



20 February 2020

ASX Market Announcements Office
Australian Securities Exchange Limited

Dear Sir/Madam

ASX Market Announcement

In accordance with the ASX Listing Rules, Integrated Research Limited (ASX: IRI) encloses for release to the market:

- Appendix 4D, and
- Interim Financial Report for the half-year ended 31 December 2019

By authority of the Board,

David Purdue
Company Secretary
Integrated Research Limited
ABN: 76 003 588 449

Appendix 4D

Half-year report

Name of entity

INTEGRATED RESEARCH LIMITED		
ABN	Reporting period (half-year ended)	Previous corresponding period (half-year ended)
76 003 588 449	31 December 2019	31 December 2018

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

				A\$000
Revenues from ordinary activities	Up	6%	to	53,180
Profit after tax attributable to members	Up	1%	to	11,824
Net profit for the period attributable to members	Up	1%	to	11,824

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

Record date for determining entitlements to the dividend

28 February 2020

Date the dividend is payable

21 April 2020

Dividends consist of no conduit foreign income

Brief explanation of results

Please refer to page 2 'Review of Operations' for an explanation of the results. This information should be read in conjunction with Integrated Research Limited 2019 Annual Report.

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

	December 2019 cents	December 2018 Cents
NTA backing		
Net tangible asset backing per ordinary security	28.74	24.81

	December 2019 \$'000	December 2018 \$'000
Dividends		
Fully franked interim dividend of 3.5 cents per share payable on 21 April 2020 (prior period: 100% franked dividend of 3.5 cents per share)	6,015	6,014
Total dividends provided for or paid	6,015	6,014



**INTEGRATED RESEARCH LIMITED AND
CONTROLLED ENTITIES**

FOR THE HALF-YEAR ENDED
31 DECEMBER 2019

ABN: 76 003 588 449

ASX CODE: IRI

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Directors' Report

The Directors present their report together with the consolidated financial report for the half-year ended 31 December 2019 and the review report thereon.

Directors

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

Paul Brandling – Independent Non-Executive Director and Chairman

Nick Abrahams – Independent Non-Executive Director

Garry Dinnie – Independent Non-Executive Director

Peter Lloyd – Independent Non-Executive Director

Anne Myers – Independent Non-Executive Director

John Ruthven – Executive Director (appointed 12 September 2019) and Chief Executive Officer

Principal Activities

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

Half-Year Results

The following table summarises the key revenue, expense and profit results for the consolidated entity for the half-year ended 31 December 2019 compared to the previous corresponding period:

In thousands of AUD	2019	2018	Change %
Revenue from licence fees	33,358	31,305	7%
Revenue from maintenance fees	12,068	12,859	(6%)
Revenue from SaaS fees	396	286	38%
Revenue from testing solution services	2,809	2,604	8%
Revenue from professional services	4,549	3,281	39%
Total revenue	53,180	50,335	6%
Total expenses	(38,457)	(36,237)	6%
Other gains and losses	(112)	1,211	(109%)
Profit before tax	14,885	15,682	(5%)
Net profit after income tax	11,824	11,717	1%

The Company achieved a 1% increase in profit after tax to \$11.8 million when compared to the prior corresponding period and is at the midpoint of the guidance provided to the Australian Stock Exchange on 13 January 2020. Revenue from licence fees increased by 7% which was driven through growth in the Company's Asia Pacific operations and partly offset by declines in Americas operations. Revenue from Unified Communications was the strongest product line for the half with revenue increasing by 10% to \$29.7 million.

For the financial year ended 30 June 2019, as detailed in the Directors' Report for that financial year, a final dividend of 3.75 cents per share franked at 100% was paid to the holders of fully paid ordinary shares on 15 October 2019.

Directors' Report (continued)

Review of Operations

Revenue

The Company achieved a 6% increase in revenue over the previous corresponding period to \$53.2 million. The following table presents Company revenue for each of the relevant product groups:

In thousands of AUD	2019	2018	Change %
Unified Communications	29,659	26,977	10%
Infrastructure	11,176	11,048	1%
Payments	7,796	9,029	(14%)
Professional services	4,549	3,281	39%
Total revenue	53,180	50,335	6%

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

	2019	2018	Change %
Americas (USD'000)	23,409	26,012	(10%)
Europe (£'000)	5,250	5,082	3%
Asia Pacific (A\$'000)	9,288	5,737	62%

Expenses

The Company's operating cost base increased by 6% to \$38.5 million. The Company continues to invest for growth including a 21% increase in gross research and development spend. Staff numbers at 31 December 2019 were 268 compared to 262 at 31 December 2018.

The following table represents an analysis of research and development.

In thousands of AUD	2019	2018
Gross research and development spending	11,012	9,121
Capitalisation of development expenses	(7,236)	(5,386)
Amortisation of capitalised expenses	4,370	4,880
Net research and development expenses	8,146	8,615

Statement of Financial Position

Integrated Research Limited maintains a strong financial position with \$7.6 million cash at bank as at 31 December 2019 (31 December 2018: \$9.6 million) and no bank debt (31 December 2018: \$nil).

Outlook

The Company anticipates profit growth for the 2020 financial year in underlying operational performance but reported financial performance will be influenced by fluctuations in currency exchange rates.

Interim Dividend

Directors have declared an interim dividend of 3.5 cents per share franked to 100% per share (31 December 2018: 3.5 cents per share franked to 100% per share). The dividend will be payable on 21 April 2020 to shareholders registered at the end of trading on 28 February 2020.

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

The lead auditor's independence declaration is set out on page 15 and forms part of the Directors' Report for the half-year ended 31 December 2019.

Rounding off

Integrated Research Limited is of a kind referred to in ASIC Legislative instrument 2016/191 and in accordance with the Class Order, amounts in the financial report and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of the Directors:

Handwritten signature of Paul Brandling, consisting of a large, stylized 'B' followed by a horizontal line and a smaller 'M'.

Paul Brandling
Chairman

Handwritten signature of John Ruthven, consisting of a large, stylized 'J' followed by a horizontal line and a smaller 'R'.

John Ruthven
Chief Executive Officer

Dated at North Sydney this 20th day of February 2020.

Condensed Consolidated Statement of Comprehensive Income
For the half-year ended 31 December 2019
In thousands of AUD

	Note	December 2019	December 2018
Continuing Operations			
<i>Revenue from contracts with customers</i>			
Licence fees		33,358	31,305
Maintenance fees		12,068	12,859
SaaS fees		396	286
Testing solution services		2,809	2,604
Professional services		4,549	3,281
Total revenue	3	53,180	50,335
<i>Expenses:</i>			
Research and development		(8,146)	(8,615)
Sales, professional services and marketing expenses		(26,936)	(24,274)
General and administration expenses		(3,375)	(3,348)
Total expenses		(38,457)	(36,237)
Other (losses) and gains		(112)	1,211
Profit before finance income and tax		14,611	15,309
Finance income		274	373
Profit before tax		14,885	15,682
Income tax expense		(3,061)	(3,965)
Profit for the period		11,824	11,717
Other comprehensive income			
Items that may be reclassified subsequently to profit			
Gain/(Loss) on cash flow hedges taken to equity		208	(45)
Foreign exchange translation differences		52	551
Other comprehensive income for the period		260	506
Total comprehensive income for the period		12,084	12,223
<i>Profit attributable to:</i>			
Members of Integrated Research		11,824	11,717
<i>Total comprehensive income attributable to:</i>			
Members of Integrated Research		12,084	12,223
Earnings per share attributable to members of Integrated Research			
Basic earnings per share to ordinary equity holders (AUD cents)	4	6.88	6.82
Diluted earnings per share to ordinary equity holders (AUD cents)	4	6.85	6.79

The Condensed Consolidated Statement of Comprehensive Income is to be read in conjunction with the accompanying notes set out on pages 8 to 13.

Condensed Consolidated Statement of Financial Position

For the half-year ended 31 December 2019

In thousands of AUD

	December 2019	June 2019
Current assets		
Cash and cash equivalents	7,592	9,316
Trade and other receivables	53,662	51,378
Current tax assets	508	222
Other current assets	3,215	3,133
Total current assets	64,977	64,049
Non-current assets		
Trade and other receivables	26,865	21,389
Other financial assets	259	236
Property, plant and equipment	9,592	2,631
Deferred tax assets	1,111	1,286
Intangible assets	26,400	23,101
Other non-current assets	872	829
Total non-current assets	65,099	49,472
Total assets	130,076	113,521
Current liabilities		
Trade and other payables	11,940	9,797
Provisions	3,323	3,197
Income tax liabilities	1,759	1,638
Deferred revenue	21,382	21,410
Other financial liabilities	2,029	139
Total current liabilities	40,433	36,181
Non-current liabilities		
Deferred tax liabilities	6,731	5,837
Provisions	710	723
Deferred revenue	992	920
Other financial liabilities	5,410	33
Total non-current liabilities	13,843	7,513
Total liabilities	54,276	43,694
Net assets	75,800	69,827
Equity		
Issued capital	1,667	1,667
Reserves	4,572	3,978
Retained earnings	69,561	64,182
Total equity attributable to members of Integrated Research	75,800	69,827

The condensed consolidated statement of financial position is to be read in conjunction with the accompanying notes set out on pages 8 to 13.

Condensed Consolidated Statement of Changes in Equity

For the half-year ended 31 December 2019

In thousands of AUD

	Share Capital	Hedging Reserve	Translation Reserve	Employee Benefits Reserve	Retained Earnings	Total
Balance as at 1 July 2019	1,667	(51)	493	3,536	64,182	69,827
Profit for the period	-	-	-	-	11,824	11,824
Other comprehensive income	-	208	52	-	-	260
Total comprehensive income for the period	-	208	52	-	11,824	12,084
Expensed employee options and performance rights	-	-	-	334	-	334
Payment of dividends	-	-	-	-	(6,445)	(6,445)
Balance at 31 December 2019	1,667	157	545	3,870	69,561	75,800

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

The condensed consolidated statement of changes in equity is to be read in conjunction with the accompanying notes set out on pages 8 to 13.

Condensed Consolidated Statement of Cash Flows
For the half-year ended 31 December 2019
In thousands of AUD

	Note	December 2019	December 2018
Cash flows from operating activities			
Cash receipts from customers		45,450	41,616
Cash paid to suppliers and employees		(30,029)	(29,231)
Cash generated from operations		15,421	12,385
Income taxes paid		(2,174)	(2,832)
Net cash from operating activities		13,247	9,553
Cash flows from investing activities			
Payments for capitalised development		(7,236)	(5,386)
Payments for property, plant and equipment		(224)	(665)
Payments for intangible assets		(385)	(28)
Interest received		364	373
Net cash used in investing activities		(7,481)	(5,706)
Cash flows from financing activities			
Proceeds from borrowings		4,000	-
Repayment of borrowings		(4,000)	-
Payment of lease liabilities	1	(961)	-
Interest payments	1	(90)	-
Payment of dividend		(6,445)	(6,012)
Net cash used in financing activities		(7,496)	(6,012)
Net increase/(decrease) in cash and cash equivalents			
Cash and cash equivalents at 1 July		9,316	11,238
Effects of exchange rate changes on cash		6	528
Cash and cash equivalents at 31 December		7,592	9,601

The condensed consolidated statement of cash flows is to be read in conjunction with the accompanying notes set out on pages 8 to 13.

Notes to the Condensed Consolidated Financial Statements

For the half-year ended 31 December 2019

In thousands of AUD

Note 1. Significant accounting policies

a) Statement of Compliance

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 Interim Financial Reporting. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 Interim Financial Reporting. The half-year report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report.

b) Basis of Preparation

The condensed financial report using prepared on the historical cost convention, with the exception of financial instruments for the purposes of cash flow hedges, which are at fair value. All amounts are presented in Australian dollars unless otherwise stated.

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

Integrated Research Limited is of a kind referred to in ASIC Legislative instrument 2016/191. In accordance with that Class Order, amounts in the financial report and Directors' Report and the half-year financial report have been rounded off to the nearest thousand dollars, unless otherwise indicated.

New accounting standards and interpretations

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in Integrated Research Limited's 2019 annual financial report, except for the adoption of new standards for the 2020 financial year. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

AASB 16 'Leases'

The standard is applicable to the half-year ended 31 December 2019.

On transition to AASB 16, right of use assets of \$2.1m and lease liabilities of \$2.1m were recognised as at 1 July 2019. The deferred tax impact of these changes was determined to be insignificant. The Company adopted AASB 16 using the modified retrospective method of adoption. The prior year figures were not adjusted.

The Company has analysed the impact of the first-time application of AASB 16, as a consequence of the change to AASB 16 as at July 1, 2019, contracts that previously had been recognised as operating leases, now qualify as leases as defined by the new standard, namely office space leases. The following reconciliation to the opening balance for the lease liabilities as at 1 July 2019 is based upon the operating lease obligations as at 30 June 2019:

Reconciliation:

	\$000s
Operating leases at 30 June 2019	2,359
Gross lease liabilities at 1 July 2019	2,359
Discounting	(212)
Lease liabilities at 1 July 2019	2,147

The lease liabilities were discounted at the incremental borrowing rates as at 1 July 2019. The incremental borrowing rates for the portfolio of leases were between 3% and 4%.

For the half-year ended 31 December 2019:

- Depreciation expense increased because of the depreciation of additional assets recognised (i.e., increase in right-of-use assets, net of the decrease in 'Property, plant and equipment'). This resulted in increases in expenses of \$1,044,000.
- Rent expense relating to previous operating leases, decreased by \$1,034,000.
- Finance income decreased by \$90,000 relating to the interest expense on additional lease liabilities recognised.
- Cash outflows from operating activities decreased by \$90,000 and cash outflows from financing activities increased by the same amount, relating to decrease in operating lease payments and increases in principal and interest payments of lease liabilities.

Note 1. Significant accounting policies (continued)

Set out below are the new accounting policies of the Company upon adoption of AASB 16, which have been applied from the date of initial application:

- Right-of-use assets

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

- Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of AASB 112 Income Taxes. It does not apply to taxes or levies outside the scope of AASB 112, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The Company determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

The Company determined on adoption and at 31 December 2019 no uncertain tax positions exist and therefore the Interpretation did not have an impact on the consolidated financial statements of the Company.

Note 2. Segment information

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

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 Company’s accounting policies.

In thousands of AUD	Americas		Europe		Asia Pacific		Corporate Australia ¹		Eliminations		Consolidated	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Continuing operations												
Sales to customers outside the consolidated entity	34,275	35,830	9,842	9,063	9,288	5,737	(225)	(295)	-	-	53,180	50,335
Inter-segment revenue	-	-	-	-	-	-	22,483	25,847	(22,483)	(25,847)	-	-
Total segment revenue	34,275	35,830	9,842	9,063	9,288	5,737	22,258	25,552	(22,483)	(25,847)	53,180	50,335
Segment profit (before finance income and tax)	969	1,275	246	282	314	131	13,082	13,621	-	-	14,611	15,309
Financing income (interest received)											274	373
Income tax expense											(3,061)	(3,965)
Profit for the half-year											11,824	11,717
Capital additions ²	637	94	622	61	150	99	6,820	312	-	-	8,229	566
Depreciation and amortisation expenses	464	225	184	45	93	35	5,288	5,152	-	-	6,029	5,457

In local currency ³	Americas (USD)		Europe (UK Sterling)	
	2019	2018	2019	2018
Sales to customers outside the consolidated entity	23,409	26,012	5,250	5,082
Inter-segment sales	-	-	-	-
Total segment revenue	23,409	26,012	5,250	5,082
Segment Profit	661	926	125	159

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

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

³ Segment results represented in local currencies.

Note 3. Revenue from contracts with customers

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

In thousands of AUD	Consolidated	Consolidated
	December 2019	December 2018
Timing of revenue recognition		
At a point in time	33,358	31,305
Over time	19,822	19,030
Total Revenue from contracts with customers	53,180	50,335
Type of product group		
Unified Communications	29,659	26,977
Infrastructure	11,176	11,048
Payments	7,796	9,029
Professional services	4,549	3,281
Total revenue	53,180	50,335

Note 4. Earnings per Share

Basic earnings per share

The calculation of basic earnings per share for the half-year ended 31 December 2019 was based on the profit attributable to ordinary shareholders of \$11,824,000 (half-year ended 31 December 2018: \$11,717,000) and a weighted average number of ordinary shares outstanding during the half-year ended 31 December 2019 of 171,860,753 (half-year ended 31 December 2018 of 171,740,820).

Diluted earnings per share

The calculation of diluted earnings per share for the half-year ended 31 December 2019 was based on the profit attributable to ordinary shareholders of \$11,824,000 (half-year ended 31 December 2018: \$11,717,000) and a weighted average number of ordinary shares outstanding during the half-year ended 31 December 2019 of 172,611,329 (half-year ended 31 December 2018: 172,439,484).

Note 5. Employee Equity benefits

Performance Rights and Options Plan – November 2011

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

Grant Date	Number of Rights	Expiry date
August 2019	40,000	September 2022
September 2019	211,124	September 2022
November 2019	152,438	September 2022

The following performance rights were outstanding as at 31 December 2019:

Grant Date	Number of Rights	Expiry date
September 2017	70,000	September 2020
October 2017	309,000	October 2020
September 2018	98,000	September 2021
December 2018	184,250	November 2021
January 2019	89,988	March 2022
February 2019	40,000	March 2021
August 2019	40,000	September 2022
September 2019	211,424	September 2022
November 2019	152,438	September 2022

During the period, no performance rights were exercised into ordinary shares for nil consideration.

Note 6. Financial Instruments

Forward foreign exchange contracts

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

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

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

Outstanding contracts	Average Exchange Rate		Foreign Currency		Contract Value		Fair Value	
	2019	2018	2019 FC'000	2018 FC'000	2019 AS'000	2018 AS'000	2019 AS'000	2018 AS'000
Consolidated								
<u>Sell US Dollar</u>								
Less than 3 months	0.70	0.74	5,000	4,250	7,184	5,778	59	(236)
3 to 6 months	0.69	0.73	3,150	2,500	4,557	3,414	78	(120)
6 to 9 months	0.69	0.72	2,000	2,000	2,918	2,787	79	(37)
9 to 12 months	0.70	0.73	850	750	1,206	1,034	1	(24)
<u>Sell Euros</u>								
Less than 3 months	0.61	0.62	50	100	82	161	2	(1)
3 to 6 months	0.62	0.63	50	100	81	159	-	(6)
6 to 9 months	-	-	-	-	-	-	-	-
9 to 12 months	-	-	-	-	-	-	-	-
<u>Sell Sterling</u>								
Less than 3 months	0.55	0.56	150	150	275	267	(7)	(3)
3 to 6 months	0.53	0.57	50	100	94	177	-	(5)
6 to 9 months	-	-	-	-	-	-	-	-
9 to 12 months	-	-	-	-	-	-	-	-
							212	(432)

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

Fair value of financial instruments

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

Financial assets

For non-current trade debtors Integrated Research Limited has considered a discount rate to recognise the net present value of the debtors. Level 3 inputs have been considered including corporate borrowing rates, size of the customer and jurisdiction of the customer. A discounted cashflow model was used to derive the fair value. The range of discount rates was between 3.5% to 7.5%.

Note 6. Financial Instruments (continued)

Credit risk management

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

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. The largest single counterparty balance with any one customer at 31 December 2019 was \$6.5 million (June 2019: \$5.3 million). Ongoing credit evaluation is performed on the financial condition of accounts.

The Company continued its program to sell selected account receivable balances to a third party without recourse. The purpose of the program is to manage credit risk and improve working capital. During the half-year ended 31 December 2019 a total of \$1.2 million (December 2018: \$2.8 million) debtors were sold at a cost of \$101,000 (December 2018: \$185,000). The Company continues to bear maintenance support obligations to the end customers which are carried as a liability in the deferred revenue account of the Company's balance sheet of \$2.2 million (June 2019: \$2.7 million).

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Note 7. Subsequent events

On 19 February 2020 the Directors declared an interim dividend of 3.5 cents per share franked to 100%, payable on 21 April 2020 to shareholders registered at the end of trading on 28 February 2020.

There have been no other events subsequent to the interim balance sheet date, which are expected to have a material effect on the consolidated entity's financial position.

Directors' Declaration

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

In the opinion of the directors:

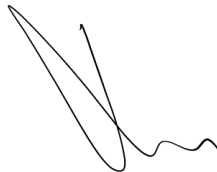
- a) The financial statements and notes of Integrated Research Limited for the half-year ended 31 December 2019 are in accordance with the Corporations Act 2001, including:
 - (i) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and
 - (ii) Complying with Accounting Standards and the Corporations Regulations 2001.
- b) There are reasonable grounds to believe that Integrated Research Limited will be able to pay its debts as and when they become due and payable.

Dated at North Sydney this 20th day of February 2020.

On behalf of the Directors

A handwritten signature in black ink, appearing to be 'P Brandling', with a horizontal line underneath.

Paul Brandling
Chairman

A handwritten signature in black ink, appearing to be 'John Ruthven', with a horizontal line underneath.

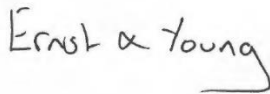
John Ruthven
Chief Executive Officer

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

As lead auditor for the review of Integrated Research Limited for the half-year ended 31 December 2019, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

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



Ernst & Young



Julian M. O'Brien
Partner
20 February 2020

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

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Integrated Research Limited (the Company) and its subsidiaries (collectively the Group), which comprises the condensed consolidated statement of financial position as at 31 December 2019, the condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

- a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2019 and of its consolidated financial performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' Responsibility for the Half-Year Financial Report

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

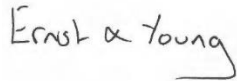
Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2019 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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



Ernst & Young



Julian M. O'Brien
Partner
Sydney
20 February 2020