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Chairman's address

Ladies and gentlemen, I would like to welcome you to the 8th Annual General Meeting of Integrated Research. I am pleased to present my summary of the year to 30th June 2008, and to comment on the current reporting period.

Last year saw an increase of 6% in PAT to $5.8M compared to $5.4M in the prior financial year of 2007. The company also increased its revenue by 3% to $37.4M. Both of these results would have been stronger except for the strong appreciation of the Australian dollar against both US dollar and Sterling. The impact of the appreciation of the AUD compared to the prior reporting period decreased revenue by approximately $3.9M and after tax profits by $1.8M.

I would like to comment that the year consisted of two distinct halves, the first saw strong growth on the prior reporting period; however the second half was below the performance of the prior reporting period. The second half was adversely affected by the global liquidity crisis and was also impacted by the company's strong presence in the financial sector.

The US operation performed well with an overall increase of 21% in revenue. The Asian operation increased overall revenue by 2%, however these performances were offset by a increase of 1% in the European revenue.

What is pleasing to note is the strong performance of the Windows, UNIX and Linux product range which saw an increase of 90% in new sales on the prior reporting period. This was due to two large sales where the product will be deployed on thousands of servers. Both of these customers were existing HP NonStop customers. Although we do expect to be able make similar sales in the future the company is not expecting the same percentage growth rate year on year.

HP NonStop continued to perform strongly in a mature market. New sales declined by 9% over the prior year in AUD but in currency adjusted terms the product range has shown a slight increase in new sales. The retention rate of maintenance renewals was approximately 93%.

IP Telephony performance for the year was flat and the company continues to experience lumpy growth, however new sales growth has averaged 44% for the last four years. The US operation continued to grow with an increase of 30% in new license sales which was offset by reductions in sales in Europe and Asia.

Due to the poorer than expected performance last year in IP Telephony, the board of directors engaged the Boston Consulting Group to review the market potential of the company, the competitiveness of our product ranges and the capability gaps that the company may have in its execution. BCG have reported back to the board and senior management.

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 these markets is enough for the company to experience high growth. However for the company to achieve this growth a number of new initiatives need to be undertaken.

These initiatives are included in a detailed plan which is being developed to improve the company's execution by enhancing the company's strategic planning, product and marketing activities and its performance measurements. It is expected to take six months for the changes to be fully implemented and results to flow.

The company continued to invest with expenses increasing by 3%. The figure would have been higher except for the appreciation of the AUD which meant that US expenses translated to a lower figure than the prior reporting period. The company continued to invest in R&D with expenditure increasing by 37%.

Looking ahead to the current year and beyond I have no reason to doubt that Integrated Research will continue to grow. The company will continue to invest in the future and aggressively tackle the changes that the company needs to make to realize its potential.

The company has no plans for major acquisitions and continues to focus on organic growth; however some small acquisitions of complementary products may be considered if appropriate.

Future global economic conditions are uncertain. The global liquidity crisis is an event unlike any I have seen in my business life and would appear to still have considerable momentum. The US and European economies are in recession and the depth and length of the recession is difficult to judge. These events will have an impact on the company's performance for this financial year and FY10. The full extent of this impact is difficult to judge.

However the decrease in the exchange rate between the AUD and the USD will give a substantial boost to our AUD denominated earnings and is acting as a strong buffer against the economic downturn.

Over the longer term we expect to maintain our position in the HP NonStop market and experience moderate growth with our Windows, UNIX and Linux products. The company believes 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.

After more than five years on the board at Integrated Research David Boyles has announced his retirement. I would like to extend a heart-felt thank you to David for the relevant and intelligent contributions that he has made to the board. The board has commenced a process to find his successor and I would expect to make an announcement before the end of this calendar year.

I would 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.