



18 August 2022

ASX Market Announcements Office  
Australian Securities Exchange Limited

Dear Sir/Madam

**ASX Market Announcement**

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

- Appendix 4E, and
- Financial Report for the year ended 30 June 2022.

By authority of the Board

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



## Appendix 4E

Full year report

Name of entity

<b>INTEGRATED RESEARCH LIMITED</b>		
ABN	Reporting period (year ended)	Previous corresponding period (year ended)
76 003 588 449	30 June 2022	30 June 2021

### For announcement to the market

*Extracts from this report for announcement to the market*

				A\$000
Revenues from ordinary activities	Down	20%	to	62,867
Loss before tax attributable to members	Down	126%	to	(2,445)
Net profit for the period attributable to members	Down	81%	to	1,545

<b>Dividends (distributions)</b>	Amount per security	Franked amount per security
Final dividend	Nil	N/A
Previous corresponding period	Nil	N/A

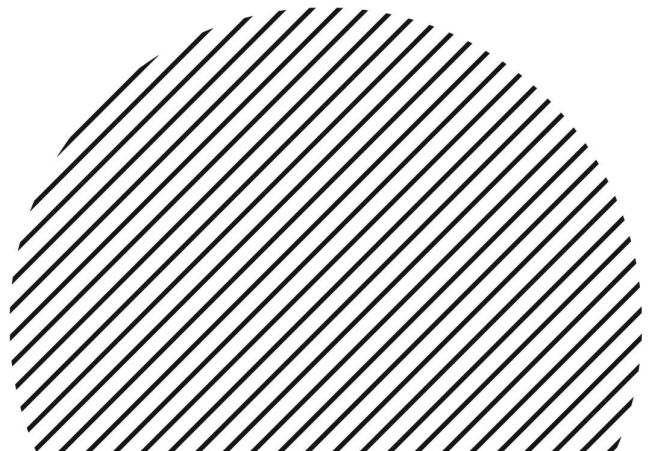
	June 2022 cents	June 2021 cents
NTA backing		
Net tangible asset backing per ordinary security	32.36	31.00

### Brief explanation of directional and percentage changes to profit:

Refer accompanying Market Release.

### Audit

This report is based on accounts that have been audited





Integrated Research Limited and Controlled Entities

ABN 76 003 588 449

ASX CODE IRI

# Financial Report

For the year ended  
30 June 2022

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# Directors' Report

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 2022 and the Auditor's Report thereon.

## 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. Revenue from the sale of licences where there are no post-delivery obligations is recognised 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 classified as subscription fees and are recognised rateably over the delivery period.

## Review and results of operations

### Overview

The Company achieved annual profit after tax of \$1.5 million, representing an 81% decrease on the prior year. Revenue for the year was \$62.9 million, down 20% over the prior year. The decline in performance was the consequence of external trading conditions, market disruption, delays in new product traction and sales execution. Typically, the fourth quarter of the financial year is the Company's strongest period for sales. However, the deteriorating macro-economic environment caused by geo-political unrest and inflationary pressures resulted in customers delaying or canceling purchasing decisions. Sales execution risk was much higher in the current year due to the lower renewal volume compared to preceding years. New business sales were higher than the preceding year, but insufficient to overcome the decline in revenue.

The Company benefited from currency gains of \$1.6 million (prior year loss of \$1.9 million) and grant income of \$1.4 million (prior year \$0.6 million). These amounts are included in other gains and losses of the profit and loss account.

## Revenue

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

In thousands of AUD	2022	2021	% Change
Collaborate	34,324	44,000	(22%)
Infrastructure	13,240	15,874	(17%)
Transact	8,249	10,243	(19%)
Professional services	7,054	8,376	(16%)
<b>Total revenue</b>	<b>62,867</b>	<b>78,493</b>	<b>(20%)</b>

Collaborate revenue of \$34.3 million, declined 22% over the prior year. The Collaborate market has undergone significant disruption since the commencement of the pandemic through customers moving toward cloud and hybrid environments and reducing their footprint of on-premise collaboration tools. Whilst this has presented a significant opportunity for the Company to sell new cloud and hybrid products, it has also increased the risk of churn on the Company's on premise collaborate solution. The maintenance retention rate for Collaborate was 87% (2021 87%). Licence fees for Collaborate was \$19.9 million, down 29% over the prior year. SaaS revenues for Collaborate was \$1.3 million, up 303% over the prior year, noting that the revenue from cloud-based products is recognised over time.

Infrastructure revenue of \$13.2 million, declined 17% over the prior year. Transact revenue of \$8.2 million, declined 19% over the prior year. Both product lines declined due to a continuing cyclical downswing exacerbated by lower capacity sales. Licence transactions sold during the year were closed on a multi-year term basis with maturities ranging from three to five years.

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

	2022	2021	% Change
Asia Pacific (A\$'000)	15,150	11,817	28%
Americas (USD'000)	27,618	40,798	(32%)
Europe (£'000)	5,228	6,713	(22%)

Asia Pacific revenue of \$15.2 million, was up 28% over the prior year. The region achieved growth across all product lines with a combination of new, capacity and renewals supporting the result. The region achieved growth in both halves through both direct and indirect (including managed service providers) channels. Asia Pacific added 12 new customers over the course of the year.

Americas revenue of US\$27.6 million, was down 32% over the prior year. The region was off to a slow start with first half revenues down 24% against 1H 2021. Whilst there was modest improvement in the second half, it was insufficient to achieve aggregate revenue growth. There was a high dependency on new business in the Americas due to the timing of the licence renewal cycle. Licence sales from renewals was down 57% whilst licence sales from new and capacity business was up 31%. The Americas added 20 new customers over the year.

Europe revenue of £5.2 million, was down 22% over the prior year. Europe first half revenues was up 19% in the first half but was unable to match the stronger second half performance of the preceding year. Post the commencement of insecurity from the conflict in the Ukraine and other negative business sentiment, fourth quarter sales were notably weak with licence fees of only £0.2 million. Europe added 9 new customers over the course of the year.

## Expenses

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

In thousands of AUD	2022	2021	% Change
Research and development expenses	22,767	19,101	19%
Sales, professional services and marketing expenses	41,136	43,378	(5%)
General and administration expenses	6,241	6,235	0%
<b>Total expenses</b>	<b>70,144</b>	<b>68,714</b>	<b>2%</b>

Total expenses were up 2% to \$70.1 million. The Company experienced wage pressure during the year, with the demand for key talent such as software engineers intensifying. The increase in wage costs has mostly been offset with a reduction in staff numbers over the course of the year. Total staff numbers finished the year at 202 (2021: 240).

Gross spending on research and development expenditure represents 38% of total revenue (2021: 27%):

In thousands of AUD	2022	2021	% Change
Gross research and development spending	23,847	21,255	12%
Capitalisation of development expenses	(11,499)	(11,985)	(4%)
Amortisation of capitalised expenses	10,419	9,831	6%
<b>Net research and development expenses</b>	<b>22,767</b>	<b>19,101</b>	<b>19%</b>
<b>Gross spend as a % of revenue</b>	<b>38%</b>	<b>27%</b>	

## Shareholder returns

Returns to shareholders were as follows:

	2022	2021	2020
Net profit (\$'000)	\$1,545	\$7,935	\$24,054
Basic EPS	0.90c	4.61c	14.00c
Dividends per share	Nil	Nil	7.25c
Dividend franking percentage	N/A	N/A	100%
Return on equity	2%	10%	29%

## Financial position

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

In thousands of AUD	2022	2021
<b>Assets</b>		
Cash and cash equivalents (current)	12,329	12,149
Trade and other receivables (current and non-current)	68,807	79,511
Intangible assets (non-current)	31,309	29,962
<b>Liabilities</b>		
Borrowings (non-current)	-	6,658
Deferred Revenue	14,625	16,387
<b>Equity</b>		
	87,113	83,342

The Company's end of year net cash position was \$12.3 million (June 2021: \$5.5 million), with no borrowings (June 2021: \$6.7 million).

The decrease in trade receivables and deferred revenue is the result of lower sales during the year.

The growth in intangible assets represents the investment in the Company's next generation Prognosis Cloud platform and related cloud-based products. Capitalised platform costs are being amortised over a five-year period; the cloud-based products are being amortised over a three-year period.

The consolidated statement of financial position presented at page 38 together with the accompanying notes provides further details.



## Strategy and Priorities

Our long-term growth strategy remains unchanged. Innovation, Execution, Scale will remain our core objectives as we look to the future.

We anticipate that the trends that we are seeing across the Collaboration and Transactions spaces bode well for IR. 'Specialised tools' for unified communications cloud-based environments are projected to grow at over 20% CAGR by 2025<sup>1</sup>. Likewise, global non-cash transaction volumes are also anticipated to grow strongly at 18.6% CAGR out to 2025<sup>2</sup>.

At IR, 2022 and 2021 have been transformative years amidst rapidly evolving and at times uncertain market conditions. We made progress as a SaaS provider and launched 5 new products in 2022. Innovation was and will continue to be a key focus.

2023 will no longer be a year of scale for us but a necessary extension of Executing our strategy. A core focus of 2023 will be repairing our previously strong key business fundamentals. We will do this while keeping an eye on our cash balance, with the intention of driving the business forward in a sustainable way. And we have strengthened our foundation in this regard – launched new products and re-aligned key personnel to improve on our execution. These foundational investments will position us well for business transformation, as we experienced when the market first transitioned to Voice Over Internet Protocol (VOIP).

Our balance sheet has improved, with no debt and a healthy cash balance.

It is anticipated that the Company will exit 2023 in better shape with a strengthening balance sheet, increasing product recognition, and capabilities that will facilitate scale in 2024 and beyond. Over the longer-term, turnaround in sales performance and growth in cashflows will deliver both returns to shareholders and further investment in innovation.

During 2023 our key priorities will include:

- Returning the Americas and Europe to growth
- Increasing new product adoption and traction
- High customer retention and ongoing managed migration to Cloud
- Launch of generation II products – building on the new SaaS products launched in 2022
- Retaining a strong balance sheet

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<sup>1</sup> IR derived projection referencing Gartner "Market Guide for UCaaS Monitoring" February 2020 & Gartner Analyst Conversations for Market Segmentation Data.

<sup>2</sup> Capgemini Financial Services Analysis, 2021

## Directors

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

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**Peter Lloyd, MAICD**

**Independent Non-Executive Director and Chairman**

Peter was appointed Director in July 2010 and elected Chairman in March 2021. He has over 40 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's current term will expire no later than the close of the 2022 Annual General Meeting.

Listed company Directorships held in the past three years other than listed above: FGO and ID8

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**John Ruthven**

**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.

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**Cathy Aston, B.Ec, M. Comm, SF Fin, GAICD**

**Independent Non-Executive Director**

Cathy was appointed a Director in April 2022. She is a seasoned professional with over 25 years' experience across diverse sectors which include technology, financial services, superannuation, government, marketing services and digital business. Cathy also has senior executive experience with entities in Australia and Asia Pacific region. Ms. Aston is currently a non-executive director of IVE Group, Macquarie Investment Management and IMB Bank and was previously a non-executive director of Virtus Health (ASX:VRT), Over The Wire Holdings (ASX:OTW), Southern Phone and the Financial Institute of Australasia (FINSIA). In addition, Ms. Aston has experience as Chair of Audit & Risk Committees for several local and overseas organisations. Cathy previously worked in the telecommunications industry and had roles with Telstra Corporation, Telstra International (Hong Kong and New Delhi) and Mobitel Private Limited (Sri Lanka). Cathy's current term will expire no later than the close of the 2022 Annual General Meeting.

Cathy is currently Chair of Integrated Research's Audit & Risk Committee.

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

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**Allan Brackin, BAppSc**  
**Independent Non-Executive Director**

Allan was appointed a Director in February 2021. He is a seasoned non-executive Director with entrepreneurial flair and over 35 years' experience in the technology sector. He has a proven track record as a business builder and advisor, with experience in business strategy, sales and marketing, process re-engineering, change management, financial management, M&A activity and governance. Allan is the former founder and CEO of AAG Technology Services, CEO and Managing Director of Volante Group Ltd, previously Chair of RPM Global Ltd, Chair of Opticomm Ltd, Chair of GBST Ltd, Chair of Sensera Limited and is currently a Non-Executive Director of ASX listed Sovereign Cloud Holdings Limited and 3P Learning Limited. Mr. Brackin has also worked with companies in the private sector and several not-for-profits in the capacities of Chair, Advisory Board member and/or Non-Executive Director. Allan's current term will expire no later than the close of the 2024 Annual General Meeting.

Allan is currently Chair of Integrated Research's Nomination & Remuneration Committee.

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

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**Anne Myers, MBA, FAICD**  
**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 also acted in executive technology and business roles for QBE, Macquarie Bank and St George Bank. She is currently a Director of both Defence Bank Limited and United Way Australia Limited and has previously been a Council Member of the University of New England. Ms. Myers has also worked in the not-for-profit sector as CEO of 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 2023 Annual General Meeting.

Anne is currently Chair of Integrated Research's Technology & Innovation Committee. During part of 2022, Anne was Chair of Integrated Research's Audit & Risk Committee.

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

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**James Scott BEng Hons, GAICD, FIEAust CPEng EngExec**  
**Independent Non-Executive Director**

James was appointed a Director in May 2021. He is a seasoned professional with over 26 years' experience in media and technology sector with industry and advisory businesses at a local and international level. Mr. Scott is currently an operational advisor to private equity firm, Liverpool Partners, a non-executive director of Boom Logistics (ASX:BOL), non-executive director of Orbx Pty Ltd, Chair of MerchantWise Group Pty Ltd, Chair of Seisma Pty Ltd and was previously non-executive Chair of data & analytics business, Skyfii (ASX:SKF). James was previously Managing Director of Accenture Digital, a Partner in KPMG's Advisory division and was the Chief Operating Officer of Seven Group Holdings (ASX:SVW). Mr. Scott was a founder and director of Imagine Broadband Limited and was a Director of WesTrac and Coates Hire during his time with Seven Group Holdings. James's current term will expire no later than the close of the 2024 Annual General Meeting.

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

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## Officers of the Company

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### Company Secretary

**David Purdue, BEc, MBA, Grad Dip CSP, FCA, FGIA, FCG, 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.

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### General Counsel and Company Secretary

**Will Witherow, B.A., J.D.**

Will joined IR in July 2017, based in the company's Denver Colorado office. Mr. Witherow was promoted to Head of Legal and Compliance in 2019 and subsequently relocated to IR's head office in Sydney, overseeing the provision of legal services for the company's global operations and serving as IR's Data Privacy Officer. Will was appointed IR's General Counsel and Company Secretary in April 2022. Will is a qualified lawyer, holding a B.A. in Political Science and International Relations, and J.D. in Law, along with being a Certified Information Privacy Professional through the International Association of Privacy Professionals. Prior to joining IR, Will gained experience in the software industry with global organizations, including Oracle and Deloitte.

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### Chief Financial Officer

**Peter Adams, BCom, CA**

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.

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## Resigning Directors during the year

**Garry Dinnie, BCom, FCA, FAICD, FAIM**

**Independent Non-Executive Director**

Garry resigned as a Director in October 2021. Garry served on the Board for 8 1/2 years and was Chair of the Audit & Risk Committee and Chair of the Nomination & Remuneration Committee during that time.

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## **Results**

The net profit of the consolidated entity for the 12 months ended 30 June 2022 after income tax expense was \$1.5 million.

## **Dividends**

There were no dividends paid or declared by the Company since the end of the previous financial year.

## **Events subsequent to reporting date**

There has been no transaction or event of a material or unusual nature that has arisen in the interval between the end of the financial year and the date of this report which is likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company, in future financial years.

## **Future developments**

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

Further information on likely developments including expected results would 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 8 to 9. Details of the company secretary and his qualifications are set out on page 10.

### 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 2022, and the numbers of meetings attended by each Director were:

	Board Meetings		Audit & Risk Committee Meetings		Nomination & Remuneration Committee Meetings		Technology & Innovation Meetings	
	A	B	A	B	A	B	A	B
Peter Lloyd	31	31	4	4	3	3	3	3
John Ruthven	31	31	-	-	-	-	-	-
Cathy Aston (from April 2022)	15	15	1	1	-	-	-	-
Allan Brackin	31	31	3	3	5	5	-	-
Garry Dinnie (until October 2021)	8	8	1	1	2	2	-	-
Anne Myers	31	31	3	3	-	-	3	3
James Scott	31	31	-	-	5	5	3	3

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
Peter Lloyd	-	51,263	51,263	-	-
John Ruthven	20,000	-	20,000	655,809	247,806
Cathy Aston	-	-	-	-	-
Allan Brackin	-	150,000	150,000	-	-
Garry Dinnie (until October 2021) <sup>1</sup>	-	14,000	14,000	-	-
Anne Myers	21,500	-	21,500	-	-
James Scott	-	24,588	24,588	-	-

<sup>1</sup>Holding based on last day as Director

## 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 options 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 options granted	Performance hurdle	Exercise price	Expiry date
<b>Directors</b>				
John Ruthven	655,809	No	\$1.98	Aug 2026
<b>Executive Officers</b>				
Peter Adams	220,960	No	\$1.98	Aug 2026

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

## Unissued shares under options and performance rights

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

Expiry date	Exercise price	Number of shares
Aug 2022	Nil	247,108
Aug 2023	Nil	1,050,134
Sep 2024	Nil	123,230
Aug 2026	\$1.98	1,368,292
Total performance rights and options		2,788,764

Performance rights and options 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, 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 16 to 28.

### Corporate governance

A statement describing the Company's main corporate governance practices in place throughout the financial year is on pages 29 to 35.



### 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 81 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.



**Peter Lloyd**  
Chairman



**John Ruthven**  
Managing Director and Chief Executive Officer

Dated at North Sydney this 18th day of August 2022

# 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:

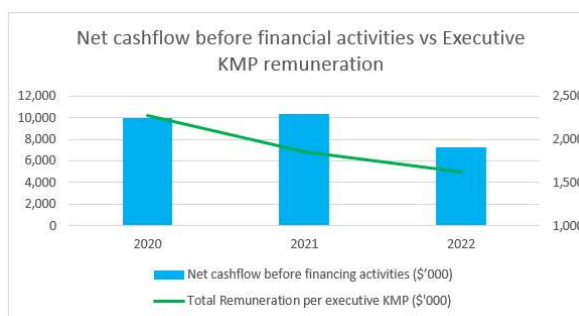
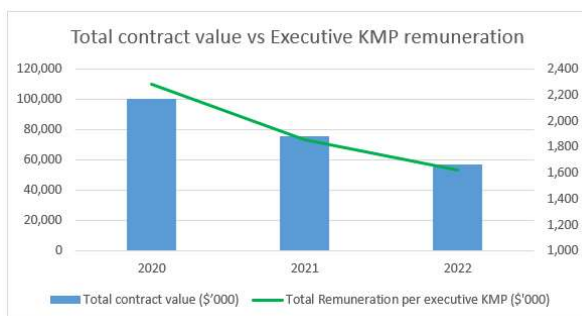
- Attract and retain top talented Key Management Personnel ("KMP")
- Alignment between remuneration reward with business strategy and driving shareholders' value/return
- Structure that is flexible in adapting to a changing environment
- Fair and equitable remuneration framework

## 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 three financial years:

### Three-year selected financial indices of the Company

	2022	2021	2020
Total contract value (\$'000)	56,650	75,061	99,891
Net cashflow before financing activities (\$'000)	7,191	10,274	9,940
Net profit after tax (NPAT) (\$'000)	1,545	7,935	24,054
Dividends paid (\$'000)	-	6,447	12,460
Closing share price	\$0.42	\$1.95	\$3.85
Change in share price	(\$1.53)	(\$1.90)	\$0.55
Reported NPAT (decline)/growth %	(81%)	(67%)	10%
Executive KMP remuneration (decline)/growth %	(13%)	(19%)	0%



Two of the financial indices shown in the table above are Total Contract Value (TCV) and Cashflow. The Committee considers these two financial performance metrics as Key Performance Indicators (KPIs) in setting the STI element of the KMP remuneration package. Previous metrics utilised by the Committee were licence fees and NPAT.

The above charts show that the Executive KMP's remuneration framework has decreased in the current year which 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

### 2.2. Independent Non-Executive Directors

Directors	Role	Appointed
Peter Lloyd	Independent Non-Executive Director and Chairman	Director from July 2010 Chairman from March 2021
Cathy Aston	Independent Non-Executive Director	April 2022
Allan Brackin	Independent Non-Executive Director	February 2021
Garry Dinnie	Independent Non-Executive Director	February 2013 (resigned October 2021)
Anne Myers	Independent Non-Executive Director	July 2018
James Scott	Independent Non-Executive Director	May 2021

### 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.

	<b>Fixed remuneration</b>	<b>Short-term incentive (STI)</b>	<b>Long-term incentive (LTI)</b>
<b>Description of components</b>	Base salary plus superannuation and any fringe benefits such as motor vehicle parking.	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").
<b>Objectives</b>	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 upon meeting certain performance conditions that reflect long-term performance of the Company.
<b>KPIs</b>	N/A	The KPIs vary with position and responsibility and are aligned with each respective year's budget. Financial KPIs include: <ul style="list-style-type: none"> <li>• TCV</li> <li>• Cashflow</li> </ul> <p>In addition to the above, non-financial KPIs exist and vary with the KMP position. Refer to section 3.2 for further details.</p>	Options with an undiscounted exercise price was considered the most appropriate performance hurdle given its intrinsic link to creating shareholder wealth.
<b>Performance period</b>	N/A	Annual	3 years service condition for share options and performance rights
<b>Alignment to strategy</b>	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 based on TCV and net cashflow before financing activities. 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 performance hurdles over the vesting period. This sets a link between the long-term performance of the Company and shareholder value.

### 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 125%. In order to achieve over-performance of a particular KPI, a minimum of 85% of the TCV target must be achieved.

#### CEO and Managing Director KPIs and 2022 performance outcome

Performance metrics	Payment eligibility criteria	2022 performance outcome/payout
<b>Financial (80% weighting)</b>		
Total contract value	Sliding scale based on meeting or exceeding certain target threshold	
Cashflow	Sliding scale based on meeting or exceeding certain target threshold	
Financial goal achievement		30%
<b>Non-financial (20% weighting)</b>		
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		12%
<b>Total achievement</b>		<b>42%</b>

#### CFO KPIs and 2022 performance outcome

Performance metrics	Payment eligibility criteria	2022 performance outcome/payout
<b>Financial (70% weighting)</b>		
Total contract value	Sliding scale based on meeting or exceeding certain target threshold	
Cashflow	Sliding scale based on meeting or exceeding certain target threshold	
Financial goal achievement		35%
<b>Non-Financial (30% weighting)</b>		
Reporting	Sliding scale based on meeting or exceeding certain target threshold	
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		24%
<b>Total achievement</b>		<b>59%</b>

### 3.3. Long-term incentive (LTI)

LTI remuneration at the Company is made up of performance rights and options 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	Performance rights: 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. Options: Each LTI entitles the option holder to one Company share in the future, which will be exercised within the period specified by the Board in the Invitation Letter, for cash consideration of the strike price.
Performance period	The performance period of the LTIs is three years, starting from the grant date 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 CEO's and CFO's LTI granted in 2022, the performance measure is effectively measured against the strike price of the options granted, being \$1.98 for each option.

### 3.4. Detail of executive remuneration and service conditions

Features	CEO and Managing Director	CFO
Fixed Remuneration	\$583,000	\$365,000
Short Term Incentive	\$265,000	\$125,000
Contract term	No specified end date	No specified end date
Termination notice by Individual/Company	6 months	3 months
Employment termination	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	Technology & Innovation Committee
Non-Executive & Independent Directors	Peter Lloyd	✓ (Chair)	✓	✓	✓
	Cathy Aston	✓	✓ (Chair)		
	Allan Brackin	✓	✓	✓ (Chair)	
	Anne Myers	✓			✓ (Chair)
	James Scott	✓		✓	✓
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 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 \$850,000 per annum, which the Shareholders last voted upon at the Annual General Meeting in November 2020.

#### 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 & Remuneration Committee	Fee for role as Chair	\$10,000	\$10,000
Technology & Innovation Committee	Fee for role as Chair	\$10,000	\$10,000
<b>Total fees for Non-executive Directors</b>			<b>\$570,000</b>

## 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.

For the year ended 30 June 2022 (in AUD)	<-----Short term----->			Post-employment	Long term	Share-based payments	Other compensation	Total \$	Proportion of remuneration	
	Salary & fees \$	Bonus \$	Non-cash Benefits \$	Superannuation Contribution \$	Long service leave \$	Value of instruments <sup>1</sup> \$	Termination Benefit \$		Performance-related	Value of rights
<b>Executive KMP</b>										
Peter Adams	341,432	73,750	-	23,568	7,315	134,320	-	580,385	13%	23%
<b>Directors</b>										
<b>Executive</b>										
John Ruthven	559,432	111,300	-	23,568	11,576	332,175	-	1,038,051	11%	32%
<b>Non-executive</b>										
Peter Lloyd	193,530	-	-	19,353	-	-	-	212,883	0%	0%
Cathy Aston	19,481	-	-	1,948	-	-	-	21,429	0%	0%
Allan Brackin	90,909	-	-	9,091	-	-	-	100,000	0%	0%
Garry Dinnie	30,303	-	-	3,030	-	-	-	33,333	0%	0%
Anne Myers	94,593	-	-	9,459	-	-	-	104,052	0%	0%
James Scott	81,818	-	-	8,182	-	-	-	90,000	0%	0%
<b>Total compensation</b>	<b>1,411,498</b>	<b>185,050</b>	<b>-</b>	<b>98,199</b>	<b>18,891</b>	<b>466,495</b>	<b>-</b>	<b>2,180,133</b>		

1) The estimated value of performance rights and options are calculated at the date of grant using the Black Scholes, Binomial or Monte Carlo methodology.

2) Peter Lloyd received \$17,117 for agreeing to be Chair of the Board in 2021 with a further \$32,883 paid in 2022. No other Director appointed during the year received a payment for agreeing to hold the position.



Remuneration Report (audited) cont.

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

For the year ended 30 June 2021 (in AUD)	<-----Short term----->			Post-employment	Long term	Share-based payments	Other compensation	Total	Proportion of remuneration	
	Salary & fees	Bonus	Non-cash Benefits	Superannuation Contribution	Long service leave	Value of rights <sup>1</sup>	Termination Benefit		Performance-related	Value of rights
	\$	\$	\$	\$	\$	\$	\$	\$		
<b>Executive KMP</b>										
Peter Adams	328,306	72,000	-	21,694	7,036	160,902	-	589,938	12%	27%
Matt Glasner <sup>3</sup>	453,306	12,500	-	21,694	(7,986)	(56,506)	237,500	660,508	2%	(9%)
<b>Directors</b>										
<b>Executive</b>										
John Ruthven	528,306	93,750	-	21,694	10,733	187,095	-	841,578	11%	22%
<b>Non-executive</b>										
Peter Lloyd	127,469	-	-	12,110	-	-	-	139,579	0%	0%
Allan Brackin	35,769	-	-	3,398	-	-	-	39,167	0%	0%
Garry Dinnie	98,935	-	-	9,399	-	-	-	108,334	0%	0%
Anne Myers	83,714	-	-	7,953	-	-	-	91,667	0%	0%
James Scott	11,170	-	-	1,061	-	-	-	12,231	0%	0%
Paul Brandling <sup>4</sup>	123,288	-	-	11,712	-	-	-	135,000	0%	0%
Nick Abrahams <sup>5</sup>	33,055	-	-	3,140	-	-	-	36,195	0%	0%
<b>Total compensation</b>	<b>1,823,318</b>	<b>178,250</b>	<b>-</b>	<b>113,855</b>	<b>9,783</b>	<b>291,491</b>	<b>237,500</b>	<b>2,654,197</b>		

1) The estimated value of performance rights is calculated at the date of grant using either the Black Scholes or Monte Carlo methodology.

2) Peter Lloyd received \$17,117 for agreeing to be Chair of the Board in 2021 with a further \$32,883 payable in 2022. No other Director appointed during the year received a payment for agreeing to hold the position.

3) Resigned June 2021

4) Retired March 2021

5) Resigned November 2020

## 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 2022. The values presented below may differ from the statutory remuneration disclosed in section 5. The statutory disclosures are prepared on an accruals basis, 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, as some share based payments may not manifest if certain conditions are not met.

For the year ended 30 June 2022 (in AUD)	<-----Short term----->			Post-employment	Long term	Other LTI compensation		Total
	Salary & fees \$	Bonus <sup>1</sup> \$	Non-cash Benefits \$	Superannuation Contribution \$	Long service leave \$	Value of rights <sup>2</sup> \$	Termination Benefit \$	
John Ruthven	559,432	111,300	-	23,568	-	-	-	694,300
Peter Adams	341,432	73,750	-	23,568	-	93,571	-	532,321

### Notes

1. Bonus received or receivable for the financial year ended 30 June 2022.
2. Value of the 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 performance rights or options have been granted to named executives either during or since the end of the financial year. Performance rights and options granted as compensation are listed in the table below.

### 7.2. Analysis of performance rights and options over equity instruments granted as compensation

	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)
<b>Performance Rights</b>								
John Ruthven	106,707	Nov-19	2.87	-	-	2023	nil	305,715
	45,731	Nov-19	2.87	-	-	2023	nil	131,019
	31,789	Nov-20	1.07	-	-	2024	nil	33,982
	31,789	Nov-20	1.51	-	-	2024	nil	47,874
	31,790	Nov-20	1.80	-	-	2024	nil	57,222
Peter Adams	22,000	Sep-18	2.27	100%	-	2022	nil	49,823
	67,988	Jan-19	2.29	100%	-	2022	nil	155,418
	40,000	Aug-19	2.48	-	-	2023	nil	99,200
	27,515	Sep-19	2.80	-	-	2023	nil	77,097
<b>Options</b>								
John Ruthven	655,809	Nov-21	0.37	-	-	2026	nil	245,273
Peter Adams	220,960	Nov-21	0.37	-	-	2026	nil	82,639

Notes:

- (A) The percentage forfeited in the year represents the reduction from the maximum number of performance rights or options available to vest due to the performance hurdles not being achieved or due to the resignation of the executive.
- (B) The minimum value of performance rights or options yet to vest is \$nil as the executives may not achieve the required performance hurdles or may terminate their employment prior to vesting.
- (C) The maximum values presented above are based on the values calculated using the Black Scholes, Binomial or Monte Carlo methodology as applied in estimating the value of performance rights and options for employee benefit expense purposes.

### 7.3. Performance rights and options over equity instruments granted as compensation

The movement during the reporting year in the number of performance rights and options 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 2022	Held at 1 July 2021	Granted as compensation	Exercised	Other changes	Held at 30 June 2022	Vested during the year	Vested and exercised at 30 June 2022
<b>Performance Rights</b>							
Peter Adams	157,503	-	(89,988)	-	67,515	89,988	89,988
John Ruthven	247,806	-	-	-	247,806	-	-
<b>Options</b>							
Peter Adams	-	220,960	-	-	220,960	-	-
John Ruthven	-	655,809	-	-	655,809	-	-

For the year ended 30 June 2021	Held at 1 July 2020	Granted as compensation	Exercised	Other changes	Held at 30 June 2021	Vested during the year	Vested and exercised at 30 June 2021
<b>Performance Rights</b>							
Peter Adams	217,503	-	(60,000)	-	157,503	60,000	60,000
John Ruthven	152,438	95,368	-	-	247,806	-	-
Matt Glasner	66,811	-	-	(66,811)	-	-	-

Performance rights and options 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 2022	Held at 1 July 2021	Purchases	Received on exercise of performance rights	Other changes	Sales	Held at 30 June 2022
<b>Executive KMP</b>						
Peter Adams	15,000	-	89,988	-	(34,988)	70,000
<b>Directors</b>						
<b>Executive</b>						
John Ruthven	20,000	-	-	-	-	20,000
<b>Non-executive</b>						
Peter Lloyd	27,000	24,263	-	-	-	51,263
Cathy Aston	-	-	-	-	-	-
Allan Brackin	50,000	100,000	-	-	-	150,000
Anne Myers	17,000	4,500	-	-	-	21,500
James Scott	-	24,588	-	-	-	24,588
Garry Dinnie <sup>1</sup>	14,000	-	-	-	-	14,000

<sup>1</sup> 'Held 30 June 2022' value represents holding on last day as Key Management Personnel

For the year ended 30 June 2021	Held at 1 July 2020	Purchases	Received on exercise of performance rights	Other changes	Sales	Held at 30 June 2021
<b>Executive KMP</b>						
Peter Adams	10,000	14,900	60,000	-	(69,900)	15,000
<b>Directors</b>						
<b>Executive</b>						
John Ruthven	-	20,000	-	-	-	20,000
<b>Non-executive</b>						
Peter Lloyd	27,000	-	-	-	-	27,000
Allan Brackin	-	50,000	-	-	-	50,000
Garry Dinnie	9,000	5,000	-	-	-	14,000
Anne Myers	9,000	8,000	-	-	-	17,000
Paul Brandling <sup>1</sup>	39,338	4,464	-	-	-	43,802
Nick Abrahams <sup>1</sup>	13,446	-	-	-	-	13,446

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 2022 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

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 Technology & Innovation 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 8 to 9 of this report. Director profiles are also provided on the company's website: [www.ir.com](http://www.ir.com).

The company's constitution provides for the board to consist of between three and twelve members. At 30 June 2022 the board members were comprised as follows:

- Mr Peter Lloyd – Independent Non-Executive Director (Chairman)
- Mr John Ruthven – Chief Executive Officer and Managing Director
- Mr Allan Brackin – Independent Non-Executive Director
- Ms Anne Myers – Independent Non-Executive Director
- Mr James Scott – Independent Non-Executive Director
- Ms Cathy Aston – Independent Non-Executive Director (Appointed 14 April 2022)

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

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

The 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](http://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 Allan Brackin – Independent Non-Executive Director (Chair)
- Mr James Scott – Independent Non-Executive Director
- Mr Garry Dinnie – Independent Non-Executive Director (member to 31 October 2021)
- Mr Peter Lloyd – Independent Non-Executive Director (member from 1 November 2021)

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](http://www.ir.com).

The Nomination and Remuneration Committee meets at least twice a year and as required. The Committee met five 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:

- Ms Cathy Aston – Independent Non-Executive Director (Chair from 14 April 2022)
- Ms Anne Myers – Independent Non-Executive Director (Chair from 1 November 2021 to 13 April 2022)
- Mr Garry Dinnie – Independent Non-Executive Director (Chair to 31 October 2021)
- Mr Peter Lloyd – Independent Non-Executive Director (to 13 April 2022)
- Mr Allan Brackin – Independent Non-Executive Director (from 14 April 2022)

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

The external auditor, Chief Executive Officer and Chief Financial Officer are invited to Audit and Risk Committee meetings at the discretion of the committee. The committee met four times during the year and committee members' attendance record is disclosed in the table of Directors' meetings on page 12.

The external auditor met with the Audit and Risk 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 2022 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.

### Technology and Innovation Committee

The Technology and Innovation 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 Technology and Innovation Committee during the year were:

- Ms Anne Myers – Independent Non-Executive Director (Chair)
- Mr Peter Lloyd – Independent Non-Executive Director
- Mr James Scott – Independent Non-Executive Director

The Technology and Innovation 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 three 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. The risk framework is reviewed annually to ensure risks are managed within the risk appetite set by 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](http://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 16 to 28.

### **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](http://www.ir.com).

Participants in the Company's Performance Rights and Options 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 or options. 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](http://www.ir.com)), and issuing media releases. Disclosures under this policy are in addition to the periodic and other disclosures required under the ASX Listing Rules and the Corporations Act. More details of the policy are available on the Company's website.

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

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

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

# Financial Statements

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# Consolidated statement of comprehensive income

For the year ended 30 June 2022

In thousands of AUD	Notes	Consolidated	
		2022	2021
<b>Revenue from contracts with customers</b>			
Licence fees		35,495	47,359
Maintenance fees		15,236	18,128
Subscription fees		1,256	312
Testing solution services		3,826	4,318
Professional services		7,054	8,376
<b>Total revenue</b>	<b>3</b>	<b>62,867</b>	<b>78,493</b>
<b>Expenditure</b>			
Research and development expenses		(22,767)	(19,101)
Sales, professional services and marketing expenses		(41,136)	(43,378)
General and administration expenses		(6,241)	(6,235)
<b>Total expenditure</b>	<b>4</b>	<b>(70,144)</b>	<b>(68,714)</b>
<b>Other gains and (losses)</b>	<b>5</b>	<b>3,008</b>	<b>(1,310)</b>
<b>(Loss)/profit before finance income and tax</b>		<b>(4,269)</b>	<b>8,469</b>
Finance income	6	1,824	838
<b>(Loss)/profit before tax</b>		<b>(2,445)</b>	<b>9,307</b>
Income tax benefit/(expense)	8	3,990	(1,372)
<b>Profit for the year</b>		<b>1,545</b>	<b>7,935</b>
<b>Other comprehensive income</b>			
<b>Items that may be reclassified subsequently to profit</b>			
Foreign exchange translation differences		1,307	(1,496)
<b>Other comprehensive income</b>		<b>1,307</b>	<b>(1,496)</b>
<b>Total comprehensive income for the year</b>		<b>2,852</b>	<b>6,439</b>
<b>Profit attributable to:</b>			
Members of Integrated Research		1,545	7,935
<b>Total comprehensive income attributable to:</b>			
Members of Integrated Research		2,852	6,439
<b>Earnings per share attributable to members of Integrated Research:</b>			
Basic earnings per share (AUD cents)	9	0.90	4.61
Diluted earnings per share (AUD cents)	9	0.89	4.60

The consolidated statement of comprehensive income is to be read in conjunction with the notes to the financial statements set out on pages 41 to 73.

# Consolidated statement of financial position

As at 30 June 2022

In thousands of AUD	Notes	Consolidated	
		2022	2021
<b>Current assets</b>			
Cash and cash equivalents	10	12,329	12,149
Trade and other receivables	11	46,812	51,918
Current tax assets		564	693
Other current assets	12	3,657	3,345
<b>Total current assets</b>		<b>63,362</b>	<b>68,105</b>
<b>Non-current assets</b>			
Trade and other receivables	11	21,995	27,593
Other financial assets	13	244	175
Property, plant and equipment	14	744	1,255
Right-of-use assets	21	4,407	6,003
Deferred tax assets	15	1,333	1,183
Intangible assets	16	31,309	29,962
Other non-current assets	12	1,050	799
<b>Total non-current assets</b>		<b>61,082</b>	<b>66,970</b>
<b>Total assets</b>		<b>124,444</b>	<b>135,075</b>
<b>Current liabilities</b>			
Trade and other payables	18	10,131	10,181
Provisions	20	3,650	4,045
Income tax liabilities		-	126
Deferred revenue		14,121	15,526
Lease liabilities	21	1,710	1,655
Other financial liabilities	22	654	192
<b>Total current liabilities</b>		<b>30,266</b>	<b>31,725</b>
<b>Non-current liabilities</b>			
Borrowings	24	-	6,658
Deferred tax liabilities	15	2,487	7,044
Provisions	20	905	665
Deferred revenue		504	861
Lease liabilities	21	3,161	4,767
Other non-current financial liabilities	22	8	13
<b>Total non-current liabilities</b>		<b>7,065</b>	<b>20,008</b>
<b>Total liabilities</b>		<b>37,331</b>	<b>51,733</b>
<b>Net assets</b>		<b>87,113</b>	<b>83,342</b>
<b>Equity</b>			
Issued capital	23	1,667	1,667
Reserves	23	6,637	4,411
Retained earnings		78,809	77,264
<b>Total equity</b>		<b>87,113</b>	<b>83,342</b>

The consolidated statement of financial position is to be read in conjunction with the notes to the financial statements set out on pages 41 to 73.



## Consolidated statement of changes in equity

For the year ended 30 June 2022

### Consolidated

In thousands of AUD	Share capital	Translation reserve	Employee benefit reserve	Retained earnings	Total
Balance at 1 July 2021	1,667	(666)	5,077	77,264	83,342
Profit for the year	-	-	-	1,545	1,545
Other comprehensive income for the year	-	1,307	-	-	1,307
Total comprehensive income for the year	-	1,307	-	1,545	2,852
Share based payments expense	-	-	919	-	919
Dividends to shareholders	-	-	-	-	-
<b>Balance at 30 June 2022</b>	<b>1,667</b>	<b>641</b>	<b>5,996</b>	<b>78,809</b>	<b>87,113</b>

### Consolidated

In thousands of AUD	Share capital	Translation reserve	Employee benefit reserve	Retained earnings	Total
Balance at 1 July 2020	1,667	830	4,249	75,776	82,522
Profit for the year	-	-	-	7,935	7,935
Other comprehensive income/(loss) for the year	-	(1,496)	-	-	(1,496)
Total comprehensive income/(loss) for the year	-	(1,496)	-	7,935	6,439
Share based payments expense	-	-	828	-	828
Dividends to shareholders	-	-	-	(6,447)	(6,447)
<b>Balance at 30 June 2021</b>	<b>1,667</b>	<b>(666)</b>	<b>5,077</b>	<b>77,264</b>	<b>83,342</b>

The consolidated statement of changes in equity is to be read in conjunction with the notes to the financial statements set out on pages 41 to 73.

## Consolidated statement of cash flows

For the year ended 30 June 2022

In thousands of AUD	Notes	Consolidated	
		2022	2021
<b>Cash flows from operating activities</b>			
Cash receipts from customers		75,521	78,807
Proceeds from government grants		-	626
Cash paid to suppliers and employees		(57,885)	(55,105)
Cash generated from operations		17,636	24,328
Income taxes paid		(696)	(3,252)
<b>Net cash provided by operating activities</b>	26	<b>16,940</b>	<b>21,076</b>
<b>Cash flows from investing activities</b>			
Payments for capitalised development		(11,499)	(11,985)
Payments for property, plant and equipment		(299)	(257)
Interest received		2,049	1,440
<b>Net cash used in investing activities</b>		<b>(9,749)</b>	<b>(10,802)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings	24	-	14,450
Repayment of borrowings	24	(5,293)	(12,792)
Payment of principal portion of lease liabilities		(1,662)	(1,652)
Interest payments		(225)	(602)
Payment of dividend	23	-	(6,447)
<b>Net cash used in financing activities</b>		<b>(7,180)</b>	<b>(7,043)</b>
<b>Net increase in cash and cash equivalents</b>		<b>11</b>	<b>3,231</b>
Cash and cash equivalents at 1 July		12,149	9,744
Effects of exchange rate changes on cash		169	(826)
<b>Cash and cash equivalents at 30 June 2022</b>	10	<b>12,329</b>	<b>12,149</b>

The consolidated statement of cash flows is to be read in conjunction with the notes to the financial statements set out on pages 41 to 73.

# Notes to the Financial Statements

For the year ended 30 June 2022

## 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 2022 comprises the Company and its subsidiaries (together referred to as the “consolidated entity”).

The financial report was authorised for issue by the Directors on 18 August 2022.

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 2021 annual financial report.

**Note 1: Significant accounting policies (continued)****Standards and Interpretations issued not yet effective**

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

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

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 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
Reference to the Conceptual Framework – Amendments to IFRS 3	1 Jan 2022	30 June 2023
Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16	1 Jan 2022	30 June 2023
Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37	1 Jan 2022	30 June 2023
IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities	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.

**Note 1: Significant accounting policies (continued)**

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

**D. Foreign currency**

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

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

**E. Fair value measurement**

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

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

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

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

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.

**Note 1: Significant accounting policies (continued)**

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.

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 (M)). 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.

**Note 1: Significant accounting policies (continued)**

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.

Note 1: Significant accounting policies (continued)

## 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.

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

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 Company's next generation Prognosis Cloud platform which is 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. SaaS arrangements are service contracts providing the Company with the right to access the cloud provider's application software over the contract period. Costs incurred to configure or customise, and the ongoing fees to obtain access to the cloud provider's application software, are recognised as operating expenses when the services are received.

### 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 Company 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.



**Note 1: Significant accounting policies (continued)**

**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 and options programmes allow the consolidated entity's employees to acquire shares of the Company. The fair value of performance rights and options 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 or options. The fair value of the instrument granted is measured using a Black-Scholes, Binomial or Monte-Carlo 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.

**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.

**Note 1: Significant accounting policies (continued)**

**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.

Subscription 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.

**Note 1: Significant accounting policies (continued)**

**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.

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. Grant income**

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed.

**Note 1: Significant accounting policies (continued)**

**W. 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 either a Black-Scholes or Monte Carlo 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.

Information regarding these geographic regions is presented below.

	Americas		Europe		Asia Pacific		Corporate Australia <sup>1</sup>		Eliminations		Consolidated	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
<b>In thousands of AUD</b>												
Sales to customers outside the consolidated entity	38,064	54,509	9,653	12,167	15,150	11,817	-	-	-	-	62,867	78,493
Inter-region revenue	-	-	-	-	-	-	24,362	38,430	(24,362)	(38,430)	-	-
<b>Total regional revenue</b>	<b>38,064</b>	<b>54,509</b>	<b>9,653</b>	<b>12,167</b>	<b>15,150</b>	<b>11,817</b>	<b>24,362</b>	<b>38,430</b>	<b>(24,362)</b>	<b>(38,430)</b>	<b>62,867</b>	<b>78,493</b>

	Americas (USD)		Europe (GBP)	
	2022	2021	2022	2021
<b>In local currency<sup>2</sup></b>				
Sales to customers outside the consolidated entity	27,618	40,798	5,228	6,713
Inter-region sales	-	-	-	-
<b>Total regional revenue</b>	<b>27,618</b>	<b>40,798</b>	<b>5,228</b>	<b>6,713</b>

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

<sup>2</sup> Segment results represented in local currencies.

### Note 3. Revenue from contracts with customers

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

In thousands of AUD	Consolidated	
	2022	2021
Timing of Revenue Recognition:		
At a point in time	35,495	47,359
Over time	27,372	31,134
<b>Total Revenue from contracts with customers</b>	<b>62,867</b>	<b>78,493</b>
Type of product Group		
Collaborate	34,324	44,000
Infrastructure	13,240	15,874
Transact	8,249	10,243
Professional services	7,054	8,376
<b>Total Revenue</b>	<b>62,867</b>	<b>78,493</b>

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied), which are not included above, is \$14,801,000 (2021: \$8,441,000) 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:**

In thousands of AUD	Consolidated	
	2022	2021
Employee benefits expense:		
Defined contribution plans	2,719	2,880
Equity settled share-based payments	922	824
Other employee benefits	46,256	50,442
	<b>49,897</b>	<b>54,146</b>
Depreciation and amortisation	12,789	13,427
Expected credit loss provision expense	725	277

## Note 5. Other gains and (losses)

In thousands of AUD	Note	Consolidated	
		2022	2021
Currency exchange gains/(losses)		1,644	(1,936)
Grant income - JobKeeper		-	626
Grant income - US Paycheck Protection Program	24	1,364	-
		<b>3,008</b>	<b>(1,310)</b>

## Note 6. Finance income

In thousands of AUD	Consolidated	
	2022	2021
Interest income	2,049	1,440
Interest on borrowings	(56)	(359)
Interest on lease liability	(169)	(243)
	<b>1,824</b>	<b>838</b>

## Note 7. Auditors' remuneration

In AUD	Consolidated	
	2022	2021
<b>Fees to Ernst &amp; Young (Australia)</b>		
Fees for auditing the consolidated financial report of the Company and auditing the statutory financial reports of any controlled entities	297,068	244,924
Fees for other services		
- Tax compliance	46,750	83,821
- Remuneration service	-	3,605
<b>Total fees to Ernst &amp; Young (Australia)</b>	<b>343,818</b>	<b>332,350</b>
<b>Fees to other overseas member firms of Ernst &amp; Young (Australia)</b>		
Fees for other services		
- Tax compliance	149,138	131,930
- iXBRL service and share register reporting	30,088	-
<b>Total fees to overseas member firms of Ernst &amp; Young (Australia)</b>	<b>179,226</b>	<b>131,930</b>
<b>Total auditor's remuneration</b>	<b>523,044</b>	<b>464,280</b>

## Note 8. Income tax

### Recognised in profit for the year

In thousands of AUD	Note	Consolidated	
		2022	2021
Current income tax:			
Current income tax (benefit)/charge		(8,667)	2,207
Adjustments in respect of current income tax of previous year		(30)	(20)
		<b>(8,697)</b>	<b>2,187</b>
Deferred tax:			
Relating to origination and reversal of temporary differences	15	(1,771)	(815)
Losses available for offsetting against future taxable income	15	6,478	-
<b>Total income tax (benefit)/expense in profit and loss</b>		<b>(3,990)</b>	<b>1,372</b>

### Numerical reconciliation between income tax (benefit)/expense and profit before tax

In thousands of AUD	Consolidated	
	2022	2021
<b>(Loss)/profit before tax</b>	<b>(2,445)</b>	<b>9,307</b>
Income tax using the domestic corporate tax rate of 30%	(733)	2,791
<b>Increase in income tax expense due to:</b>		
Non-deductible expenses	237	204
Effect of tax rates in foreign jurisdictions	240	30
<b>Decrease in income tax expense due to:</b>		
R&D tax incentive	(3,359)	(1,633)
Government grants exempted from tax	(345)	-
Prior year adjustments	(30)	(20)
<b>Income tax (benefit)/expense</b>	<b>(3,990)</b>	<b>1,372</b>

## Note 9. Earnings per share

The calculation of basic and diluted earnings per share at 30 June 2022 was based on the profit attributable to ordinary shareholders of \$1,545,000 (2021: \$7,935,000); a weighted number of ordinary shares outstanding during the year ended 30 June 2022 of 172,405,192 (2021: 172,116,418); and a weighted number of ordinary shares (diluted) outstanding during the year ended 30 June 2022 of 172,889,534 (2021: 172,603,668), calculated as follows:

In thousands of AUD	Consolidated	
	2022	2021
Profit for the year	1,545	7,935



Note 9. Earnings per share (continued)

**Weighted average number of shares used as the denominator**

Number	Consolidated	
	2022	2021
Number for basic earnings per share:		
Ordinary shares	172,405,192	172,116,418
Effect of employee share plans on issue	494,342	487,250
Number for diluted earnings per share	172,889,534	172,603,668
Basic earnings per share (AUD cents)	0.90	4.61
Diluted earnings per share (AUD cents)	0.89	4.60

Note 10. Cash and cash equivalents

In thousands of AUD	Consolidated	
	2022	2021
Cash at bank and on hand	12,329	12,149

Note 11. Trade and other receivables

**Current**

In thousands of AUD	Consolidated	
	2022	2021
Trade debtors	47,764	53,082
Less: Allowance for expected credit losses	(1,288)	(1,336)
	<b>46,476</b>	<b>51,746</b>
GST receivable	336	172
	<b>46,812</b>	<b>51,918</b>

**Non-current**

In thousands of AUD	Consolidated	
	2022	2021
Trade debtors	21,995	27,593

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.

## Note 11. Trade and other receivables (continued)

Ageing of past due but not impaired:

In thousands of AUD	Note	Consolidated	
		2022	2021
Past due 30 days		2,627	1,422
Past due 60 days		895	830
Past due 90 days		2,499	3,357
<b>Total</b>	24	<b>6,021</b>	<b>5,609</b>

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

In thousands of AUD	Consolidated	
	2022	2021
Balance at beginning of year	1,336	2,217
Amounts written off during the year	(773)	(1,158)
Increase in provision	725	277
<b>Balance end of year</b>	<b>1,288</b>	<b>1,336</b>

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

In thousands of AUD	Consolidated	
	2022	2021
Other prepayments	2,477	2,299
Contract assets	1,169	799
Fair value of assets – forward foreign exchange contracts	11	247
<b>Total</b>	<b>3,657</b>	<b>3,345</b>

Note 12. Other assets (continued)

**Non-current**

In thousands of AUD	Consolidated	
	2022	2021
Contract assets	1,050	799
<b>Total</b>	<b>1,050</b>	<b>799</b>

Note 13. Other financial assets

In thousands of AUD	Consolidated	
	2022	2021
Deposits	244	175

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	
	2022	2021
In thousands of AUD		
At cost	5,874	5,702
Accumulated depreciation	(5,447)	(4,880)
	<b>427</b>	<b>822</b>

Leasehold improvements	Consolidated	
	2022	2021
In thousands of AUD		
At cost	3,298	3,299
Accumulated depreciation	(2,981)	(2,866)
	<b>317</b>	<b>433</b>

Total property, plant and equipment	Consolidated	
	2022	2021
In thousands of AUD		
At cost	9,172	9,001
Accumulated depreciation	(8,428)	(7,746)
<b>Total written down amount</b>	<b>744</b>	<b>1,255</b>

## Note 14. Property, plant and equipment (continued)

Plant and Equipment In thousands of AUD	Consolidated	
	2022	2021
Carrying amount at start of year	822	1,370
Additions	129	116
Disposals	(10)	-
Effects of foreign currency exchange	14	(29)
Depreciation expense	(528)	(635)
<b>Carrying amount at end of year</b>	<b>427</b>	<b>822</b>

Leasehold Improvements In thousands of AUD	Consolidated	
	2022	2021
Carrying amount at start of year	433	513
Additions	-	58
Effects of foreign currency exchange	3	(14)
Depreciation expense	(119)	(124)
<b>Carrying amount at end of year</b>	<b>317</b>	<b>433</b>

## Note 15. Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Consolidated In thousands of AUD	Assets		Liabilities		Net	
	2022	2021	2022	2021	2022	2021
Intangible assets	-	-	8,206	7,879	(8,206)	(7,879)
Trade and other payables	314	435	-	-	314	435
Employee benefits	1,025	1,082	-	-	1,025	1,082
Provisions	440	431	-	-	440	431
Other current liabilities	829	646	757	718	72	(72)
Unrealised foreign exchange gain	-	142	1,277	-	(1,277)	142
Losses available for offsetting against future taxable income	6,478	-	-	-	6,478	-
Deferred tax assets/(liabilities)	9,086	2,736	10,240	8,597	(1,154)	(5,861)
Set off of deferred tax asset	(7,753)	(1,553)	(7,753)	(1,553)	-	-
<b>Net deferred tax assets/(liabilities)</b>	<b>1,333</b>	<b>1,183</b>	<b>2,487</b>	<b>7,044</b>	<b>(1,154)</b>	<b>(5,861)</b>

## Note 15. Deferred tax assets and liabilities (continued)

## Movement in temporary differences during the year:

For year ended 30 June 2022 In thousands of AUD	Consolidated			
	Balance 1 July 21	Recognised in income	Recognised in equity	Balance 30 June 22
Intangible assets	(7,879)	(327)	-	(8,206)
Trade and other payables	435	(121)	-	314
Employee benefits	1,082	(57)	-	1,025
Provisions	431	9	-	440
Other current liabilities	(72)	144	-	72
Unrealised foreign exchange gain	142	(1,419)	-	(1,277)
Losses available for offsetting against future taxable income	-	6,478	-	6,478
	<b>(5,861)</b>	<b>4,707</b>	<b>-</b>	<b>(1,154)</b>

For year ended 30 June 2021 In thousands of AUD	Consolidated			
	Balance 1 July 20	Recognised in income	Recognised in equity	Balance 30 June 21
Intangible assets	(7,208)	(671)	-	(7,879)
Trade and other payables	391	44	-	435
Employee benefits	1,018	64	-	1,082
Provisions	790	(359)	-	431
Other current liabilities	(99)	27	-	(72)
Unrealised foreign exchange gain	62	80	-	142
	<b>(5,046)</b>	<b>(815)</b>	<b>-</b>	<b>(5,861)</b>

## Note 16. Intangible assets

## The balance of capitalised intangible assets comprises:

Cost In thousands of AUD	Consolidated				
	Software development	Third party software	Goodwill	Customer Relationships	Total
Balance at 1 July 2020	46,206	2,408	3,628	882	53,124
Fully amortised & offset	(5,587)	(118)	-	(800)	(6,505)
Internally developed	11,985	-	-	-	11,985
Purchased	-	36	-	-	36
Effects of foreign currency exchange	-	(42)	(338)	(82)	(462)
Balance at 30 June 2021	<b>52,604</b>	<b>2,284</b>	<b>3,290</b>	<b>-</b>	<b>58,178</b>

## Note 16. Intangible assets (continued)

In thousands of AUD	Software development	Third party software	Goodwill	Customer Relationships	Total
Balance at 1 July 2021	52,604	2,284	3,290	-	58,178
Fully amortised & offset	(9,455)	-	-	-	(9,455)
Internally developed	11,499	-	-	-	11,499
Effects of foreign currency exchange	-	-	285	-	285
<b>Balance at 30 June 2022</b>	<b>54,648</b>	<b>2,284</b>	<b>3,575</b>	<b>-</b>	<b>60,507</b>

## Amortisation

In thousands of AUD	Software development	Third party software	Goodwill	Customer Relationships	Total
Balance at 1 July 2020	21,837	1,353	-	882	24,072
Fully amortised & offset	(5,587)	(118)	-	(800)	(6,505)
Amortisation for year	9,738	1,034	-	-	10,772
Effects of foreign currency exchange	-	(41)	-	(82)	(123)
<b>Balance at 30 June 2021</b>	<b>25,988</b>	<b>2,228</b>	<b>-</b>	<b>-</b>	<b>28,216</b>

Balance at 1 July 2021	25,988	2,228	-	-	28,216
Fully amortised & offset	(9,455)	-	-	-	(9,455)
Amortisation for year	10,419	18	-	-	10,437
<b>Balance at 30 June 2022</b>	<b>26,952</b>	<b>2,246</b>	<b>-</b>	<b>-</b>	<b>29,198</b>

## Carrying amounts

In thousands of AUD	Software development	Third party software	Goodwill	Customer Relationship	Total
Balance at 30 June 2021	26,616	56	3,290	-	29,962
<b>Balance at 30 June 2022</b>	<b>27,696</b>	<b>38</b>	<b>3,575</b>	<b>-</b>	<b>31,309</b>

## 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 2022 is \$3,577,000 (2021: \$3,290,000). 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 2022 budget and management projections for the subsequent four years of the Prognosis CGU.

### 2. Discount rate

Discount rate of 11% (2021: 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% (2021: 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 2022.

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

In thousands of AUD	Consolidated	
	2022	2021
Trade and other creditors	10,131	10,181

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

## Note 19. Employee benefits

### Current

In thousands of AUD	Consolidated	
	2022	2021
Liability for annual leave	2,621	2,721
Liability for long service leave	1,029	1,324
	<b>3,650</b>	<b>4,045</b>

### Non-current

In thousands of AUD	Consolidated	
	2022	2021
Liability for long service leave	442	199

## Note 19. Employee benefits (continued)

**Pension plans**

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

**Share based payments****Performance rights and options plan**

On 21 November 2011, the consolidated entity established the Integrated Research Performance Rights and Options Plan (IRPROP). The plan enables the Company to offer options to eligible employees to obtain shares in Integrated Research at no cost contingent upon performance conditions being met (otherwise referred to as performance rights). The performance conditions include either a service period with performance components or a service period with either a net after tax profit hurdle or a total shareholder return (TSR) hurdle. The performance rights are automatically exercised into shares upon the performance conditions being met. Share options are exercisable by employees after the vesting date but before the expiry date (which is five years from the grant date) at their exercise price. The following rights were granted during the period:

Grant Date	Type	Quantity	Exercise price	Expiry date
Nov-21	Options	2,452,609	\$1.98	Aug-26
Nov-21	Performance rights	1,053,210	-	Aug-24
Mar-22	Performance rights	20,202	-	Aug-24
May-22	Performance rights	103,028	-	Aug-24

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

Grant date	Nov 2021	Nov 2021	Mar 2022	May 2022
Fair value at measurement date	\$0.374	\$1.315	\$0.730	\$0.570
Share price	\$1.32	\$1.32	\$0.73	\$0.57
Exercise price	\$1.98	nil	nil	nil
Expected volatility	46%	46%	46%	46%
Contractual life (expressed in days)	1,742	1,011	899	839
Expected dividends	0.00%	0.00%	0.00%	0.00%
Risk-free interest rate (based on 3 year treasury bonds)	1.44%	1.44%	1.44%	1.44%
Testing date	N/A	N/A	N/A	N/A
Model Used	Binomial	Black Scholes	Black Scholes	Black Scholes

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

During the year ended 30 June 2022, the consolidated entity recognised an expense through profit of \$922,000 related to the fair value of rights and options (2021: \$824,000).



**Note 19. Employee benefits (continued)**

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

	Performance Rights		Options	
	2022	2021	2022	2021
<b>In thousands of instruments</b>				
Outstanding at the beginning of the year	806	1,054	-	-
Forfeited during the year	(288)	(124)	(1,085)	-
Exercised during the year	(274)	(354)	-	-
Granted during the year	1,176	230	2,453	-
<b>Outstanding at the end of the year</b>	<b>1,420</b>	<b>806</b>	<b>1,368</b>	-
Exercisable at the end of the year (vested)	-	-	-	-

**Note 20. Provisions**

**Current**

In thousands of AUD	Note	Consolidated	
		2022	2021
Employee benefits	19	3,650	4,045

**Non-current**

In thousands of AUD	Note	Consolidated	
		2022	2021
Employee benefits	19	442	199
Lease make good		463	466
		<b>905</b>	<b>665</b>

**Note 21. Lease assets and liabilities**

The Company has lease contracts for office space and equipment used in operations, with terms ranging from 1 to 5 years. The company's obligations under its leases are secured by the lessor's title to the leased assets.

The lease liabilities were discounted at the incremental borrowing rates as at inception of the respective lease. The incremental borrowing rates for the portfolio of leases were between 3% and 4%. Finance income decreased by \$169,000 (2021: \$242,000) relating to the interest expense on lease liabilities recognised.

## Note 21. Lease assets and liabilities (continued)

**Right-of-use assets**

Office premises In thousands of AUD	Consolidated	
	2022	2021
At cost	8,839	8,705
Accumulated depreciation	(4,432)	(2,702)
	<b>4,407</b>	<b>6,003</b>

Office premises In thousands of AUD	Consolidated	
	2022	2021
Carrying amount at start of year	6,003	6,367
Addition during the year	109	1,555
Effects of foreign currency exchange	-	(23)
Depreciation expense	(1,705)	(1,896)
<b>Carrying amount at end of year</b>	<b>4,407</b>	<b>6,003</b>

**Current lease liabilities**

In thousands of AUD	Consolidated	
	2022	2021
Lease liabilities	1,710	1,655
	<b>1,710</b>	<b>1,655</b>

**Non-current lease liabilities**

In thousands of AUD	Consolidated	
	2022	2021
Lease liabilities	3,161	4,767
	<b>3,161</b>	<b>4,767</b>

**Contractual undiscounted cash outflows used to calculate lease liability**

In thousands of AUD	Consolidated	
	2022	2021
Less than one year	1,850	1,660
Between one and five years	3,384	5,210
Greater than five years	-	-
	<b>5,234</b>	<b>6,870</b>

## Note 22. Other financial liabilities

### Current

In thousands of AUD	Consolidated	
	2022	2021
Fair value of hedge liabilities - forward foreign exchange contracts	654	192
	<b>654</b>	<b>192</b>

### Non-Current

In thousands of AUD	Consolidated	
	2022	2021
Other creditors	8	13
	<b>8</b>	<b>13</b>

## Note 23. Capital and reserves

### Share capital

In thousands of shares	Ordinary shares	
	2022	2021
On issue 1 July	172,215	171,861
Issued against employee performance right exercised	274	354
<b>On issue 30 June</b>	<b>172,489</b>	<b>172,215</b>

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.

### 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.

Note 23. Capital and reserves (continued)

**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.

**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
<b>2022</b>				
Final 2021	Nil	Nil	Nil	N/A
<b>Total amount</b>		<b>Nil</b>		
<b>2021</b>				
Final 2020	3.75	6,447	100% franked	
<b>Total amount</b>		<b>6,447</b>		

No dividends were declared for the 2022 financial year.

**Franking account disclosure:**

In thousands of AUD	Company	
	2022	2021
Adjusted franking account balance	8,141	7,764
Impact on franking account balance of dividends not recognised	-	-

**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.

**Note 24. Financial instruments (continued)**

**Borrowings**

The Company has a \$20 million multicurrency revolving cash advance facility with an expiry date of 31 July 2023. Interest is variable, linked to Bank Bill Swap Bid Rate (BBSY), plus a margin. 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.

There were no borrowings drawn under the facility at 30 June 2022 (2021: \$5.3 million). Due to the operating performance for 2022, the facility is not available to be drawn. As a result, and to save on finance costs, it is anticipated the facility will be terminated prior to expiry.

During the 2021 financial year, the Company applied for and received US \$1.0 million in borrowing as part of the US Paycheck Protection Program (PPP). The proceeds of the loan are to be used for certain operational costs, namely payroll and benefits, but can also be used towards rent and utilities. The intention of the loan program is for borrowers to use the funds for the approved purposes and subsequently seek loan forgiveness, which can be sought when the loan proceeds have been used.

During the 2022 financial year the loan was forgiven in full, recognised through profit and loss as grant income and treated as a non-cash financing activity within the statement of cash flows by the Company.

**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 2022, the total value of bank guarantees provided was \$1,110,000 (2021: \$1,110,000). The facility terminates on 31 December 2026.

**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.

Note 24. Financial instruments (continued)

**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.

**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:

In thousands of AUD	Consolidated			
	Liabilities		Assets	
	2022	2021	2022	2021
US Dollar	1,416	1,644	3,697	5,343
Sterling	-	-	35	94
Euro	-	-	1,526	3,243

**Foreign currency sensitivity**

At 30 June 2022, if the US Dollar, Sterling or 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 the following based on the change in the exchange rate against the Australian dollar.

In thousands of AUD	Consolidated			
	Net (loss)/profit before tax		Equity	
	2022	2021	2022	2021
US Dollar	253	411	253	411
Sterling	4	10	4	10
Euro	170	360	170	360

Change in currency (i) – 10% decrease

In thousands of AUD	Consolidated			
	Net (loss)/profit before tax		Equity	
	2022	2021	2022	2021
US Dollar	(207)	(336)	(207)	(336)
Sterling	(3)	(9)	(3)	(9)
Euro	(139)	(295)	(139)	(295)

Change in currency (i) – 10% increase

**Note 24. Financial instruments (continued)**

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\$26.8 million (2021: A\$34.9 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\$3.0 million (2021: A\$3.8 million) increase to net profit before tax and equity, whilst a 10% increase would result in a A\$2.4 million (2021: A\$3.2 million) decrease to net profit before tax and equity.

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.

**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 option and forward exchange contracts to hedge its foreign currency risk. The option and forward exchange contracts have maturities of less than two years after the reporting date.

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

Outstanding contracts	Average Exchange Rate		Foreign Currency		Contract Value		Fair Value	
	2022	2021	2022	2021	2022	2021	2022	2021
			FC'000	FC'000	A\$'000	A\$'000	A\$'000	A\$'000
<b>FX Forwards</b>								
<b>Sell US Dollar</b>								
Less than 3 months	0.77	0.72	2,500	4,000	3,249	5,572	(379)	233
3 to 6 months	0.74	0.76	1,000	2,750	4,108	3,620	(107)	(50)
6 to 9 months	0.70	0.78	750	1,700	1,058	2,194	(29)	(75)
9 to 12 months	0.69	0.78	750	1,500	1,043	1,935	(45)	(68)
<b>FX Options</b>								
<b>Put US Dollar</b>								
Less than 3 months	0.67	-	2,000	-	3,008	-	(28)	-
3 to 6 months	0.70	-	1,000	-	1,429	-	(66)	-
<b>Call US Dollar</b>								
Less than 3 months	0.75	-	2,000	-	2,685	-	3	-
3 to 6 months	0.75	-	1,000	-	1,335	-	7	-
							<b>(644)</b>	<b>40</b>

**Note 24. Financial instruments (continued)**

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 contract 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.

**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 2022 was \$6.0 million (2021: \$8.0 million). Ongoing credit evaluation is performed on the financial condition of accounts.

The Company has a program available 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 2022 no debtors were sold (2021: nil). 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 \$0.9 million (2021: \$1.4 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 2022 and 2021 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 2021 and 2022 of the consolidated entity was a reasonable approximation of their fair value.



## Note 25. Consolidated entities

	Country of incorporation	Ownership interest	
		2022	2021
<b>Parent entity:</b>			
Integrated Research Limited	Australia		
<b>Subsidiaries of Integrated Research Limited:</b>			
Integrated Research Inc	USA	100%	100%
Integrated Research Singapore Pte Limited	Singapore	100%	100%
Integrated Research UK Limited	UK	100%	100%
<b>Subsidiaries of Integrated Research UK Limited:</b>			
Integrated Research Germany GmbH	Germany	100%	100%

## Note 26. Reconciliation of cash flows from operating activities

In thousands of AUD	Consolidated	
	2022	2021
Profit for the year	1,545	7,935
Depreciation and amortisation	12,789	13,427
Provision for expected credit loss	(48)	(881)
Interest received	(2,049)	(1,440)
Interest paid	225	602
Share-based payments expense	922	824
Net exchange differences	(302)	672
<b>Change in operating assets and liabilities:</b>		
(Increase)/decrease in trade debtors	10,704	7,741
(Increase)/decrease in future income tax benefit	(21)	(408)
(Increase)/decrease in other operating assets	(632)	(248)
Increase/(decrease) in trade and other payables	(50)	(32)
Increase/(decrease) in other operating liabilities	(1,305)	(5,789)
Increase/(decrease) in provision for income taxes payable	(126)	(2,066)
Increase/(decrease) in provision for deferred income taxes	(4,557)	594
Increase/(decrease) in other provisions	(155)	145
<b>Net cash from operating activities</b>	<b>16,940</b>	<b>21,076</b>

## Note 27. Key management personnel disclosures

### Key management personnel compensation

The key management personnel compensation are as follows:

In thousands of AUD	Consolidated	
	2022	2021
Short-term benefits	1,596,548	2,001,568
Post-employment benefits	98,199	113,855
Long term benefit	18,891	9,783
Equity compensation benefits	466,495	291,491
Termination benefits	-	237,500
	<b>2,180,133</b>	<b>2,654,197</b>

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 2022 Mr Steve Killelea, the founder of IR, owned either directly or indirectly 30.3% of the Company (2021: 30.3%). A related entity of Mr Killelea provided consulting services totaling \$100,000 in the year ended 30 June 2022 (2021: \$100,000).

## Note 29. Parent entity disclosures

### Financial Position

In thousands of AUD	Parent Entity	
	2022	2021
<b>Assets</b>		
Current assets	49,157	61,103
Non-current assets	32,357	31,785
<b>Total Assets</b>	<b>81,514</b>	<b>92,888</b>
<b>Liabilities</b>		
Current Liabilities	14,361	15,777
Non-current liabilities	2,533	12,218
<b>Total Liabilities</b>	<b>16,894</b>	<b>27,995</b>
<b>Net Assets</b>	<b>64,620</b>	<b>64,893</b>
<b>Equity</b>		
Issued Capital	1,667	1,667
Employee benefits Reserve	5,996	5,073
Retained Earnings	56,957	58,153
<b>Total Equity</b>	<b>64,620</b>	<b>64,893</b>

Note 29. Parent entity disclosures (continued)

**Financial Performance**

In thousands of AUD	Parent Entity	
	2022	2021
(Loss)/profit for the year	(1,196)	6,271
Other comprehensive income	-	-
<b>Total comprehensive income</b>	<b>(1,196)</b>	<b>6,271</b>

Investments in subsidiaries are included at cost.

**Note 30. Subsequent events**

There has been no transaction or event of a material or unusual nature that has arisen in the interval between the end of the financial year and the date of this report which is likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company, in future financial years.

# 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 2022 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 2022 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 2022.

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

Dated at North Sydney this 18th day of August 2022.



**Peter Lloyd**  
Chairman



**John Ruthven**  
Managing Director and Chief Executive Officer



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

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

## **Independent Auditor's Report to the 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 2022, 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 2022 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

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.

#### How our audit addressed the key audit matter

Our audit procedures included the following:

- ▶ Assessed the appropriateness of the Group's revenue recognition accounting policies relating to multi-element arrangements in terms of compliance with *AASB15 Revenue from contracts with customers*.
- ▶ For a sample of contracts,
  - assessed the Group's identification and separation of each element and tested the allocation of total contract revenue to each element in the multiple-element arrangements.
  - 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.
- ▶ Reviewed the disclosures in the financial report relating to revenue.



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## Recoverability of long-term trade debtors

### Why significant

Approximately 55% of the total assets of the Group are represented by trade debtors of which \$21.9m 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.

### How our audit addressed the key audit matter

Our audit procedures included the following:

- ▶ For a sample of trade debtor invoices, we sought confirmations directly from the debtor to confirm outstanding balances and considered the extent to which significant invoices that are due have subsequently been collected.
- ▶ For a sample of unbilled receivables and trade debtor invoices, we checked the amount recorded within trade debtors is in accordance with the customer contract.
- ▶ Considered the ageing of outstanding trade debtor balances beyond their credit terms and assessed the adequacy of the provisions recorded. This included evaluating the relevant assumptions made by the Group taking account of the Group's historical collections and considering the credit risk of specific customers.
- ▶ Reviewed the disclosures in the financial report relating to long-term trade debtors.

## Capitalised software development costs

### Why significant

As set out in Note 16 of the Financial Report, the Group capitalises costs related to the development of software products. Capitalised software development costs are amortised over the expected economic life of the assets.

A net carrying amount of \$27.7m of capitalised software development costs is recorded at 30 June 2022, as shown in note 16 to the financial statements. Given the value of this balance, the significant level of software development expenditure incurred during the year and the judgement required in relation to determining:

- whether these costs meet the requirements to be capitalised;
- the estimated economic life; and
- the recoverability of capitalised software development costs

this was considered to be a key audit matter.

### How our audit addressed the key audit matter

Our audit procedures included the following:

- ▶ Assessed the Group's capitalisation policy for software development costs for compliance with *AASB138 Intangible assets*.
- ▶ 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.
- ▶ Evaluated the appropriateness of management's assessment of the amortisation periods attributable to capitalised software development costs.
- ▶ 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 2022 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.





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- 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 16 to 28 of the directors' report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of Integrated Research Limited for the year ended 30 June 2022, 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.

A handwritten signature in black ink that reads 'Ernst &amp; Young'.

Ernst & Young

A handwritten signature in black ink that reads 'Julian M. O'Brien'.

Julian M. O'Brien  
Partner  
Sydney  
18 August 2022



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

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

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

As lead auditor for the audit of the financial report of Integrated Research Limited for the financial year ended 30 June 2022, 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;
- b. No contraventions of any applicable code of professional conduct in relation to the audit; and
- c. No non-audit services provided that contravene 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

Julian M. O'Brien  
Partner  
18 August 2022