of $8.0 million debtors were sold at a cost of $676,000 (refer note 5). The Company continues to bear maintenance support obligations to the end customers which are carried as a liability in the deferred revenue account of the Company's balance sheet.

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

The 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 18 for both 2017 and 2016 carry no interest obligation.

Fair value of financial instruments

The carrying value of financial assets and financial liabilities of the consolidated entity is a reasonable approximation of their fair value.

For non-current trade debtors Integrated Research has considered a discount rate to recognise the net present value of the debtors. Level 3 inputs have been considered including corporate borrowing rates, size of the customer and jurisdiction of the customer. A discounted cashflow model was used to derive the fair value. The range of discount rates was between 3.5% to 5.5%. The carrying value of non-current trade debtors for 2016 of the consolidated entity was a reasonable approximation of their fair value.

Note 25. Operating leases

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

	Consolidated	
In thousands of AUD	**2017**	**2016**
Less than one year	**1,938**	1,332
Between one and five years	**3,275**	2,403
Greater than five years	**-**	-
	5,213	3,375

Note 26. Consolidated entities

	Country of incorporation	Ownership interest	
		2017	**2016**
Parent entity:			
Integrated Research Limited	Australia		
Subsidiaries of Integrated Research Limited:			
Integrated Research Inc	USA	**100%**	100%
Integrated Research Singapore Pte Limited	Singapore	**100%**	100%
Integrated Research UK Limited	UK	**100%**	100%
Subsidiaries of Integrated Research UK Limited:			
Integrated Research Germany GmbH	Germany	**100%**	100%

Note 27. Reconciliation of cash flows from operating activities

	Consolidated	
In thousands of AUD	**2017**	**2016**
Profit for the year	**18,520**	16,029
Depreciation and amortisation	**11,299**	10,636
Provision for doubtful debts	**(406)**	1,008
Interest received	**(289)**	(154)
Interest paid	**116**	120
Share-based payments expense	**363**	655
Net exchange differences	**18**	(70)
Change in operating assets and liabilities:		
(Increase)/decrease in trade debtors	**(6,501)**	(15,125)
(Increase)/decrease in future income tax benefit	**345**	(150)
(Increase)/decrease in other operating assets	**(569)**	(286)
Increase/(decrease) in trade and other payables	**546**	1,272
Increase/(decrease) in other operating liabilities	**2,238**	2,933
Increase/(decrease) in provision for income taxes payable	**1,068**	(1,515)
Increase/(decrease) in provision for deferred income taxes	**(476)**	492
Increase/(decrease) in other provisions	**(110)**	373
Net cash from operating activities	**26,162**	16,218

Note 28. Key management personnel disclosures

Key management personnel compensation

The key management personnel compensation are as follows:

	Consolidated	
In AUD	**2017**	**2016**
Short-term benefits	**3,780,356**	3,470,104
Post-employment benefits	**24,658**	196,825
Long term benefit	**184,016**	31,561
Equity compensation benefits	**150,046**	291,597
	4,139,076	3,990,087

Apart from the details disclosed in this note, no director has entered into a material contract with the consolidated entity since the end of the previous financial year and there were no material contracts involving directors' interests existing at year-end.

Note 29. Related parties

At 30 June 2017 Mr Steve Killelea, the Chairman of the Company, owned either directly or indirectly 52.67% of the Company (2016: 52.71%).

The Company received consulting services totalling $38,896 for the year ended 30 June 2017 from TMDP Pty Limited, a company in which David Purdue is a director. There were no services received for the year ended 30 June 2016.

Note 30. Parent entity disclosures

	Parent Entity	
In thousands of AUD	**2017**	**2016**
Financial Position		
Assets		
Current assets	**37,197**	28,047
Non-current assets	**16,475**	17,979
Total Assets	**53,672**	46,026
Liabilities		
Current Liabilities	**10,830**	8,612
Non-current liabilities	**4,116**	4,684
Total Liabilities	**14,946**	13,296
Net Assets	**38,726**	32,730
Equity		
Issued Capital	**1,667**	1,667
Employee benefits Reserve	**2,492**	2,161
Hedging reserve	**30**	50
Retained Earnings	**34,537**	28,852
Total Equity	**38,726**	32,730

Note 30. Parent entity disclosures (cont.)

	Parent Entity	
In thousands of AUD	2017	2016
Financial Performance		
Profit for the year	**16,857**	13,283
Other comprehensive income	**(20)**	247
Total comprehensive income	**16,837**	13,530

Investments in subsidiaries are included at cost.

Note 31. Subsequent events

New Chief Executive Officer

The Company appointed Mr John Merakovsky to the position of Chief Executive Officer with effect from 14 July 2017. Mr Merakovsky succeeds Mr Darc Rasmussen who resigned from the Company in February 2017. During the intervening period whilst the Company conducted a search for a permanent placement, Mr Andrew Dutton acted as interim CEO.

Dividends

For dividends declared after 30 June 2017 see Note 23 in the financial statements. The financial effect of dividends declared and paid after 30 June 2017 have not been brought to account in the financial statements for the year ended 30 June 2017 and will be recognised in subsequent financial reports.

Directors' declaration

In accordance with a resolution of the directors of Integrated Research Limited, we state that:

1. In the opinion of the directors:

   (a) the financial statements and notes of Integrated Research Limited for the financial year ended 30 June 2017 are in accordance with the Corporations Act 2001, including:

      (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2017 and of its performance for the year ended on that date; and

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

   (b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1; and

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

2. This declaration has been made after receiving the declarations required to be made to the directors by the chief executive officer and chief financial officer in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2017.

On behalf of the board.

Steve Killelea
Chairman

North Sydney, 17 August 2017

Garry Dinnie
Non-Executive Director

North Sydney, 17 August 2017

Ernst & Young
200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Integrated Research Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Integrated Research Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statement, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2017 and of its consolidated financial performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act* 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES110 *Code of Ethics for Professional* Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

1. Carrying amount of goodwill

Why significant	How our audit addressed the key audit matter
Integrated Research has recorded goodwill of $3,203,000 in regard to the acquisition of IQ Services during the year ended 30 June 2016. The Group is required by Australian Accounting Standard AASB 136 *Impairment of Assets* to perform an annual impairment test to ensure the carrying value of goodwill is recoverable. As disclosed in Note 17 to the financial statements, the Group's assessment of goodwill for impairment, involves critical accounting estimates and assumptions, specifically concerning future discounted cash flows. These estimates and assumptions are impacted by future performance, market, regulatory and economic conditions.	Our audit procedures included the following: ► Assessed whether the methodology and model used by the Group to test for impairment meets the requirements of Australian Accounting Standard AASB136 *Impairment of Assets*; ► Tested whether the model used was mathematically accurate; ► Assessed whether the cash flows used in the impairment testing model accurately reflect the Board approved 2018 budget; ► Considered the historical reliability of the Group's cash flow forecasting process; ► Considered the impact of a range of assumption sensitivities to the model; ► Assessed the external inputs and assumptions within the cash flow forecasting model by comparing them to assumptions and estimates used elsewhere in the preparation of the financial statements and benchmarking them against market observable external data; ► Assessed the sensitivity analysis the Group performed; and ► Considered the adequacy of the financial report disclosures contained in Note 17, in particular those regarding assumptions, to which the outcome of the impairment test is most sensitive.

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2. Revenue recognition for multiple-element arrangements

Why significant	How our audit addressed the key audit matter
The majority of the Group's sales contracts involve multiple-element arrangements, for example a single software sales transaction that combines the delivery of a software license and rendering of maintenance and other professional services. As outlined in Note 1, in determining revenue to be recognised, the sales consideration received from customers is allocated to the various products and services that comprise the arrangement, based on their relative fair values. This process requires significant judgement, specifically concerning the cost to deliver and margin in determining the stand-alone selling price of each element. Due to the complexity of the multi-element contracts and the risk of incorrect valuation of the relative fair value elements, this matter is considered to be significant to our audit.	Our audit procedures included the following: ► Assessed the appropriateness of the Group's revenue recognition accounting policies relating to multi-element arrangements and assess compliance with Australian Accounting Standard AASB118 *Revenue*; ► Tested the effectiveness of the Group's determination of fair value for multi-element sales contracts; ► For a sample of contracts, tested the allocation of revenue to separately identifiable components of multiple-element arrangements; and ► For a sample of contracts, tested whether revenue has been recognised in the appropriate accounting period by tracing to amounts recorded as earned and unbilled or unearned to the balance sheet.

3. Recoverability of long-term trade debtors

Why significant	How our audit addressed the key audit matter
Approximately 60% of the total assets of the Group relate to 'Trade debtors' of which $23m is classified as non-current as outlined in Note 11 in the financial statements. On 19 January 2017, Avaya Inc., a major customer and partner of Integrated Research filed voluntary petitions under Chapter 11 of the United States Bankruptcy Code, commencing formal proceedings for a company restructure. Subsequently on 7 August 2017, Avaya Inc. announced that it had entered into a Plan Support Agreement (PSA) with over 50% of its first lien debt holders and had filed an amended reorganisation plan to be assessed at its scheduled court hearing on 23 August 2017. Due to the significance of Avaya Inc. as both a customer and partner of Integrated Research and the value of outstanding receivables and deferred revenue as at 30 June 2017, this is considered to be a key audit matter.	Our audit procedures included the following: ► Reviewed the collectability of long-term receivables with extended payment terms; ► Considered cash receipts of the main debtors subsequent to year end; ► Tested the adequacy of the Group's provisions against trade receivables by assessing the relevant assumptions made by the Group, taking account of our own knowledge of recent collections experience and also historical data from the Group's previous collections; ► Reviewed public announcements released by Avaya Inc. during the year and subsequent to 30 June 2017; and ► Specifically identified cash receipts relating to amounts owing from Avaya Inc. since 19 January 2017 up until the date of the audit report.

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4. Capitalised Software Development Costs

Why significant	How our audit addressed the key audit matter
As set out in Note 16 to the Financial Report, the Group capitalises costs related to the development of Prognosis and other software products. Capitalised software development costs are amortised over the economic life of the asset, which is considered to be three years. Given the quantum of these balances, the significant level of additions, and the judgement required when determining the useful lives and recoverability of capitalised software development costs, this is considered to be a key audit matter.	Our audit procedures included the following: ▸ Assessed the Group's policy of capitalisation of development costs for compliance with AASB138 *Intangible Assets;* ▸ Tested the operating effectiveness of controls in respect of the Group's processes and procedures which result in the capitalisation of development costs; ▸ Tested the authorisation of the costs attributed to the development phase and the accuracy of costs capitalised during the period; ▸ Assessed the amortisation period attributed to the asset through discussions with management and analysis of software sales; and ▸ Evaluated management assessment of any indicators of impairment for capitalised software development costs.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information in the Company's 2017 Annual Report, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based upon the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 25 to 34 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Integrated Research Limited for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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.

Ernst + Young

Ernst & Young

John Robinson
Partner
Sydney
17 August 2017

200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

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

As lead auditor for the audit of Integrated Research Limited for the financial year ended 30 June 2017, I declare to the best of my knowledge and belief, there have been:

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

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

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

Ernst + Young

Ernst & Young

John Robinson
Partner
17 August 2017

Shareholder information

Analysis of numbers of equity security holders by size of holding

	Class of equity security		
	Ordinary shares		
As at September 2017	Shares	Options	Performance Rights
1 -1,000	1,070	-	-
1,001 - 5,000	2,342	-	11
5,001 - 10,000	1,071	-	17
10,001 - 100,000	1,177	-	27
100,001 and over	75	-	1
	5,735	-	56

Fully Paid Ordinary Shares (Total)

As of 8 September 2017

Rank	Name	Units	% of Units
1.	MR STEPHEN JOHN KILLELEA	82,855,619	48.44
2.	J P MORGAN NOMINEES AUSTRALIA LIMITED	6,321,001	3.70
3.	NATIONAL NOMINEES LIMITED	5,030,836	2.94
4.	CITICORP NOMINEES PTY LIMITED	3,597,350	2.10
5.	MR ANDREW RHYS RUTHERFORD	3,385,869	1.98
6.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	3,191,151	1.87
7.	RETRELLA PTY LTD	1,531,000	0.90
8.	UBS NOMINEES PTY LTD	1,333,989	0.78
9.	CUSTODIAL SERVICES LIMITED <BENEFICIARIES HOLDING A/C>	701,836	0.41
10.	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	660,087	0.39
11.	WARBONT NOMINEES PTY LTD <UNPAID ENTREPOT A/C>	626,761	0.37
12.	MR KEVIN JOHN CAIRNS + MRS CATHERINE VALERIE CAIRNS <CAIRNS FAMILY SUPER A/C>	580,056	0.34
13.	FORSYTH BARR CUSTODIANS LTD <FORSYTH BARR LTD-NOMINEE A/C>	550,095	0.32
14.	BNP PARIBAS NOMS PTY LTD <DRP>	538,882	0.32
15.	MR ROBIN RAVENSCROFT BARTTELOT	520,000	0.30
16.	MR GARY RONALD POOLE + MRS LEIGH MARGARET POOLE <THE POOLE FAMILY A/C>	513,915	0.30
17.	MR GARY RONALD POOLE + MRS LEIGH MARGARET POOLE <POOLE SUPER FUND A/C>	511,085	0.30
18.	CORNISH GROUP INVESTMENTS PTY LTD <CORNISH GROUP INVESTMNTS A/C>	500,000	0.29
19.	FERGFAM NOMINEES PTY LTD <FERGUSSON & WRIGHT S/F A/C>	375,263	0.22
20.	BEEBEE HOLDINGS PTY LTD	360,000	0.21

Unquoted equity securities

Unquoted equity securities	Number on issue	Number of holders
Option issued under the Integrated Research Limited Employee Option Plan to take up ordinary shares	-*	-
Performance Rights issued under the Integrated Research Limited Performance Rights and Option Plan to take up ordinary shares	1,010,900**	56

* Number of unissued ordinary shares under the Options.

** Number of unissued ordinary shares under the Performance Rights.

On-market buy-back

There is no current on-market buy-back.

Substantial holders

Substantial holders in the Company are set below:

	Number held	Percentage
Stephen John Killelea*	83,193,231	48.64

* Include direct and indirect holdings at 8 September 2017.

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 proxy shall have one vote and upon a poll each share have one vote.
2. **Options**.
   No voting rights.
3. Performance rights.
4. 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
Non-Executive Director & Chairman

Nick Abrahams
Non-Executive Director

Paul Brandling
Non-Executive Director

Garry Dinnie
Non-Executive Director

Peter Lloyd
Non-Executive Director

Company Secretary
David Purdue

Registered Office
Level 9, 100 Pacific Highway
North Sydney NSW 2060
T. +61 (2) 9966 1066

Share Registry
Computershare

Solicitors
Ashurst
Level 11, 5 Martin Place
Sydney NSW 2000

Bankers
National Australia Bank
Westpac Banking Corporation

Securities Exchange Listing
Australian Securities 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 on:

Thursday 16 November 2017
Museum of Sydney
Cnr. Phillip & Bridge Streets, Sydney
at 3:00pm

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Asia Pacific/Middle East/Africa
Integrated Research Limited
Level 9, 100 Pacific Highway
North Sydney NSW 2060
Australia
T. +61 (2) 9966 1066
F. +61 (2) 9966 1042
E. info.ap@ir.com

Singapore
Integrated Research (Singapore) Pte. Ltd.
Unit 12-01, Palais Renaissance
390 Orchard Road
Singapore 238871
T. +65 6684 5856
E. info.ap@ir.com

United Kingdom & Ireland
Integrated Research UK Ltd
The Atrium, Harefield Road
Uxbridge, Middlesex
UB8 1PH
United Kingdom
T. +44 (0) 189 581 7800
E. info.europe@ir.com

Germany
Integrated Research Germany GmbH
Terminalstrasse Mitte 18
85356 Munchen, Germany
T. +49 (89) 97 007 132
E. info.germany@ir.com

Americas - West Coast
Integrated Research, Inc.
6312 S. Fiddlers Green Circle, Suite 500N
Denver, CO 80111, USA
T: +1 (303) 390 8700
F: +1 (303) 390 877
E. info.usa@ir.com

Americas - East Coast
Integrated Research, Inc.
12950 Worldgate Dr, Suite 720
Herndon, VA 20170, USA
T: +1 (303) 390 8700
F: +1 (303) 390 8777
E. info.usa@ir.com

Americas - Mid West
Integrated Research, Inc.
6601 Lyndale Ave. S., Suite 330
Richfield, Minnesota, MN 55423, USA
T. +1 (612) 243 6700
F. +1 (303) 390 8777
E. info.usa@ir.com