Integrated Research
Annual Report 2020

ABN 76 003 588 449

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

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Contents

Financial highlights

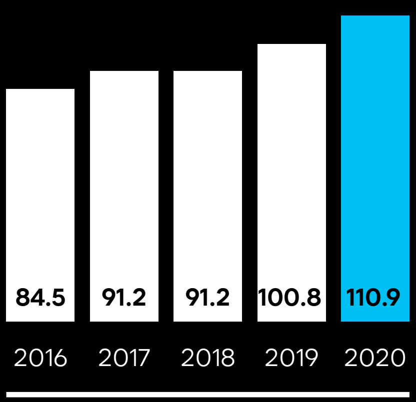
$111M Revenue

$24M Profit

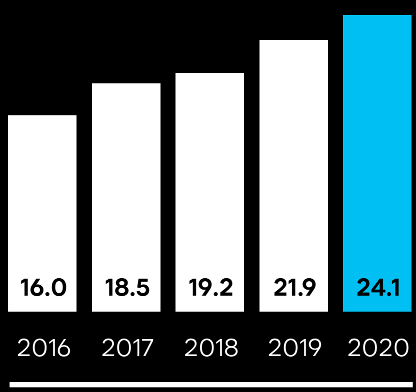
APAC growth

↑ 17%

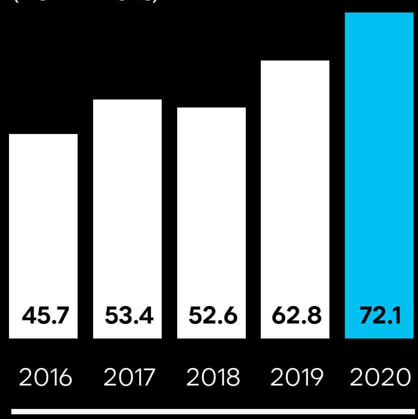
Total revenue
(AUD millions)



Net profit after tax
(AUD millions)



Revenue from licence sales
(AUD millions)



IN MILLIONS OF AUD (EXCEPT EARNINGS PER SHARE)

Year ended 30 June	2020	2019	% Change	
Revenue from licence fees	72.1	62.8	15%	↑
Total revenue	110.9	100.8	10%	↑
Net profit after tax	24.1	21.9	10%	↑
Net assets	82.5	69.8	18%	↑
Cash at balance date	9.7	9.3	4%	↑
Americas revenue	75.8	69.4	9%	↑
Europe revenue	17.5	16.9	4%	↑
Asia Pacific revenue	17.7	15.0	17%	↑
Earnings per share (cents per share)	14.0	12.7	10%	↑

Year ended 30 June	2020	2019	% Change	
Americas revenue (USD)	50.3	49.7	1%	↑
Asia Pacific revenue (AUD)	17.7	15.0	17%	↑
Europe revenue (UK Sterling)	9.2	9.4	(1%)	↓

Our customers

9/10
Top US Banks

7/10
Biggest Telcos

6/10
Top Fin Services Companies Globally

6/10
Top Automotive Companies

R&D investment
↑ 20%

Professional services revenue
↑ 17%

Headcount
↓ 266

Unified Communications revenue
↑ 17%

Chairman's letter

Dear fellow shareholders,

On behalf of the Board, thank you for your continued and valued support of Integrated Research Limited (the "Company" or "IR"). I am pleased to present the annual report for the financial year ended 30 June 2020. A year of record performance for IR against a global backdrop of unparalleled disruption caused by the COVID-19 pandemic.

2020 Performance

The Company achieved an increase of 10% in net profit after tax to $24.1 million, the 7th consecutive year of annual profit growth. Total revenue also grew by 10% to $110.9 million and licence fees grew by 15% to $72.1 million.

Strong operational discipline and agility in responding to rapidly evolving global conditions driven by the pandemic is reflected in consistent margins. EBITDA margin measured as EBITDA/revenue was 39% (2019: 40%), and NPAT margin measured as NPAT/revenue was 22% (2019: 22%). Total expenses for the year were up 7% to $78.2 million.

The strong results are a testament to the resilience of IR's business model with a geographically diversified Tier 1 customer base and revenue split across three primary product lines. Over 95% of the Company's revenue was derived outside of Australia demonstrating the global profile and strength of the business.

Typically, multi-year contracts (up to 5 years) with these customers ensure future revenue streams and the 'stickiness' of IR's solutions is evident with high retention rates. Expanding IR's footprint with existing customers is a key focus and it was pleasing to note a renewal and extension licence agreement with a long term financial services customer resulting in the largest deal in IR's history at US$10 million which was signed in March.

New business is an important part of IR's growth strategy and 38 new customers were added during the year. These customers reflect the strength and diversity of the enterprise customer base including major brands such as Glaxo-Smith Kline, Fannie Mae and Ricoh.

"The strong results are a testament to the resilience of IR's business model with a geographically diversified Tier 1 customer base and revenue split across three primary product lines."

Accelerating Innovation

Delivering innovation is core to the value proposition of a software company. IR has a proud history of technical excellence and investing to drive innovation. We are committed to providing software solutions that enhance the performance of our customers and the experiences of their customers.

The global pandemic has created many changes and uncertainties which continue to evolve across the world. We believe that some of the structural changes in market dynamics such as the step change to remote working and cashless payments are an opportunity for the Company. We continue to invest in research and development to accelerate innovation and expand IR's value proposition for customers across the globe.

Gross spending on R&D was up 19% to $22.5 million representing 20% of revenue and a key achievement was the completion of a new SaaS platform that will support the launch of new cloud-based UC and Payments solutions in 2021. These are in addition to ongoing enhancements to IR's existing on-premise Prognosis solutions and represent an exciting inflection point for the Company.

As these new products come on stream it provides IR with the unique proposition of supporting enterprise customers as they adjust to structural changes and typically embrace an environment of on-premise, hybrid and cloud solutions.

The Company also continues to invest to drive internal innovation and operational effectiveness. A critical and strategic investment was made this year to implement a new ERP (enterprise resource planning) system. This project was delivered on-time and on-budget and will deliver operational efficiencies, improved business reporting and support for strategy and business planning as we position the Company for future growth.

During the year, the Company continued to strengthen its leadership capability and bench strength. The IR Leadership Impact program was launched which is a strategic investment to develop, attract and retain talent. It is focused on all levels of leadership, including high potential and emerging talent.

Dividend

The Board declared a final dividend of 3.75 cents per share franked to 100%. This takes the total dividend for the year to 7.25 cents, in-line with FY19.

Acknowledgements

The Board would like to acknowledge the contribution of our dedicated team at IR under the leadership of John Ruthven. The safety and wellbeing of all employees is paramount and the Company has implemented all the appropriate protocols to ensure a safe working environment and support for our staff. We will continue to monitor and adjust as the health situation evolves.

The professionalism and agility of the team enabled a rapid and seamless transition to global remote working as the pandemic unfolded. A strong customer focus and engagement has been maintained and it is very pleasing to note that customer satisfaction as measured by NPS (net promoter score) significantly increased in 2020 against this turbulent backdrop.

I thank our customers for their continued support of IR. We will continue to support you and remain committed to providing software solutions that help you succeed today and into the future.

Thanks also to my fellow Non-Executive Directors Nick Abrahams, Garry Dinnie, Peter Lloyd and Anne Myers. In addition to expertise, their commitment, collegiate support and counsel has been invaluable and appreciated as we have navigated an intense but successful 2020.

The Board remains confident in the future for IR and once again, I would like to thank our valued shareholders for your ongoing support.

Paul Brandling
Chairman

CEO’s report

Dear Shareholders,

As I reflect on my first year as CEO of Integrated Research, I am pleased with what we have achieved for our customers, employees and for you as our shareholders.

I am also excited about the future, as we look to capitalise on the opportunity the current market dynamics present, through accelerated innovation and improved execution across the business.

We remain focused and determined in our mission, as we navigate our way through the COVID-19 world and the broad and wide-ranging effects of the pandemic - health, social and economic. We have adapted to the new way of working, and since March the vast majority of our teams have been productively working from home. This also reflects the working environment for most of our customers. We have responded by leveraging digital channels to maintain our close connection and engagement with them.

In this remote working environment, the Company’s enduring value proposition is even more relevant, as our customers are working remotely at scale. The increase in calls and ‘hosted’ meeting minutes are staggering, with Microsoft, Cisco, Avaya, Zoom and others all reporting significant increases globally. The fact that the entire commercial world is operating in this mode, heightens the mission critical nature of Unified Communications (UC) and collaboration platforms and the need for ways to monitor and manage those ecosystems.

Similarly, the way we pay for everyday goods and services has changed. Electronic payments, such as eCommerce payments when shopping on-line or contactless payments when shopping in store, have accelerated the decline of cash.

Against this backdrop, we are pleased to report another record year for the Company, achieving $24.1 million in net profit after tax, 10% up over the prior year. This was on revenue of $110.9 million, up 10% on the prior year. Contributing to this result licence sales grew 15% to $72.1 million.

Core to this performance is the high quality nature of IR’s revenue, which in simple terms is mission critical software sold to a Tier 1 global enterprise customer base. More than 87% of revenue is of a recurring nature, and sold on multi-year contracts ranging in length from 1 to 5 years. The strength and resilience of the business model is in part due to the diversification across three product portfolios and three geographic regions.

The Americas under new leadership broke through US$50 million of revenue for the first time. APAC was the standout performer with revenues up 17% to $17.7 million, which is the seventh year of consecutive growth for the region. Europe revenue declined 1% to £9.2 million, with a stronger contribution from Unified Communications sales relative to other products.

Turning to products, Unified Communications (UC) achieved growth of 17% to $59.8M, off a strong renewal base and increases in capacity on both the Cisco and Avaya platforms. Nearly 10% of UC revenues were derived from new licence sales with the addition of 29 new customers. Service Providers play a critical role in the go-to-market for UC, providing managed services to thousands of their customers that include Prognosis for performance monitoring. During the last year, $14.3 million of revenue was derived from sales to Service Providers.

Infrastructure revenue was up 9% to $28.7 million, including the largest single deal in the Company’s history, with a large financial services company. Ongoing innovation on the Prognosis platform was key to this significant extension of a long-standing customer relationship.

Payments revenue was down 14% on the prior year to $13.8 million, noting a very strong prior year result. The compound growth of payments over the last 5 years remains strong at 22%. During the year, nine new customers were added for a total of $2.2 million in revenue.

The globalisation of Professional Services, under new leadership, delivered growth and improved customer satisfaction. Services revenue increased 17% to $8.6M, driven by greater focus on time to value for customers and high value professional services activities combined with better execution.

The Company continued the cadence of two major product releases within the year, as well as ongoing investment in a new SaaS platform. The SaaS platform went into production in December 2019 and is currently in beta test with a number of major customers and partners, for both UC and Payments products.

At the same time, the Company maintained its strong investment approach to Research & Development (R&D). Gross spending on R&D was 20% of total revenue, up from 19% in the prior year.

A key differentiator for IR is the ability to support hybrid environments. The Prognosis on-premise platform is now complemented with the launch of the new SaaS platform. This enables IR to support its enterprise customer base on their journey to the Cloud. These customers are taking a measured approach to moving mission critical workloads to SaaS or Cloud environments. In the near term, managing hybrid environments is critical, as workloads are balanced across both on-premise and SaaS platforms.

Throughout the year, significant focus was placed on maintaining high levels of customer engagement. In October and November 2019 the Company hosted customers in Denver, Frankfurt and London at the annual customer Summit. The events were well attended and provide a forum for customers to engage in the Company's innovation process. The events have been re-branded to 'IR Connect' and will be virtual events this coming year due to travel restrictions brought on by the pandemic.

The ongoing dedication to innovation and technical excellence, in part, resulted in a 25% (or significant) increase in customer satisfaction, as measured by NPS (net promoter score). IR's customer relationships are long term with large global customers. Maintenance retention rates remained high at 93%.

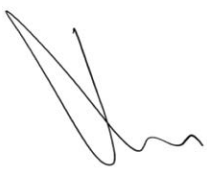
As we look to the future, we think about it in terms of head winds and tail winds. The macro-economic environment brought on by the pandemic does give us reason to be cautious. Adding to this, currency volatility can work both for and against us, with 95% of our business transacted outside of Australia.

In contrast, we are well placed to benefit from the surge in remote working and cashless payments, both of which have been accelerated by the pandemic. During 2020, we accelerated and re-prioritised our product roadmap to take advantage of these market dynamics. In 2021, we are on track to bring to market a rich set of new products to help our customers manage remote working at scale as well as increases in cashless payments.

It is important to recognise that this rich new set of SaaS products, will drive a transition of the business model over the next few years. As more of our revenue is generated from these new products, our revenue model will become more heavily weighted to subscription, without large upfront recognition of revenue. This has a profound effect on how we develop and support products, as well as how we market and sell products.

In reviewing our strategy and setting plans for 2021 and beyond, we took account of these head winds and tail winds, as we look to capitalise on the opportunity the current market dynamics present. We are sharply focused on leading indicators, to ensure that we respond quickly to any changes in market conditions.

I would like to acknowledge the talented IR team around the world, their hard work and dedication. The Company appreciates the ongoing commitment from our customers and the continued support of our shareholders.



John Ruthven

Managing Director and Chief Executive Officer

create great

TEAM UP

BE HUMAN

OWN IT

CRUSH IT

HAVE A LAUGH

The IR tribe - working together to create great.

About IR

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

The modern world relies on a complex array of technologies to keep turning. IR's aim is to simplify that complexity.

We provide insights, monitoring and support to keep payment hubs, unified communications ecosystems and contact centres running as they should.

Our purpose is to create clarity and insight in a world of connected devices.

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

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

Communication and collaboration

IR's solutions for unified communication and collaboration ecosystems enable customers to manage their entire multi-vendor ecosystem, enable their remote workforce, connect employees to customers, and deliver the best possible user experience.

Whether on premises, in the cloud, or hybrid, IR's performance and experience management capabilities allow for real-time issue identification, fast problem resolution and proactive optimization across Avaya, Cisco and Microsoft platforms.

Payments

IR's payments solutions provide real-time visibility across the entire payments ecosystem, making the environments easier to manage, troubleshoot and optimise.

Analyse transaction data, deploy new technology with confidence and ensure a seamless payments experience across ACI, FIS and internal environments on-premises and in the cloud.

Infrastructure

IR's infrastructure solution provides real-time insight into HPE Non-Stop environments to help manage IT performance, spot patterns in data and proactively prevent problems, to ensure a solid foundation for business-critical systems.

2020 in IR

TEAM UP

To team up is to collaborate.

At IR, we always strive for innovation - it is the vital ingredient that drives growth - and this year was full of remarkable achievements that could not have been accomplished without a remarkable collaborative effort.

We launched the Prognosis cloud platform, built with state-of-the-art data collection, analysis, and visualisation technologies to facilitate the delivery of more comprehensive real-time insights and analytics. This new platform enables an immensely powerful level of intelligence and allows for greater innovation, faster deployment and better agility to deliver continuous enhancements and increased value to customers.

We also launched our first product on our cloud platform, Payments Analytics. With the capability to process and analyse data from thousands of transactions in seconds.

BE HUMAN

Have empathy, respect and compassion.

Through our Take2 volunteer program, the last year saw IR employees use paid days off to dedicate their time to a range of fantastic causes including OzHarvest, Red Cross, Feed My Starving Children and Conservation Volunteers.

We also offered support to the Australian Bushfire Relief effort. The Company and employees donated upwards of $50,000 to various charities helping with the recovery, we collected food, clothing and school supplies to send to impacted areas, and dedicated our FY20 Hackathon to proposing an innovation to help prevent, or recover from, disasters such as bushfires.

OWN IT

Ownership, responsibility, and recognition.

With the expectation of ownership comes the commitment to recognize the hard work our employees demonstrate every day.

The Celebrating Our People program was launched to provide a framework to reward employees who go above and beyond.

CRUSH IT

Determination to succeed.

2020 was a year of success.

We recorded another record-breaking year for revenue and profit, as well as closing the largest deal in IR's corporate history with JP Morgan Chase.

IR were also named as a foundation member of the S&P ASX All Technology Index.

These achievements are a great indication of the trust that our customers and the market have in the Company, and reinforce the high calibre of our organisation, products and employees.

HAVE A LAUGH

Find time to enjoy every day.

The last year has seen the world endure hardships. It's more important than ever to find joy where we can.

In our commitment to fostering a positive working environment for our employees around the globe, we have tried to provide space for enjoyment by hosting a range of social and wellbeing activities including games nights (both in person and virtually), a virtual Amazing Race, Culture and Diversity week, exercise classes, and mental health talks.

Directors' report

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Directors' report

Annual revenue ⬆ 10%

$110.9M

Licence Fees ⬆ 15%

$72.1M

Annual after tax profit ⬆ 10%

$24.1M

Review of operations and activities

Principal activities

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

Group overview

Integrated Research has a long heritage of providing performance monitoring, diagnostics and management software solutions for business-critical computing environments.

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

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

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

Integrated Research services customers in more than 60 countries through direct sales offices in the USA, UK, Germany, Singapore and Australia, and via a global, channel-driven distribution network. Integrated Research's customer base consists of many of the world's largest organisations and includes major stock exchanges, banks, credit card companies, telecommunications carriers, technology companies, service providers and manufacturers.

The Company generates its revenue from licence fees, recurring maintenance, testing solutions and professional services (formerly referred to as consulting). Revenue from the sale of licences where there are no post-delivery obligations is recognised in profit at the date of the delivery. Revenue from maintenance contracts is recognised rateably over the service agreement. Revenue from professional services and testing solution services is recognised over the period the services are delivered. The Company has recently expanded its product offering to Software as a Service ("SaaS") with the introduction of cloud based solutions. SaaS revenues are recognised rateably over the delivery period.

Review and results of operations

Overview

The Company achieved $24.1 million in profit after tax, representing a 10% increase over the prior year and within the guidance provided to the Australian Securities Exchange on 17 July 2020. The result was driven through strong licence sale growth in Unified Communications and was supported through a strong renewal cycle. The Infrastructure and Payments product lines were underpinned by the closure of the JP Morgan transaction for US$10 million as announced in March 2020. The contract was the largest deal in the Company's 30+ years of trading. The fourth quarter result carried the effect of the COVID-19 pandemic and whilst sales were lower than the previous fourth quarter, the Company remained profitable for the period and is a testament to the resilience of the business. Whilst there are short term headwinds such as the unresolved impact of the pandemic and the rising Australian dollar, the Company stands to benefit over the medium term through the release of new products to serve the acceleration in demand for on-line collaboration driven by remote working and the increasing need for cashless transactions.

Revenue

Revenue for the year was $110.9 million, an increase of 10% over 2019 with the strongest growth coming from the Company's Asia Pacific operations. Licence fees increased by 15% to $72.1 million with strong growth from Unified Communications followed by Infrastructure.

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

In thousands of AUD	2020	2019	% Change
Unified Communications	**59,818**	51,043	17%
Infrastructure	**28,657**	26,343	9%
Payments	**13,808**	16,047	(14%)
Professional services	**8,630**	7,387	17%
Total revenue	**110,913**	**100,820**	**10%**

Unified Communications revenue grew 17% over the prior year to $59.8 million with growth sourced through a strong renewal cycle attached with additional capacity sales on both the Cisco and Avaya platforms. New business licence sales of $5.8 million were achieved for the year with 29 new customers added to the fold. Licence sales to Microsoft Skype for business customers was down against the prior year with further customer migration to Microsoft Teams. Fourth quarter sales faced some headwinds due to the impact of the pandemic. Importantly, customers continued to buy Prognosis solutions through this period.

Infrastructure revenues increased by 9% to $28.7 million and were underpinned by the large JP Morgan transaction closed in March. Licence transactions sold during the year were closed on a multi-year term basis with maturities ranging from three to five years.

Payments revenue decreased by 14% over the prior year to $13.8 million, however the compound growth rate across the last five years remains high at 22% demonstrating the underlying trend remains on a growth trajectory. There were nine new customers added over the year facilitating an increase in the baseline for future growth. Existing customers who renewed their Prognosis solution typically added capacity together with additional modules demonstrating their commitment to the product.

Professional services revenue increased by 17% to $8.6 million. The Company implemented a renewed global professional services structure during the year under new leadership. There was greater focus on time to value for customers and high value professional services activities combined with better execution to deliver the strong growth.

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

	2020	2019	% Change
Asia Pacific (A$'000)	**17,651**	15,052	17%
Americas (USD'000)	**50,258**	49,696	1%
Europe (£'000)	**9,243**	9,360	(1%)

Asia Pacific revenues grew 17% over the prior year to $17.7 million and represents seven years of consecutive growth with a compound annual growth rate of 13% across this period. The region achieved growth across all product lines with a combination of renewals, capacity sales and new business.

The Americas revenue of US$50.3 million was up 1% compared to the prior year. The region successfully delivered a strong second half with licence fees up 35% with growth across all product lines. Importantly, the region continued to drive revenue in the fourth quarter despite the difficult macro-economic environment caused by the pandemic.

Europe revenues declined by 1% to £9.2 million. The region achieved licence sales growth over the prior year in Unified Communications which was offset by cyclical falls in Payments and Infrastructure. The region continues to develop their sales capabilities under new leadership.

Expenses

The following table presents the Company's cost base compared to the preceding year:

In thousands of AUD	2020	2019	% Change
Research and development expenses	**17,388**	17,888	(3%)
Sales, professional services and marketing expenses	**54,560**	49,787	10%
General and administration expenses	**6,232**	5,557	12%
Total expenses	**78,180**	**73,232**	**7%**

Total expenses were up 7% to $78.2 million with a conservative approach to investment in the fourth quarter following the on-set of the COVID-19 pandemic. Total staff numbers finished the year at 266 (2019: 270). Gross spending on research and development expenditure represents 20% of total revenue (2019: 19%):

In thousands of AUD	2020	2019	% Change
Gross research and development spending	**22,518**	18,966	19%
Capitalisation of development expenses	**(13,962)**	(11,275)	(24%)
Amortisation of capitalised expenses	**8,832**	10,197	(13%)
Net research and development expenses	**17,388**	**17,888**	**(3%)**
Gross spend as a % of revenue	**20%**	**19%**	

Shareholder returns

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

	2020	2019	2018
Net profit ($'000)	**$24,054**	$21,851	$19,180
Basic EPS	**14.00c**	12.72¢	11.19c
Dividends per share	**7.25c**	7.25¢	6.5c
Dividend franking percentage	**100%**	100%	100%
Return on equity	**29%**	31%	33%

Financial position

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

In thousands of AUD	2020	2019
Assets		
Cash and cash equivalents (current)	**9,744**	9,316
Trade and other receivables (current and non-current)	**87,252**	72,767
Right-of-use assets (non-current)	**6,397**	-
Intangible assets (non-current)	**29,052**	23,101
Liabilities		
Lease liabilities (current and non-current)	**6,514**	-
Borrowings (non-current)	**5,000**	-
Deferred Revenue	**22,323**	22,330
Equity	**82,522**	69,827

The Company's end of year cash position was $9.7 million with $5 million of debt. The increase in trade receivables was in part driven by the continuation of deferred payment sales to customers and in part due to delays in cash collections toward the end of the year. There was $9.4 million past due as disclosed in Note 11 of the Financial Statements. Importantly, $6.7 million of the overdue debtors have been collected in the subsequent period. The Company's risk exposure is heavily weighted toward financial institutions and the long-term record of historic bad debt write-offs have been minimal.

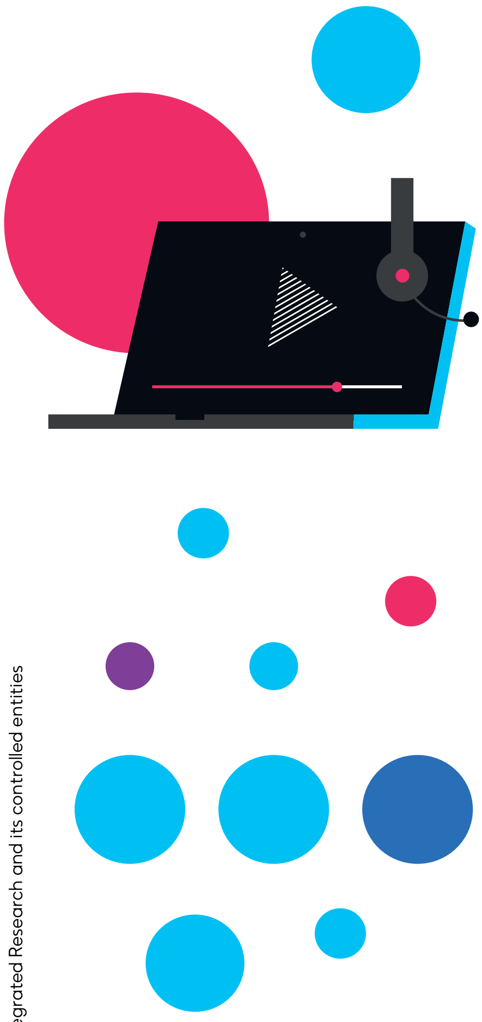
The increase in right-of-use assets along with the increase in lease liabilities is the result of bringing the Company's operating leases onto the balance sheet upon the adoption of the new AASB16 accounting standard on leases.

The growth in intangible assets represents the investment in the Company's next generation Prognosis platform. These assets will be amortised over a five-year period in the new financial year.

The consolidated statement of financial position presented at page 51 together with the accompanying notes provides further details.

Outlook and Strategy for 2021

The innovation agenda has accelerated at Integrated Research to respond to new opportunities offered by the rapid shift to remote working and increased volume of cashless payments, simplifying the complexity of critical systems to ensure business continuity.



The overnight shift to work from home ("WFH") that has occurred in response to the global pandemic has resulted in significant changes how we work and how we live. The resultant dramatic spike in the use of online services and collaboration platforms, like Microsoft Teams, Cisco WebEx, Avaya Cloud Office, Zoom and Slack, as well as cashless payment forms, has accelerated IR's innovation agenda.

During the past six months there has been an explosion in 'meeting minutes' hosted on collaboration platforms. Microsoft reported that the number of 'daily active users' on Microsoft Teams has reached 75 million, up nearly 70%. Zoom reported that overall users is up over 350%, and their enterprise customer base has increased by 90%. The estimated size of the experience management market for cloud unified communications and collaboration is US$1.2 billion.

There has been an accelerated shift away from cash and towards contactless and ecommerce payment options. This places higher demands on the reliability of payment networks and increases the potential for fraudsters to find opportunities to exploit. These factors have increased the demand for transaction monitoring and analytics tools that proactively identify system issues and provide real-time insights enabling corrective action.

IR is ideally positioned to expand and grow in the current environment. The sharp escalation in call volumes, meeting minutes, and online and credit card transactions plays to the Company's core strengths. To that end, the strategy leverages IR's market position in both collaboration and payments as demand in these spaces continues to grow.

The recent launch of the next generation Prognosis platform as a hybrid cloud service provides customers with flexible deployment options and accelerates the time to market for a range of new solutions. Leveraging the platform, IR's strategy focuses on providing continued support for existing on-premises collaboration and payments systems, whilst extending further into new cloud services. As organisations seek to manage the additional complexities that have been driven by recent events, IR provides the insights required to increase productivity and optimise critical systems.

With a long history of providing market-leading solutions for Cisco, Avaya and Microsoft on-premises deployments, IR is drawing on that extensive experience and knowledge to develop solutions for cloud-based collaboration platforms. The Company's phase one focus will be on delivering solutions for Microsoft Teams and Zoom, with support for other cloud-based platforms to follow in subsequent phases.

Supplementing the existing unified communications and collaboration portfolio with these new offerings will meet customer demand for tools to seamlessly manage their increasingly complex, hybrid, multi-vendor ecosystems.

The pandemic has created a volatile payments market, in which volumes can fluctuate wildly. Customer preference has surged towards contactless and ecommerce payment methods, while cash has seen an accelerated decline.

IR's newly expanded Payments solution set, now covering both on-premises and SaaS deployments, enables payments providers globally to contend with these rapid and fluctuating changes by simplifying complexity, providing deep, real-time visibility into their systems, and giving teams at all levels the insights they need to take corrective action and ensure success.

HP Enterprise NonStop remains at the operational core of many of the world's largest companies. These organisations leverage NonStop to support high-volume environments, with the demand from financial, telecommunications, trading and other high-value verticals remaining strong, as these customers seek to leverage their existing assets. This well-defined market represents a notable portion of IR's customer base, in which the Company will continue to invest.

The Research and Development focus has been on improving the delivery of high-value, high-quality solutions to market at speed.

A quality baseline was determined using historical data that the team has built on demonstrating continuous quality improvement. The velocity at which the team are able to develop feature sets is another key indicator that is measured, to ensure the development cycle matches evolving industry requirements, and that internal skillsets are aligned with those requirements. The Company continues to adhere to strict standards, such as secure by design, to guide product development.

In the unified communication and collaboration space, IR's customer base is made up of large enterprises and service providers, who are leveraging solutions primarily from Avaya, Cisco and Microsoft. The focus is on enterprises with more than 5,000 users and tier one service providers, with a current split of approximately 60% enterprises and 40% service providers.

In the payments space, IR's customers include banks, large retailers and 20 of the top 100 merchant acquirers globally. While most of these customers use ACI or FIS technology in their environment, there is a focus on expanding capabilities over the coming year to accommodate organisations utilising other payments platforms.

For Infrastructure the focus is on large organizations who run the HP Enterprise NonStop platform. The NonStop platform has a particular strength in payment transaction processing which is aligned with IR's payments product line. Around 75% of IR's NonStop customers are running payments applications.

The Company faces competition in various forms in each market. While there are some nuances by region, these competitors fall broadly into four buckets.

Firstly, some larger collaboration and payments vendors have developed their own performance management software. These proprietary solutions are generally limited in their functionality compared to IR's solutions, both in terms of metrics captured and analysed (which directly translates to the power of the insight and time to resolution of issues) and the inability to monitor complex multi-vendor environments.

Secondly, some of the large enterprise software vendors offer performance management products, which tend to focus on broad coverage rather than deep insights.

Thirdly, there are niche competitors. These are generally smaller companies, with lower cost offerings and less functionality.

Finally, some customers have developed bespoke capabilities, often in the form of scripting, to perform competing functions. These are usually targeted to a specific function, highly customised, and not scalable.

The Company's competitive differentiation across all four competitive segments lies in IR's proven deep domain expertise. Customers choose IR when they value the quality of the experience, the use cases are complex, the data volumes are high, and the environment is mission critical.

IR's direct sales model is complemented by a large global network of certified partners who sell IR solutions and integrate value-added products and services to ensure customers maximise the value. Their intimate knowledge of the customer environment, coupled with the domain knowledge provided by IR, helps drive world-class customer satisfaction.

Service providers reduce complexities for their customers by managing collaboration and payment systems on their behalf. By integrating IR solutions into their standard offerings, service provider can deliver against service level agreements and reduce their cost of delivery. As they onboard new customers, IR's pricing model allows for shared success. The service providers are not only important customers in their own right, but IR's channel to the mid-market and medium size customers that are not targets for the direct sales force.

Customers gain maximum value from IR solutions when they are finely tuned to the environment in which they operate. IR's Professional Services team are highly trained consultants who configure IR solutions in line with a customer's specifications. Through Professional Services, customers are able to achieve more with IR's solutions, improving customer satisfaction and contributing to improved renewal rates.

For more than 30 years, IR's enduring value proposition has been a proven ability to help customers simplify the complexity of their critical systems and ensure performance, reliability and scalability.

With close to 90% of IR's revenue recurring as multi-year contracts, retention rates are high, and the foundations of the business model are strong. IR's product roadmap and innovation agenda is leveraged to current market dynamics and the Company expects to benefit from the growth in collaboration services and cashless payments. IR has a proven track record of acquiring new customers, with 38 new logos in the 2020 financial year. The new financial year brings continuing global economic uncertainty from the pandemic. To that end management will take a prudent approach to costs in the first half and will take advantage of anticipated stronger demand during the 2021 calendar year through the sale of new solutions.

Board of Directors

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

Paul Brandling

BSc Hons, MAICD

Independent Non-Executive Director and Chairman

Paul was appointed a Director in August 2015 and elected Chairman in November 2018. He has worked in the information technology industry for over 30 years and has broad experience in hardware, services and software. He has previously held the positions of Vice President and Managing Director of Hewlett-Packard South Pacific plus Vice President and Managing Director of Compaq South Pacific. From 2001 to 2012, Paul was a member of the International CEO Forum (Australia) and served as a Director of the Australian Information Industry Association (AIIA) from 2002 to 2011. Mr Brandling was previously a Director of Amcom Telecommunications Limited until its acquisition by Vocus and was a Director of Vocus Communications Limited until February 2016. He was a Director of Tesserent Limited (ASX: TNT) until October 2017 and a Director of Avoka Technologies Pty Ltd until December 2018. He currently serves as a Non-Executive Director of Infomedia Ltd (ASX: IFM). Paul's current term will expire no later than the close of the 2021 Annual General Meeting.

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

John Ruthven

B.Ed

Managing Director and Chief Executive Officer

John joined IR in July 2019 as the Company's Chief Executive Officer and was appointed as Director in September 2019. Mr Ruthven is an internationally experienced software industry executive respected for his strategic approach and operational expertise across global enterprises. Mr Ruthven has over 20 years' experience working in the technology industry with a proven track record of leadership and delivering strong profitable growth.

Most recently, Mr Ruthven was the Operating Officer - Global Sales at TechnologyOne. Prior to that he was President & Managing Director ANZ of SAP, SVP International Sales at Zuora Inc, and held various senior positions at CA Technologies and Computer Associates Inc. John has extensive international experience in the USA, Europe and Asia Pacific regions.

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

Nick Abrahams

B Comm, LLB (Hons), MFA

Independent Non-Executive Director

Nick was appointed as a Director in September 2014. Mr. Abrahams is highly experienced in corporate, intellectual property and international law pertaining to the technology industry, with over 20 years' experience as a private practice lawyer. He has worked extensively internationally representing Australian high-tech companies as well as working for three years with a law firm in Japan. Mr Abrahams also spent time working in the United States in the late nineties and was an executive with Warner Brothers in Los Angeles, followed by a period as a senior executive at listed technology company, Spike Networks, also in Los Angeles. Mr Abrahams returned to legal practice in 2002 and is a partner of and is global leader for the technology and innovation practice of a global law firm. Mr. Abrahams is on the Board of the Vodafone Foundation, on the Board of Sydney Film Festival and is a Director of the Garvan Research Foundation. Nick's current term will expire no later than the close of the 2020 Annual General Meeting.

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

Garry Dinnie

BCom, FCA, FAICD, FAIM

Independent Non-Executive Director

Garry was appointed a Director in February 2013. He is a Director & Chair of the Audit & Risk Committee of CareFlight Limited, Australian Settlements Limited and a Director of a number of private companies. He is also the Chair or member of a number of Audit & Risk Committees of NSW public sector and private sector entities. He was previously a partner with Ernst & Young for 25 years specialising in audit, advisory and IT services. Garry's current term will expire no later than the close of the 2022 Annual General Meeting.

Garry is currently Chair of Integrated Research's Audit & Risk Committee and Nomination & Remuneration Committee.

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

Peter Lloyd

MAICD

Independent Non-Executive Director

Peter was appointed Director in July 2010. He has over 45 years' experience on computing technology, having worked for both computer hardware and software providers. For the past 35 years, Peter has been specifically involved in the provision of payments solutions for banks and financial institutions. He is currently the proprietor of The Grayrock Group Pty Ltd, a management consultancy company focusing on the payments industry. Peter is a Non-Executive Director of privately held Taggle Pty Ltd. Peter has previously been a Non-Executive Director of Flamingo AI Limited (ASX: FGO) and a Non Executive Director of identitii Ltd (ASX:ID8). Peter's current term will expire no later than the close of the 2022 Annual General Meeting.

Peter is currently Chair of Integrated Research's Strategy Committee.

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

Anne Myers

MBA, GAICD

Independent Non-Executive Director

Anne was appointed a Director in July 2018. Ms. Myers has worked in the finance and technology industry for over 30 years with experience in business strategy, technology, digital innovation and operational functions. Anne is the former Chief Operating Officer and CIO of ING Direct Australia and has acted in executive technology and business roles for QBE, Macquarie Bank and St George Bank. She currently acts as an advisory board member to early phase technology innovators, is a director of both Defence Bank Limited and United Way Australia Limited and is a Council Member of the University of New England. Ms. Myers has also worked in the not for profit sector for United Way Australia, and was a member of the Industry Advisory Network for the University of Technology. Anne's current term will expire no later than the close of the 2021 Annual General Meeting.

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

Company Secretary

David Purdue

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

David was appointed Company Secretary in July 2012. David was also the Company's Global Commercial Manager until his retirement in July 2016. Prior to this, David spent three years at Integrated Research's Colorado office to manage the Americas finance operations. David is a Chartered Accountant and Chartered Secretary with over 30 years experience in both professional practice and industry.

Senior management

Peter Adams

B.Com, CA

Chief Financial Officer

Peter joined IR in March 2008 and is responsible for overseeing the Company's finance and administration, including regulatory compliance and investor relations. Peter is a Chartered Accountant with over 25 years experience. He has held a number of senior accounting and finance roles, including seven years as CFO with Infomedia (an ASX-listed technology company), six years with Renison Goldfields (ex ASX top 100 Resources Company) and two years with Transfield Pty Ltd. Peter's career began with Arthur Andersen, where he was responsible for managing large audit clients.

Matt Glasner

B.Eng (Hons), GAICD

Chief Commercial Officer

Matt joined IR in July 2018 and was appointed Chief Commercial Officer in January 2019. Matt is a seasoned business leader and Non-Executive Director with 20 years of successful sales, management and leadership experience. Matt's previous roles include Managing Director South APAC for First Advantage and Managing Director Experian Marketing Services ANZ. Matt brings solid strategic and tactical expertise across sales and marketing, operations, offshoring, organisational structure, change management and leadership. Matt graduated from the University of Birmingham, England with a Bachelor of Engineering (Honours) and is a Graduate of the Australian Institute of Company Directors.

Kevin Ryder

M.Mgt, MBA, GAICD

Chief Marketing and Product Officer

Kevin joined IR in October 2013 and is responsible for marketing and product strategy. He has extensive experience in the technology industry, including leadership roles in Europe, North America, Asia and Australia. Prior to joining IR, Kevin was the Enterprise Marketing Director at Microsoft and has previously held senior executive roles at KAZ Group, Attachmate and Eicon Technology. Kevin was ranked at number 18 by CMO Magazine in the 2015 CMO50 list, recognising Australia's most innovative chief marketing officers.

Michael Tomkins

Chief Technology Officer

Michael joined IR in September 2018 and is responsible for leading the development teams. Michael has deep expertise and a proven track record in building cloud platforms at scale, and is also a cyber security expert. Michael was formerly CEO of Deluxe Media Cloud and was CTO of FoxSports for 5 years where he transformed the business from an 'iron and airwaves' broadcaster of premium sports content, to a fully digital cloud-based service, delivering a flawless experience to millions of viewers.

Vanessa Walker

B.Bus

Chief People and Culture Officer

Vanessa joined IR in September 2017. Vanessa has extensive experience in both strategic and operational commercially driven HR roles, particularly in the technology sector with companies such as Experian, Hyperion, Sage and Hitachi Data Systems. This includes a strong focus on Talent Management, Culture and Employee Engagement across Asia Pacific through leadership of regional HR teams and globally via active participation in the organisations' global HR Councils.

The Directors present their report together with the Financial Statements of Integrated Research Limited ("the consolidated entity"), being the Company and its controlled entities, for the year ended 30 June 2020 and the Auditor's Report thereon.

Results

The net profit of the consolidated entity for the 12 months ended 30 June 2020 after income tax expense was $24.1 million.

Dividends

Dividends paid or declared by the Company since the end of the previous financial year were:

		Cents Per share	Total Amount $'000	Date of Payment
Final 2019 - Ordinary shares	100% franked	3.75	6,445	15 Oct 2019
Interim 2020 - Ordinary shares	100% franked	3.5	6,015	17 Apr 2020
Final 2020 - Ordinary shares	100% franked	3.75	6,445	15 Oct 2020

Events subsequent to reporting date

For dividends declared after 30 June 2020 see Note 23 in the financial statements. The financial effect of dividends declared and paid after 30 June 2020 has not been brought to account in the financial statements for the year ended 30 June 2020 and will be recognised in subsequent financial statements.

Future developments

Likely developments in the operations of the consolidated entity in future financial years and the expected results of those operations are referred to generally in the Review of Operations and Activities Report.

Further information on likely developments including expected results would be in the Directors' opinion, result in unreasonable prejudice to the Company and has therefore not been included in this Report.

Directors and Company Secretary

Details of current directors' qualifications, experience and special responsibilities are set out on pages 20 to 21. Details of the Company Secretary and his qualifications are set out on page 21.

Officers who were partners of the audit firm during the financial year

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

Directors' meetings

The numbers of meetings of the Company's Board of Directors and of each board committee held during the year ended 30 June 2020, and the numbers of meetings attended by each director were:

	Board Meetings		Audit and Risk Committee Meetings		Nomination and Remuneration Committee Meetings		Strategy Committee Meetings	
	A	B	A	B	A	B	A	B
Nick Abrahams	19	19	4	5	-	-	-	-
Paul Brandling	19	19	-	-	6	6	4	4
Garry Dinnie	19	19	5	5	6	6	-	-
Peter Lloyd	19	19	-	-	-	-	4	4
Anne Myers	19	19	5	5	5	5	4	4
John Ruthven	16	16	-	-	-	-	-	-

A: Number of meetings attended.

B: Number of meetings held during the time the Directors held office or was a member of the Board or committee during the year.

State of affairs

In the opinion of the Directors there were no significant changes in the state of affairs of the consolidated entity that occurred during the financial year under review.

Environmental regulation

The consolidated entity's operations are not subject to significant environmental regulations under either Commonwealth or State legislation.

Directors' interests

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

	Ordinary shares in Integrated Research			Options	Performance rights
	Directly held	Beneficially held	Total	Number of options	Number of rights
Paul Brandling	14,234	25,104	39,338	-	-
Nick Abrahams	-	13,446	13,446	-	-
Garry Dinnie	-	9,000	9,000	-	-
Peter Lloyd	-	27,000	27,000	-	-
Anne Myers	9,000	-	9,000	-	-
John Ruthven	-	-	-	-	152,438

Share options and performance rights

Options and performance rights granted to directors and key management personnel

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

	Number of performance rights granted	Performance hurdle	Exercise price	Expiry date
Directors				
John Ruthven	106,707	Yes	Nil	Aug 2022
	45,731	No	Nil	Aug 2022
Executive Officers				
Peter Adams	40,000	No	Nil	Aug 2022
	27,515	Yes	Nil	Aug 2022
Matt Glasner	44,811	Yes	Nil	Aug 2022

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

Unissued shares under performance rights

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

	Performance rights	
Expiry date	**Exercise price**	**Number of shares**
Aug 2020	Nil	70,000
Sep 2020	Nil	244,000
Feb 2021	Nil	40,000
Aug 2021	Nil	83,000
Oct 2021	Nil	148,000
Feb 2022	Nil	89,988
Aug 2022	Nil	378,705
Total performance rights		**1,053,693**

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

Indemnification and insurance of officers and auditors

Indemnification

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

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

Insurance

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

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

Remuneration report

The Company's Remuneration Report, which forms part of this Directors' Report, is on pages 27 to 39.

Corporate governance

A statement describing the Company's main corporate governance practices in place throughout the financial year is on pages 41 to 47.

Non-audit services

During the year Ernst and Young, the Company's auditor, has performed certain other services in addition to their statutory duties.

The Board has considered the non-audit services provided during the year by the auditor and in accordance with written advice provided by resolution of the Audit & Risk Committee, is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

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

A copy of the auditors' independence declaration as required under Section 307C of the Corporations Act is on page 90 and forms part of the Directors' Report.

Rounding of amounts to nearest thousand dollars

The Company is of a kind referred to in ASIC Corporations Instrument 2016/191 and in accordance with that Class order, amounts in the Financial Statements and the Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

This report is made in accordance with a resolution of the Directors.

Paul Brandling
Chairman

John Ruthven
Managing Director and Chief Executive Officer

Dated at North Sydney this 20th day of August 2020

Remuneration Report (audited)

1. Strategic priorities and link to remuneration objectives

The Company's remuneration strategy and remuneration framework are aligned with the Company's business strategy. Our remuneration framework is underpinned by our strategy to:

- Drive innovation and research and development activities on new platforms, particularly cloud-related platforms;
- Focus on growing and consolidating our footprint in key geographical markets; and
- Build strong and lasting alliances

The remuneration structures of the Company are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creating strong value and returns to shareholders. These remuneration structures are competitively set based on the remuneration principles including:

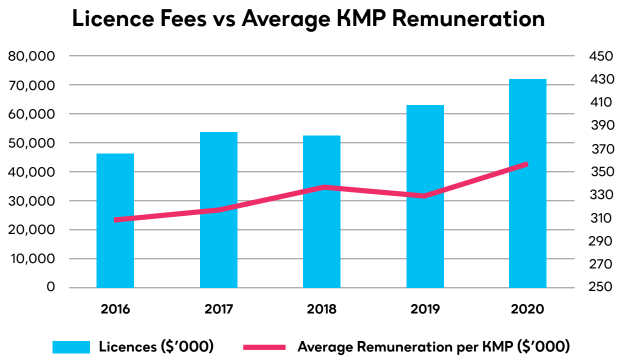
- Attract and retain top talented Key Management Personnel ("KMP")
- Alignment between remuneration reward with business strategy and driving shareholders' value/return
- Structure that is flexible in adapting to a changing environment
- Fair and equitable remuneration framework

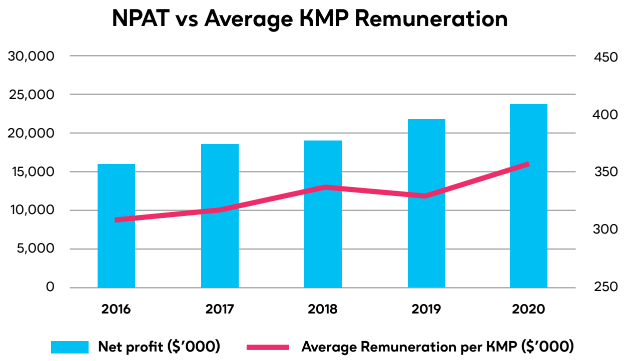
1. Relationship between remuneration and Company performance

In considering the Company's performance and benefits for shareholder wealth, the Nomination and Remuneration Committee (the "Committee") has regard to the following indices in respect of the current financial year and the previous four financial years:

Five-year selected financial indices of the Company

	2020	2019	2018	2017	2016
Licence fees ($'000)	**72,098**	62,774	52,591	53,441	45,725
Net profit after tax (NPAT) ($'000)	**24,054**	21,851	19,180	18,520	16,029
Dividends paid ($'000)	**12,460**	12,027	11,137	11,088	11,906
Closing share price	**$3.85**	$3.30	$3.11	$3.22	$2.25
Change in share price	**$0.55**	$0.19	($0.11)	$0.97	$0.56
Reported NPAT growth %	**10%**	14%	4%	16%	12%
Average KMP remuneration growth	**8%**	(2%)	6%	4%	2%





Two of the financial indices shown in the table above are Licence Fees and NPAT. The Committee considers these two financial performance metrics as Key Performance Indicators (KPIs) in setting the STI and LTI elements of the KMP remuneration package.

The graphs show a decrease in the average KMP remuneration for 2019 due to the resignation of the CEO and reversal of associated share-based payments expense. The CFO (Peter Adams) was placed as interim CEO from February 2019 until the commencement of the new CEO (John Ruthven) in July 2019.

The above charts show that the Executive KMP's remuneration framework has successfully driven performance and the creation of shareholder wealth over the longer term. In addition, it is evident that the Executives KMP's remuneration is aligned with overall Company performance. The Committee considers that the above performance-linked structure is generating the desired outcomes.

2. Persons included in the Remuneration Report

KMP, including directors, have authority and responsibility for planning, directing and controlling the activities of the Company and the consolidated entity. The following were KMP of the Company at any time during the reporting period, and unless otherwise indicated were KMP for the entire period:

2.1. Executive KMP

As of the current year, the Committee assessed the Executive KMP to include the following executive roles.

Executive KMP	Role	Appointed
John Ruthven	Chief Executive Officer and Managing Director	July 2019 as Chief Executive Officer September 2019 as Managing Director
Peter Adams	Chief Financial Officer	March 2008
Matt Glasner	Chief Commercial Officer	January 2019

The Chief Commercial Officer (CCO) role was a newly created position in January 2019 reporting directly to the CEO with the regional leadership reporting into the CCO. As a result, the previous roles of Senior Vice President Asia Pacific and President Americas & VP European Field Operations ceased to be KMP. Further, upon the appointment of the new CEO in July 2019, the role of Chief Marketing and Customer Officer (held by Kevin Ryder) was deemed not to be KMP based upon delegated authority remits.

2.2. Independent Non-Executive Directors

Directors	Role	Appointed
Paul Brandling	Independent Non-Executive Director and Chairman	Director from August 2015 Chairman from November 2018
Nick Abrahams	Independent Non-Executive Director	September 2014
Garry Dinnie	Independent Non-Executive Director	February 2013
Peter Lloyd	Independent Non-Executive Director	July 2010
Anne Myers	Independent Non-Executive Director	July 2018

3. Executive remuneration

3.1. Remuneration framework

The remuneration framework set out below considers the capability and experience of the KMP, their ability to control business performance, and the Company's performance.

	Fixed remuneration	Short-term incentive (STI)	Long-term incentive (LTI)
Description of components	Base salary plus superannuation and any fringe benefits such as motor vehicles.	The STI is an "at risk" bonus provided in the form of cash.	The LTI is provided as either options or performance rights over ordinary shares of the Company under the rules of the Integrated Research Performance Rights and Option Plan ("IRPROP").
Objectives	To ensure that KMP remuneration is competitive in the marketplace.	The measures are chosen as they directly align the individual KMP's reward to the KPIs of the Company and to its strategy and performance.	The IRPROP enables Company to offer performance rights or options to eligible employees to obtain Company's shares at no cost upon meeting certain performance conditions that reflect long-term performance of the Company.
KPIs	N/A	The KPIs vary with position and responsibility and are aligned with each respective year's budget. Financial KPIs include: • NPAT • Licence revenue • Total revenue In addition to the above, non-financial KPIs exist and vary with the KMP position. Refer to section 3.2 for further details.	NPAT is currently considered the most appropriate performance hurdle given its intrinsic link to creating shareholder wealth. Performance hurdles are tested at each vesting date.
Performance period	N/A	Annual	3 years for performance rights
Alignment to strategy	Fixed remuneration is set to ensure the KMP's remuneration is competitive in the marketplace to attract and retain KMP with the necessary skills and experience. Remuneration levels are reviewed annually through a process that considers individual and overall performance of the Company.	Executive KMP are rewarded for delivering the Company's financial performance based on NPAT, Licence fees or Total revenue KPIs. Executive KMP are also set appropriate non-financial KPIs with appropriate stretch goals. KPIs are aligned to strategic goals and creation of shareholder value.	The ability of Executive KMP to exercise either options or performance rights is conditional on the Company achieving certain NPAT performance hurdles over the vesting period. This sets a link between the long-term performance of the Company and shareholder value. The use of NPAT encourages the focus on driving shareholder returns, while the Company's trading share price drives the intrinsic value of the options and performance rights.

3.2. Short-term incentives

The Committee is responsible for setting the KPIs for the Chief Executive Officer (CEO), and for approving the KPIs for the other Executive KMP who report to the CEO. The KPIs generally include measures relating to the Company and the individual, and include financial, people, customer and strategy. The measures are chosen as they directly align the individual KMP's reward to the KPIs of the Company and its strategy and performance. At the end of the financial year, the Committee assesses the actual performance of the CEO against the KPIs set at the beginning of the financial year. A percentage of the predetermined maximum amounts for each KPI is awarded depending on results. The Committee recommends the cash incentive to be paid to the CEO for approval by the Board. The maximum stretch overperformance for each KMP is limited to 110%.

CEO and Managing Director KPIs and 2020 performance outcome

Performance metrics	Payment eligibility criteria	2020 performance outcome/ payout
Financial (60% weighting)		
NPAT	Sliding scale based on meeting or exceeding certain target threshold	
Licence Revenue	Sliding scale based on meeting or exceeding certain target threshold	
Total Revenue	Sliding scale based on meeting or exceeding certain target threshold	
Financial goal achievement		59%
Non-financial (40% weighting)		
Strategic growth	Activity driven performance measurement	
Employee engagement	Sliding scale based on meeting or exceeding certain target threshold	
Customer NPS	Sliding scale based on meeting or exceeding certain target threshold	
Non-Financial goal achievement		27%
Total achievement		**86%**

CFO KPIs and 2020 performance outcome

Performance metrics	Payment eligibility criteria	2020 performance outcome/ payout
Financial (45% weighting)		
NPAT	Sliding scale based on meeting or exceeding certain target threshold	
Licence Revenue	Sliding scale based on meeting or exceeding certain target threshold	
Financial goal achievement		45%
Non-Financial (55% weighting)		
Strategic Growth	Activity driven performance measurement	
Employee engagement	Sliding scale based on meeting or exceeding certain target threshold	
Process Efficiency	Activity driven performance measurement	
Risk Management	Activity driven performance measurement	
Non-Financial goal achievement		47%
Total achievement		**92%**

CCO KPIs and 2020 performance outcome

Performance metrics	Payment eligibility criteria	2020 performance outcome/ payout
Financial (73% weighting)		
NPAT	Sliding scale based on meeting or exceeding certain target threshold	
Licence Revenue	Sliding scale based on meeting or exceeding certain target threshold	
Professional Services Revenue	Sliding scale based on meeting or exceeding certain target threshold	
Total Revenue	Sliding scale based on meeting or exceeding certain target threshold	
Financial goal achievement		72%
Non-Financial (27% weighting)		
Employee engagement	Sliding scale based on meeting or exceeding certain target threshold	
Customer growth	Specified percentage per customer	
Customer NPS	Sliding scale based on meeting or exceeding certain target threshold	
Non-Financial goal achievement		19%
Total achievement		**91%**

3.3. Long-term incentive (LTI)

LTI remuneration at the Company is made up of Performance Rights under the IRPROP, which is made up of service conditions and varying performance conditions by KMP.

Feature	Description
Value	The value of the LTIs issued each year is typically set at 15% to 30% of total remuneration. It is determined each year in accordance with the IRPROP at the absolute discretion of the Board.
Entitlement	Each LTI entitles the performance rights to one Company share in the future, which will be exercised within the period specified by the Board in the Invitation Letter, for no consideration.
Performance period	The performance period of the LTIs is three years, starting from the grant date and extends for a three-year period to a specific vesting date. Each KPI is assessed annually and at the end of the three-year performance period. Annual performance rights are offered with performance measures as referenced below. From time to time performance rights are offered with a service only condition that may be required in particular circumstances. Performance rights with service only conditions were offered to the CFO upon his conclusion as Interim CEO. Performance rights with service only conditions were offered to the CEO upon his commencement with the Company. In relation to the LTI granted in 2020, their performance measures are presented below:

Performance measures	Performance period	Testing period
Diluted Earnings Per Share (DEPS)	3 years	Annually
Compound Annual Growth Rate (CAGR)	3 years	3 years

3.4. Detail of executive remuneration and service conditions

Features	CEO and Managing Director	CFO	CCO
Fixed Remuneration	$550,000	$350,000	$475,000
Short Term Incentive	$250,000	$120,000	$250,000
Contract term	No specified end date	No specified end date	No specified end date
Termination notice by Individual/Company	6 months	3 months	3 months
Employment termination	All unvested LTIs are forfeited	All unvested LTIs are forfeited	All unvested LTIs are forfeited

4. Non-executive Director remuneration

4.1. Board and Committee Structure

The Board and Committees are structured as follows:

	Director	Board	Audit & Risk Committee	Nomination & Remuneration Committee	Strategy Committee
Non-Executive & Independent Directors	Paul Brandling	✓ (Chair)		✓	✓
	Nick Abrahams	✓	✓		
	Garry Dinnie	✓	✓ (Chair)	✓ (Chair)	
	Peter Lloyd	✓			✓ (Chair)
	Anne Myers	✓	✓	✓	✓
Executive Director	John Ruthven	✓			

4.2. Non-Executive Director fees

Directors' fees cover all main Board activities and committee membership. Directors can elect to salary sacrifice their director's fees into superannuation. Non-executive Directors do not receive performance-related compensation or retirement benefits. The total remuneration pool for all Non-executive Directors is not to exceed $750,000 per annum, which the Shareholders last voted upon at the Annual General Meeting in November 2013.

Non-executive Director fees

Board/Committee	Position	Per Position	Aggregate
Board	Fee for a Member	$90,000	$450,000
Board	Fee for role as Chair	$90,000	$90,000
Audit & Risk Committee	Fee for role as Chair	$10,000	$10,000
Nomination and Remuneration Committee	Fee for role as Chair	$10,000	$10,000
Strategy Committee	Fee for role as Chair	$10,000	$10,000
Total fees for Non-executive Directors			**$570,000**

5. Statutory remuneration

5.1. Directors' and Executive KMP's remuneration

Details of the nature and amount of each major element of the remuneration of each of the KMP are reported below.

	Short term			Post-employment	Long term	Share-based payments	Other compensation		Proportion of remuneration	
For the year ended 30 June 2020 (in AUD)	**Salary & fees $**	**Bonus $**	**Non-cash Benefits $**	**Super-annuation Contribution $**	**Long service leave $**	**Value of rights[1] $**	**Termination Benefit $**	**Total $**	**Performance-related**	**Value of rights**
Executive KMP										
Peter Adams[3]	328,926	110,584	3,399	21,003	7,735	183,183	-	654,830	17%	28%
Matt Glasner	453,997	227,201	-	21,003	11,708	49,121	-	763,030	30%	6%
Directors										
Executive										
John Ruthven	518,825	215,952	-	21,003	12,601	96,250	-	864,631	25%	11%
Non-executive										
Paul Brandling	164,384	-	-	15,616	-	-	-	180,000	0%	0%
Nick Abrahams	82,192	-	-	7,808	-	-	-	90,000	0%	0%
Garry Dinnie	100,457	-	-	9,543	-	-	-	110,000	0%	0%
Peter Lloyd	91,324	-	-	8,676	-	-	-	100,000	0%	0%
Anne Myers	82,192	-	-	7,808	-	-	-	90,000	0%	0%
Total compensation	1,822,297	553,737	3,399	112,460	32,044	328,554	-	2,852,491		

1) The estimated value of options and performance rights disclosed is calculated at the date of grant using the Black-Scholes methodology, adjusted to consider the inability to exercise options during the vesting period.

2) No director or executive appointed during the year received a payment as part of his or her consideration for agreeing to hold the position.

3) 'Salaries & fees' include remuneration for Interim CEO position held to 8 July 2019.

	Short term			Post-employment	Long term	Share-based payments	Other compensation		Proportion of remuneration	
For the year ended 30 June 2019 (in AUD)	**Salary & fees $**	**Bonus $**	**Non-cash Benefits $**	**Superannuation Contribution $**	**Long service leave $**	**Value of rights[1] $**	**Termination Benefit $**	**Total $**	**Performance-related**	**Value of rights**
Executive KMP										
Peter Adams	390,973	129,111	4,532	20,531	9,089	73,248	-	627,484	21%	12%
Jason Barker[2]	190,639	70,157	-	11,638	-	24,899	-	297,333	24%	8%
Andre Cuenin[2]	192,715	277,993	15,106	1,922	-	(1,136)	42,281	528,881	53%	0%
Matt Glasner[2]	229,734	120,178	-	10,266	6,005	7,385	-	373,568	32%	2%
Kevin Ryder	280,369	100,948	-	20,531	6,700	24,539	-	433,087	23%	6%
Directors										
Executive										
John Merakovsky[2]	308,113	83,334	-	11,977	6,726	(341,299)	24,267	93,118	89%	0%
Non-executive										
Paul Brandling	150,685	-	-	14,315	-	-	-	165,000	0%	0%
Steve Killelea[2]	58,506	-	-	5,558	-	-	-	64,064	0%	0%
Nick Abrahams	82,192	-	-	7,808	-	-	-	90,000	0%	0%
Garry Dinnie	100,457	-	-	9,543	-	-	-	110,000	0%	0%
Peter Lloyd	88,280	-	-	8,387	-	-	-	96,667	0%	0%
Anne Myers[2]	79,390	-	-	7,542	-	-	-	86,932	0%	0%
Total compensation	2,152,053	781,721	19,638	130,018	28,520	(212,364)	66,548	2,966,134		

1) Negative figure reflects lapsing and/or forfeiture of performance rights during the financial year.
2) Reflects remuneration for the period the individual was determined to be Key Management Personnel only.

6. Actual remuneration received - Executive KMP

The table below reflects the actual remuneration received by the Executive KMP for the financial year ended 30 June 2020. The values presented below may differ from the statutory remuneration disclosed in section 5. The statutory disclosures are prepared in accordance with the Australian Accounting Standards, including share-based payments valuation and accounting, which may not always represent what the Executive KMP have received.

	Short term			Post-employment	Long term	LTI	Other compensation	
For the year ended 30 June 2020 (in AUD)	**Salary & fees $**	**Bonus[1] $**	**Non-cash Benefits $**	**Super-annuation Contribution $**	**Long service leave $**	**Value of Performance rights[2] $**	**Termination Benefit $**	**Total $**
John Ruthven	518,825	215,952	-	21,003	-	-	-	755,780
Peter Adams	328,926	110,584	3,399	21,003	-	-	-	463,912
Matt Glasner	453,997	227,201	-	21,003	-	-	-	702,201

Notes

1) Bonus received or receivable for the financial year ended 30 June 2020.

2) Value of the performance rights is calculated based on the fair value of the vested rights at the vesting date.

7. Additional statutory disclosures

7.1. Equity Instruments

All options refer to options over ordinary shares of Integrated Research Limited, which are exercisable on a one-for-one basis under the Employee Share Option Plan (ESOP). No options have been granted to named executives either during or since the end of the financial year. Performance rights granted as compensation are listed in the table below.

7.2. Analysis of rights over equity instruments granted as compensation

	Performance rights granted						Value yet to vest or value vested ($)	
	Number	Date	Fair value per share ($)	Percent vested in year	Percent forfeited in year (A)	Financial year in which grant expires	Min (B)	Max (C)
Executive KMP								
John Ruthven	106,707	Nov-19	2.87	-	-	2023	nil	305,715
	45,731	Nov-19	2.87	-	-	2023	nil	131,019
Peter Adams	20,000	Sep-17	3.18	-	-	2021	nil	63,558
	22,000	Sep-18	2.27	-	-	2022	nil	49,823
	67,988	Jan-19	2.29	-	-	2022	nil	155,418
	40,000	Feb-19	2.28	-	-	2021	nil	91,352
	40,000	Aug-19	2.48	-	-	2023	nil	99,200
	27,515	Sep-19	2.80	-	-	2023	nil	77,097
Matt Glasner	22,000	Jan-19	2.29	-	-	2022	nil	50,291
	44,811	Sep-19	2.80	-	-	2023	nil	125,560

Notes

(A) The percentage forfeited in the year represents the reduction from the maximum number of performance rights available to vest due to the performance hurdles not being achieved or due to the resignation of the executive.

(B) The minimum value of performance rights yet to vest is $nil as the executives may not achieve the required performance hurdles or may terminate their employment prior to vesting.

(C) The maximum values presented above are based on the values calculated using the Black-Scholes methodology as applied in estimating the value of performance rights for employee benefit expense purposes.

7.3. Performance rights over equity instruments granted as compensation

The movement during the reporting year in the number of performance rights over ordinary shares in the Company held, directly, indirectly or beneficially, by each KMP, including their related parties, is as follows:

For the year ended 30 June 2020	Held at 1 July 2019	Granted as compensation	Exercised	Other changes	Held at 30 June 2020	Vested during the year	Vested and exercised at 30 June 2020
Executive KMP							
Peter Adams	149,988	67,515	-	-	217,503	-	-
John Ruthven	-	152,438	-	-	152,438	-	-
Matt Glasner	22,000	44,811	-	-	66,811	-	-

For the year ended 30 June 2019	Held at 1 July 2018	Granted as compensation	Exercised	Other changes1	Held at 30 June 2019	Vested during the year	Vested and exercised at 30 June 2019
Executive KMP							
John Merakovsky[2]	210,000	-	-	(210,000)	-	-	-
Peter Adams	20,000	129,988	-	-	149,988	-	-
Jason Barker[2]	110,000	20,000	-	(60,000)	70,000	-	-
Andre Cuenin[2]	75,000	22,000	(50,000)	(47,000)	-	50,000	50,000
Matt Glasner	-	22,000	-	-	22,000	-	-
Kevin Ryder	15,000	15,000	-	-	30,000	-	-

Notes

1) Other changes represent performance rights that expired or were forfeited during the year

2) 'Held 30 June 2019' value represents holding on last day as Key Management Personnel

Performance rights expire on the earlier of their expiry date or termination of the individual's employment.

7.4. Movement in shares

The movement during the reporting period in the number of ordinary shares in the Company held, directly, indirectly or beneficially, by each KMP, including their related parties, is as follows:

For the year ended 30 June 2020	Held at 1 July 2019	Purchases	Received on exercise of performance rights	Other changes	Sales	Held at 30 June 2020
Executive KMP						
Peter Adams	10,000	-	-	-	-	10,000
Directors						
Non-executive						
Paul Brandling	35,306	4,032	-	-	-	39,338
Nick Abrahams	13,446	-	-	-	-	13,446
Garry Dinnie	9,000	-	-	-	-	9,000
Peter Lloyd	27,000	-	-	-	-	27,000
Anne Myers	-	9,000	-	-	-	9,000

For the year ended 30 June 2019	Held at 1 July 2018	Purchases	Received on exercise of performance rights	Other changes	Sales	Held at 30 June 2019
Executive KMP						
Peter Adams	10,000	-	-	-	-	10,000
Andre Cuenin	-	-	50,000	-	-	50,000
Kevin Ryder	35,000	-	-	-	-	35,000
Directors						
Non-Executive						
Paul Brandling	10,202	25,104	-	-	-	35,306
Nick Abrahams	5,042	8,404	-	-	-	13,446
Garry Dinnie	2,000	7,000	-	-	-	9,000
Steve Killelea[1]	68,193,231	-	-	-	-	68,193,231
Peter Lloyd	2,000	25,000	-	-	-	27,000

Notes
1) 'Held 30 June 2019' value represents holding on last day as Key Management Personnel

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

7.5. Other Transactions with KMP

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

There were no other transactions between the KMP, or their personally related entities, and the Company.

8. About this report

8.1. Basis for preparation of 2020 remuneration report

The information in this Remuneration Report has been prepared based on the requirements of the Corporations Act 2001 and applicable accounting standards. The Remuneration Report is designed to provide shareholders with a clear and detailed understanding of the Company's remuneration framework, and the link between our remuneration policies and Company performance. The Remuneration Report details the remuneration framework for the Company's KMP. This report has been audited.

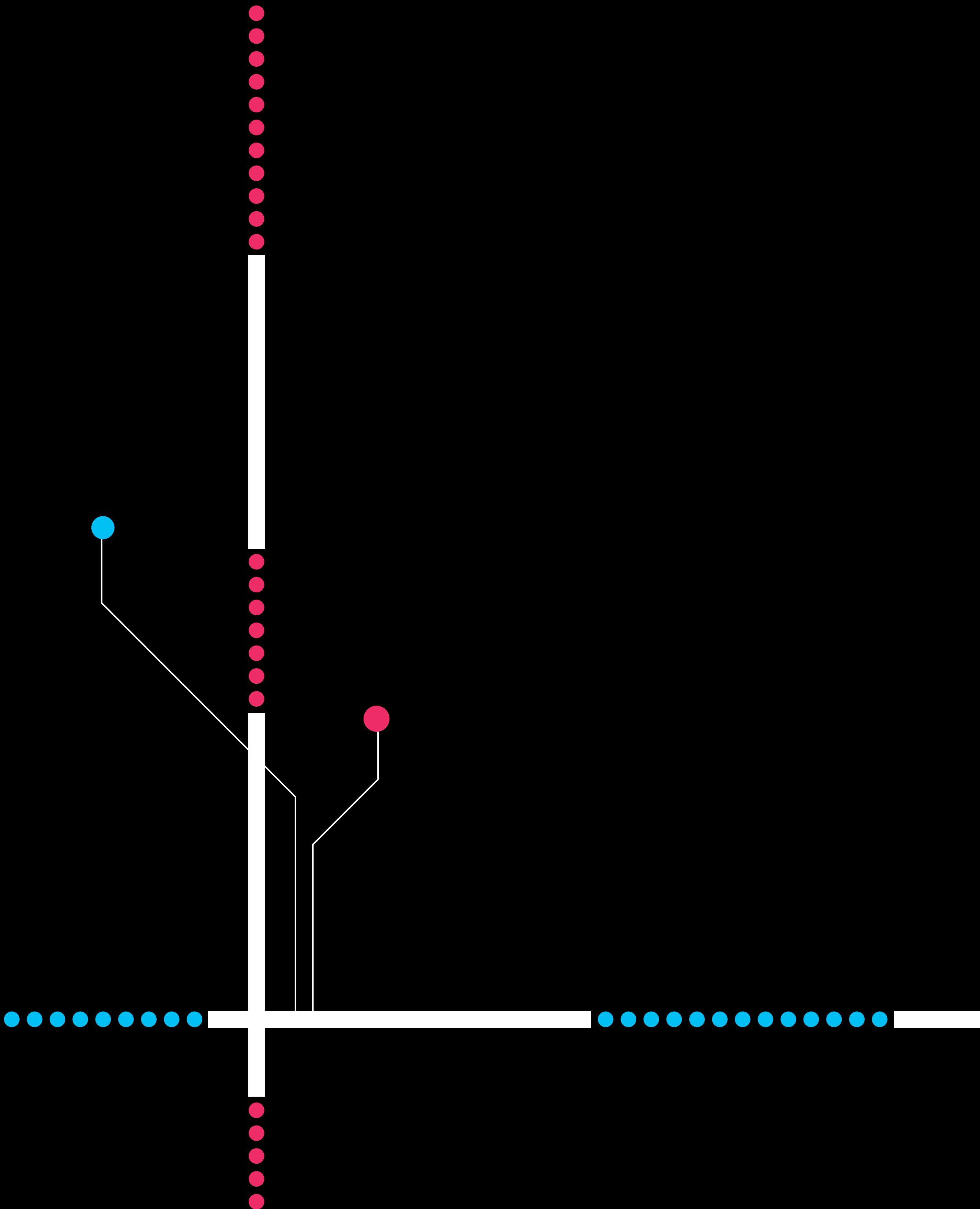
8.2. Remuneration Governance

The Committee is responsible for developing the remuneration framework for IR's Executives and making recommendations related to remuneration to the Board. The Committee develops the remuneration philosophy and policies for Board approval.

The responsibilities of the Committee are outlined in their Charter, which is reviewed annually by the Board. The key responsibilities of the Committee include:

- Advising the Board on IR's policy for Executive and Director remuneration
- Making recommendations to the Board on the remuneration arrangements for Executives and Directors to ensure they are aligned with IR's vision and are set competitively to the market
- Approving KMP terms of employment

In making recommendations to the Board, the Committee reviews the appropriateness of the nature and amount of remuneration to Executives and Non-executive Directors on an annual basis. In carrying out its duties, the Committee can engage external advisors who are independent of management.



Corporate governance statement

Contents

This statement outlines the main corporate governance practices that were in place throughout the financial year, which comply with the ASX Corporate Governance Council recommendations, unless otherwise stated.

Board of Directors and its committees

Role of the Board

The Board's primary role is the protection and enhancement of long-term shareholder value.

To fulfil this role, the Board is responsible for the overall corporate governance of the consolidated entity including evaluating and approving its strategic direction, approving and monitoring capital expenditure, setting remuneration, appointing, removing and creating succession policies for directors and senior executives, establishing and monitoring the achievement of management goals and assessing the integrity of internal control and management information systems. It is also responsible for approving and monitoring financial and other reporting.

Board process

To assist in the execution of its responsibilities, the Board has established a number of board committees including a Nomination and Remuneration Committee, an Audit and Risk Committee and a Strategy Committee. These committees have written mandates and operating procedures, which are reviewed on a regular basis. The Board has also established a framework for the management of the consolidated entity including board-endorsed policies, a system of internal control, a business risk management process and the establishment of appropriate ethical standards.

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

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

Director education

The consolidated entity follows an induction process to educate new directors about the nature of the business, current issues, the corporate strategy and expectations of the consolidated entity concerning performance of directors. In addition executives make regular presentations to the Board to ensure its familiarity with operational matters. Directors are expected to access external continuing education opportunities to update and enhance their skills and knowledge.

Independent advice and access to company information

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

Composition of the Board

The names of the Directors of the Company in office at the date of this report are set out on pages 20 to 21 of this report. Director profiles are also provided on the Company's website: **www.ir.com**.

The Company's constitution provides for the Board to consist of between three and twelve members. At 30 June 2020 the Board members were comprised as follows:

- Mr Paul Brandling - Independent Non-Executive Director (Chairman)
- Mr John Ruthven - Chief Executive Officer and Managing Director
- Mr Nick Abrahams - Independent Non-Executive Director
- Mr Garry Dinnie - Independent Non-Executive Director
- Mr Peter Lloyd - Independent Non-Executive Director
- Ms Anne Myers - Independent Non-Executive Director

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

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

The Company Secretary is accountable directly to the Board, through the chair, on all matters to do with the proper functioning of the Board.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee has a documented charter, approved by the Board. The Nomination and Remuneration Committee is a committee of the Board of Directors and is empowered by the Board to assist it in fulfilling its duties to shareholders and other stakeholders. In general, the committee has responsibility to: 1) ensure the Company has appropriate remuneration policies designed to meet the needs of the Company and to enhance corporate and individual performance and 2) review board performance, select and recommend new directors to the Board and implement actions for the retirement and re-election of directors. The Nomination and Remuneration Committee Charter may be viewed on the Company's website: **www.ir.com**.

Responsibilities Regarding Remuneration

The Committee reviews and makes recommendations to the Board on:

- The appointment, remuneration, performance objectives and evaluation of the Chief Executive Officer.
- The remuneration packages for senior executives.
- The Company's recruitment, retention and termination policies and procedures for senior executives.
- Executive remuneration and incentive policies.
- Policies on employee incentive plans, including equity incentive plans.
- Superannuation arrangements.
- The remuneration framework and policy for non-executive directors.
- Remuneration levels are competitively set to attract and retain the most qualified and experienced directors and senior executives. The Remuneration Committee obtains independent advice on the appropriateness of remuneration packages, given trends in comparative companies and industry surveys. Remuneration packages include a mix of fixed remuneration, performance-based remuneration and equity-based remuneration.

Responsibilities Regarding Nomination

The Committee develops and makes recommendations to the Board on:

- The CEO and senior executive succession planning.
- The range of skills, experience and expertise needed on the Board and the identification of the particular skills, experience and expertise that will best complement board effectiveness.
- A plan for identifying, reviewing, assessing and enhancing director competencies.
- Board succession plans to maintain a balance of skills, experience and expertise on the Board.
- Evaluation of the Board's performance.
- Appointment and removal of directors.
- Appropriate composition of committees.

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

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

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

- Mr Garry Dinnie - Independent Non-Executive Director (Chairman)
- Mr Paul Brandling - Independent Non-Executive Director
- Ms Anne Myers - Independent Non-Executive Director (member from 21 August 2019)

During the period 1 July 2019 to 20 August 2019 the Company did not comply with the ASX Corporate Governance Council recommendation that the committee consist of three members, a majority of whom should be independent directors. The Board appointed Ms Anne Myers to the Nomination and Remuneration Committee on 21 August 2019.

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

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

Audit and Risk Committee

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

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

- Mr Garry Dinnie - Independent Non-Executive (Chairman)
- Mr Nick Abrahams - Independent Non-Executive Director
- Ms Anne Myers - Independent Non-Executive Director

During the year, the Audit and Risk Committee provided the Board with updates to the Company's risk management register (with the Board approving this document). In accordance with the Audit and Risk Charter, the Committee undertook a competitive tender process for the Company's external audit with three leading accounting firms. The outcome was that the incumbent auditor, Ernst & Young, was the successful candidate and will therefore continue as the Company's external auditor.

The external auditor, Chief Executive Officer and Chief Financial Officer are invited to Audit and Risk Committee meetings at the discretion of the committee. The committee met five times during the year and committee members' attendance record is disclosed in the table of directors' meetings on page 24.

The external auditor met with the audit committee/board four times during the year, two of which included time without the presence of executive management. The Chief Executive Officer and the Chief Financial Officer declared in writing to the Board that the Company's financial reports for the year ended 30 June 2020 comply with accounting standards and present a true and fair view, in all material respects, of the Company's financial condition and operational results.

The main responsibilities of the Audit and Risk Committee as set out in the charter include:

- Serve as an independent party to monitor the financial reporting process and internal control systems.
- Review the performance and independence of the external auditors and make recommendations to the Board regarding the appointment or termination of the auditors.
- Review the scope and cost of the annual audit, negotiating and recommending the fee for the annual audit to the Board.

- Review the external auditor's management letter and responses by management.
- Provide an avenue of communication between the auditors, management and the Board.
- Monitor compliance with all financial statutory requirements and regulations.
- Review financial reports and other financial information distributed to shareholders so that they provide an accurate reflection of the financial health of the Company.
- Monitor corporate risk management and assessment processes, and the identification and management of strategic and operational risks.
- Enquire of the auditors of any difficulties encountered during the audit, including any restrictions on the scope of their work, access to information or changes to the planned scope of the audit.

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

- To discuss the external audit plans, identifying any significant changes in structure, operations, internal controls or accounting policies likely to impact the financial statements and to review the fees proposed for the audit work to be performed.

Prior to announcement of results:

- To review the half-year and preliminary final report prior to lodgement with the ASX, and any significant adjustments required as a result of the auditor's findings.
- To recommend the Board approval of these documents.
- Review the results and findings of the auditor, the adequacy of accounting and financial controls, and to monitor the implementation of any recommendations made.

To finalise half-year and annual reporting:

- Review the draft financial report and recommend board approval of the financial report.
- As required, to organise, review and report on any special reviews or investigations deemed necessary by the Board.

Strategy Committee

The Strategy Committee has a documented charter, approved by the Board and is responsible for reviewing strategy and recommending strategies to the Board to enhance the Company's long-term performance. The Board appoints a member of the committee to be chairman.

The members of the Strategy Committee during the year were:

- Mr Peter Lloyd - Independent Non-Executive (Chairman)
- Mr Paul Brandling - Independent Non-Executive
- Ms Anne Myers - Independent Non-Executive Director

The Strategy Committee is responsible for:

- Reviewing and assisting in defining current strategy.
- Assessing new strategic opportunities, including M&A proposals and intellectual property developments or acquisitions.
- Staying close to the business challenges and monitor operational implementation of strategic plans.
- Endorsing strategy and business cases for consideration by the full Board.

The Committee met four times during the year under review.

Risk management

Under the Audit and Risk Charter, the Audit and Risk Committee reviews the status of business risks to the consolidated entity through integrated risk management programs ensuring risks are identified, assessed and appropriately managed and communicated to the Board. Major business risks arise from such matters as actions by competitors, government policy changes and the impact of exchange rate movements. The Audit and Risk Committee Charter may be viewed on the Company's website: **www.ir.com**.

Comprehensive policies and procedures are established such that:

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

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

Internal control framework

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

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

Internal Audit

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

Material Exposure to economic, environmental and social sustainability risks

Exposure to economic, environment and social sustainability risks for the Company are routinely examined through the risk management framework, overseen by the Audit and Risk Committee. The Company considers risk in the conduct of its operations and outlines exposure to specific economics and operating risk in the notes to the financial statements. With the exception of the current pandemic, there was no material exposure to environmental or social sustainability risks during the period.

Ethical standards

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

Conflict of interest

Each Director must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. Where the Board considers that a significant conflict exists the Director concerned does not receive the relevant board papers and is not present at the meeting whilst the item is considered. The Board has developed procedures to assist directors to disclose potential conflicts of interest. Details of director related entity transactions with the consolidated entity are set out in Remuneration report page 27 to 39.

Code of conduct

The consolidated entity has advised each director, manager and employee that they must comply with the code of conduct. The code aligns behaviour of the Board and management with the code of conduct by maintaining appropriate core values and objectives.

The Code of Conduct may be viewed on the Company's website and includes:

- Responsibility to the community and fellow employees to act with honesty and integrity, and without prejudice.
- Compliance with laws and regulations in all areas where the Company operates, including employment opportunity, occupational health and safety, trade practices, fair dealing, privacy, drugs and alcohol, and the environment.
- Dealing honestly with customers, suppliers and consultants.
- Ensuring reports and other information are accurate and timely.
- Proper use of company resources, avoidance of conflicts of interest and use of confidential or proprietary information.

Equal Employment Opportunity

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

Trading in company securities by directors and employees

Directors and employees may acquire shares in the Company, but are prohibited from dealing in company shares whilst in possession of price sensitive information, and except in the periods:

- From 24 hours to 56 days after the release of the Company's half-yearly results announcement.
- From 24 hours to 56 days after release of the Company's annual results announcement.
- Directors must obtain the approval of the Chairman of the Board and notify the Company Secretary before they buy or sell shares in the Company, subject to board veto. The company advises the ASX of any transactions conducted by directors in shares in the Company. The Company's Trading in Securities policy may be viewed on the Company's website: **www.ir.com**.

Participants in the Company's Performance Rights program are specifically prohibited to hedge the exposure to the Integrated Research share price during the vesting period in respect of the unvested performance rights. For the purposes of this policy, hedging includes the entry into any transaction, arrangement or financial product which operates to limit the economic risk of a security holding In the Company and includes financial instruments such as equity swaps and contracts for differences.

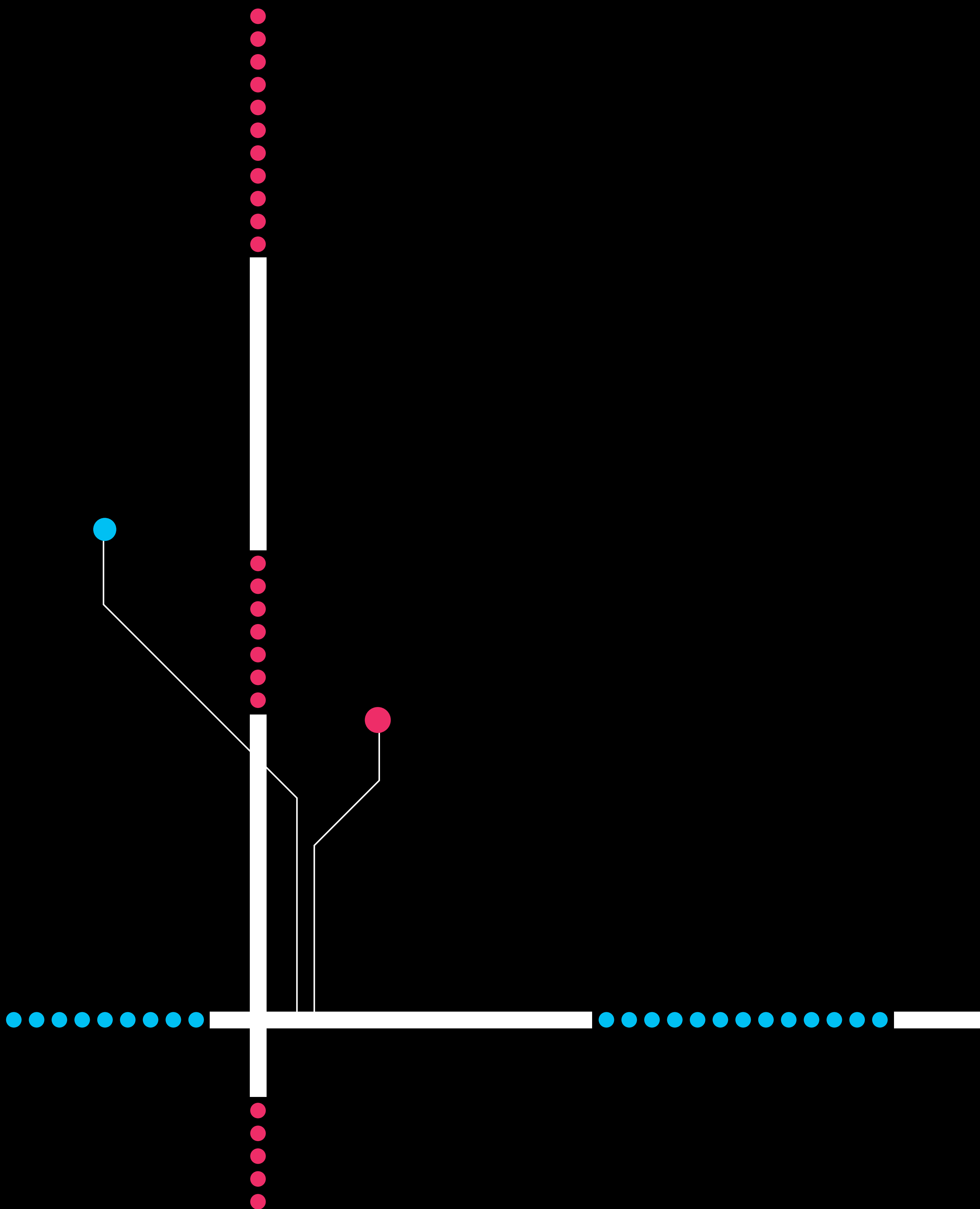
Communication with shareholders

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

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

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

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



Financials

Contents

Consolidated statement of comprehensive income

For the year ended 30 June 2020

		Consolidated	
In thousands of AUD	**Notes**	**2020**	**2019**
Revenue from contracts with customers			
Licence fees		**72,098**	62,774
Maintenance fees		**23,945**	24,995
SaaS fees		**697**	669
Testing solution services		**5,543**	4,995
Professional services		**8,630**	7,387
Total revenue	3	**110,913**	100,820
Expenditure			
Research and development expenses		**(17,388)**	(17,888)
Sales, professional services and marketing expenses		**(54,560)**	(49,787)
General and administration expenses		**(6,232)**	(5,557)
Total expenditure	4	**(78,180)**	(73,232)
Other gains and (losses)	5	**(1,868)**	1,312
Profit before finance income and tax		**30,865**	28,900
Finance income	6	**606**	747
Profit before tax		**31,471**	29,647
Income tax expense	8	**(7,417)**	(7,796)
Profit for the year		**24,054**	21,851
Other comprehensive income			
Items that may be reclassified subsequently to profit			
Gain/(loss) on cash flow hedge taken to equity		**51**	95
Foreign exchange translation differences		**337**	749
Other comprehensive income		**388**	844
Total comprehensive income for the year		**24,442**	22,695
Profit attributable to:			
Members of Integrated Research		**24,054**	21,851
Total comprehensive income attributable to:			
Members of Integrated Research		**24,442**	22,695
Earnings per share attributable to members of Integrated Research:			
Basic earnings per share (AUD cents)	9	**14.00**	12.72
Diluted earnings per share (AUD cents)	9	**13.94**	12.70

The consolidated statement of comprehensive income is to be read in conjunction with the notes to the financial statements set out on pages 54 to 82.

Consolidated statement of financial position

As at 30 June 2020

In thousands of AUD	Notes	Consolidated 2020	Consolidated 2019
Current assets			
Cash and cash equivalents	10	**9,744**	9,316
Trade and other receivables	11	**57,853**	51,378
Current tax assets		**64**	222
Other current assets	12	**2,963**	3,133
Total current assets		**70,624**	64,049
Non-current assets			
Trade and other receivables	11	**29,399**	21,389
Other financial assets	13	**236**	236
Property, plant and equipment	14	**1,883**	2,631
Right-of-use assets	21	**6,367**	-
Deferred tax assets	15	**1,404**	1,286
Intangible assets	16	**29,052**	23,101
Other non-current assets	12	**872**	829
Total non-current assets		**69,213**	49,472
Total assets		**139,837**	113,521
Current liabilities			
Trade and other payables	18	**10,213**	9,797
Provisions	20	**3,852**	3,197
Income tax liabilities		**2,192**	1,638
Deferred revenue		**20,767**	21,410
Lease liabilities	21	**1,372**	-
Other financial liabilities	22	**37**	139
Total current liabilities		**38,433**	36,181
Non-current liabilities			
Borrowings	24	**5,000**	-
Deferred tax liabilities	15	**6,450**	5,837
Provisions	20	**713**	723
Deferred revenue		**1,556**	920
Lease liabilities	21	**5,142**	-
Other non-current financial liabilities	22	**21**	33
Total non-current liabilities		**18,882**	7,513
Total liabilities		**57,315**	43,694
Net assets		**82,522**	69,827
Equity			
Issued capital	23	**1,667**	1,667
Reserves	23	**5,079**	3,978
Retained earnings		**75,776**	64,182
Total equity		**82,522**	69,827

The consolidated statement of financial position is to be read in conjunction with the notes to the financial statements set out on pages 54 to 82.

Consolidated statement of changes in equity

For the year ended 30 June 2020

Consolidated In thousands of AUD	Share capital	Hedging reserve	Translation reserve	Employee benefit reserve	Retained earnings	Total
Balance at 1 July 2019	**1,667**	**(51)**	**493**	**3,536**	**64,182**	**69,827**
Profit for the year	**-**	**-**	**-**	**-**	**24,054**	**24,054**
Other comprehensive income for the year	**-**	**51**	**337**	**-**	**-**	**388**
Total comprehensive income for the year	**-**	**51**	**337**	**-**	**24,054**	**24,442**
Share based payments expense	**-**	**-**	**-**	**713**	**-**	**713**
Dividends to shareholders	**-**	**-**	**-**	**-**	**(12,460)**	**(12,460)**
Balance at 30 June 2020	**1,667**	**-**	**830**	**4,249**	**75,776**	**82,522**

Consolidated In thousands of AUD	Share capital	Hedging reserve	Translation reserve	Employee benefit reserve	Retained earnings	Total
Balance at 1 July 2018 (as reported)	1,667	(146)	(256)	3,445	53,128	57,838
Effect of adoption of new accounting standards - AASB 15	-	-	-	-	1,230	1,230
Balance at 1 July 2018 (restated)	1,667	(146)	(256)	3,445	54,358	59,068
Profit for the year	-	-	-	-	21,851	21,851
Other comprehensive income for the year	-	95	749	-	-	844
Total comprehensive income for the year	-	95	749	-	21,851	22,695
Share based payments expense	-	-	-	91	-	91
Dividends to shareholders	-	-	-	-	(12,027)	(12,027)
Balance at 30 June 2019	1,667	(51)	493	3,536	64,182	69,827

The consolidated statement of changes in equity is to be read in conjunction with the notes to the financial statements set out on pages 54 to 82.

Consolidated statement of cash flows

For the year ended 30 June 2020

In thousands of AUD	Notes	Consolidated 2020	Consolidated 2019
Cash flows from operating activities			
Cash receipts from customers		**96,369**	89,472
Cash paid to suppliers and employees		**(66,024)**	(61,498)
Cash generated from operations		**30,345**	27,974
Income taxes paid		**(6,193)**	(6,737)
Net cash provided by operating activities	26	**24,152**	21,237
Cash flows from investing activities			
Payments for capitalised development		**(13,962)**	(11,275)
Payments for property, plant and equipment		**(320)**	(1,273)
Payments for intangible asset		**(922)**	(28)
Interest received		**992**	799
Net cash used in investing activities		**(14,212)**	(11,777)
Cash flows from financing activities			
Proceeds from borrowings	24	**14,000**	3,000
Repayment of borrowings	24	**(9,000)**	(3,000)
Payment of principal portion of lease liabilities		**(1,872)**	-
Interest payments		**(386)**	(52)
Payment of dividend	23	**(12,460)**	(12,027)
Net cash used in financing activities		**(9,718)**	(12,079)
Net (decrease)/increase in cash and cash equivalents		**222**	(2,619)
Cash and cash equivalents at 1 July		**9,316**	11,238
Effects of exchange rate changes on cash		**206**	697
Cash and cash equivalents at 30 June 2020	10	**9,744**	9,316

The consolidated statement of cash flows is to be read in conjunction with the notes to the financial statements set out on pages 54 to 82.

Notes to the financial statements

For the year ended 30 June 2020

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 2020 comprises the Company and its subsidiaries (together referred to as the "consolidated entity").

The financial report was authorised for issue by the Directors on 20 August 2020.

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 a going concern basis using historical cost, with the exception of derivatives, which are at fair value.

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

The preparation of financial statements in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. These accounting policies have been consistently applied by each entity in the consolidated entity.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

New accounting standards and Interpretations

The accounting policies and methods of computation adopted in the preparation of the 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 year ended 30 June 2020.

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.

Note 1: Significant accounting policies (cont.)

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 1 July 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:

	In thousands of AUD
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 year ended 30 June 2020:

- 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 $2,019,000.
- Rent expense relating to previous operating leases, decreased by $2,030,000.
- Finance income decreased by $210,000 relating to the interest expense on additional lease liabilities recognised.
- Cash outflows from operating activities decreased by $210,000 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.

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 30 June 2020 no uncertain tax positions exist and therefore the Interpretation did not have an impact on the consolidated financial statements of the Company.

Note 1: Significant accounting policies (cont.)

Standards and Interpretations issued not yet effective

At the date of authorisation of the financial report, a number of standards and Interpretations were in issue but not yet effective.

Initial application of the following Standards is not expected to materially affect any of the amounts recognised in the financial statements, but may change the disclosures 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
Conceptual Framework for Financial Reporting	1 Jan 2020	30 June 2021
AASB 2019-1 Amendments to AASs - References to the Conceptual Framework	1 Jan 2020	30 June 2021
AASB 2018-7 Amendments to AASs - Definition of Material	1 Jan 2020	30 June 2021
AASB 2019-5 Amendments to AASs - Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia	1 Jan 2020	30 June 2021
AASB 2020-1 Amendments to AASs - Classification of Liabilities as Current or Non-current	1 Jan 2022	30 June 2023
AASB 2020-3 Amendments to AASs - Annual Improvements 2018-2020 and Other Amendments	1 Jan 2022	30 June 2023

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.

Note 1: Significant accounting policies (cont.)

D. Foreign currency

In preparing the financial statements of the individual entities transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the year end date are translated to Australian dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in profit or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Australian dollars at foreign exchange rates ruling at the dates the fair value was determined.

On consolidation, the assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation are translated to Australian dollars at foreign exchange rates ruling at the year end date. The revenues and expenses of foreign operations are translated to Australian dollars at rates approximating the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised directly in other comprehensive income and accumulated in the translation reserve.

E. Fair value measurement

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

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

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

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

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

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

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

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

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

F. Derivative financial instruments

The consolidated entity uses derivative financial instruments to hedge its exposure to foreign exchange risks arising from operational activities. In accordance with its treasury policy, the consolidated entity does not hold or issue derivative financial instruments for trading purposes.

Derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged.

The fair value of forward exchange contracts is their quoted market price at the year end date, being the present value of the quoted forward price.

G. Hedging

On entering into a hedging relationship, the consolidated entity normally designates and documents the hedge relationship and risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they are designated.

For cash flow hedges, the associated cumulative gain or loss is removed from equity and recognised in profit or loss in the same period or periods during which the hedged forecast transaction affects profit or loss. The ineffective part of any gain or loss is recognised immediately in the profit or loss.

Note 1: Significant accounting policies (cont.)

Where financial instruments entered into by the Company are not designated as a hedging instrument the gain or loss is recognised immediately the profit and loss.

H. Property, plant and equipment

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

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

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

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

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

I. Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. The Company applies a single recognition and measurement approach for all leases, except for short term leases and low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying asset.

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. Right-of-use assets are depreciated on a straight-line basis over the lease term.

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.

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Policy applicable to year ended 30 June 2019

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

J. Intangible Assets

Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible and the consolidated entity has sufficient resources to complete development.

The useful lives of the capitalised assets are assessed as finite. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in profit or loss as an expense as incurred.

Note 1: Significant accounting policies (cont.)

Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses (see accounting policy (L)).

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful life, but no more than three years, the exception being for the Prognosis next generation (SaaS) platform which will be amortised over five years.

Intellectual property

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

Computer software

Computer software is stated at cost and amortised on a straight-line basis over a two and a half to three year period.

Customer Relationships

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

K. Trade and other receivables

Trade and other receivables are stated at their amortised cost less expected credit losses. To measure the expected credit losses the utilises the simplified approach in calculating the expected credit loss and recognises a loss allowance based on a lifetime expected credit losses at each reporting date. The Company has established a provision matrix calculated based on the group historical credit loss experience adjusted for forward looking factors.

Trade receivables are written off when there is no reasonable expectation of recovery.

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

L. Cash and cash equivalents

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

M. 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. Refer to Note 1 (U) for Goodwill impairment considerations.

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

An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss unless the asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through profit or loss.

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and their risk specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

N. Employee benefits

Superannuation

Obligations for contributions to defined contribution pension plans are recognised as an expense in profit or loss as incurred. There are no defined benefit plans in operation.

Long-term service benefits

The consolidated entity's net obligation in respect of long-term service benefits, other than pension plans, is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates, and is discounted using the rates attached to the high quality corporate bond rate at the year end date which have maturity dates approximating to the terms of the consolidated entity's obligations.

Share-based payment transactions

The performance rights programmes allow the consolidated entity's employees to acquire shares of the Company. The fair value of performance rights granted are recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the performance rights. The fair value of the instrument granted is measured using a Black-Scholes methodology, 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.

Note 1: Significant accounting policies (cont.)

O. 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.

P. Trade and other payables

Trade and other payables are stated at their amortised cost.

Q. Revenue

Revenue from contracts with customers is recognised either at a point in time (licence fees) or over time (maintenance, SaaS, testing solutions and professional services fees), regardless of when payment is received. Amounts disclosed as revenue are net of agency commissions and discounts. Where the Company bundles the products or services, the transaction price is allocated to each performance obligation based on the proportionate stand-alone selling prices.

Licence fees are recognised on delivery of the licence key, where the Company's contracts with customers provide the right to use the Company's intellectual property. As such, the Company's performance obligation is satisfied at the point in time which the customer receives the licence key.

Maintenance fees are recognised on a monthly basis over the term of the service agreement, which may range between one to five years. Services provided to customers under maintenance contracts include technical support and supply of software upgrades.

SaaS fees are recognised on a monthly basis over the term of the service agreement which may range between one to five years. The Company's contracts with customers provide a right of access to the Company's intellectual property (hosted on the Company's cloud environment) for the duration of the term of the contract.

Testing solutions services revenues are recognised either rateably over a service period or as services are rendered. Testing services relate to the provision of services to performing testing of customer environments.

Professional services are revenues recognised as the services are rendered, typically in accordance with the achievement of contract milestones or hours expended. Professional services include implementation and configuration services for licenced software.

Unsatisfied performance obligations are disclosed as deferred revenue on the consolidated statement of financial position. Where the Company has a multiyear non-cancellable contractual commitment but does not expect to satisfy the performance obligation within twelve months, no deferred revenue or trade receivable is recognised.

The Company typically provides multi-year payment terms to customers ranging between one to five years. For such contracts with customers, the transaction price is discounted using a rate that would be reflected in a separate financing transaction between the Company and the customer. This amount is recognised rateably as finance income over the payment period.

Directly related contract costs in obtaining the customer contracts are expensed unless they are incremental to obtaining the contract and the Company expects to recover those costs. These costs are recognised as contract assets and amortised over the life of the contract they relate to. The incremental costs in obtaining customer contracts for the Company relate to specified commissions paid to employees which meet the criteria of directly related contract costs.

No revenue is recognised if there are significant uncertainties regarding the recovery of the transaction price, the costs incurred or to be incurred cannot be measured reliably or there is a risk of return.

R. Financing income

Financing income comprises interest receivable on funds invested and the financing component of the sale of licences, less interest payable on borrowings.

S. Income tax

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the year end date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the year end date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Note 1: Significant accounting policies (cont.)

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.

T. Goods and Services Tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), or similar taxes, except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable or payable is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities, which are recoverable or payable are classified as operating cash flows.

U. Business Combination and Goodwill

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

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

V. Significant accounting judgements, estimates and assumptions

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

Intangible assets - Development

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

Intangible assets - Goodwill

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

Share based payment transactions

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

Provision for expected credit losses of trade and other receivables

The Company uses a provision matrix to calculate the expected credit loss for trade and other receivables. The provision rates are based on the days overdue and differ by geography. The provision matrix is based on the historical default experience for the Company and adjusted for forward-looking information and includes the use of macroeconomic information where appropriate. The determination of the provision rates is considered a significant estimate as it is sensitive to change in circumstances and of forecast of economic conditions. The expected credit loss also may not be representative of the customers' actual default in the future.

Income Tax

The Company regularly assesses the adequacy of income tax provisions having regard to the differing tax rules and regulations applicable in the various jurisdictions in which the Company operates. Due to the complexities of tax rules and regulations in numerous jurisdictions, matters such as the availability and timing of tax deductions and the application of the arm's length principle to cross-border transactions often require significant judgements and assumptions to be made. Deferred tax assets are recognised for deductible temporary differences and tax losses to the extent that it is probable that future taxable profits will be available to utilise those temporary differences and tax losses. Significant judgement is required by the Company to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits.

Note 2. Segment reporting

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

The principal geographical regions are The Americas - Operating from the United States with responsibility for the countries in North, Central and South America, Europe - operating from the United Kingdom and Germany with responsibility for the countries in Europe, Asia Pacific - operating from Australia and Singapore with responsibility for the countries in the rest of the world, and Corporate Australia - with responsibility for research and development and corporate head office functions of the Company. Inter-segment pricing is determined on an arm's length basis.

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

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

	Americas		Europe		Asia Pacific		Corporate Australia[1]		Eliminations		Consolidated	
In thousands of AUD	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Sales to customers outside the consolidated entity	**75,786**	69,362	**17,476**	16,885	**17,651**	15,052	**-**	(479)	**-**	-	**110,913**	100,820
Inter-segment revenue	**-**	-	**-**	-	**-**	-	**58,134**	52,629	**(58,134)**	(52,629)	**-**	-
Total segment revenue	**75,786**	69,362	**17,476**	16,885	**17,651**	15,052	**58,134**	52,150	**(58,134)**	(52,629)	**110,913**	100,820
Total revenue											**110,913**	100,820
Segment results (before finance income and tax)	**2,276**	2,075	**458**	420	**615**	441	**27,516**	25,964	**-**	-	**30,865**	28,900
Results from operating activities											**30,865**	28,900
Financing income											**606**	747
Income tax expense											**(7,417)**	(7,796)
Profit for the year											**24,054**	21,851
Capital additions[2]	**675**	234	**619**	88	**149**	121	**7,114**	700	**-**	-	**8,557**	1,143
Depreciation and amortisation expenditure	**960**	426	**270**	94	**198**	70	**10,630**	10,745	**-**	-	**12,058**	11,335

	Americas (USD)		Europe (GBP)	
In local currency[3]	**2020**	**2019**	**2020**	**2019**
Sales to customers outside the consolidated entity	**50,258**	49,696	**9,243**	9,360
Inter-segment sales	**-**	-	**-**	-
Total segment revenue	**50,258**	49,696	**9,243**	9,360
Segment results	**1,517**	1,491	**245**	234

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

2 Excludes internal development costs capitalised but includes third party assets acquired. Additions also include right-of-use assets.

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.

	Consolidated	
In thousands of AUD	**2020**	**2019**
Timing of Revenue Recognition:		
At a point in time	**72,098**	62,774
Over time	**38,815**	38,046
Total Revenue from contracts with customers	**110,913**	100,820
Type of product Group		
Unified communications	**59,818**	51,043
Infrastructure	**28,657**	26,343
Payments	**13,808**	16,047
Professional services	**8,630**	7,387
Total Revenue	**110,913**	100,820

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied), which are not included above, is $15,169,000 (2019: $13,656,000) as at 30 June and is expected to be recognised as revenue in two to five years. This amount relates to contracts with customers where the Company has a multi-year non-cancellable contractual commitment but does not expect to satisfy the performance obligation within twelve months, and no deferred revenue or trade receivable is recognised.

Note 4. Expenditure

Total expenditure includes:

	Consolidated	
In thousands of AUD	**2020**	**2019**
Employee benefits expense:		
Defined contribution plans	**2,974**	2,644
Equity settled share-based payments	**671**	111
Other employee benefits	**56,823**	50,268
	60,468	53,023
Depreciation and amortisation	**12,058**	11,335
Bad and doubtful debt expense	**899**	264
Operating lease rental expenses	**-**	1,954

Note 5. Other gains and (losses)

In thousands of AUD	Note	Consolidated 2020	2019
Loss on sale of financial assets	24	**(861)**	(324)
Currency exchange gains/(losses)		**(1,007)**	1,636
		(1,868)	1,312

Note 6. Finance income

In thousands of AUD	Consolidated 2020	2019
Interest income	**992**	799
Interest on borrowings	**(176)**	(52)
Interest on lease liability	**(210)**	-
	606	747

Note 7. Auditors' remuneration

In AUD	Consolidated 2020	2019
Fees to Ernst & Young (Australia)		
Fees for auditing the consolidated financial report of the Company and auditing the statutory financial reports of any controlled entities	**233,669**	239,195
Fees for other assurance and agreed-upon-procedures services under other legislation or contractual arrangements where there is discretion as to whether the service is provided by the auditor or another firm	**-**	20,800
Fees for other services		
- Tax compliance	**48,000**	32,810
Total fees to Ernst & Young (Australia)	**281,669**	292,805
Fees to other overseas member firms of Ernst & Young (Australia)		
Fees for other services		
- Tax compliance	**37,500**	130,792
Total fees to overseas member firms of Ernst & Young (Australia)	**37,500**	130,792
Total auditor's remuneration	**319,169**	423,597

Note 8. Income tax expense

Recognised in profit for the year

In thousands of AUD	Note	Consolidated 2020	2019
Current tax expense:			
Current year		**8,222**	9,043
Prior year adjustments		**(310)**	(290)
		7,912	8,753
Deferred tax expense:			
Origination and reversal of temporary differences	15	**(495)**	(957)
Total income tax expense in profit and loss		**7,417**	7,796

Numerical reconciliation between income tax expense and profit before tax

In thousands of AUD	Consolidated 2020	2019
Profit before tax	**31,471**	29,647
Income tax using the domestic corporate tax rate of 30%	**9,441**	8,894
Increase in income tax expense due to:		
Non-deductible expenses	**182**	60
Effect of tax rates in foreign jurisdictions	**(261)**	83
Other	**(213)**	154
Decrease in income tax expense due to:		
R&D tax incentive	**(1,422)**	(1,105)
Prior year adjustments	**(310)**	(290)
Income tax expense	**7,417**	7,796

Note 9. Earnings per share

The calculation of basic and diluted earnings per share at 30 June 2020 was based on the profit attributable to ordinary shareholders of $24,054,000 (2019: $21,851,000); a weighted number of ordinary shares outstanding during the year ended 30 June 2020 of 171,860,753 (2019: 171,794,468); and a weighted number of ordinary shares (diluted) outstanding during the year ended 30 June 2020 of 172,529,700 (2019: 172,108,542), calculated as follows:

	Consolidated	
In thousands of AUD	**2020**	**2019**
Profit for the year	**24,054**	21,851

Weighted average number of shares used as the denominator	Consolidated	
Number	**2020**	**2019**
Number for basic earnings per share:		
Ordinary shares	**171,860,753**	171,794,468
Effect of employee share plans on issue	**668,947**	314,074
Number for diluted earnings per share	**172,529,700**	172,108,542
Basic earnings per share (AUD cents)	**14.00**	12.72
Diluted earnings per share (AUD cents)	**13.94**	12.70

Note 10. Cash and cash equivalents

	Consolidated	
In thousands of AUD	**2020**	**2019**
Cash at bank and on hand	**9,744**	9,316

Note 11. Trade and other receivables

Current	Consolidated	
In thousands of AUD	**2020**	**2019**
Trade debtors	**59,898**	52,534
Less: Allowance for expected credit losses	**(2,217)**	(1,417)
	57,681	51,117
GST receivable	**172**	261
	57,853	51,378

Non-current	Consolidated	
In thousands of AUD	**2020**	**2019**
Trade debtors	**29,399**	21,389

The Company provides customers of good credit worthiness extended payment plans over the committed term of the licence contract ranging between one to five years. For customers not on extended payment plans the credit period on sales range from 30 to 90 days.

Ageing of past due but not impaired:		Consolidated	
In thousands of AUD		**2020**	**2019**
Past due 30 days		**1,584**	3,195
Past due 60 days		**1,851**	2,329
Past due 90 days		**5,995**	3,595
Total	24	**9,430**	9,119

The movement in the allowance for expected credit losses in respect of trade receivables is detailed below:

	Consolidated	
In thousands of AUD	**2020**	**2019**
Balance at beginning of year	**1,417**	1,346
Amounts written off during the year	**(99)**	(193)
(Decrease)/increase in provision	**899**	264
Balance end of year	**2,217**	1,417

The Company has used the following criteria to assess the allowance loss for expected credit losses shown above:

- historical default experience;
- macroeconomic factors specific to the geography of the customer;
- an individual account by account specific risk assessment based on past credit history; and
- any prior knowledge of debtor insolvency or other credit risk.

Included in the Company's trade receivable balance are debtors which are 90 days past due at the reporting date which the Company has not provided for as there has been no significant change in credit quality and the consolidated entity believes that the amounts are still recoverable. The Company does not hold any collateral over these balances.

Note 12. Other assets

Current	Consolidated	
In thousands of AUD	**2020**	**2019**
Other prepayments	**1,821**	2,104
Contract assets	**941**	1,029
Fair value of assets - forward foreign exchange contracts	**201**	-
Total	**2,963**	3,133

Non-current	Consolidated	
In thousands of AUD	**2020**	**2019**
Contract assets	**872**	829
Total	**872**	829

Note 13. Other financial assets

	Consolidated	
In thousands of AUD	**2020**	**2019**
Deposits	**236**	236

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

Note 14. Property, plant and equipment

Plant and Equipment	Consolidated	
In thousands of AUD	**2020**	**2019**
At cost	**6,517**	6,277
Accumulated depreciation	**(5,147)**	(4,397)
	1,370	1,880

Leasehold improvements	Consolidated	
In thousands of AUD	**2020**	**2019**
At cost	**3,464**	3,442
Accumulated depreciation	**(2,951)**	(2,691)
	513	751

Total property, plant and equipment	Consolidated	
In thousands of AUD	**2020**	**2019**
At cost	**9,981**	9,719
Accumulated depreciation	**(8,098)**	(7,088)
Total written down amount	**1,883**	2,631

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

Plant and Equipment	Consolidated	
In thousands of AUD	**2020**	**2019**
Carrying amount at start of year	**1,880**	1,653
Additions	**200**	872
Disposals	**(9)**	-
Effects of foreign currency exchange	**25**	30
Depreciation expense	**(726)**	(675)
Carrying amount at end of year	**1,370**	1,880

Leasehold Improvements	Consolidated	
In thousands of AUD	**2020**	**2019**
Carrying amount at start of year	**751**	894
Additions	**21**	206
Effects of foreign currency exchange	**3**	(71)
Depreciation expense	**(262)**	(278)
Carrying amount at end of year	**513**	751

Note 15. Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Consolidated	Assets		Liabilities		Net	
In thousands of AUD	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Intangible assets	**130**	-	**7,338**	5,799	**(7,208)**	(5,799)
Trade and other payables	**391**	268	**-**	-	**391**	268
Employee benefits	**1,018**	1,095	**-**	365	**1,018**	730
Provisions	**790**	420	**-**	-	**790**	420
Other current liabilities	**403**	628	**502**	-	**(99)**	628
Unrealised foreign exchange gain	**62**	-	**-**	798	**62**	(798)
Deferred tax assets/(liabilities)	**2,794**	2,411	**7,840**	6,962	**(5,046)**	(4,551)
Set off of deferred tax asset	**(1,390)**	(1,125)	**(1,390)**	(1,125)	**-**	-
Net deferred tax assets/(liabilities)	**1,404**	1,286	**6,450**	5,837	**(5,046)**	(4,551)

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

Movement in temporary differences during the year:

For year ended 30 June 2020	Consolidated			
In thousands of AUD	Balance 1 July 19	Recognised in income	Recognised in equity	Balance 30 June 20
Intangible assets	**(5,799)**	**(1,409)**	**-**	**(7,208)**
Trade and other payables	**268**	**123**	**-**	**391**
Employee benefits	**730**	**288**	**-**	**1,018**
Provisions	**420**	**370**	**-**	**790**
Other current liabilities	**628**	**(727)**	**-**	**(99)**
Unrealised foreign exchange gain	**(798)**	**860**	**-**	**62**
	(4,551)	**(495)**	**-**	**(5,046)**

For year ended 30 June 2019	Consolidated			
In thousands of AUD	Balance 1 July 18	Recognised in income	Recognised in equity	Balance 30 June 19
Intangible assets	(5,454)	(345)	-	(5,799)
Trade and other payables	619	(351)	-	268
Employee benefits	1,140	(721)	311	730
Provisions	170	250	-	420
Other current liabilities	206	422	-	628
Unrealised foreign exchange gain	(275)	(523)	-	(798)
	(3,594)	(1,268)	311	(4,551)

Note 16. Intangible assets

The balance of capitalised intangible assets comprises:

Cost	Consolidated				
In thousands of AUD	**Software development**	**Third party software**	**Goodwill**	**Customer Relationship**	**Total**
Balance at 1 July 2018	40,332	1,424	3,334	812	45,902
Fully amortised & offset	(11,429)	(26)	-	-	(11,455)
Internally developed	11,275	-	-	-	11,275
Purchased	-	65	-	-	65
Effects of foreign currency exchange	-	10	190	47	247
Balance at 30 June 2019	40,178	1,473	3,524	859	46,034
Balance at 1 July 2019	**40,178**	**1,473**	**3,524**	**859**	**46,034**
Fully amortised & offset	**(7,934)**	**-**	**-**	**-**	**(7,934)**
Internally developed	**13,962**	**-**	**-**	**-**	**13,962**
Purchased	**-**	**930**	**-**	**-**	**930**
Effects of foreign currency exchange	**-**	**5**	**104**	**23**	**132**
Balance at 30 June 2020	**46,206**	**2,408**	**3,628**	**882**	**53,124**

Amortisation	Consolidated				
In thousands of AUD	**Software development**	**Third party software**	**Goodwill**	**Customer Relationship**	**Total**
Balance at 1 July 2018	22,153	1,324	-	487	23,964
Fully amortised & offset	(11,429)	(26)	-	-	(11,455)
Amortisation for year	10,215	-	-	167	10,382
Effects of foreign currency exchange	-	10	-	32	42
Balance at 30 June 2019	20,939	1,308	-	686	22,933
Balance at 1 July 2019	**20,939**	**1,308**	**-**	**686**	**22,933**
Fully amortised & offset	**(7,934)**	**-**	**-**	**-**	**(7,934)**
Amortisation for year	**8,832**	**41**	**-**	**178**	**9,051**
Effects of foreign currency exchange	**-**	**4**	**-**	**18**	**22**
Balance at 30 June 2020	**21,837**	**1,353**	**-**	**882**	**24,072**

Carrying amounts	Consolidated				
In thousands of AUD	**Software development**	**Third party software**	**Goodwill**	**Customer Relationship**	**Total**
Balance at 30 June 2019	19,239	165	3,524	173	23,101
Balance at 30 June 2020	**24,369**	**1,055**	**3,628**	**-**	**29,052**

Note 17. Goodwill

Goodwill arose on the acquisition of IQ Services business in the year ending 30 June 2016. Management has identified the Group as the cash generating unit (the Prognosis CGU) to which goodwill is allocated for impairment testing. Management performs its annual impairment testing at least annually. The carrying value of goodwill at 30 June 2020 is $3,628,000 (2019: $3,524,000). A reconciliation of the movement in goodwill is included in Note 16.

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

1. Cash flow forecasts

The cash flow forecasts are based upon a Board approved 2021 budget and management projections for the subsequent four years of the Prognosis CGU.

2. Discount rate

Discount rate of 11% (2019: 11%) applied for value in use calculation is based on the post-tax weighted average cost of capital applicable to the Prognosis CGU.

3. Terminal value

The terminal growth rate after the five-year projection period has been calculated using a growth rate of 3% (2019: 3%) which is determined by Management based on their assessment of expected long term annual growth for the software industry.

The value in use does not indicate any impairment is required at 30 June 2020.

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

Note 18. Trade and other payables

	Consolidated	
In thousands of AUD	**2020**	**2019**
Trade and other creditors	**10,213**	9,797

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

Note 19. Employee benefits

Current	Consolidated	
In thousands of AUD	**2020**	**2019**
Liability for annual leave	**2,746**	2,178
Liability for long service leave	**1,106**	1,019
	3,852	3,197

Non-current	Consolidated	
In thousands of AUD	**2020**	**2019**
Liability for long service leave	**190**	201

Pension plans

Employees of the consolidated entity accumulate pension benefits through statutory contributions by the entities in the consolidated entity as required by the laws of the jurisdictions in which they operate, supplemented by individual contributions.

Note 19. Employee benefits (cont.)

Share based payments

Performance Rights

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

Grant Date	Number of Rights	Earliest Vesting Date	Expiry date
Aug-19	40,000	Aug 2022	Sep 2022
Sep-19	211,424	Aug 2022	Sep 2022
Nov-19	45,731	Aug 2022	Sep 2022
Nov-19	106,707	Aug 2022	Sep 2022

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

Grant date	Aug 2019	Sep 2019	Nov 2019
Fair value at measurement date	$2.480	$2.802	$2.865
Share price	$2.71	$3.05	$3.06
Exercise price	nil	nil	nil
Expected volatility	50%	50%	50%
Contractual life (expressed in days)	1,118	1,069	1,015
Expected dividends	2.89%	3.81%	2.37%
Risk-free interest rate (based on 3 year treasury bonds)	1.5%	1.5%	1.5%
Model Used	Black Scholes	Black Scholes	Black Scholes

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

During the year ended 30 June 2020, the consolidated entity recognised an expense through profit of $671,000 related to the fair value of performance rights (2019: $111,000).

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

In thousands of performance rights	2020	2019
Outstanding at the beginning of the year	**791**	1,000
Forfeited during the year	**(141)**	(474)
Exercised during the year	**-**	(180)
Granted during the year	**404**	445
Outstanding at the end of the year	**1,054**	791
Exercisable at the end of the year (vested)	**-**	-

Note 20. Provisions

Current In thousands of AUD	Note	Consolidated 2020	2019
Employee benefits	19	**3,852**	3,197

Non-current In thousands of AUD	Note	Consolidated 2020	2019
Employee benefits	19	**190**	201
Lease make good		**523**	522
		713	723

Note 21. Lease assets and liabilities

Right-of-use assets

Office premises In thousands of AUD	Consolidated 2020	2019
At cost	**8,386**	-
Accumulated depreciation	**(2,019)**	-
	6,367	-
Carrying amount at start of year	**-**	-
On adoption of AASB 16	**2,147**	-
Addition during the year	**6,204**	-
Disposals	**-**	-
Effects of foreign currency exchange	**35**	-
Depreciation expense	**(2,019)**	-
Carrying amount at end of year	**6,367**	-

Current lease liabilities In thousands of AUD	Consolidated 2020	2019
Lease liabilities	**1,372**	-
	1,372	-

Non-current lease liabilities In thousands of AUD	Consolidated 2020	2019
Lease liabilities	**5,142**	-
	5,142	-

Contractual undiscounted cash outflows In thousands of AUD	Consolidated 2020	2019
Less than one year	**1,579**	1,721
Between one and five years	**5,460**	638
Greater than five years	**-**	-
	7,039	2,359

Note 22. Other financial liabilities

Current	Consolidated	
In thousands of AUD	**2020**	**2019**
Fair value of hedge liabilities - forward foreign exchange contracts	**37**	139
	37	139

Non-current	Consolidated	
In thousands of AUD	**2020**	**2019**
Other creditors	**21**	33
	21	33

Note 23. Capital and reserves

Share capital	Ordinary shares	
In thousands of shares	**2020**	**2019**
On issue 1 July	**171,861**	171,681
Issued against employee performance right exercised	**-**	180
On issue 30 June 2020	**171,861**	171,861

The Company does not have authorised capital or par value in respect of its issued shares.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations where their functional currency is different to the presentation currency of the consolidated entity, as well as from the translation of liabilities that hedge the consolidated entity's net investment in a foreign subsidiary.

Employee benefit reserve

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

Note 23. Capital and reserves (cont.)

Dividends

Dividends recognised in the current year by the Company are:

In thousands of AUD	Cents per share	Total amount	Franked/ unfranked	Date of payment
2020				
Final 2019	**3.75**	**6,445**	**100% franked**	**15 Oct 2019**
Interim 2020	**3.5**	**6,015**	**100% franked**	**17 Apr 2020**
Total amount		**12,460**		
2019				
Final 2018	3.5	6,012	100% franked	16 Oct 2018
Interim 2019	3.5	6,015	100% franked	16 Apr 2019
Total amount		12,027		

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 2020 and will be recognised in subsequent financial statements:

In thousands of AUD	Cents per share	Total amount	Franked/ unfranked	Date of payment
Final 2020	**3.75**	**6,445**	**100% franked**	**15 Oct 2020**

The final dividend declared of 3.75 cents together with the interim dividend paid in April 2020 of 3.5 cents takes total dividends for the 2020 financial year to 7.25 cents.

Franking account disclosure:	Company	
In thousands of AUD	**2020**	**2019**
Adjusted franking account balance	**8,503**	8,254
Impact on franking account balance of dividends not recognised	**(2,762)**	(2,762)

Note 24. Financial instruments

Capital risk management

The consolidated entity manages its capital to ensure that controlled entities will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of treasury management.

The capital structure of the consolidated entity consists of cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued capital, reserves, and retained earnings as disclosed in Notes 10 and 23 respectively.

Borrowing Facility

The Company has a $20 million multicurrency revolving cash advance facility with an expiry date of 31 July 2023 at which point all outstanding cash advances must be repaid. The primary purpose of the facility is to fund working capital requirements. There was $5 million drawn under the facility at 30 June 2020 (2019: $nil).

The facility is secured by a General Security Agreement with a deed of cross guarantee including the parent entity, Integrated Research UK Limited, and Integrated Research Inc. The facility is also subject to certain debt covenants including a leverage ratio, interest cover ratio and capitalisation ratio. The Company met all the covenant requirements during the year. Interest is variable, linked to Bank Bill Swap Bid Rate (BBSY), plus a margin.

Bank Guarantee Facility

The Company has a $1,200,000 bank guarantee facility. The primary purpose of the facility is to provide bank guarantees to the Company's landlord pursuant to contractual lease arrangements. At 30 June 2020, the total value of bank guarantees provided was $1,110,000 (2019: $819,000). The facility terminates on 31 December 2020.

Significant accounting policies

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

Financial risk management objectives

The Board of Directors has overall responsibility for the establishment and oversight of the consolidated entity's financial management framework. The Board has an established Audit and Risk Committee, which is responsible for developing and monitoring the consolidated entity's financial management policies. The Committee provides regular reports to the Board of Directors on its activities.

The Audit and Risk Committee oversees how Management monitors compliance with risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks. The main risks arising from the consolidated entity's financial instruments are currency risk, credit risk, liquidity risk and cash flow interest rate risk.

The consolidated entity seeks to minimise the effects of these risks, where deemed appropriate, by using derivative financial instruments to hedge these risk exposures. The use of financial derivatives is governed by the consolidated entity's policies on foreign exchange risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. The consolidated entity does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Market risk

The consolidated entity's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and cash flow interest rate risks. The consolidated entity enters into foreign exchange forward contracts to hedge the exchange rate risk arising from transactions not recorded in an entity's functional currency.

Note 24. Financial instruments (cont.)

Foreign currency risk management

The consolidated entity undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

The carrying amount of the consolidated entity's foreign currency denominated monetary assets and monetary liabilities at the reporting date that are denominated in a currency that is different to the functional currency of the respective entities undertaking the transactions is as follows:

	Consolidated			
	Liabilities		Assets	
In thousands of AUD	**2020**	**2019**	**2020**	**2019**
US Dollar	**1,788**	1,467	**9,973**	7,879
Sterling	**-**	-	**14**	-
Euro	**-**	-	**3,085**	3,339

Foreign currency sensitivity

At 30 June 2020, if the US Dollar and Euro weakened or strengthened against the Australian dollar by the percentage shown, with all other variables held constant, net profit for the year would increase (decrease) by:

	Consolidated			
	Net profit before tax		Equity	
In thousands of AUD	**2020**	**2019**	**2020**	**2019**
US Dollar	**909**	712	**909**	712
Sterling	**2**	-	**2**	-
Euro	**343**	371	**343**	371
Change in currency (i) - 10% decrease				
US Dollar	**(744)**	(583)	**(744)**	(583)
Sterling	**(1)**	-	**(1)**	-
Euro	**(280)**	(304)	**(280)**	(304)
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 2020 and 30 June 2019.

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 addition to the above, there is also an A$38.6 million (2019: A$24.9 million) intercompany receivable in the parent entity at 30 June, denominated in US dollars, that eliminates on consolidation. The gain or loss on revaluation of the intercompany balance to Australian dollars is not eliminated and is therefore carried through to the consolidated profit and loss. A 10% decrease in the Australian dollar against the US dollar would result in a A$4.3 million (2019: A$2.8 million) increase to net profit before tax and equity, whilst a 10% increase would result in a A$3.5 million (2019: A$2.3 million) decrease to net profit before tax and equity.

Note 24. Financial instruments (cont.)

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, Germany 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 United States Dollar, UK Sterling, Euro and Singapore Dollar each.

Forward foreign exchange contracts

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

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

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

	Average Exchange Rate		Foreign Currency		Contract Value		Fair Value	
Outstanding contracts	**2020**	**2019**	**2020 FC'000**	**2019 FC'000**	**2020 A$'000**	**2019 A$'000**	**2020 A$'000**	**2019 A$'000**
Consolidated								
Sell US Dollar								
Less than 3 months	**0.68**	0.71	**4,250**	3,250	**6,296**	4,546	**43**	(82)
3 to 6 months	**0.68**	0.72	**2,000**	1,750	**2,918**	2,444	**(24)**	(42)
6 to 9 months	**0.68**	0.71	**2,500**	2,250	**3,677**	3,184	**(1)**	(7)
9 to 12 months	**0.68**	0.71	**2,000**	1,000	**2,924**	1,415	**(19)**	(1)
Sell Euros								
Less than 3 months	**0.61**	0.62	**50**	250	**83**	405	**-**	(2)
3 to 6 months	**0.60**	0.61	**50**	50	**83**	82	**-**	(1)
6 to 9 months	**-**	0.61	**-**	50	**-**	82	**-**	-
Sell Sterling								
Less than 3 months	**0.55**	0.56	**50**	100	**92**	179	**-**	(3)
3 to 6 months	**-**	0.55	**-**	50	**-**	90	**-**	-
6 to 9 months	**-**	0.55	**-**	100	**-**	181	**-**	(1)
							(1)	(139)

These hedge assets and liabilities are classified as a level 2 fair value measurement, being derived from inputs provided from financial institutions, 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 over the counter forward contact would not qualify as Level 1 as there is not a quoted price for the actual contract, even though data used to value the contract may be derived entirely from active foreign-exchange and interest-rate market.

Note 24. Financial instruments (cont.)

Credit risk management

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

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. The largest single counterparty balance with any one customer at 30 June 2020 was $12.1 million (2019: $5.3 million). Ongoing credit evaluation is performed on the financial condition of accounts. Subsequent to 30 June 2020, the Company has collected $6.7 million (2019: $2.7 million) in overdue trade receivables.

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 year ended 30 June 2020 a total of $8.5 million (2019: $5.6 million) debtors were sold at a cost of $862,000 (2019: $324,000). 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 $2.6 million (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.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who have built an appropriate liquidity risk management framework for the management of the consolidated entity's short, medium and long-term funding and liquidity management requirements.

The consolidated entity manages liquidity risk by maintaining adequate reserves, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

All creditor and other payables shown in Note 18 and Note 22 for both 2020 and 2019 carry no interest obligation.

Fair value of financial instruments

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

For non-current trade debtors Integrated Research has considered a discount rate to recognise the net present value of the debtors. Level 3 inputs have been considered including corporate borrowing rates, size of the customer and jurisdiction of the customer. A discounted cashflow model was used to derive the fair value. The range of discount rates was between 3.5% to 5.5%. The carrying value of non-current trade debtors for 2019 and 2020 of the consolidated entity was a reasonable approximation of their fair value.

Note 25. Consolidated entities

	Country of incorporation	Ownership interest	
		2020	**2019**
Parent entity:			
Integrated Research Limited	Australia		
Subsidiaries of Integrated Research Limited:			
Integrated Research Inc	USA	**100%**	100%
Integrated Research Singapore Pte Limited	Singapore	**100%**	100%
Integrated Research UK Limited	UK	**100%**	100%
Subsidiaries of Integrated Research UK Limited:			
Integrated Research Germany GmbH	Germany	**100%**	100%

Note 26. Reconciliation of cash flows from operating activities

	Consolidated	
In thousands of AUD	**2020**	**2019**
Profit for the year	**24,054**	21,851
Depreciation and amortisation	**12,058**	11,335
Provision for expected credit loss	**800**	71
Interest received	**(992)**	(799)
Interest paid	**386**	52
Share-based payments expense	**671**	111
Net exchange differences	**(558)**	(21)
Change in operating assets and liabilities:		
(Increase)/decrease in trade debtors	**(14,485)**	(1,618)
(Increase)/decrease in future income tax benefit	**40**	216
(Increase)/decrease in other operating assets	**(11,443)**	(2,151)
Increase/(decrease) in trade and other payables	**416**	(343)
Increase/(decrease) in other operating liabilities	**11,393**	(9,911)
Increase/(decrease) in provision for income taxes payable	**554**	(348)
Increase/(decrease) in provision for deferred income taxes	**613**	1,556
Increase/(decrease) in other provisions	**645**	6
Impact of new accounting standards - AASB 15	**-**	1,230
Net cash from operating activities	**24,152**	21,237

Note 27. Key management personnel disclosures

Key management personnel compensation

The key management personnel compensation are as follows:

	Consolidated	
In thousands of AUD	**2020**	**2019**
Short-term benefits	**2,379,433**	2,953,412
Post-employment benefits	**112,460**	130,018
Long term benefit	**32,044**	28,520
Equity compensation benefits	**328,554**	(212,364)
Termination benefits	**-**	66,548
	2,852,491	2,966,134

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

Note 28. Related parties

At 30 June 2020 Mr Steve Killelea, the founder of IR, owned either directly or indirectly 39.0% of the Company (2019: 39.7%). A related entity of Mr Killelea provided consulting services totaling $100,000 in the year ended 30 June 2020.

Note 29. Parent entity disclosures

	Parent Entity	
In thousands of AUD	**2020**	**2019**
Financial Position		
Assets		
Current assets	**64,391**	49,710
Non-current assets	**30,424**	19,731
Total Assets	**94,815**	69,441
Liabilities		
Current Liabilities	**19,383**	9,028
Non-current liabilities	**11,498**	6,034
Total Liabilities	**30,881**	15,062
Net Assets	**63,934**	54,379
Equity		
Issued Capital	**1,667**	1,667
Employee benefits Reserve	**4,249**	3,536
Hedging reserve	**-**	(51)
Retained Earnings	**58,018**	49,227
Total Equity	**63,934**	54,379
Financial Performance		
Profit for the year	**21,251**	20,168
Other comprehensive income	**51**	95
Total comprehensive income	**21,302**	20,263

Investments in subsidiaries are included at cost.

Note 30. Subsequent events

Dividends

For dividends declared after 30 June 2020 see Note 23 in the financial statements. The financial effect of dividends declared and paid after 30 June 2020 have not been brought to account in the financial statements for the year ended 30 June 2020 and will be recognised in subsequent financial reports.

Directors' declaration

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

1. In the opinion of the Directors:

   a) the financial statements and notes of Integrated Research Limited for the financial year ended 30 June 2020 are in accordance with the Corporations Act 2001, including:

      i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2020 and of its performance for the year ended on that date; and

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

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

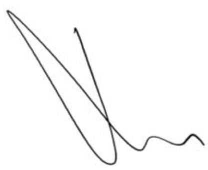
   c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. This declaration has been made after receiving the declarations required to be made to the Directors by the Chief Executive Officer and Chief Financial Officer in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2020.

   This declaration is made in accordance with a resolution of the Directors.

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

Paul Brandling
Chairman



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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Integrated Research Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2020 and of its consolidated financial performance for the year ended on that date; and

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

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Key Audit Matters

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

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

Revenue recognition for multiple-element arrangements

Why significant	How our audit addressed the key audit matter
The majority of the Group's sales contracts involve multiple-element arrangements, for example a single software sales transaction that combines the delivery of a software license and rendering of maintenance and other professional services. Revenue recognition for multiple-element arrangements was considered to be a key audit matter due to the complexity of the multi-element contracts and the judgment required to allocate the revenue amongst respective contracted activities. Note 1 to the financial statements details the Group's revenue streams and the associated accounting policies.	Our audit procedures included the following: ► Assessed the appropriateness of the Group's revenue recognition accounting policies relating to multi-element arrangements in compliance with *AASB15 Revenue from contracts with customers*. ► Assessed the Group's identification and separation of each element and the allocation of total contract revenue to each element in the multiple-element arrangements. ► For a sample of contracts, we assessed whether the revenue recognition criteria of each element in the multiple-element arrangements had been met which included the determination of whether the control associated with the relevant licensed software passed to the customer in the reporting period. ► For a sample of contracts, we tested the allocation of revenue to the multiple elements to individual element sales and historical pricing arrangements.

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Recoverability of long-term trade debtors

Why significant	How our audit addressed the key audit matter
Approximately 62% of the total assets of the Group are represented by trade debtors of which $29.4m is classified as non-current as outlined in Note 11 to the financial statements. Due to the significance of outstanding long-term receivables relative to total assets and the judgements required to assess their recoverability, this was considered a key audit matter.	Our audit procedures included the following: ► Considered the extent to which significant trade debtors had been collected subsequent to year end. ► Considered the ageing of outstanding trade debtor balances over their credit terms and assessed the adequacy of the provisions recorded, including considering management's assessment of COVID - 19 impacts on expected trade debtor recoverability. Evaluated the relevant assumptions made by the Group taking account of the Group's historical collections. ► Reviewed the disclosures in the financial report relating to long-term trade debtors.

Capitalised software development costs

Why significant	How our audit addressed the key audit matter
As set out in Note 16 of the Financial Report, the Group capitalises costs related to the development of Prognosis and other software products. Capitalised software development costs are amortised over the economic life of the asset, which is considered to be three years. Given the value of these balances, the significant level of expenditure during the year and the judgement required when determining whether costs should be capitalised, the useful lives, and recoverability of capitalised software development costs, this was considered to be a key audit matter.	Our audit procedures included the following: ► Assessed the Group's capitalisation policy for software development costs for compliance with Australian Accounting Standards. ► Assessed the operating effectiveness of controls related to the capitalisation of software development costs. ► For a sample of capitalised software development costs, determined whether costs were appropriately supported, authorised and attributed to the development activities. ► Assessed the appropriateness of the amortisation periods attributable to capitalised software development costs by taking into consideration the economic life of the software and the terms of customer contracts. ► Determined whether amortisation charges were correctly calculated. ► Evaluated the Group's assessment for the indicators of impairment of capitalised software development costs. ► Considered the disclosures in the financial report relating to capitalised software development costs.

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

The directors are responsible for the other information. The other information comprises the information included in the Company's 2020 Annual Report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

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

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

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

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

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

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

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Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 27 to 39 of the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Integrated Research Limited for the year ended 30 June 2020, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst & Young

Julian M. O'Brien
Partner
Sydney
20 August 2020

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

As lead auditor for the audit of Integrated Research Limited for the financial year ended 30 June 2020, I declare to the best of my knowledge and belief, there have been:

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

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

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

Ernst & Young

Ernst & Young

Julian M. O'Brien
Partner
Sydney
20 August 2020

Shareholder information

Analysis of numbers of equity security holders by size of holding as at September 2020

	Class of equity security		
	Ordinary shares		
	Shares	Options	Performance Rights
1 -1,000	1,654	-	-
1,001 - 5,000	2,696	-	19
5,001 - 10,000	1,068	-	23
10,001 - 100,000	1,229	-	16
100,001 and over	68	-	2
	6,715	-	60

Fully Paid Ordinary Shares (Total)

Twenty largest security holders of quoted equity securities as of 11 September 2020.

Rank	Name	Units	% of Units
1	MR STEPHEN JOHN KILLELEA	51,880,619	30.18
2	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	19,802,524	11.52
3	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	14,819,298	8.62
4	CITICORP NOMINEES PTY LIMITED	5,277,238	3.07
5	UBS NOMINEES PTY LTD	5,067,027	2.95
6	MR ANDREW RHYS RUTHERFORD	2,794,210	1.63
7	BRISPOT NOMINEES PTY LTD <HOUSE HEAD NOMINEE A/C>	2,774,765	1.61
8	NATIONAL NOMINEES LIMITED	2,349,197	1.37
9	MR NICHOLAS BARRY DEBENHAM <NICHOLAS DEBENHAM FAM A/C>	1,489,356	0.87
10	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	1,241,719	0.72
11	BNP PARIBAS NOMS PTY LTD <DRP>	1,021,979	0.59
12	CS FOURTH NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 11 A/C>	988,694	0.58
13	CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	980,000	0.57
14	NEWECONOMY COM AU NOMINEES PTY LIMITED <900 ACCOUNT>	788,423	0.46
15	CUSTODIAL SERVICES LIMITED <BENEFICIARIES HOLDING A/C>	705,036	0.41
16	BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD <DRP A/C>	643,728	0.37
17	NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	625,901	0.36
18	BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	625,503	0.36
19	CS THIRD NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 13 A/C>	469,416	0.27
20	SANTOS L HELPER PTY LTD <THE VAN PAASSEN FAMILY A/C>	403,087	0.23
Totals: Top 20 holders of FULLY PAID ORDINARY SHARES (Total)		**114,747,720**	**66.74**
Total Remaining Holders Balance		**57,183,033**	**33.26**
Total Number of Ordinary Shares on issue		**171,930,753**	**100.00**

Unquoted equity securities

	Number on issue	Number of holders
Option issued under the Integrated Research Limited Employee Option Plan to take up ordinary shares	-*	-
Performance Rights issued under the Integrated Research Limited Performance Rights and Option Plan to take up ordinary shares	989,693**	60

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

On-market buy-back

There is no current on-market buy-back.

Substantial holders

Substantial holders in the Company are set below:

	Number held	Percentage
Stephen John Killelea*	52,218,231	30.38

* Includes direct and indirect holdings at 11 September 2020.

Voting rights

The voting rights attaching to each class of equity securities are set out below:

1. **Ordinary shares.**
   On a show of hands every member present at a meeting in person or proxy shall have one vote and upon a poll each share have one vote.
2. **Options**.
   No voting rights.
3. Performance rights.
4. No voting rights.

Other information

Integrated Research Limited, incorporated and domiciled in Australia, is a publicly listed Company limited by shares.

Corporate directory

Directors

Paul Brandling
Independent Non-Executive Director & Chairman

John Ruthven
Managing Director and Chief Executive Officer

Nick Abrahams
Independent Non-Executive Director

Garry Dinnie
Independent Non-Executive Director

Peter Lloyd
Independent Non-Executive Director

Anne Myers
Independent Non-Executive Director

Company Secretary
David Purdue

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

Share Registry
Computershare

Solicitors
Ashurst
Level 11, 5 Martin Place
Sydney NSW 2000

Bankers
National Australia Bank
Westpac Banking Corporation
HSBC Bank Australia

Securities Exchange Listing
Australian Securities Exchange
Code: IRI

Country of Incorporation
Integrated Research Limited, incorporated and domiciled in Australia, is a publicly listed company limited by shares.

Notice of Annual General Meeting
The 2020 Annual General Meeting of Integrated Research will be held on Wednesday, 25 November 2020. The meeting will take place virtually, owing to the ongoing COVID-19 pandemic. A formal Notice of Meeting will be released in October.

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