Integrated Research Limited

Chairman's Address

Ladies and gentlemen I would like to welcome you to the 9th Annual General Meeting of Integrated Research. I am pleased to present my summary of the year to 30th June 2009, and to comment on the current reporting period.

Last year saw a record profit declared. NPAT increased by 36% to $7.9M compared to $5.8M in the prior financial year of 2008. The company also increased its revenue by 14% to $42.7M. This is the first time that revenue has exceeded $40M. The IP Telephony business performed exceptionally well with growth in revenue of 47% and our traditional HP-nonstop business line experienced 14% growth over the previous financial year. The company's consulting business grew by 23% to $1.7M and, although still small, the company will be seeking to increase its percentage of revenue from consulting in 2010 and subsequent years.

The European operation performed well with an overall increase of 16% in revenue. The US operation decreased revenue by 5%, however there was a strong bounce back in the second half. The Asian operation revenue remained flat.

Given the poor economic conditions experienced globally during the financial year this is a very pleasing performance. The result was favorably affected by currency movements between the US and AUD.

The company has been able to maintain and build on its strategy releasing new product lines, gaining new customers, expanding its reseller network and signing a significant strategic partner relationship with the IP telephony provider AVAYA.

The board and senior management have continued to work with Boston Consulting Group (BCG) to develop the company's strategy. BCG have reported back to the board and senior management on the market potential, the competitive position of our products and the capability gaps the company may have in its execution. After reviewing the BCG report and management input, the board has confirmed that the company's products are technically excellent and highly competitive. This includes the IP Telephony product range. The potential revenue from our products and markets is enough for the company to experience real growth. However, for the company to achieve this growth a number of new initiatives are in progress.. These include enhancing our strategic HR capabilities, aggressively growing consulting revenue, implementing improved financial reporting systems, building our strategic marketing capabilities and implementing consistent global sales structures. Each of these initiatives is now well advanced.

In light of the company's strong balance sheet the board of directors, over the last two years, made the decision to maintain the company's historical levels of investment in its strategy and to treat the recession as an opportunity to improve our position against our competitors. This strategy has worked well with a number of our competitors either discontinuing their product lines or reducing their investments.

I would like to comment on the fact that the year consisted of two distinct halves.The first saw a collapse of the global economy as the stock markets fell and the global credit markets faltered. The second half witnessed the implementation of strong global stimulus packages that improved spending, recapitalized the financial markets and led to a rebound in stock markets. These factors, along with a drop in the Australian dollar, led to a strong second half performance for IR.

What is pleasing to note is the good performance of the IP Telephony platform. As I mentioned earlier, revenue increased by 47%. These sales resulted from our historical commitment to this sector resulting in a stronger product, improved sales coverage as well as an expanded distributor network. The compound growth rate for the last five years now stands at an impressive 42%.

HP-NonStop continued to perform strongly in a mature market. Revenue increased by 20%. It is particularly interesting to note that our sales to the banking sector held up very well despite being the most affected economic sector in the global financial crisis. This is mainly due to the critical role that the company's software performs in managing some of the banking sector's most critical business systems. These systems were deemed too important to the core business to cut spending. The retention rate for maintenance renewals was approximately 92%.

The Windows, UNIX and Linux product range reduced revenue by 30% in the 2009 financial year. This was after a very strong result in 2008, which was bolstered by two large one off sales that were unlikely to be repeated in the subsequent years. The WINDOWS, UNIX and LINUX product lines will continue to contribute to revenue but are unlikely to contribute to significant growth.

Looking forward, the prospects for the company appear bright. The company has further enhanced its competitive position in IP Telephony by signing an exclusive relationship with AVAYA which is the second largest global supplier of IP Telephony systems and with approximately 23% of the world market. AVAYA has discontinued its competing product lines and is now recommending Integrated Research's products to their channel and customers. The marketing relationship was signed in May 2009. Additional revenue from the relationship was minimal in the 2009 financial year but has already resulted in substantial revenue this financial year. Integrated Research has now signed agreements

with seven of the eight largest resellers in the US and have signed 36 resellers globally. We now have products that manage the environments for the three largest IP Telephony suppliers. .
The company is also focusing on financial payments software. This area has historically formed a revenue stream within the HP-Nonstop product lines and has been based on ACI's Base24 financial switches. Integrated Research will now be expanding to further platforms including Postillion, Connex and other WINDOWS and UNIX based financial switches.

IR maintained a strong cash position of $14.5M at the end of the financial year compared to $11.1M at the end of the prior financial year. The company paid a final dividend of 2.5c per share, which was 5%, franked. This brought the total dividend for the year to 4c per share. The company expects future dividends to be fully or near fully franked.

The company is not providing market guidance on revenue or profit projections.

We have no plans for major acquisitions and continue to focus on organic growth; however some small acquisitions of complementary products are being undertaken.

Future global economic conditions are uncertain. Although many nations' economies now seem to have the first stages of economic recovery underway the next five years are likely to see much slower growth rates than in the past. The US and European economies will be weighed down by debt and structural adjustments, for some years to come.

I would also like to comment on the major fluctuations in exchange rates. The US dollar has been through an unprecedented depreciation over the last nine months. This will adversely affect trading conditions for Integrated Research as the largest part of our income is denominated in US dollars. However, the board believes that growth in the company's sales will offset the negative impact of the appreciation of the Australian dollar.

Over the longer term we expect to maintain our position in the HP NonStop market and experience growth with our WINDOWS, UNIX and Linux products. We believe that our best opportunity for high growth is with the IP Telephony range of products where the market is developing and the company has a world class and unique offering.

Finally, on behalf of the board I would like to congratulate and thank the CEO, his management team and all the staff for their outstanding performance and individual contributions during the year.

I would also like to thank the shareholders for their support of the company and re-enforce the board's commitment to work hard to create future shareholder value.