

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 formulating 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 ensuring the integrity of internal control and management information systems. It is also responsible for approving and monitoring financial and other reporting. Details of the board's charter are located on the company's website (www.ir.com).

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 Committee and a Strategy Committee. These committees have written mandates and operating procedures, which are reviewed on a regular basis. The board has also established a framework for the management of the consolidated entity including 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, plus strategy 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 the CEO's report, financial reports, strategic matters, governance and compliance. Submissions are circulated in advance. Executives are regularly involved in board discussions and directors have other opportunities, including visits to operations, for contact with a wider group of employees.

During the year the board undertook a formal performance evaluation of itself and of individual directors and the Chairman to identify governance and performance strengths and areas for improvement. The Chairman discussed individual director results with each director agreeing appropriate development actions and, tabled his own results for discussion and agreement with the board. The board implemented changes to its governance practices as a consequence of the evaluation. The board increased the scheduling of executive presentation sessions at board meetings to ensure the board is continuously updated on operational and strategic issues and has the opportunity to meet and work with management in Australia from the company's overseas operations.

Corporate Governance Statement *(continued)*

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. Directors also have the opportunity to visit consolidated entity facilities and meet with management to gain a better understanding of business operations. In addition Executives make regular presentations to the board to ensure its familiarity of 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 consolidated entity'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 page 12 of this report.

The company's constitution provides for the board to consist of between three and twelve members. At 30 June 2007 the board members were comprised as follows:

- › Mr Steve Killelea – non independent non executive director (Chairman).
- › Mr David Boyles – independent non executive director (Deputy Chairman).
- › Ms Kate Costello - independent non executive director.
- › Mr Alex Kennedy - independent non executive director.
- › Mr Keith Andrews - executive director (Chief Executive Officer).

Mr Ian Winlaw retired from his position as an independent non executive director in December 2006. Mr Alex Kennedy retired from his position as an independent non executive director in September 2007. Mr John Brown was appointed as an independent non executive director in July 2007.

Mr Keith Andrews resigned from his position of executive director in September 2007 and Mr Mark Brayan was appointed as an executive director in September 2007.

The election of Mr Killelea, who holds a majority of the company's issued shares, as non-executive chairman does not comply with the ASX Corporate Governance Council recommendation that the chairman be an independent director. However, the board considers the appointment of Mr Killelea to be beneficial to the company and will enable it to continue to build on the experience and knowledge gained through his long involvement with Integrated Research and his associations throughout the information industry. Mr Killelea founded Integrated Research in 1988 and was the CEO and managing director of the company until his retirement in November 2004. The board recognises the need for directors to exercise unfettered and independent judgement and in September 2005 appointed Mr David Boyles as deputy chairman. In this role Mr Boyles acts as lead independent director.



Corporate Governance Statement *(continued)*

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 chief executive officer 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 will, in conjunction with the board, determine the selection criteria for the position based on the skills deemed necessary for the board to best carry out its responsibilities. The committee would then select a panel of candidates and the board would then appoint the most suitable candidate who must stand for election at the next general meeting of shareholders.

Nomination and Remuneration Committee

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.

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.

Corporate Governance Statement *(continued)*

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

- › Alex Kennedy (Chairman from December 2006) – Independent Non-Executive.
- › David Boyles (retired as member from December 2006) – Independent Non-Executive.
- › Alex Kennedy – Independent Non-Executive.
- › Steve Killelea – Non-Executive.

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 Committee

The Audit Committee has a documented charter, approved by the board. 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 internal control and appropriate ethical standards for the management of the consolidated entity.

The members of the Audit Committee during the year were:

- › David Boyles (Chairman from December 2006) – Independent Non-Executive
- › Ian Winlaw (Chairman retired December 2006) – Independent Non-Executive
- › Kate Costello – Independent Non-Executive
- › Alex Kennedy – Independent Non-Executive



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The external auditor, chief executive officer and chief financial officer are invited to Audit Committee meetings at the discretion of the committee. The committee met three times during the year and committee members' attendance record is disclosed in the table of directors' meetings on page 19.

The external auditor met with the audit committee/board three 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 2007 comply with accounting standards and present a true and fair view, in all material respects, of the company's financial condition and operational results. This statement is required annually.

The Audit Committee's charter is available on the company's website and includes information on procedures for selection and appointment of the external auditor, and for rotation of external audit engagement partners.

The main responsibilities of the Audit Committee include:

- › Reviewing the annual and half-year financial reports and other financial information distributed externally, including new accounting policies to ensure compliance with Australian Accounting Standards and generally accepted accounting principles.
- › Assessing whether non-audit services provided by the external auditor are consistent with maintaining the external auditor's independence. Each reporting period the external auditor provides a declaration of independence.
- › Providing advice to the board in respect of whether provision of the non-audit services by the external auditor is compatible with the general standards of independence of auditors imposed by the Corporations Act 2001.
- › Reviewing the nomination and performance of the external auditor.
- › Monitoring the establishment of an appropriate internal control framework, and appropriate ethical standards.
- › Monitoring the procedures to ensure compliance with the Corporations Act 2001 and ASX Listing Rules and all other regulatory requirements.
- › Addressing any matters outstanding with auditors, Australian Tax Office, overseas tax authorities, Australian Securities and Investments Commission and financial institutions.

The Audit 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.

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- › 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.
- › To finalise half-year and annual reporting:
 - › Review the results and findings of the auditor, the adequacy of accounting and financial controls, and to monitor the implementation of any recommendations made.
 - › 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.

The full board has retained responsibility for monitoring the corporate risk assessment processes and fraud control.

Strategy Committee

The Strategy Committee has a documented charter, approved by the board and is responsible for reviewing strategy and recommending strategies to the board to enhance the company's long-term performance. The committee is comprised of at least three members, including the chairman of the board and the chief executive officer. The board appoints a member of the committee to be chairman.

The members of the Strategy Committee during the year were:

- › Steve Killelea (Chairman) – Non-Executive.
- › Keith Andrews – Executive.
- › David Boyles – Independent Non-Executive.
- › Kate Costello – Independent Non-Executive.

The Strategy Committee is responsible for:

- › Working with management on the articulation of any strategic plan for recommendation to the board.
- › Assisting in identifying and assessing strategic opportunities including:
 - › Mergers and acquisitions proposals
 - › Intellectual property developments or acquisitions
 - › Changes in business models
 - › Partnering arrangements
 - › Entry into new markets

