Appendix 4E

Full year report

Name of entity

INTEGRATED RESEARCH LIMITED

ABN	Reporting period (year ended)	Previous corresponding period (year ended)
76 003 588 449	30 June 2014	30 June 2013

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

				A$000
Revenues from ordinary activities	Up	9%	to	53,243
Profit before tax attributable to members	Down	8%	to	10,653
Profit after tax attributable to members	Down	6%	to	8,489
Net profit for the period attributable to members	Down	6%	to	8,489

Dividends (distributions)	Amount per security	Franked amount per security
Final dividend	2.5¢	35%
Previous corresponding period	3.0¢	40%

Dividends consist of no conduit foreign income.

Record date for determining entitlements to the dividend	28 August 2014
Date the dividend is payable	12 Sept 2014

NTA backing	**June 2014 cents**	June 2013 cents
Net tangible asset backing per ordinary security	8.58	8.89

Brief explanation of directional and percentage changes to profit:

Refer accompanying Market Release.

Audit

This report is based on accounts that are in the process of being audited, and are unlikely to be subject to dispute or qualification.

INTEGRATED RESEARCH LIMITED AND CONTROLLED ENTITIES

FINANCIAL STATEMENTS

FOR THE YEAR-ENDED

30 JUNE 2014

ABN: 76 003 588 449

ASX CODE: IRI

Financial Statements

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Consolidated statement of comprehensive income

For the year ended 30 June 2014

In thousands of AUD	Notes	Consolidated 2014	2013
Revenue			
Revenue from licence fees		28,048	26,632
Revenue from maintenance fees		20,562	17,717
Revenue from consulting		4,633	4,510
Total revenue		53,243	48,859
Expenditure			
Research and development expenses		(11,067)	(10,777)
Sales, consulting and marketing expenses		(26,836)	(23,279)
General and administration expenses		(4,707)	(4,280)
Total expenditure	4	(42,610)	(38,336)
Other gains and losses			
Currency exchange gains/(losses)		(364)	591
Profit before finance income and tax		10,269	11,114
Finance income	3	384	456
Profit before tax		10,653	11,570
Income tax expense	6	(2,164)	(2,492)
Profit for the year		8,489	9,078
Other comprehensive income			
Items that may be reclassified subsequently to profit			
Gain/(loss) on cash flow hedge taken to equity		897	(777)
Foreign exchange translation differences		14	415
Other comprehensive income		911	(362)
Total comprehensive income for the year		9,400	8,716
Profit attributable to:			
Members of Integrated Research		8,489	9,078
Total comprehensive income attributable to:			
Members of Integrated Research		9,400	8,716
Earnings per share attributable to members of Integrated Research:			
Basic earnings per share (AUD cents)	7	5.03	5.40
Diluted earnings per share (AUD cents)	7	5.00	5.35

The consolidated statement of comprehensive income is to be read in conjunction with the notes to the financial statements set out on pages 5 to 33.

Consolidated statement of financial position

As at 30 June 2014

In thousands of AUD	Notes	Consolidated 2014	2013
Current assets			
Cash and cash equivalents	8	13,300	14,827
Trade and other receivables	9	20,225	21,407
Current tax assets		616	29
Other current assets	10	1,024	781
Total current assets		35,165	37,044
Non-current assets			
Trade and other receivables	9	2,632	2,157
Other financial assets	11	786	724
Property, plant and equipment	12	1,680	1,706
Deferred tax assets	13	1,463	1,187
Intangible assets	14	16,257	15,040
Total non-current assets		22,818	20,814
Total assets		57,983	57,858
Current liabilities			
Trade and other payables	15	4,074	4,190
Provisions	17	2,105	2,004
Income tax liabilities		237	1,349
Other current liabilities	18	13,580	13,086
Total current liabilities		19,996	20,629
Non-current liabilities			
Deferred tax liabilities	13	3,664	3,582
Provisions	17	778	756
Other non-current liabilities	18	2,798	2,881
Total non-current liabilities		7,240	7,219
Total liabilities		27,236	27,848
Net assets		30,747	30,010
Equity			
Issued capital	19	1,667	1,501
Reserves	19	(361)	(1,721)
Retained earnings		29,441	30,230
Total equity		30,747	30,010

The consolidated statement of financial position is to be read in conjunction with the notes to the financial statements set out on pages 5 to 33.

Consolidated statement of changes in equity

For the year ended 30 June 2014

Consolidated In thousands of AUD	Share capital	Hedging reserve	Translation reserve	Employee benefit reserve	Retained earnings	Total
Balance at 1 July 2013	1,501	(777)	(1,368)	424	30,230	30,010
Profit for the year	-	-	-	-	8,489	8,489
Other comprehensive income for the year (net of tax)	-	897	14	-	-	911
Total comprehensive income for the year	-	897	14	-	8,489	9,400
Share based payments expense	-	-	-	449	-	449
Shares issued	166	-	-	-	-	166
Dividends to shareholders	-	-	-	-	(9,278)	(9,278)
Balance at 30 June 2014	1,667	120	(1,354)	873	29,441	30,747

Consolidated In thousands of AUD	Share capital	Hedging reserve	Translation reserve	Employee benefit reserve	Retained earnings	Total
Balance at 1 July 2012	1,175	-	(1,783)	276	29,565	29,233
Profit for the year	-	-	-	-	9,078	9,078
Other comprehensive income for the year (net of tax)	-	(777)	415	-	-	(362)
Total comprehensive income for the year	-	(777)	415	-	9,078	8,716
Share based payments expense	-	-	-	148	-	148
Shares issued	326	-	-	-	-	326
Dividends to shareholders	-	-	-	-	(8,413)	(8,413)
Balance at 30 June 2013	1,501	(777)	(1,368)	424	30,230	30,010

The consolidated statement of changes in equity is to be read in conjunction with the notes to the financial statements set out on pages 5 to 33.

Consolidated statement of cash flows
For the year ended 30 June 2014

In thousands of AUD	Notes	Consolidated 2014	2013
Cash flows from operating activities			
Cash receipts from customers		54,080	50,658
Cash paid to suppliers and employees		(35,627)	(30,683)
Cash generated from operations		18,453	19,975
Income taxes paid		(2,434)	(2,519)
Net cash provided by operating activities	23	16,019	17,456
Cash flows from investing activities			
Payments for capitalised development		(7,967)	(7,882)
Payments for property, plant and equipment		(609)	(495)
Payments for intangible asset		(173)	(121)
Divestment of other non-current financial assets		-	1,093
Interest received		384	456
Net cash used in investing activities		(8,365)	(6,949)
Cash flows from financing activities			
Proceeds from issuing of shares		166	326
Payment of dividend	19	(9,278)	(8,413)
Net cash used in financing activities		(9,112)	(8,087)
Net (decrease)/ increase in cash and cash equivalents		(1,458)	2,420
Cash and cash equivalents at 1 July		14,827	12,038
Effects of exchange rate changes on cash		(69)	369
Cash and cash equivalents at 30 June	8	13,300	14,827

The consolidated statement of cash flows is to be read in conjunction with the notes to the financial statements set out on pages 5 to 33.

Notes to the Financial Statements
For the year ended 30 June 2014

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 2014 comprises the Company and its subsidiaries (together referred to as the "consolidated entity").

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 Class Order (CO) 98/100 dated 10 July 1998 (updated by CO 05/641 effective 28 July 2005 and CO 06/51 effective 31 January 2006) and in accordance with that Class Order, amounts in the financial report and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

The preparation of 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 first time for their annual reporting period commencing 1 July 2013 and have not had any material effect on its financial position or performance:

AASB 10 'Consolidated Financial Statement'

AASB 12 'Disclosure of Interests in Other Entities'

AASB 13 'Fair Value Measurement'

AASB 119 'Employee Benefits'

AASB 2012-2 'Amendments to Australian Accounting Standards –Disclosures – Offsetting Financial Assets and Financial Liabilities'

AASB 2012-5 'Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle'

AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements'

Note 1: Significant accounting policies (continued)

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**
AASB2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities'	1 Jan 2014	30 June 2015
AASB 9 'Financial Instruments'	1 January 2018	30 June 2019
AASB 2013-3 'Amendments to Australian Accounting Standards – Recoverable Amount Disclosures for Non-Financial Assets'	1 Jan 2014	30 June 2015
AASB 1031 'Materiality'	1 Jan 2014	30 June 2015
AASB2013-9 'Amendments to Australian Accounting Standards – 'Conceptual Framework, Materiality and Financial Instruments'	1 Jan 2014	30 June 2015
Annual Improvements 2010-2012 Cycle 'Annual Improvements to IFRSs 2010-2012 cycle'	1 July 2014	30 June 2015
Annual Improvements 2011-2013 Cycle 'Annual Improvements to IFRSs 2011-2013 cycle'	1 July 2014	30 June 2015
IAS 16 and IAS 38 'Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)'	1 Jan 2016	30 June 2017
IFRS 15 'Revenue from Contracts with Customers'	1 Jan 2017	30 June 2018

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

Note 1. Significant accounting policies (continued)

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) 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.

Note 1. Significant accounting policies (continued)

f) Hedging
On entering into a hedging relationship, the consolidated entity normally designates and documents the hedge relationship and risk management objective and strategy for undertaking the hedge. The documentation 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.

g) Property, plant and equipment
Items of property, plant and equipment are stated at cost or deemed cost less accumulated depreciation and impairment losses (see accounting policy (k)). The cost of acquired assets includes (i) the initial estimate at the time of installation and during the period of use, when relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and (ii) changes in the measurement of existing liabilities recognised for these costs resulting from changes in the timing or outflow of resources required to settle the obligation or from changes in the discount rate.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Depreciation is provided on property, plant and equipment. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed annually, with the effect of any changes recognised on a prospective basis.

The following useful lives are used in the calculation of depreciation:

Leasehold improvements	6 to 10 years
Plant and equipment	4 to 8 years

h) Intangible Assets
Research and development
Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in 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 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 (k)).

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

Note 1. Significant accounting policies (continued)

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

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

i) Trade and other receivables
Trade and other receivables are stated at their amortised cost less impairment losses. The carrying amount of uncollectible trade receivables is reduced by an impairment loss through the use of an allowance account.

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

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

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

For intangible assets that are not yet available for use, the recoverable amount is estimated at each 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.

Note 1. Significant accounting policies (continued)

k) Impairment (continued)
The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

l) Employee benefits
Superannuation
Obligations for contributions to defined contribution pension plans are recognised as an expense in 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 Commonwealth Government bonds at the year end date which have maturity dates approximating to the terms of the consolidated entity's obligations.

Share-based payment transactions
The share option and performance rights programmes allows the consolidated entity's employees to acquire shares of the Company. The fair value of options and 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 options or the performance rights. 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.

m) 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.

n) Trade and other payables
Trade and other payables are stated at their amortised cost.

Note 1. Significant accounting policies (continued)

o) Revenue

The consolidated entity allocates revenue to each element in software arrangements involving multiple elements based on the relative fair value of each element. The typical elements in the multiple element arrangement are licence and maintenance fees. The company's determination of fair value is 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.

Revenue from multiple element software arrangements, where the fair value of an undelivered element cannot be reliably measured are recognised over the period the undelivered services are provided.

Revenue from consulting services is recognised over the period the services are provided.

No revenue is recognised if there are significant uncertainties regarding the recovery of the consideration due, the costs incurred or to be incurred cannot be measured reliably, there is a risk of return of goods or there is continuing management involvement with the goods.

p) Expenses

Operating lease payments

Payments made under operating leases are recognised in 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.

Financing income

Financing income comprises interest receivable on funds invested.

q) 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 (continued)

r) 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.

s) Significant accounting judgements, estimates and assumptions
The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Intangible assets

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

Share based payment transactions

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using a binomial option pricing model and applying management determined probability factors relating to non-market vesting conditions.

Receivables

The consolidated entity assesses impairment of receivables based upon assessment of 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.

Note 2. Segment reporting

The information reported to the CODM (being the Chief Executive Officer) for the purposes of resource allocation and assessment of performance is focused on geographical performance. 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 with responsibility for the countries in Europe, Asia Pacific – operating from Australia with responsibility for the countries in the rest of the world and Corporate Australia – includes revenue and expenses 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. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

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

Note 2. Segment reporting (continued)

In thousands of AUD	Americas 2014	Americas 2013	Europe 2014	Europe 2013	Asia Pacific 2014	Asia Pacific 2013	Corporate Australia[1] 2014	Corporate Australia[1] 2013	Eliminations 2014	Eliminations 2013	Consolidated 2014	Consolidated 2013
Sales to customers outside the consolidated entity	38,133	34,432	7,896	6,939	8,100	7,496	(886)	(8)	-	-	53,243	48,859
Inter-segment sales	-	-	-	-	-	-	28,714	27,675	(28,714)	(27,675)	-	-
Total segment revenue	38,133	34,432	7,896	6,939	8,100	7,496	27,828	27,667	(28,714)	(27,675)	53,243	48,859
Total revenue											**53,243**	**48,859**
Segment results	1,147	861	197	174	202	187	8,723	9,892	-	-	10,269	11,114
Results from operating activities											10,269	11,114
Financing income (interest received)											384	456
Dividend received from subsidiary							1,045		(1,045)		-	-
Income tax expense											(2,164)	(2,492)
Profit for the year											**8,489**	**9,078**
Capital additions[3]	91	76	215	25	2	-	474	515	-	-	782	616
Depreciation and amortisation expenditure	106	97	32	27	2	-	7,415	7,320	-	-	7,555	7,445

In local currency[2]	Americas (USD) 2014	Americas (USD) 2013	Europe (GBP) 2014	Europe (GBP) 2013
Sales to customers outside the consolidated entity	34,759	35,247	4,415	4,519
Inter-segment sales	-	-	-	-
Total segment revenue	34,759	35,247	4,415	4,519
Segment results	1,044	881	111	113

[1] Corporate Australia includes both the research and development and corporate head office functions of the Integrated Research Limited.
[2] Segment results represented in local currencies as reviewed by the Chief Operating Decision Maker.
[3] Excludes internal development costs capitalised but includes third party assets acquired.

Note 3. Finance income

	Consolidated	
In thousands of AUD	**2014**	**2013**
Interest income	384	456
	384	456

Note 4. Expenditure

Total expenditure includes:

	Consolidated	
In thousands of AUD	**2014**	**2013**
Employee benefits expense:		
Defined contribution plans	1,617	1,513
Equity settled share-based payments	453	148
Other employee benefits	29,798	27,507
	31,868	29,168
Depreciation and amortisation	7,555	7,445
Bad and doubtful debt expense	288	182
Operating lease rental expenses	1,514	1,221

Note 5. Auditors' remuneration

2014 and 2013 Ernst and Young.

	Consolidated	
In AUD	**2014**	**2013**
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	135,000	162,740
Remuneration for other services by the auditors of the Company or any entity in the consolidated entity:		
Taxation services:		
Auditors of the Company	121,361	75,389

Note 6. Income tax expense

Recognised in profit for the year

		Consolidated	
In thousands of AUD	**Note**	**2014**	**2013**
Current tax expense:			
Current year		2,203	2,430
Prior year adjustments		(233)	(93)
		1,970	2,337
Deferred tax expense:			
Origination and reversal of temporary differences	13	194	155
Total income tax expense in profit and loss		2,164	2,492

Numerical reconciliation between income tax expense and profit before tax

	Consolidated	
In thousands of AUD	**2014**	**2013**
Profit before tax	10,653	11,570
Income tax using the domestic corporate tax rate of 30%	3,196	3,471
Increase in income tax expense due to:		
Non-deductible expenses	203	105
Effect of tax rates in foreign jurisdictions	202	76
Decrease in income tax expense due to:		
R&D tax incentive	(1,199)	(1,144)
Other	(5)	77
Prior year adjustments	(233)	(93)
Income tax expense	2,164	2,492

Note 7. Earnings per share

The calculation of basic and diluted earnings per share at 30 June 2014 was based on the profit attributable to ordinary shareholders of $8,489,000 (2013: $9,078,000); a weighted number of ordinary shares outstanding during the year ended 30 June 2014 of 168,719,799 (2013: 168,226,574); and a weighted number of ordinary shares (diluted) outstanding during the year ended 30 June 2014 of 169,895,017 (2013: 169,659,715), calculated as follows:

	Consolidated	
In thousands of AUD	**2014**	**2013**
Profit for the year	8,489	9,078

Weighted average number of shares used as the denominator

	Consolidated	
(Number)	**2014**	**2013**
Number for basic earnings per share:		
Ordinary shares	168,719,799	168,226,574
Effect of employee share plans on issue	1,175,218	1,433,141
Number for diluted earnings per share	169,895,017	169,659,715
Basic earnings per share (AUD cents)	5.03	5.40
Diluted earnings per share (AUD cents)	5.00	5.35

Note 8. Cash and cash equivalents

	Consolidated	
In thousands of AUD	**2014**	**2013**
Cash at bank and on hand	13,300	14,827

Note 9. Trade and other receivables

Current

In thousands of AUD	Consolidated 2014	2013
Trade debtors	20,934	22,451
Less: Allowance for doubtful debts	(858)	(1,139)
	20,076	21,312
GST receivable	149	95
	20,225	21,407

Non-current

In thousands of AUD	Consolidated 2014	2013
Trade debtors	2,632	2,157

The credit period on sales ranges from 30 to 90 days although in limited circumstances extended payment terms have been offered. No interest is charged on trade debtors.

Ageing of past due but not impaired:

In thousands of AUD	Consolidated 2014	2013
Past due 90 days	1,868	3,770

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

In thousands of AUD	Consolidated 2014	2013
Balance at beginning of year	1,139	1,237
Amounts written off during the year	(569)	(280)
Increase in provision	288	182
Balance end of year	858	1,139

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

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

Included in the consolidated entity's trade receivable balance are debtors with a carrying amount of $1,010,000 (2013: $2,631,000) which are 90 days past due at the reporting date which the consolidated entity has not provided for as there has been no significant change in credit quality and the consolidated entity believes that the amounts are still considered recoverable. The consolidated entity does not hold any collateral over these balances.

Note 10. Other current assets

In thousands of AUD	Consolidated 2014	2013
Other prepayments	847	781
Fair value of hedge asset – forward foreign exchange contracts	177	-
	1,024	781

Note 11. Other financial assets

In thousands of AUD	Consolidated 2014	2013
Deposits	786	724

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

Note 12. Property, plant and equipment

Plant and Equipment

In thousands of AUD	Consolidated 2014	2013
At cost	3,148	4,899
Accumulated depreciation	(2,215)	(3,972)
	933	927

Leasehold Improvements

In thousands of AUD	Consolidated 2014	2013
At cost	2,174	2,021
Accumulated depreciation	(1,427)	(1,242)
	747	779

Total property, plant and equipment

In thousands of AUD	Consolidated 2014	2013
At cost	5,322	6,920
Accumulated depreciation	(3,642)	(5,214)
Total written down amount	1,680	1,706

Note 12. Property, plant and equipment (continued)

Plant and Equipment	Consolidated	
In thousands of AUD	**2014**	**2013**
Carrying amount at start of year	927	863
Additions	427	482
Effects of foreign currency exchange	-	11
Depreciation expense	(421)	(429)
Carrying amount at end of year	933	927

Leasehold Improvements	Consolidated	
In thousands of AUD	**2014**	**2013**
Carrying amount at start of year	779	957
Additions	182	13
Effects of foreign currency exchange	(2)	9
Depreciation expense	(212)	(200)
Carrying amount at end of year	747	779

Note 13. Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Consolidated	Assets		Liabilities		Net	
In thousands of AUD	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Intangible assets	-	-	4,842	4,485	(4,842)	(4,485)
Trade and other payables	252	416	-	-	252	416
Employee benefits	965	745	-	-	965	745
Provisions	416	533	-	-	416	533
Other current liabilities	893	587	-	-	893	587
Unrealised foreign exchange gain	-	-	-	191	-	(191)
Unrealised foreign exchange loss	115	-	-	-	115	-
Deferred tax assets/(liabilities)	2,641	2,281	4,842	4,676	(2,201)	(2,395)
Set off of deferred tax asset	(1,178)	(1,094)	(1,178)	(1,094)	-	-
Net deferred tax assets/(liabilities)	1,463	1,187	3,664	3,582	(2,201)	(2,395)

Note 13. Deferred tax assets and liabilities (continued)

Movement in temporary differences during the year:

For year ended 30 June 2014 In thousands of AUD	Consolidated Balance 1 July 13	 Recognised in income	 Recognised in equity	 Balance 30 June 14
Property, plant and equipment	-	-	-	-
Intangible assets	(4,485)	(357)	-	(4,842)
Trade and other payables	416	(164)	-	252
Employee benefits	745	220	-	965
Provisions	533	(117)	-	416
Other current liabilities	587	306	-	893
Unrealised foreign exchange gain	(191)	191	-	-
Unrealised foreign exchange loss	-	115	-	115
	(2,395)	194	-	(2,201)

For year ended 30 June 2013 In thousands of AUD	Consolidated Balance 1 July 12	 Recognised in income	 Recognised in equity	 Balance 30 June 13
Property, plant and equipment	(50)	50	-	-
Intangible assets	(4,063)	(422)	-	(4,485)
Trade and other payables	468	(52)	-	416
Employee benefits	772	(27)	-	745
Provisions	364	169	-	533
Other current liabilities	-	587	-	587
Unrealised foreign exchange gain	(41)	(150)	-	(191)
	(2,550)	155	-	(2,395)

Note 14. Intangible assets

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

	Consolidated	
In thousands of AUD	**2014**	**2013**
Research and development expenses	6,922	6,816
	6,922	6,816

The balance of capitalised intangible assets comprises :

Cost

	Consolidated		
In thousands of AUD	**Software development**	**Third party software**	**Total**
Balance at 1 July 2012	20,964	1,650	22,614
Fully amortised & offset	(4,295)	-	(4,295)
Effects of foreign currency exchange	-	14	14
Internally developed	7,882	-	7,882
Acquired	-	121	121
Balance at 30 June 2013	24,551	1,785	26,336
Balance at 1 July 2013	24,551	1,785	26,336
Fully amortised & offset	(5,619)	(789)	(6,408)
Effects of foreign currency exchange	-	(2)	(2)
Internally developed	7,967	-	7,967
Acquired	-	173	173
Balance at 30 June 2014	26,899	1,167	28,066

Amortisation

	Consolidated		
In thousands of AUD	**Software development**	**Third party software**	**Total**
Balance at 1 July 2012	7,422	1,343	8,765
Fully amortised & offset	(4,295)	-	(4,295)
Effects of foreign currency exchange	-	10	10
Amortisation for year	6,607	209	6,816
Balance at 30 June 2013	9,734	1,562	11,296
Balance at 1 July 2013	9,734	1,562	11,296
Fully amortised & offset	(5,619)	(789)	(6,408)
Effects of foreign currency exchange	-	(1)	(1)
Amortisation for year	6,740	182	6,922
Balance at 30 June 2014	10,855	954	11,809

Carrying amounts

	Consolidated		
In thousands of AUD	**Software development**	**Third party software**	**Total**
Balance at 30 June 2013	14,817	223	15,040
Balance at 30 June 2014	16,044	213	16,257

Note 15. Trade and other payables

	Consolidated	
In thousands of AUD	**2014**	**2013**
Trade and other creditors	4,074	4,190
	4,074	4,190

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

Note 16. Employee benefits

Current

	Consolidated	
In thousands of AUD	**2014**	**2013**
Liability for annual leave	1,498	1,549
Liability for long service leave	607	455
	2,105	2,004

Non-current

	Consolidated	
In thousands of AUD	**2014**	**2013**
Liability for long service leave	361	374

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.

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
10 September 2013	165,000	Sep 2016	Oct 2016
14 November 2013	350,000	Oct 2014	Oct 2016
04 April 2014	85,000	Aug 2017	Sep 2017

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

Grant date	10 Sep 2013	14 Nov 2013	04 Apr 2014
Fair value at measurement date	$0.7815	$0.8675	$0.9369
Share price	$0.93	$0.98	$1.115
Exercise price	nil	nil	nil
Expected volatility	50%	50%	50%
Contractual life (expressed in days)	1,096	2,080	1,245
Expected dividends	5.80%	4.19%	5.80%
Risk-free interest rate (based on 3 year treasury bonds)	2.68%	3.04%	3.00%

Note 16. Employee benefits (continued)

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. The estimate of the fair value of the services received is measured based on a Binomial option-pricing model.

During the year ended 30 June 2014, the consolidated entity recognised an expense through profit of $452,000 related to the fair value of performance rights (2013: $156,000).

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

In thousands of performance rights	2014	2013
Outstanding at the beginning of the year	1,853	1,535
Forfeited during the year	(516)	(93)
Exercised during the year	-	-
Granted during the year	600	411
Outstanding at the end of the year	1,937	1,853
Exercisable at the end of the year (vested)	-	-

Share Options

On 4 October 2000, the consolidated entity established a share option programme that entitles employees to purchase shares in the entity. In accordance with this programme, options are exercisable at the market price of the shares at the date of grant.

The terms and conditions of the grants made and number outstanding at 30 June 2014 are as follows:

All options vest at the rate of 25% per annum, starting on the first anniversary of the grant date

The contractual life of each option is five years from the grant date

Exercises are settled by physical delivery of shares

Note 16. Employee benefits (continued)

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

In thousands of options	Weighted Average exercise price 2014	Number of options 2014	Weighted Average exercise price 2013	Number of options 2013
Outstanding at the beginning of the year	$0.29	872	$0.36	2,645
Forfeited during the year	$0.28	(479)	$0.40	(912)
Exercised during the year	$0.30	(393)	$0.38	(861)
Granted during the year	$-	-	$-	-
Outstanding at the end of the year	$-	-	$0.29	872
Exercisable at the end of the year (vested)	$-	-	$0.28	467

There are no options outstanding at 30 June 2014.

During the year ended 30 June 2014, 392,500 options were exercised (2013: 860,500).

The fair values of services received in return for share options granted to employees is measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on the Binomial option-pricing model. The contractual life of the option (five years) is used as an input into this formula. Expectations of early exercise are incorporated into the Binomial formula.

There were no options granted during the 2014 financial year (2013:nil).

Note 17. Provisions

Current

In thousands of AUD	Note	Consolidated 2014	Consolidated 2013
Employee benefits	16	2,105	2,004
		2,105	2,004

Non-current

In thousands of AUD	Note	Consolidated 2014	Consolidated 2013
Employee benefits	16	361	374
Lease make good		417	382
		778	756

Note 18. Other liabilities

Current

	Consolidated	
In thousands of AUD	**2014**	**2013**
Fair value of hedge liabilities - forward foreign exchange contracts	9	1,238
Deferred revenue	13,571	11,848
	13,580	13,086

Non-Current

	Consolidated	
In thousands of AUD	**2014**	**2013**
Deferred revenue	2,798	2,881

Note 19. Capital and reserves

Share capital

	Ordinary shares	
In thousands of shares	**2014**	**2013**
On issue 1 July	168,367	167,507
Issued against employee options exercised	393	860
On issue 30 June	168,760	168,367

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 16 for further details.

Note 19. Capital and reserves (continued)

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
2014				
Final 2013	3.0	5,055	40% franked	13 Sep 2013
Interim 2014	2.5	4,223	30% franked	21 Mar 2014
Total amount		9,278		
2013				
Final 2012	3.0	5,045	70% franked	14 Sep 2012
Interim 2013	2.0	3,368	30% franked	15 Mar 2013
Total amount		8,413		

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 2014 and will be recognised in subsequent financial statements:

In thousands of AUD	Cents per share	Total amount	Franked/ unfranked	Date of payment
Final 2014	2.5	4,224	35% franked	12 Sep 14

The final dividend declared of 2.5 cents together with the interim dividend paid in March 2014 of 2.5cents takes total dividends for the 2014 financial year to 5.0 cents.

Franking account disclosure:

	Company	
In thousands of AUD	**2014**	**2013**
Adjusted franking account balance	737	944
Impact on franking account balance of dividends not recognised	(634)	(866)

Note 20. 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 8 and 19 respectively.

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 1 to the financial statements.

Financial risk management objectives

The Board of Directors has overall responsibility for the establishment and oversight of the 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 20. Financial instruments (continued)

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	**2014**	**2013**	**2014**	**2013**
US Dollar	188	325	2,153	3,989
Euro	-	-	1,889	2,669
UK Sterling	-	-	1	10

Foreign currency sensitivity

At 30 June 2014, if the US Dollar, Euro and UK sterling weakened and 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	**2014**	**2013**	**2014**	**2013**
US Dollar Impact	218	407	218	407
Euro Impact	210	297	210	297
UK Sterling Impact	-	1	-	1

Change in currency (i) – 10% decrease

	Consolidated			
	Net profit		Retained earnings	
In thousands of AUD	**2014**	**2013**	**2014**	**2013**
US Dollar Impact	(179)	(347)	(179)	(347)
Euro Impact	(172)	(243)	(172)	(243)
UK Sterling Impact	-	(1)	-	(1)

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 2014 and 30 June 2013.

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 20. Financial instruments (continued)

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 Europe 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:

Outstanding contracts	Average Exchange Rate		Foreign Currency		Contract Value		Fair Value	
	2014	2013	2014 FC'000	2013 FC'000	2014 A$'000	2013 A$'000	2014 A$'000	2013 A$'000
Consolidated								
Sell US Dollar								
Less than 3 months	0.92	1.01	2,900	3,600	3,136	3,564	45	(357)
3 to 6 months	0.91	1.01	1,650	2,400	1,808	2,376	38	(257)
6 to 9 months	0.89	1.00	1,750	2,550	1,967	2,561	79	(255)
9 to 12 months	0.92	1.00	1,300	2,000	1,408	2,013	(1)	(209)
Sell Euros								
Less than 3 months	0.68	0.78	310	750	454	966	3	(104)
3 to 6 months	0.68	0.76	210	200	309	262	1	(26)
6 to 9 months	0.67	0.75	215	200	321	266	3	(20)
9 to 12 months	0.67	0.75	295	100	443	134	5	(10)
Sell Sterling								
Less than 3 months	0.55	-	270	-	490	-	(2)	-
3 to 6 months	0.55	-	70	-	128	-	(1)	-
6 to 9 months	0.55	-	160	-	293	-	(2)	-
9 to 12 months	0.54	-	150	-	275	-	(2)	-
							166	(1,238)

These hedge assets 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.

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 $13,949,000 were held by the consolidated entity at the reporting date, attracting an average interest rate of 3.01% (2013: 3.26%). 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 $69,745 (2013: $78,000).

Note 20. 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. Ongoing credit evaluation is performed on the financial condition of accounts.

The consolidated entity does not have any significant credit risk exposure to any single counterparty or any consolidated entity of counterparties having similar characteristics. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Liquidity risk management
Ultimate responsibility for liquidity risk management rests with the board of directors, who have built an appropriate liquidity risk management framework for the management of the 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 15 for both 2014 and 2013 carry no interest obligation and have a maturity of less than three months.

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

Note 21. Operating leases

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

	Consolidated	
In thousands of AUD	**2014**	**2013**
Less than one year	1,078	1,197
Between one and five years	1,768	2,250
Greater than five years	-	-
	2,846	3,447

Note 22. Consolidated entities

	Country of incorporation	Ownership interest	
		2014	2013
Parent entity:			
Integrated Research Limited	Australia		
Subsidiaries:			
Integrated Research, Inc	USA	100%	100%
Integrated Research UK Limited	UK	100%	100%
Integrated Research Singapore Pty Limited	Singapore	100%	100%

Note 23. Reconciliation of cash flows from operating activities

	Consolidated	
In thousands of AUD	**2014**	**2013**
Profit for the year	8,489	9,078
Depreciation and amortisation	7,555	7,445
Provision for doubtful debts	(281)	(98)
Interest received	(384)	(456)
Share-based payments expense	453	148
Net exchange differences	(805)	(725)
Change in operating assets and liabilities:		
(Increase)/decrease in trade debtors	988	(2,085)
(Increase)/decrease in future income tax benefit	(276)	(734)
(Increase)/decrease in other operating assets	892	261
Increase/(decrease) in trade and other payables	(116)	(95)
Increase/(decrease) in other operating liabilities	411	4,082
Increase/(decrease) in provision for income taxes payable	(1,112)	(304)
Increase/(decrease) in provision for deferred income taxes	82	579
Increase/(decrease) in other provisions	123	360
Net cash from operating activities	16,019	17,456

Note 24. Parent entity disclosures

Financial Position

	Parent Entity	
In thousands of AUD	**2014**	**2013**
Assets		
Current assets	18,044	20,085
Non-current assets	18,244	17,211
Total Assets	36,288	37,296
Liabilities		
Current Liabilities	4,814	6,828
Non-current liabilities	4,603	4,563
Total Liabilities	9,417	11,391
Net Assets	26,871	25,905
Equity		
Issued Capital	1,667	1,501
Employee benefits Reserve	873	424
Hedging reserve	120	(777)
Retained Earnings	24,211	24,757
Total Equity	26,871	25,905

Financial Performance

	Parent Entity	
In thousands of AUD	**2014**	**2013**
Profit for the year	8,732	8,621
Other comprehensive income	897	(777)
Total comprehensive income	9,629	7,844

Investments in subsidiaries are included at cost.

Note 25. Subsequent events

For dividends declared after 30 June 2014 see Note 19 in the financial statements. The financial effect of dividends declared and paid after 30 June 2014 have not been brought to account in the financial statements for the year ended 30 June 2014 and will be recognised in subsequent financial reports.

No other transaction or event of a material or unusual nature has arisen in the interval between the end of the financial year and the date of this report, which is likely, in the opinion of the directors of the company, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future financial years.